IMPACT OF INTERNAL AUDIT AND CORPORATE GOVERNANCE PRACTICES ON THE PERFORMANCE OF STATE-OWNED ENTERPRISES IN NAMIBIA

By

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DECLARATION

I, Kofi Boamah, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed: **Date**: 03/09/2020

ABSTRACT

Contemporary literature suggests that despite the theoretical justifications and some empirical evidence supporting the government's reasoning for state-owned enterprises participation in the economic development in Namibia, their performance is a matter of concern. They are generally noted to be struggling and underperforming, and their sustainability has been in question since the beginning. This situation has placed a burden on the Namibian government to intercede with subsidies to sustain them with the hope that they will improve and contribute to the national economic development.

Notwithstanding the existence of good legislation, regulations and codes of governance to guide and direct the operations of the state-owned enterprises, the absence of enforcement machinery to induce compliance, has continuously contributed to the violation of existing laws and regulations by the state-owned enterprises in the country. Also, the lack of an effective system of internal audit or its total absence, and effective corporate governance practices among the state-owned enterprises seemed to be the cause of economic and productive state-owned enterprises failure in Namibia.

The examination of the effect of internal audit function on corporate governance practices of the economic and productive state-owned enterprises is therefore the purpose of this study. Internal audit is a vital part of the corporate governance structure. It plays an active role in implementing effective governance systems and adds value to the organisation by providing stakeholders with objective and adequate assurance and consultancy services; thereby contributing to the effectiveness and efficiency of governance and control processes. The association of internal audit effectiveness with state-owned enterprises performance, however, appears not as yet explored. This research, based on the philosophical underpinning of agency and stewardship theories, used the mixed-method approach to evaluate the effects of internal audit on corporate governance practices of the state-owned enterprise performance and sustainability in Namibia. The statistical software, SPSS and Atlas.ti were used to analyse the data, which provided a systematic approach to the participants' responses enabling interpretations and conclusions.

The results of the study confirmed that internal audit effectiveness is measured by variables such as independence and objectivity, internal audit and risk management, scope of internal audit work, organisational type and size, organisational policies authorising internal audit, cooperation with auditee, internal-external audit linkages, quality of planning, reporting and

follow-ups – measures, which are in line with the guidelines provided by the International Standards for Professional Practice of Internal Audit in support of internal audit function.

Further, the method allowed triangulation of sources and validation of the findings, which indeed increased the depth and provided a more inclusive image of the outcomes. These were consolidated and formed the critical themes of the study that eventually emerged, namely improved corporate governance practices, internal audit effectiveness, state-owned enterprises performance and sustainability and, public, private partnership.

This study shows that internal audit function plays a unique role in governance practices and has a direct impact on state-owned enterprise performance and sustainability. The study confirmed that internal audit stands for competence, quality, transparency, integrity and argues against unethical business activities. Both the board and management rely on internal audit for assurance, consulting and value creation; and provides fresh ideas for ensuring that risks are lessened. The study further, strikes a compromise between advocates of privatisation and state-ownership and advanced support for public-private partnership as a better alternative to privatisation or outright sale of the state-owned enterprises.

The practical implications that this study brings to bear is enormous as it contributes to knowledge, policy and future research. Also, it contributes to enhancing practitioners', professionals' and investors' understanding of how the intricacies of internal audit function impact on corporate governance practices and improve the sustainability of the state-owned enterprises in the country. As an essential source document, contemporary and aspiring researchers will benefit by helping to address the problem of scarcity of research in this field in Namibia and beyond. Finally, the study has made recommendations to augment the thinking of policymakers to re-enforce the existing laws and regulations and insist on their implementation.

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DEDICATION

This work is dedicated to my late parents Opanying Joseph Kwaku Boamah and Madam Maria Abena Dufie of blessed memories.

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GROSSARY

AC	Audit Committee
ACC	Audit committee chairpersons
AfDB	African Developing Bank
AGRIBANK	Agricultural Bank of Namibia
BRC	Blue-Ribbon Committee
BTI	Bertelsmann Stiftung's Transformation Index
CACG	Commonwealth Association of Corporate Governance
CAE	Chief audit executive
CCEDP	Cabinet Committee on Economic Development and Parastatals
CCG	Code of Corporate Governance
CEO	Chief audit executive
CFO	Chief Finance Officers
CMA	Common Monetary Area
COSO	Committee of Sponsoring Organisations
CPD	Continuous Professional Development
CPI	Corruption Perception Index
CPUT	Cape Peninsular University of Technology
EA	External Auditor
EPSOE	Economic and Productive SOEs
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
FRC	Financial Reporting Council
GCR	Global Competitiveness Report
GM	General Manager
GRN	Government of Namibia
HU	Hermeneutic unit (HU)
IA	Internal Audit
IAF	Internal audit function
IAQ	Internal Audit Quality
ICAEW	Institute of Chartered Accountants of England & Wales
ICT	Information and Communications Technologies
IDEA	Institute for Democracy and Electoral Assistance
IMF	International Monetary Fund
IoDSA	Institute of Directors of Southern Africa
ISPPIA	International Standards for Professional Practice of Internal Auditing

ISSAI	International Standards of Supreme Audit Institutions
MDG	Millennium Development Goals
MNE	Multinational enterprises
MWTC	Ministry of Works, Transport and Communication
NAD	Namibian dollar
NamCode	Namibia Code of Corporate Governance
NDP	Namibia Development Plan
NNHRP	Namibia's National Human Resources Plan
NWR	Namibia Wildlife Resort
NXS	Namibia Stock Exchange
OECD	Organisation for Economic Co-operation and Development
PCA	Principal component analysis
PD	Primary document
PE	Public Enterprises
PER	Terms of reference
PPP	Public Private Partnership
PWC	Price Waterhouse Coopers
ROA	Return on Assets
ROC	Return on Capital
SACU	Southern African Customs Union
SADC	Southern African Development Corporation
SEC	Securities Exchange Commission
SEZP	Special Economic Zones Policy
SOEGC	State Owned Enterprise Governance Council
SOX	Sarbanese-Oxley Act
UCLA	University of California at Los Angeles
UKCG	UK code of governance
VIF	Variable inflationary factor
WB	World Bank
WBR	World Bank Report
WW	World War

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Corporate Governance (CG) arose out of obscurity to attract the attention of governments, regulators, professionals and academics in the last two decades. This sudden development did not happen in a vacuum but against the backdrop of severe financial crises in Asia in the 1990s and the collapse of business giants such as Enron, Parmalat, WorldCom, Swissair and many others in the US and Europe. As a result of these scandals with some spill over effects internationally, many countries resolved to develop CG codes to promote best corporate practices (Damagum & Chima, 2014:18). Countries that had existing codes reviewed and tightened them to combat the onslaught of the crises that had permeated every sector of their economies. Examples include the UK Governance Code 2018, Sarbanes-Oxley Act 2002, King IV of South Africa 2016 and the NamCode of Namibia 2014. Many countries in Africa such as Kenya, Nigeria, Ghana and several others developed similar versions of their own.

Namibia stands at the threshold of its economic development as the government establishes many State-Owned Enterprises (SOEs) to provide jobs and essential goods and services which could not be left in the hands of private sector organisations. Unfortunately, however, the performance of some of the SOEs has been dismal and disappointing. Some analysts, such as Gurirab (2013) and later Sherbourne (2017:438) attribute the problem to a weak board of directors, maladministration and mismanagement on the part of executives. The contention here is that a significant share of corporate failure in the West has been attributed to auditing firms' failure (Arthur Anderson in the case of Enron). One, therefore, wonders whether improvement in internal audit (IA) function could serve as a solution for SOE failure in Namibia.

1.2 Background to the research

The government of Namibia has set up several SOEs as part of its developmental agenda as expressed in the country's Vision 2030 and the National Development Plans of Namibia. Namibia regards SOEs as powerful agents for development. They are intended to serve as an extension of the government's development policy by supplying public goods and services and play a specialised regulatory role (Kuugongelwa-Amadhila[1], 2012). Accordingly, the SOEs are expected to contribute to the government's overall development agenda, but the gap between the realisation of the aspirations and the SOE's ability to deliver them places a burden on the government to continually intervene to subsidise the operations of these organisations.

State-owned Enterprises have consistently been making headlines in the major newspapers in Namibia but for the wrong reasons (Jauch (2012:1). They have been characterised by their mismanagement, board dysfunction and continue dependence on government subsidies for sustainability, and yet underperforming CEOs and MDs are offered huge "golden handshake" (massive payment) when their appointments are terminated (Weylandt, 2016:7). Weylandt further noted that a former Air Namibia Managing Director received a severance payment of more than N$3 million and in spite of an audit report finding that she had contravened the Anti-Corruption Act and infringed her employment contract, she was never brought before a disciplinary hearing. Similar reports include:

- Namibia Airports Company CEO Ben Biwa received a severance package of around N$2 million[2];
- The NWR MD Tobie Aupindi walked off with N$5 million when he resigned[3];
- The Namibian Wildlife Resort (NWR) paid N$5 million to a consultant for a 3-month work without board approval;
- NAC paid N$30 million for retrenching its staff[4];
- The Namibian Wildlife Resort (NWR) stands at the brink of collapse as it accumulates massive debts and yet pays millions of dollars to contractors for the renovations that were never done;
- The "Roads Authority owes contractors over N$47 million"; and "the NHE is violating its mandate of providing affordable houses for the needy" [5].

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[1] Kuugongelwa-Amadhila is the Prime Minister of the Republic of Namibia

[2] "Biwa Gets Golden Handshake," The Namibian, November 3, 2013

[3] "Super Golden Handshake for Aupindi," The Namibian, June 26, 2012.

[4] The Namibian Newspaper report, 23 March 2012.

Several reports of this nature are common in the media expressing the displeasure of the populace. Further, the protracted demonstration of annual balance sheet weaknesses by the majority of the SOEs is worrisome and calls for a stronger antidote because the economy cannot endure a prolongation of the current.

Table 1.1: Key financial indicators of SOEs (2009/2010)

Indicator	*Amount N$*
Total SOE Assets	*47.7 billion*
Total Equity	*18.5 billion*
Total profit	*2.8 billion*
Average Return on Assets (ROA)	*5%*
Total Dividends paid out	*424.2 million*
Total subsidies paid	*1.3 billion*

Table 1.1. demonstrates a serious performance deficiency. Very low return on assets (ROA), disproportionate profit generated and unacceptably low dividends paid to the government compared with the subsidies received during the same period. The performance of 2009/10 was not an isolated incident as the same trend was observed in the 2010/2011 financial year. The dividends paid to the government was N$444 million (1.6%) compared to N$3.03 billion (10.39%) received by SOEs in subsidies (Hon. Schlettwein, 2011)[6].

This continues unabated as Leon Jooste, the minister of public enterprises (PE) reports that the government spent over N$12 billion on the SOEs in subsidies and guarantees in the 2017/18 financial year alone to keep them afloat. According to him, EPSOEs received N$868 million in subsidy and a guarantee of nearly N$5 billion. Financial SOEs received N$60 million and 3.6 billion in subsidies and guarantees respectively; while non-commercial SOEs received N$2.5 billion and N$323 in subsidies and guarantees respectively during the same period. The minister further noted that during the period the SOEs made losses to the tune of N$150 million while operating with a total asset valued at over N$91 billion, and at the same time only 27% of the SOEs had a compliance rate of audited financials. He lamented that “this situation is unsustainable, reflects low levels of accountability and warrants critical targeted interventions by government and an entirely new mind-set" (The Namibian, 27-02-18:15).

[6] Hon. C. Schlettwein is the Minister of Finance – Namibia.

This study will explore the possibilities of how IA can contribute to the improvement in performance and sustainability of the SOEs to overcome the financial dependency on the government and add positively to the government's developmental imperatives of the country. With the efficient system of IA and CG practices in place, it is hoped that the SOEs management will be confident, reduce uncertainty and risk, and add value to their financial statements (Broadley, 2006:9).

1.3 Statement of the Problem

SOE development is part of the government of Namibia's economic development policy enshrined in the constitution of the country (State-owned Enterprises Governance Act number 2 of 2006). The country's Vision 2030 and the various National Development Plans (NDPs); NDP 5, being the latest, have also emphasised the significance of SOEs as powerful agents for Namibian's economic development and government services delivery framework. Since independence, SOEs are used by the government as instrument to provide the much-needed services in markets which are unattractive to private sector organisations that are driven purely by profit motives; rural electrification and postal services are good examples. SOEs are therefore, expected to contribute to the governments' overall developmental agenda by playing pivotal role in the economic development of the country. Consequently, the government has set up about 72 SOEs involving massive allocation of funds every year in the expectation that the SOEs will be able to advance the course of the perceived economic developmental imperatives.

However, several reports such as the Auditor General reports, Parliamentary Committee on SOE reports and media reports consistently indicate that the SOEs in the country are struggling organisations, which have been performing appallingly over the years and this has placed a burden on the government to continually intervene to subsidise their operations. The reports further suggest that SOEs in the country are saddled with political interference, ineffective watchdog institutions, unclear operational objectives, bad financial reporting systems, maladministration and mismanagement; lack of proper personnel with prudent skills among the SOE executive and board appointments; and overall display of poor corporate governance are the key performance laxities among the SOEs. Thus, the existing evidence seems to suggest that efficient system of IA with credible internal control system is not being practised and the structure of CG practices among the SOEs is very weak.

Consistent with previous literature on the subject, the lack of effective system of IA or its total absence, and the deficiency of appropriate CG practices impact negatively on the performance of organisations. The role of IA and its relationship with CG in organisations is inseparable and any organisation that underestimates them, are bound to fail. Internal audit is a critical part of CG structure in an organisation as it plays an active role in implementing effective governance systems and assessing the effectiveness of management's controls practices (Al-Matari, et al., 2014:34; Hermanson and Rittenberg, 2003:54). Corporate governance covers the activities of oversight conducted by the board of directors and audit committees to ensure reliable performance. Ljubisavljevic & Jovanovi (2011:124) and a later study by Al-Matari et al. (2014:35) demonstrate how effective system of IA provides a reliable, objective and neutral service to management, board of directors and audit committees. Internal audit fulfils shareholders and stakeholders' interest by providing them with information on the return on their investment (ROI), sustainable growth, strong leadership and reliable reporting on the performance and business practices of the organisation. Taken these together, the lack of effective system of IA and appropriate CG structures in an organisation risks the organisation's very permanence and future health (Levitt, 1999, quoted in Hermanson & Rittenburg, 2003:26) as in the case of SOEs in Namibia.

As a result of the poor performance, the SOE contributions to the economic development of the country have exacerbated huge cost implications on the government. SOEs contribution in the form of dividends to the government over the period 2000/2001 to 2009/2010 averaged 0.7 percent while at the same time the government subsidies on SOEs averaged 9 percent (Hon. Schlettwein, 2010). Massive annual bail out of SOEs have become the norm since independence and the amounts continue to increase yearly. Thus, monies earmarked for other developmental activities are wasted on non-performing SOEs. Contingent liabilities resulting from guarantees securing SOE debts, is another cost factor of the government worth mentioning. The debt guarantees stood at N$2.7 billion as at 2010 (Hon. Schlettwein, 2010).

The questions surrounding the dismal performance of the SOEs, therefore needs to be addressed and the next section looks at the purpose of the study.

1.4 Purpose of the Study

The purpose of this mixed (qualitative and quantitative) study on IA is motivated by the increasing focus of the government, the media and people of Namibia on the abysmal performance of EPSOE and to investigate how effective IA and improved CG practices could enhance the performance and sustainability of this sector. Thus, this study is intended to examine how effective IA can improve the CG practices of the EPSOEs to advance their performance and sustainability in Namibia. Although, the relative importance of SOE sector in the Namibian economy has been emphasised, the government's attempt to use the SOEs to generate resources to garnish support for development initiatives for the country's Vision 2030 seemed to be disappointing. Several initiatives have been implemented to ameliorate the situation. Interventions such as the development of the Namibian Code of Governance (NamCode) in 2014, the review of the 2001 SOE governance framework (still in progress) and the hybrid governance model for Namibian Public Enterprises (2016) are all meant to improve the SOE sector. Generally, the understanding of effectiveness of the IAF and the board within the CG structure is supposed to promote proper functioning of the SOEs, but there are some of them operating without the IAF aggravated by weak board of directors, which further compounds the problem of stability of the SOEs.

1.5 Significance of the Study

A vital part of a study of this nature is judged by its contribution to knowledge. Although there are numerous works of literature on SOEs in the Namibian context and problems associated with their performance, none stresses IA as a solution. Notable studies include: *"Public enterprise governance in Namibia: an updated situational analysis" (Weylandt, 2017), "Our parastatals – whose interest do they serve?" (Jauch, 2013), "More openness plus accountability: The missing calculus of financial sustainability within Namibia parastatals" (Motinga, 2004),* and "Guide to the Namibian economy" (Sherbourne, 2013, 2015, 2017). However, there has been no study done on IA in the country, and a study combining these three components (SOEs, CG & IA) is unique and timely. A study on how IA can contribute to the solution of SOE challenges in Namibia is a necessity. Given this gap, the study will provide future researchers, practitioners and professionals thought-provoking understanding of how IA effectiveness and good CG practices could affect the performance of SOEs in Namibia. The significance of this study, therefore, is to extend knowledge by contributing to theory, practitioners, policy-makers and regulators.

1.5.1 Contribution to theory

The role of CG in preventing corporate failures is well known and has also emphasise IAF in literature as a contributary factor. The internal auditor is an independent agent whose role supports and improve the functioning of the board in its oversight role in the organisation. Internal audit activities undertaken in support of the organisation are numerous and their effectiveness or value is a question yet to be comprehensively examined in empirical studies Sarens, 2009) to enable its solid value-adding potential properly evaluated (Mihret, 2010). To contribute to disentangle the paucity of research in this area, this study provides priority areas that IAF need to emphasis to attain the right levels of effectiveness in its activities. Although, the agency theory is unable to properly explain the complexity of modern corporate governance (Eisenhardt, 1989:57; Mihret, 2014:1; ICAEW, 2005:4 – also see section 3.2.3), the theory has been used in several studies to analyse IA activities (Abdullah, 2014; Adams, 1994; Drogalas et al., 2016). The stewardship theory is used to complement the agency theory to make the study clearer.

Mihret et al. (2010:226) further note that, academic studies examining IA effectiveness are few and majority of them presented mixed findings and evaluated IA effectiveness in various ways. The agency theory for instance has not been able to properly explain IA effectiveness as noted by Mihret, 2010; Al-Twaijry et al. (2004) and as a result many researchers of different persuasions have used different approaches to explain effectiveness, for example Al-Twaijry et al. (2004), Mihret (2010) and Abdullah (2014) used the guidelines provided by the International Standards for Professional Practice of Internal Auditing (ISPPIA). Others, including Endaya and Hanefah (2013), Badara and Saidin (2013) created their own models to measure IA effectiveness. This study, therefore, opted to use agency theory and the stewardship theory as models to explain the research. Prior studies that used these two theories to ensure that managers act in the organisation’s best interest include Tosi et al. (2003). They found that the agency and the stewardship theories are the finest combination that encourages decisions-makers to act in the best interest of the organisation.

1.5.2 Contributions to practice

There is no IAF in some of the SOEs in Namibia. Those who have the function have no IA professional standards guidance, which has resulted in organisations setting up their own guidelines on how to engage with IAF. Due to the limited IA research (Mihret, 2010; Spraakman, 1997) the articulation of how internal audit effectiveness could be of value to SOE performance and may also inform IA theory and practice. Many of the studies on IA are mainly from developed economies perspective (Mihret, 2010:16), the empirical evidence provided by this study from a developing country point of view, will help to contribute to the expansion and shaping of the IA profession locally in Namibia and in Africa as a whole.

1.5.3 Contribution to policy makers and regulators

It is interesting to note that IA findings are not publicised in Namibia but organisations listed with the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX) are required to report on CG activities and business strategies. These organisations are supposed to prepare their reports in accordance with the stock exchange requirements (Abdullah, 2014:5; Haron et al., 2010; Subramaniam & Cooper, 2013). Unfortunately, none of the EPSOEs in Namibia are listed either on JSE or NSE and as result fail to comply with the regulations of the stock exchange (Sherbourne, 2017:420). This impairs the proper functioning of organisations in this sector. The World Bank report (2014: xxvi) suggests that SOEs can still be subjected to stock market regulation through partial listing to tap into the important regulations of the stock market to improve their performance as the state continues with broader reforms to develop this sector.

Internal auditors, through their assurance, consultancy and advisory services in support of CG practices, are in the position to enhance the EPSOEs performance and productivity of the sector. This study, therefore, will contribute to the government (policy makers & regulators) transformation initiatives, of the sector that are directed towards the development of the CG infrastructure, which includes promotion of IAF to salvage a sector that has been badly mishandled.

1.6 Objectives of the study

The objective of the thesis is to investigate the influence of internal audit on performance of economic and productive SOEs in Namibia. The organisational performance and sustainability are still a challenge, as indicated in several media reports (see Section 1.2 above. The study opens a new insight for evaluation of IA effectiveness and how it supports CG practices, enable EPSOE performance and sustainability and, determine how IA control systems can be implemented to improve performance results and culture of SOEs. Further, it provides recommendations and suggestions on how IA effectiveness could be improved to enhance CG practices of this sector.

The research questions addressed to achieve these objectives are as stated in Chapter three (See Section 3.6).

1.7 Keywords and phrases

Audit committee, Board of directors, Corporate governance, Internal audit, Economic and Productive State-Owned Enterprises, Public-Private Partnership, Internal audit effectiveness, Performance and sustainability, Governance challenges.

1.8 An overview of Namibia

The study is about Namibia and, therefore, it must be put in the right perspective to convey a meaningful message to those who may be interested in the study. The background will cover political development and governance, macroeconomic achievements, business environment and competitiveness, challenges and weaknesses of the Namibia economy with the view to establishing the context within which this research is located. The study is fundamentally important because the SOEs, which are at the centre of the study, exist in a country with several challenges but also some opportunities. The information provided in this section is drawn from four major reports recently written about Namibia, namely: (1) African Development Bank (AfDB) Namibia Country Strategy Paper 2014-2018; (2) World Bank Reports - Namibia Overview IBRD-IDA. October 22, 2014; (3) Namibia 2015 by Martha Phiri and Ojijo Odhiambo; and (4) National Planning Commission Annual Report 2013/14. These reports agree with the fact that due to the political stability and prudent fiscal management in Namibia, the country has maintained a steady growth rate of above 5 percent since 2010 despite global economic meltdown (AfDB, OECD & UNDP, 2015:271). They also emphasise the reduction of income disparity despite the desert condition, sparse population and a combination of low agricultural output with the highly intensive mining sector.

Namibia thus by far has distinguished itself with considerable success since its independence from South Africa in 1990. Besides 1993, when De Beers stockpiling of diamonds negatively affected production and again, the world financial crises in 2008/2009, the country's GNP has increased every year resulting in the increase in average income measured by GDP per capita. The World Bank, consequently, re-classified Namibia from low income to upper middle-income country that severe masked income disparity in Namibia – making it one of the unequal income distribution countries in the world (Sherbourne, 2013/14).

The country has maintained an excellent track record of macroeconomic management, good governance, peace and political stability, sound legal and financial institutions, developed road network and well-developed ICT infrastructure (Marope, 2005:11; WB, 2018: *npn*). Marope (2005:7) further, states that some of the social indicators associated with development in the country are among the highest in sub-Saharan Africa. According to her, 82% of adults (15-49 years of age) are literate, primary and secondary schools' net enrolment ratio are 89.1% and 48.3 respectively, access to primary health care services, safe drinking water supply and stable energy supply are testaments to the country's competitiveness. The Bertelsmann Stiftung's Transformation Index (BTI) (2014:27) indicates further that Namibia is one of the few countries in the world leading in natural resources conservation with 43% of its total land area under protection in 2012.

1.8.1 Government, politics and governance

According to The Namibian report of 12th August 2011, the country is a multiparty, multiracial democracy, with a president who is elected for 5-year term. The constitution establishes a bicameral parliament and provides for general elections every five years and regional elections every six years. The ruling party, SWAPO, has dominated the political scene since independence and commands majority seats with 54 out of 74 in parliament in the last election. The country upholds the fundamental human rights and freedom enshrined in the constitution (AfDB, 2014-2018:1).

Political maturity and pro-activeness on the part of the government has made the country one of the few countries in Africa and holistically in the world advocating for a larger number of women in parliament. Being cognizant of the fact that the inclusion of women in governance is a key element of any democracy, and that granting and exercising of political rights of both men and women are essential element of any democratic framework, gender equality and the empowerment of women have been part of the foundation of the Namibia government's development agenda since its independence. The ruling SWAPO Party is therefore, striving to have a 50/50 gender representation as part of its manifesto (AfDB, 2014-18:9).

This is in line with the Institute for Democracy and Electoral Assistance (IDEA) cited in IPPR (2013: *npn*) which is of the opinion that any political agenda that fails to include the views of all those who will be affected is not credible. Namibia boasts of having ranked among the top sub-Saharan African countries on good governance. According to AfDB report (2014-2018:1), the Mo Ibrahim Index of African Governance ranked Namibia 6th out of 52 African countries. Corruption Perception Index (CPI) by the Transparency International ranked Namibia 7th least corrupt country in Africa. The dynamic political system resulted in the outgoing president, His Excellency President Hifikepunye Pohamba being awarded the world's most respected award, the Mo Ibrahim Prize for African Leadership to the tune of US$5 million and additional US$200 000 per annum for life.

1.8.2 Recent Economic Developments

The various reports further assert that Namibia's performance among other African countries is comparatively better regarding business environment indicators. The 2013/14 Global Competitiveness Report (GCR) ranked Namibia 90 out of 143 countries.

> *"The World Bank's Doing Business 2015 report ranks Namibia's overall business environment at 88 out of 189 economies that are higher than the sub-Saharan average ranking of 142"* (Phiri & Odhiambo, 2015:8).

The government's commitment to implementing policies and creating a regulatory environment that fosters private sector development is the reason for the country's good ranking (AfDB, 2014 – 2018:5). Namibia endured the onslaught of the global economic slowdown by boasting of growth rates above 5% since 2010. The GDP of the country grew from 5.1 in 2013 to 5.3% in 2014 because of active construction and mining activities that have kept the domestic economic recovery on the course (AfDB, 2015:271). AfDB further, notes that development is expected to progress to 5.6% and 6.4% in 2015 and 2016 respectively as external demand for commodities improve.

The economy is heavily dependent on the extraction and processing of minerals for export. Mining accounts for 20% of GDP and provides more than 50% foreign exchange earnings. Rich diamond deposits make Namibia a primary source for gem-quality diamonds.

According to the Namibia Travel Guide[7], Namibia is the fourth-largest exporter of nonfuel minerals in Africa and the world's 5th largest producer of uranium. It also produces large quantities of lead, zinc, tin, silver, and tungsten (CIA World Factbook, 2018: *npn*). According to AfDB (2014-2018:6), Namibia's close ties with the South Africa's economy regarding trade, investment and common monetary policies have enabled it to maintain a good track record of consistent economic growth, moderate inflation, limited public debt and export earnings.

The latest African Development Bank Report (AfDB, 2014-2018:2) on Namibia identifies some positive diversification trends in the economy for the last few decades. For instance, the manufacturing sector has improved with its contribution to GDP increased from 5.3 percent in 1990 to 11.3 percent in 2012. This is due to the rapid expansion of the fishing and meat production industries soon after independence. The expansion of government services in health and education improved the share of services in GDP from 39 percent in 1970 to 56 percent in 1990. Agricultural contribution, however, declined due to unfavourable climatic conditions such as drought.

The AfDB report (2014- 2018:3) states that inflationary pressures on the economy have slowed down from 6.5 percent in 2012 to 4.9 percent in October 2013. As indicated in the previous paragraphs, Namibia's inflation is imported from South Africa. Due to the strong ties between the two countries, the Namibian dollar (NAD) is fixed to the South African rand through Namibia's membership of the Rand Common Monetary Area (CMA). Again, strong trade ties compel the Namibia's inflation to revolve around the South African target range of 3 to 6 percent. This has enabled the country to keep interest rates low to enhance aggregate demand and support economic growth.

The government's effort in enhancing competitiveness and improving the business environment to foster private sector development is continuing. The Investment Law and the Special Economic Zones Policy (SEZP) with the aim of streamlining Government administrative procedures and reducing red tape to lessen the cost of doing business have been revised. The Public–Private Partnerships (PPP) Policy for facilitating private sector investment in addressing emerging critical infrastructure bottlenecks has been approved

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[7] Namibia Travel Guide, Climate, Culture and Attractions. http://goafrica.about.com/od/namibiaatravelguide/a/namibiafacts.htm) [10 March 2016]

(AfDB, 2014-18:6). The AfDB report (2014-18:6), further states, that Namibia's financial foundation, especially its banking institutions remain sound, profitable, and capitalised. The banking system has remained stable to shocks originating from the global and Eurozone financial crises. This competitive advantage is due to the country's close ties with South Africa, making it one of the most developed financial systems in Africa.

The Namibian economy relies on international trade since its exports are dominated by minerals which are mainly consumed by the European and South African markets (AfDB, 2014-18:4). The country imports food, fuel, and vehicles mostly from South Africa with little or no trade with the rest of SADC or SACU countries; and its exports are focused on a narrow range of primary products such as diamonds, uranium, fish, grapes, live animals and animal products (AfDB, 2014-18:7). To promote investment, growth and employment, it is imperative to integrate into the regional and global economy that obviously requires taking advantage of the "strategic use of Namibia's trade agreements and transport infrastructure to leverage development of the priority sectors identified in NDP5, namely, logistics, tourism, manufacturing and agriculture" (AfDB, 2014-18:7).

1.8.3 Country Strategic Framework

The Government's development agenda is articulated in Vision 2030 which sets the political and socio-economic agenda of the country to address the inherited colonial legacy of low economic growth, high income disparity and poverty through pro-active policies (Vision 2030, 2004; AfDB (2009:9). The main instruments for achieving these policies and programmes are the National Development Plans (NDPs). The current development plan for the period 2012/13 to 2016/17 is the NDP5 which also reiterates the achievement of three overarching goals of high and sustainable economic growth; reducing income inequality; and job creation (NDP 2014-18). Among the main objectives of the NDP 4 are GDP growth rate of 6.0 percent per annum during the planned period, creation of 18,000 jobs annually from all sectors of the economy, reduction of poverty and improving the living standards of those living on less than USD 1.25 a day from 15.8 percent in 2010 to 10 percent by 2017; and reduction of income inequality levels by promoting inclusive growth. The plan intends achieving these ambitious targets by stimulating the private sector-led industrialization, export orientation, value addition and economic diversification. According to the report, the NDP intends strengthening the following priority areas to achieve the targets: transport, energy, water, information and communication technology, housing sector; business enabling environment; education and skills; and health services.

1.8.4 Challenges and weaknesses

With per capita income of US $5840 (Atlas method) Namibia is classified as upper middle–income country by the World Bank. Although it has made strides in addressing some of the structural problems inherited from the apartheid South African regime, the country still faces several daunting challenges (AfDB, 2014-2018:10; Phiri and Odhiambo, 2015:11).

Invigorating structural reforms that enhance productivity and competitiveness remains a problem (Phiri and Odiambo, 2015:12). Economic diversification is at its low level since the economy continues to rely extremely on mining (AfDB, 2014-2018:10). The country therefore needs to diversify the economy away from mining sector and improve intra-sectorial linkages including SME development and add value to minerals with the view to creating employment opportunities in the country (AfDB, 2014-2018:4).

The severity of HIV/AIDS epidemic is frustrating efforts to meet the Millennium Development Goals (MDGs) to reduce child mortality, improve maternal health and combat HIV/AIDS, malaria, TB and other diseases (Wagstaff & Claeson, 2004:49). The HIV/AIDs pandemic continues to compound the problems of low-level productivity and inadequate skills. The poor education system at secondary and tertiary levels exacerbates the challenges facing the country as unskilled and semi-skilled youth are unable to secure employment. This situation hinders development and growth of business enterprises and quality of public service delivery. The country's unemployment rate at 33.40 percent in 2018 is unacceptably high which reflects skills mismatch and a weak education and training system that is not in tune with the needs of the labour market (AfDB, 2014-2018:11).

The AfDB report (2014-2018:11) quotes the Namibia's National Human Resources Plan (NNHRP) 2010 - 2025 which indicate skills gap at managerial and professional levels. Phiri and Odiambo (2015:11) confirm this fact when they state that there is an acute shortage of scientists and engineers in the country, which hinders Namibia's capacity to innovate and achieve economic transformation and competitiveness. The skills gap and HIV/AID pandemic are the biggest obstacles in doing business in Namibia (Phiri & Odiambo, 2015:11), which is further compounded by inflexible labour laws and regulations (AfDB, 2014-2018:6).

Phiri and Odiambo (2015:8) quote a report by Deloitte Touche Tohmatsu consultants in 2013 on the assessment of the state of CG and conclude that there is positive performance by the private sector companies compared with the SOEs. Namibia, therefore, needs more reforms and compliance in the SOE sector, especially in the areas of effectiveness of corporate boards and strength of auditing and general reporting, to be competitive with the leading economies in the region.

The government of Namibia considers the development of the SOE sector as one of the strategic solutions to the daunting problems facing the country. It is believed that with the right policy environment, the strength and opportunities can be leveraged to improve SOE productivity, competitiveness, diversification and transformation to improve the well-being of the economy (AFDB, 2014-18:16).

1.9 Delimitation

To ensure that the study is conducted correctly, it is necessary to describe the delimitations of the study. The study focused on and investigated 28 Economic and Productive SOEs (EPSOEs) out of 72 SOEs in Namibia. The choice of EPSOEs is motivated by the fact that it is possible to accurately assess the performance of these SOEs. The EPSOEs, unlike their counterparts, are expected to operate on a commercial basis, generating enough income to enable the government to invest in other projects as part of the economic development agenda of the country. A study addressing all the 72 SOEs would have broadened the outcome and offered comprehensive generalisations. Therefore, while this study somehow provided an understanding of IA and CG practices in the EPSOEs, in the Namibian context, it may not apply to every individual SOE in the country. Again, the study did not cover the whole country but was restricted to the Khomas region because the majority of the EPSOEs are in this region.

1.10 Thesis structure

This study is organised into seven Chapters. Figure 1.1 holistically outlines the relationship amongst the chapters of the study. While Chapter 1 spells out among others, the objectives and purpose of the study, Chapters 2 and 3 present the literature review and the theoretical and conceptual frameworks respectively. Chapter 4 describes the methodology applied. Chapters 5 and 6 deal with the quantitative and qualitative data analyses and findings respectively. These chapters also discuss the findings of the study. Finally, Chapter 7 concludes the study and makes contributions to literature, practice and policy; and importantly, recommendations for future research.

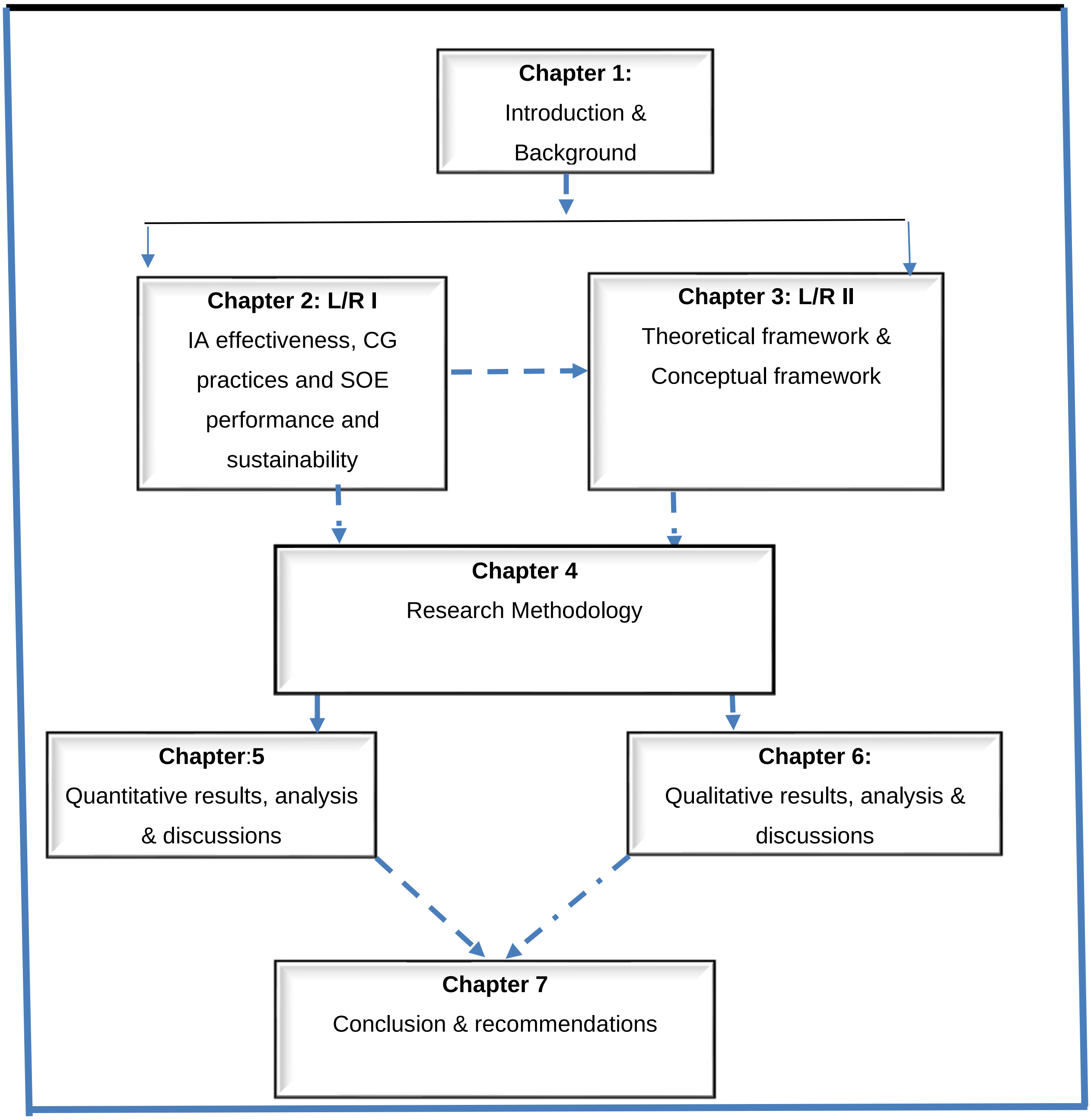

Figure 1.1: Organisation of the study

1.11 Summary of chapter

This chapter addressed the impact of IA in providing support to CG practices of the EPSOEs in Namibia. It also examined the problem statement of the study, which explicitly indicated dismal performance and lack of sustainability of the EPSOE sector and their failure to measure up to the expectations of the government. The government aspires to use this sector to generate resources to augment the growth and development to meet the country's Vision 2030. Moreover, the chapter stated the purpose, significance, objectives and research questions that the study is meant to address. The main areas of focus and the country overview have been explained to serve as the foundation on which the study is based. It concludes with the structure of the study, which is diagrammatically presented as Figure 1.1 (p.15) for ease of understanding; and a delimitation of the study, which also serves as a demarcation to make it more transparent to readers who might want to make a meaningful interpretation of the study. The chapter, therefore, provided a convincing introduction and background as an antecedent to the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter tackles the literature of the study from three fronts, namely IA effectiveness, CG practices and SOE performance and sustainability, which are not yet adequately integrated with research conducted in Africa in general and Namibia in particular. Many writers, practitioners and several codes of governance (such as King Reports of South Africa, SOX of the USA and UK Governance Code) have articulated the significance of IA effectiveness, CG practices and reforms and how they are much needed as antidotes to address SOE performance and sustainability. The chapter further attempts to contribute to identifying the gaps across these three works of literature and using the findings to strengthen research into SOE performance and sustainability in Namibia using IA and CG practices.

The CG section traces the development of CG practices, challenges and a comparison of selected codes of governance, namely, the Sarbanes-Oxley Act (SOX, 2002) of the USA, the UK code of governance (UKCG, 2012) and the King Report IV (2016) of South Africa. Although there are several codes in the world, these three is influenced by the different regimes, which they advocate in their constituencies. For example, while the SOX insists on “comply or else,” the UKCG advocates for “comply or explain” and the King Report on its part says, “apply and explain.” By highlighting these regimes and their circumstances and impact on the economies of those countries, policymakers, boards of directors and management will be able to tap into those codes and make the best out of them in attempting to address SOE circumstances in Namibia.

The literature in the second section deals with IAF regarding origin, influence and contribution to the growth and development of business organisations in both the developed and developing countries. The literature suggests that IA has been accorded the status of being one of the cornerstones of the CG mosaic by several researchers (IIA, 2003:4; Cohen et al., 2004:89*;* Pinto et al., 2013:69). Internal audit is expected to add value in contemporary organisational sustainability (Bou-Raad, 2000:184; Al-Twaijry, Brierley & Gwilliam, 2004:931; Yee et al., 2008:147) providing them with assurance, consulting and advisory support; and helping organisations to realise their intended objectives. By tapping into the internal audit function (IAF), management can improve their strategies, apparatus and methods of managing their organisations by the eliminating waste, simplifying tasks and importantly, minimising the surge of corruption and fraud that have saddled SOE operations in developing countries.

The third section reviews the extant literature concerning the motivation for SOE development, performance, sustainability and challenges in Namibia.

The last section combines the impact of IA and CG practices on SOE performance and sustainability. Available evidence emphasises the articulation of the significant role that CG plays in SOE development (OECD, 2004:11). According to OECD, CG promotes SOE reforms and weakens the burden of corruption, builds a clear relationship between the state and business and reduces the burden of poverty. The governance practices rely on IA to achieve these objectives and for the proper functioning of the organisations. It taps into IA for their expertise in consultancy, counselling and evaluation and improvement of risk management among SOEs. Thus, IA contributes to the enhancement of SOE governance and sustainability.

The next section reviews the theoretical and empirical literature on the contributions of contemporary researchers on the topic at hand.

2.2 Corporate governance

2.2.1 Introduction

This section reviews the literature relating to the idea of CG and specifically addresses issues such as emergence of CG, roles and significance of CG, brief comparison of CG in emerging and developed countries, CG in Africa and challenges, selected codes of governance, CG challenges in Namibia and whether privatisation is the answer to the woes of SOEs in Namibia

2.2.2 Emergence of corporate governance

Corporate governance, which was scarcely mentioned outside the impenetrable world of law texts and academic discourse until the 1990s (Blair, 1995:1), has now become one of the business buzz phrases used globally (Hilb, 2008:3; Solomon, 2013:3). The scanty knowledge about CG before the 1990s has eventually been eroded (Blair, 1995:2). Today, stakeholders want to know every detail about the organisation’s governance, accountability, self-regulation, policy compliance and overall power relations and delegation; and the board is expected to provide answers for their actions (Yakasai, 2001:238).

A number of CG codes have been developed in several countries as a result of the corporate scandals of the last few decades. Many countries that had existing codes reviewed and tightened them. Those which did not have them, resolved to develop new codes to combat the onslaught of the crises that had permeated every sector of their economies and restore confidence in the governance of organisations to protect shareholder rights (Damagum & Cima, 2014:18). Examples include the Sarbanes-Oxley Act 2002 of USA, which was enacted to address the lapses in the governance practices of that country. The UK Governance Act 2012, King IV report 2016 of South Africa, the German Governance Act 2010 and the NamCode of Namibia 2014. Many countries in Africa such as Ghana, Nigeria, Kenya and several others developed similar versions of their own.

The next subsection tackles the definition.

2.2.3 Definition of Corporate Governance

Several definitions of CG have been put forward by various researchers such as Blair (1995), Donaldson & Preston (1995), Shleifer and Vishny (1997), Aguilera et al. (2008) and Solomon (2013). It is, however, interesting to note that scholars in the field have not been able to advance an agreed definition of CG due to the different connotations given to the term in the various countries. The researcher will, therefore, dwell on a few definitions for this study.

Cadbury (1992) only defines CG as "The system by which companies are directed and controlled" *(p. 2*). This definition is restrictive as it dwells more on the relationship between a company and its shareholders, which is found in the traditional finance paradigm expressed in the agency theory (Solomon, 2013:6). The most comprehensive definition of CG is offered by the OECD (2004:11) which states, thus,

> "corporate governance is a set of relationships between a company's management, its board, its shareholders and other stakeholders. CG also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. It also provides proper incentives for the board and management to pursue objectives that are in

> the interests of the company and its shareholders and should facilitate effective monitoring."

This definition is obviously comprehensive enough as it tries to serve as a standard for the OECD countries and the rest of the world.

2.2.4 Selected Codes of Governance, their regimes and implications

Corporate governance is an essential element in improving economic productivity and supports investor persuasiveness (OECD, 2004:37). Its purpose is to ensure effective, entrepreneurial and sensible management that provides long-term success of the organisation (FRC, 2018:1). The rules and regulations of CG practices are essential ingredients for successful market economies architecture (WGM - LLP, 2002:104). Okike (2001:4) notes that the financial crunch in East Asia in the 1990s and globally from 2007, coupled with the demise of business giants in the West, exposed nations to vulnerability of business organisations. The incidence of weaknesses of board of directors, lack of clear-cut responsibilities of CEOs and management teams, operational ineffectiveness of organisations contributed to the failure of the system (Okike, 2001:13). These lapses resulted in the development of codes and reviewing of existing ones worldwide.

Today, almost every country has its system of CG. Examples include the OECD Principles of CG (1999, 2004), which was developed to guide its member states and serve as a standard for the rest of the world. The Commonwealth Association of Corporate Governance (CAGC) Guidelines - Principles for corporate governance in the Commonwealth also for its member countries; King Reports I, II, III and IV of South Africa (1994, 2004, 2009 & 2016 respectively); The UK Governance Code (FRC, 2018), The Sarbanes-Oxley Act (2002) of the USA and a host of others. It is indeed beyond the scope of this research to analyse all these codes. Therefore, the study is focused on examining three, namely:

1. King Report IV (2016) of South Africa because it is the most comprehensive code of governance in Africa and considered as one of the best in the world. Furthermore, the King Report has been the primary governance code in Namibia until the country developed its own, The NamCode in 2014, but the architects of the NamCode still acknowledge that it is an extension of the King Reports.

2. The Financial Reporting Council (FRC) (2018) originated as the Cadbury Report in 1992. It is the first version of the UK Corporate Governance Codes. The selection of this code is influenced by the fact that it is one of the first in the contemporary world, which has impacted the development of many systems in other parts of the world including the King Reports of South Africa. A look at such a code will be beneficial to inform the governance system in Namibia as a Commonwealth country.

3. The uniqueness of the Sarbanes-Oxley Act (SOX), 2002 of the USA, makes it an interesting study. The US Congress developed the SOX (2002) in response to the ramifications of the demise of Enron, Arthur Anderson, Lehman Brothers and other corporations in the country. Highlighting a comparative study of SOX (2002), the UKCG and the King Reports will enable the researcher to make a proper comparison of the three codes of governance.

2.2.5 King IV, UK Governance Code & Sarbanes-Oxley Act – at glance

The King Report IV (2016) was preceded by a set of three reports, namely, King I (1994) and King II (2004) and King III (2009), which were acclaimed as among the best in the world and influenced governance codes worldwide. According to the Institute of Directors of Southern Africa (IoDSA, 2016:2), the review of King III and IV (2009) and (2016) respectively became apparent due to various national and global developments in CG. The demanding external environment coupled with organisations having to compete with an increasing climax necessitated the birth of King IV. According to Mervyn King[8] updating King III code was necessary because of international and local developments in corporate governance. He further noted that King IV builds on the strengths of King III and provides improved guidance on emerging topics such as integrated thinking, levels of assurance and IT governance.

The new UK Code of Governance (UKCG), which came into effect on 1 October 2012, reviewed in April 2014, applies to all companies regardless of whether they are based in the UK or elsewhere. The Cadbury Code of 1992 was the foundation of the UK Corporate Governance Code (FRC, 2018:1). The code is primarily based on principles of good

[8] Mervyn King is a non-executive Chairman of PwC’s Business School and Chairman of the King Committee, which developed The King Reports I – IV in South Africa.

governance, and it is a guide to many essential components of effective board practices such as accountability, transparency, probity and emphasises on the success of business organisations.

The accounting scandals in the US such as Enron, Tyco, Arthur Anderson and WorldCom shattered investor confidence and required revamping of the regulatory standards of the country, which necessitated the enactment of the Sarbanes-Oxley Act (SOX). Consequently, the US Congress enacted SOX in 2002 to protect investors from fraudulent accounting activities by organisations. The SOX required strict reforms to improve financial disclosures from organisations and prevent future accounting scandals.

2.2.6 Divergence and convergence of the governance Codes

The King Reports and the UKCG have obvious similarities to a large extent since both of these codes have their roots in the Cadbury Report of 1992. Both codes are non-legislative and based on principles and practices. Their common traits include leadership, sustainability and corporate citizenship (IoDSA, 2009:9-10). These codes view sustainability as the key ethical and economic imperious of the 21st century, which is regarded as an important source of opportunities and risk for business organisations (IoDSA, 2009:10).

The SOX, on the other hand, was enacted to address a problem of organisational scandals in the 2000s and, therefore, requires strict adherence. It is codified in the Act of Congress with a statutory regime called “comply or else” implying that there are legal ramifications for non-compliance (IoDSA, 2009:5). The compelling argument for that system is that it condones the “one size fits all” idea and ignores flexibility needed by organisations given their unique circumstances. It has been criticised by many researchers, such as, Prof Romano of Yale Law School and Professor Ribstein of Illinois Law School, who note that the SOX CG provisions were ill-conceived and warned other nations who have been revising their governance codes to avoid the congressional blunder (IoDSA, 2009:5). The cost of compliance with the SOX regime has further been labelled to be too high in terms of time, and direct cost and, the boards and management of organisations are compelled to emphasise more on compliance rather than entrepreneurship, thus diluting their ultimate responsibility for performance (Arcot & Bruno, 2006:31).

According to Arcot & Bruno (2006:27), the similarity between the SOX and the UKCG is that they were both developed to address corporate failures in their respective countries.

However, unlike the SOX, the UKCG is not prescriptive and have no legislative connotations but paves the way for a new form of regulation (Arcot & Bruno, 2006:2). Thus, the UKCG and the King Reports resorted to the voluntary basis of governance compliance which required organisations to mandatory indicate whether they apply the Code and give reasons for non-compliance (Arcot & Bruno, 2006:2; FRC, 2018:6). The lack of popularity of the SOX regime has induced many countries in the world to adopt a more flexible system (IoDSA (2009:5). Accordingly, all the fifty-six countries of the British Commonwealth of nations and twenty-seven countries in the EU have taken a different regime of "*comply or explain*" as the basis of their CG. The UN criticised the SOX and branded it restrictive and lacks flexibility and opted for "*adopt or explain*" (IoDSA, 2009:6).

In the Netherlands, "apply or explain" is what is adopted. The King's Code followed that regime and adopted the "apply and explain" (previously "apply or explain" as in King III) regime in South Africa. This regime is grounded in flexibility and strongly supported by both organisations and shareholders and have been globally cherished and adopted (IoDSA, 2009:6; FRC, 2018:4). By following the "*apply or explain*" approach, it is the legal duty of directors to act in the best interest of their companies by still achieving the objectives of the CG principles of fairness, accountability, responsibility and transparency by implementing different practice; and the reasons for non-compliance clearly explained (IoDSA, 2009:4; FRC (2018:4).

King IV Report (2016) has replaced King III Report 2009. King IV is structurally different from King III. The applicable principles, however, remains the same. The application of the "apply or explain" regime has now changed to "apply and explain." The same position is unchanged as the governance principles have also been reduced from 75 to 17 in King IV. The 17 principles are all-inclusive and high-level in nature, applicable to all entities regardless of its nature and size. It is indeed the application of the principles which will naturally differ depending on the entity.

The FRC (2018:4) cautions shareholders about their responses to explanations advanced by the board, by paying attention to the organisation's unique situation regarding size, complexity and nature of the risks and challenges it faces. Shareholders should not necessarily regard departures as breaches but treat them with courtesy in a way that supports either the *"comply or explain*" of the UK (FRC, 2018:5) or the "*apply and explain*" regime.

2.2.7 Role and significance of corporate governance

Corporate governance is dynamic and requires a complex system of checks and balances (Monks & Minows, 2011:4). It is indispensable for growth and opulence, organisations that embrace good CG stimulate sustainable value creation (IoDSA, 2016:1). The collapse of the huge businesses such as Enron, WorldCom, etc., the global financial crisis and credit crunch which have stunned the financial markets and economies around the world, have further propelled CG onto eminence; and that the corporate collapse as a consequence of weaknesses in the CG system has been emphasised as the reason to improve and reform governance practices (Solomon, 2013:3). In support of that notion, Monks and Minows (2011:5) stress the fact that the storm of failures that occurred in the last few decades was due to governance negligence and corrupt practices.

Shliefer and Vishny (1997:737) state that CG encompasses the design and adoption of a system which enables outside investors protect themselves and ensure that they receive a reasonable return on their investment. This is further echoed by the OECD (2004:11) which states that good CG entices the board and management by providing them with proper incentives to enable them to pursue objectives that fulfil the requirements of stakeholders and the organisation as a whole and facilitates effective monitoring.

The FRC (2018:4) stresses the fact that good CG contributes to the reinforcement of long-term company performance. Efficient and effective CG enables organisations to meet their legal obligations and fiduciary responsibility to investors, gives them the competitive advantage over firms with low CG regimes, improves the reputation of the business organisation, attracts and retains qualified personnel and gains community support (Levis 2006:52). He further suggests that the presence of active CG systems in the organisation and across the economy increases stakeholder return and provides assurance that is necessary for efficient functioning of a market economy, which results in lower cost of capital and encourages firms to use resources more efficiently resulting in reinforcement of growth.

Oman (2001:17) links the importance of CG to globalisation. According to him, there is sufficient evidence to support the view that good CG and institutional quality are a necessary condition for attracting foreign direct investment (FDI) into a country. Oman (2001:12) further cites case studies from Argentina, Brazil, Chile, China, India, Malaysia and South Africa, which suggest that CG has a significant role to play in facilitating the flow of capital to firms in developing economies. Fazio et al., (2008:34), support this view and conclude that good CG and institutional quality are critical conditions for attracting FDIs. Akisik (2008:158) professes the same opinion, when he indicates that the adoption of high-quality accounting standards and effective corporate governance lead to an increase in FDI flow. He further suggests that emerging markets should improve their quality of financial reporting, corporate governance and macroeconomic indicators if they are to attract more FDIs. In their empirical analysis of 15 countries in sub-Saharan Africa, Singh et al. (2011:137), show that political and economic stability, infrastructure, country's legal framework and the transparency of investment are key factors and considerations for attracting and seeking multinational enterprises (MNEs) in a location. These factors are critical requirements and essential elements of good CG. It may, therefore, suffice to say that countries with sound corporate governance systems are in a better place to easily attract high volumes of FDIs needed to sustain their economies. This sub-section has discussed the role and significance of CG.

2.2.8 Corporate governance in developing and developed economies – a brief comparison

There is a wide difference between developing economies and developed economies in the way CG imperatives operate. Developing economies ability to codify transparent business practices are inhibited by structural and political obstacles and that if CG is carefully and correctly implemented, it can expand confidence in the economy while promoting local and foreign investment (Armstrong, 2009:37). Okeahalam (2004:360), Armstrong, (2009:37) and Okpara (2011:184) acknowledge the disparities between developing economies and developed economies and, attribute the differences to structural issues. Okpara and Wynn (2011:25) further argue that there are significant differences in the legal and institutional framework, ownership structures, business practices and enforcement standards between the West and developing countries. Therefore, governance practices in the West may not be appropriate in the developing economic context due to the distinct dividing lines between the two economies.

Armstrong (2009:36) states that developed economies are endowed with efficient capital markets, active investors, well-informed media, and pension funds that fulfil their fiduciary role, giving CG prominence in the developed countries. In contrast, he notes that many developing economies are dominated by state owned or state controlled commercial enterprises which have a major effect on attracting investment, financing growth and establishing sound business practices. Although developing countries may have CG codes similar to those in the West and well-documented rules and regulations in place, the enforcement is inconsistent and selective. The frameworks in developing countries are comparatively not strong to be considered good enough to protect shareholders and stakeholders (Wanyama, et al., 2009:163). According to them, a meaningful improvement is possible only when the political and social framework of the countries are strengthened. They further refute the notion that having simple codes of best practices will improve governance practices in developing countries and suggest that a wide range of factors such as political and cultural connotations are needed to propel favourable conditions for CG to thrive in the developing world especially in Africa. Furthermore, Armstrong (2009:37) and later Okpara; (2011:184) argue that the effect of unreliable enforcement machinery, coupled with ignorant shareholders who are not capable of demanding their rights, create the impression that implementation of CG is voluntary and negotiable in the developing economies.

2.2.9 Corporate governance in Africa

African countries adopted the ideals of good CG since the 1980s but unlike their counterparts in the West (Jensen, 1993; Gompers et al. 2003; Jackson and Moerke, 2005; Flora, 2006; Lawrence and Marcus, 2006) CG in Africa, has not been adequately researched (Okeahalam 2004:359). Okpara (2011:197) acknowledge the view that developing countries differ in several ways from their established counterparts in the West. They suggest that it is of paramount importance for them to develop their own models of CG, which considers their culture, socio-economic imperatives, political and technological conditions.

Yakasai (2001:239) argues that the peculiar and unstructured nature of developing economies make the governance of organisations remarkably different from those of the developed countries. Ayogu (2001:18) supports this view when he states that analysis of CG in Africa includes the influence of norms and values which impact on boardroom dynamics, management styles and decision-making in business. According to him, boardroom culture is influenced by tradition, expectations, perceptions and morality and as a result, decision making is not clearly defined and even where they are, their implementation can be problematic. He further argues that the extended family system in Africa and its impact on decision making is another dicey arena to grapple with. According to him, the dismissal of a breadwinner from a job can lead to the total bankruptcy of an entire clan or village. Such moral issues can lead to the politicisation of an ostensibly business decision where management are compelled to temper mercy with clear cut and hard decisions. Culture, therefore, is a powerful force to grapple with in Africa and its impact on governance is complex.

Nevertheless, Africa has been painted rosy as a continent that has not been troubled by the recent financial crises of the West and Asian countries. Luiz (2006:9) is of the opinion that Africa needs to take advantage of the situation by transforming its CG imperatives to attract fully and compete equitably in attracting FDI into the continent. In the same vein, Kofi Annan (1999)[9] notes that

> *"... for many people in other parts of the world, the mention of Africa evokes images of civil unrest, war, poverty, disease, and mounting social problems. Unfortunately, these images are not just fiction. They reflect the dire reality in some African countries – though certainly not in all."*

According to the IMF (2012:1) economic activity in sub-Saharan Africa expanded at a robust pace in 2011 despite challenging external conditions and that the region's output grew 5%, at a faster pace than the rest of the world economy. This encouraging trend, if properly managed and sustained, will lead to more improved economic growth. Games (2012:5) add to this debate by stating that Africa is on the march taking massive strides in improving its CG imperatives. She highlights the fact that Nigeria, Zambia, Ghana, Tanzania, Mozambique and Ethiopia, which were considered Africa's poorest and politically unstable countries about a few decades ago, are now classified among the best economic performers recording the highest growth rate and GDP in the world.

African governments are improving the operating environment for the private sector to thrive. The banking industry is sprawling; skilled Africans in the diaspora are returning home to take up opportunities with both international and African companies. Multinationals from developed and developing economies are positioning themselves for increased opportunities in Africa. For example, Nestle has invested $526 million in Nigeria alone and plans to double the size of its investment by 2015. Standard Chartered Bank increased its investment in Nigeria by 2012 and is looking elsewhere on the continent to expand its investment opportunities (Games, 2012:5).

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[9] Kofi Annan was the 7th Secretary-General of the United Nations from 1997 – 2006.

Games further note that African consumers have become a target for international companies from developed countries and developing economies as global brands compete against each other for centre stage in the African markets. The massive change in Africa's fortunes has been the growing interest in the continent's endowment of resources for which resource-hungry countries like the US and emerging markets like China and India are vying. According to a standard bank prediction, China's investment on the continent could increase by 70% and that the volume of bilateral trade might rise to $300 billion by 2015 (Game, 2012:6). These significant improvements in performance and global interactions with developed countries and developing economies call for a corresponding enhancement in CG.

2.2.10 Impact of corporate governance practices on SOE performance

Several studies emphasise the significant role that CG brings to bear on SOEs (e.g. OECD, 2004; Shkolnikov & Wilson, 2009:15; Curi et al., 2016:1340). Shkolnikov and Wilson note that CG promotes SOE reforms, improves risk mitigation, builds transparent relationships between business and government, weakens corruption, strengthens institutions, combats poverty and contributes to employment creation. On its part, the Institute of Directors of Southern Africa (IoDSA, 2016) notes that:

> *"good corporate governance is paramount to the success of the SOEs itself and protect and advance the interest of the country and its citizenry. Governance helps to enhance the functioning of leadership structures of an SOE and provides the arrangements by which the SOEs should be governed so that it is able to meet its strategic objective" (p111).*

Shkolnikov & Wilson (2009:26) backup with this stance when they posit that there is no single solution to the numerous challenges facing the SOE sector and suggest that CG is the most appropriate strategic tool in handling SOE problems, especially in smaller nations as it aids the cleaning up of the governance environment, creates values for transparency and accountability and exposes insider relationship in the economy.

2.2.11 Corporate governance provides guidelines on roles of directors and their performance

The IoDSA (2016:35) notes that GG is vested in the board of directors and plays key roles in the governance of organisations. As the governing body of the organisation, the directors are that focal point of CG and their interaction with management and stakeholders is vital for the sustainability of the organisation. For the board to be active and oversee the performance of their organisations appropriately, the King IV Report (IoDSA, 2016:43) on leadership, ethics and corporate citizenship suggests the following roles of the board indicated in Principles 1-17 in the table 2.1 below:

Table 2.1:Board of directors' role

Principle	Role
1	The governing body should lead ethically and effectively
2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture
3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen
4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process
5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects
6	The governing body should serve as the focal point and custodian of corporate governance in the organisation
7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively
8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties
9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness
10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives
12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives
13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen
14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term
15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports
16	In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time
17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests

Source: IoDSA ((2016:43-73) summarised principles of the governing body)

2.2.12 Corporate governance enhances accountability, transparency, disclosure and responsibility

The Blue-Ribbon Committee (BRC, 1999) quoted in Rezaee et al. (2003) emphasised the important role of CG as:

> "Good governance promotes relationships of accountability among the primary corporate participants to enhance corporate performance. It holds management accountable to the board and the board accountable to shareholders … A key element of board oversight is working with management to achieve corporate legal and ethical compliance …" (p. 531)

Accountability is therefore a critical pillar in the CG mechanism (Kaulu 2010:7). It is an instrument for controlling agency costs (Mosunova, 2014:117). The IIA (2017) quotes a definition given by IFAC (2001) which states:

> "Accountability is the process whereby public-sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for responsibility conferred" (p. 11).

It is, indeed, a serious obligation that must be exercised cautiously due to its complex nature. In consonant with accountability is the concept of transparency. The IIA (2012:25) notes that transparency involves honesty of public sector organisations to their constituencies. Good governance demands the disclosure of relevant information to stakeholders to enable them to make informed decisions about the organisation regarding their performance and operations. Indeed, the public sector's activities are required to be conducted in the open as required by law and must be available upon request.

Transparency and integrity work in the same direction. The more the integrity, the more transparent an entity or person will be. Accountability and transparency are part of the essential elements of good governance. They are powerful forces that, when consistently applied, control corruption, promotes good governance and encourages accountability. Responsibility on the other hand is explained as having an obligation to perform a function entrusted to your charge, which may attract a penalty for failure to do so. The Merriam-Webster Dictionary *(nd*) defines disclosure as "an act of making something known" (*npn*). Transparency, responsibility, accountability and disclosure are inseparable ingredients in the CG mechanism (Shkolnikov & Wilson, 2009:8; Kaulu, 2010:11). It is also well documented that a disclosure system that promotes transparency, accountability and responsibility is a crucial feature of a market-based CG regime. It reinforces trust in the stock market and is a useful tool for impelling the behaviour of business organisations and for defending investor rights (OECD, 2011:12).

Figure 2.1. Illustrates how CG aids the four principles of governance.

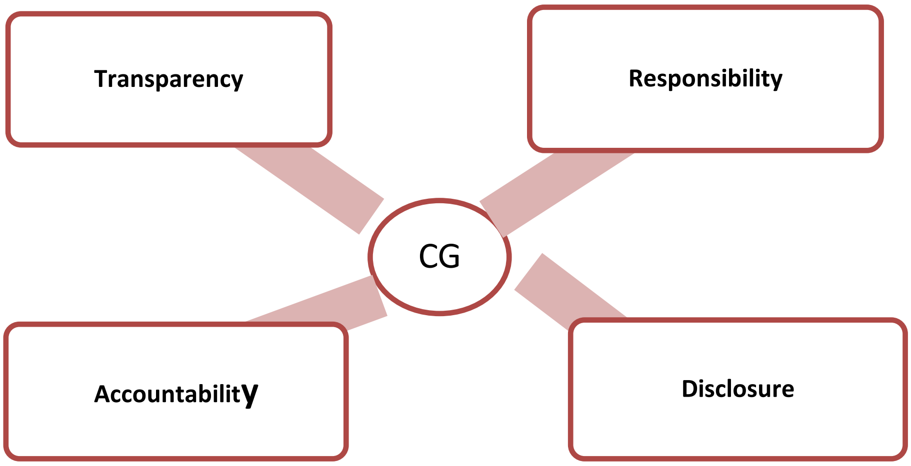


Figure 2.1:Key principles of corporate governance (Developed for this research)

2.2.13 Corporate governance reaffirms the legal, regulatory and institutional framework

The OECD (2011) poses two important questions to address the theme of this subsection. It asks, “What steps can be taken to ensure the basis for a CG framework that promotes overall economic performance and transparent and efficient markets?” It further asks, “Has this been translated into a coherent and consistent regulatory framework, backed by effective enforcement? (p.3).

King IV (2016) stresses that the legal and regulatory Compliance is a statutory obligation and an accepted CG requirement. King IV emphasises the importance of compliance and how, by applying the principles, the board can demonstrate that it has achieved sufficient compliance. The OECD (2014:7) supports this view, when it suggests that market participants need an effective CG framework, which requires a comprehensive legal, regulatory and institutional platform on which they can depend when they enter contractual relations. A clearly defined legal and regulatory framework for SOEs is very significant for communicating important opportunities to SOE shareholders, boards, management, and all other stakeholders (World Bank, 2014:25). The objective of such a framework is to make the board policy directions of the government clear for everyone. It should set flawless demarcations and outline the “relationship between the government as owner and SOE boards and management, separating legitimate government control and oversight for ensuring SOE accountability from the managerial autonomy necessary in commercial decision making” (p. 25). The board, management and professionals are expected to be aware of, understand, and ensure that their companies are following the laws and existing frameworks (Stults, 2004:3). Unfortunately, the biggest problem facing the SOEs is not the lack of regulatory instruments but the failure to implement them (Yakasai, 2001:251). This scenario naturally suggests that the situation can be circumvented by the inclusion of a set of policies, regulatory and institutional framework in the CG mosaic to enforce proper implementation by the SOEs, which should be backed up with credible penalties for failure.

2.2.14 Corporate governance promotes an effective and efficient management cadre

Developing effective and efficient managerial personnel as a means of improving efficiency in management and operational activities enhances SOE performance (Basu, 2005:9). The sort of management that SOEs need today are those capable of displaying leadership qualities with an understanding of strategic business mission, competence, flexibility and creativity. The World Bank (2014:227) gives an example of South African's dynamic initiative to *"grow its own timber*" when the Department of PE adopted a strategy to attract young graduates through its internship and graduate development programme by sharpening and strengthening their skills and capacity through training, monitoring and coaching programmes.

2.2.15 Corporate governance helps to improve the relationship between the government and the SOEs

Several documents on the topic, the state and SOEs, stress the significance of the state playing its rightful role of ownership and its impact on the performance of SOEs. The implementation of CG practices in SOEs, requires the government to indoctrinate the public and private sector organisations, the need to appreciate CG as a competitiveness policy (Shikonlnikon & Wilson, 2009:54). This view is supported by important documents, such as the OECD (2015) guidelines, The World Bank (2014) toolkits, the Commonwealth Association of Corporate Governance (CACG) (2002) principles, etc., have consistently advanced arguments regarding the state's role in SOE sustainability. SOEs are attempting to move away from the traditional ownership models where line ministries have ownership responsibilities instead of centralised ownership arrangements. SOEs are seeking for clarity on the state's role as owner and lessening of degeneration of ownership arrangements across multiple institutions and enhance accountability and outcomes.

The OECD (2015:20) notes, “The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness.” It maintains that the state seeking to reform its SOE sector to achieve sustainability needs to organise its ownership function along the following six recommendations in box two below.

Box 1: State Ownership arrangements

1. *The government should simplify and standardise the legal forms under which SOEs operate, preferably following the commonly accepted corporate norms.*
2. *The government should allow SOEs full operational autonomy to achieve their defined objectives and refrain from intervening in SOE management.*
3. *The state should let SOE boards exercise their responsibilities and should respect their independence.*
4. *The exercise of ownership rights should be clearly identified within the state administration. It should be centralised in a single ownership entity or carried out by a coordinating body. This “ownership entity” should have the capacity and competencies to effectively carry out its duties.*
5. *The ownership entity should be held accountable to the relevant representative bodies and have clearly defined relationships with relevant public bodies, including the state supreme audit institutions.*
6. *The state should act as an informed and active owner and should exercise its ownership rights according to the legal structure of each enterprise such as being represented at the general shareholders meetings and exercising its voting rights, establishing well-structured, merit-based and transparent board nomination processes, actively participating in the nomination of all SOEs’ boards and contributing to*

Source: OECD Guidelines on CG for SOEs 2015 Edition, p. 20.

2.2.16 The role of institutions of higher learning and the media

Shikonlnikon and Wilson (2009:54) state that the role and responsibly of institutions of higher learning and the media are crucial in the midst of reviewing literature on IA, CG and SOEs. They emphasise the fact that universities and the media should engage in corporate governance debate in all aspects of seeking for solutions to SOE challenges. Zuckweiler and Rosacker (2014:43) adds to this debate when they quoted *The* Association to Advance Collegiate Schools of Business (AACSB) International (2004) who stated that business schools should include in their curriculum a strong background of CG to inculcate into students an understanding of governance challenges at the foundation level, which every economy needs to address. To them, business faculties

> "have the opportunity to prepare our future business leaders as they respond to a changing legal and compliance environment as well as complex, conflicting, and sometimes highly problematic interests and opportunities" (p. 9).

They further note that when issues of corporate governance are highlighted, given its multidisciplinary nature, business schools can certainly influence the actions of business students as future leaders, and prepare them with the understanding of governance issues at local level instead of importing the so called "best practices" from other economies which may not be applicable in their own certain (Shikonlnikon & Wilson, 2009:54).

Further, Shikonlnikon and Wilson (2009:54), suggest that the media has an important role to play in an economy by providing the role players, especially the drivers of corporate governance with timely information. Akkenapelli (*n.d:12)* describes the media as the various means of communication, which include the different types of media such as, television, radio, and the newspaper. The media is noted for its role in shaping corporate policy by informing the populace about the economic activities of the country and should not be underestimated in any analysis which deals with CG practices. Akkenapelli further, notes that the role of the media creates awareness of CG in business organisations and must therefore, be in the forefront playing the watchdog role in ensuring accountability and transparency in the corporate sector of the country.

2.2.17 Corporate governance - The case of Namibia SOEs

The forgone discussions regarding the impact of CG on SOE performance applies to Namibia as well. The biggest trap that SOEs in Namibia are guilty of is their inability to implement existing policies. For instance, there is a clear-cut requirement by the Governance Policy Framework for SOEs (2001) and other policies in place, requiring SOEs to produce annual reports and submit them to their line ministries within six months of each financial year. Despite this requirement, many SOEs fail to prepare and present annual reports, which Motinga (2004:9) and later Jauch (2012:6) describe as the most difficult thing to get from the Namibian SOEs. To these researchers, what is lacking is the ability of the enforcement agencies to enforce the requirements. Furthermore, the accounting system followed by SOEs in Namibia, indicate that only one SOE out of the 28 EPSOEs in the country had followed the IFRS regime in 2012 (Sherbourne, 2013-14:391).

The SOE sector is regulated by the SOE Act No. 2 of 2006, the Report on a Governance Framework for SOEs (2001), the Companies Act (Act No. 71 of 2008: amended in 2011) and the NamCode (2014). These instruments significantly affect the operational and security requirements of the SOEs in the country. Unfortunately, however, there are two significant loopholes in as far as these regulatory instruments are concerned. Firstly, the existing 2001 regulatory framework is too old. A framework is supposed to be dynamic and updated by institutional and regulatory changes in the economy. Again, Jauch (2012:5) has cautioned the state to refrain from politicising board and management appointments. He suggests that SOE boards should appoint qualified and skilled staff. The state should reaffirm the legal, regulatory and institutional framework, improve monitoring arrangement to ensure accountability and responsibility for the performance of the board and CEOs. They insist this is the right way to promote sustainable performance and ensure proper governance practices.

As noted in subsection 2.3.6 above, the WB (2014: xxvi) recommends that SOEs can still be subjected to stock market regulations through partial listings as an alternative to privatisation. The Namibia Stock Exchange (NSX) strongly recommends that all Namibian entities irrespective of the form of incorporation should abide by the recommendations of the NamCode. However, there are some snags to this requirement. Firstly, NamCode (2014) is inherited from the King Report III the “apply or explain” governance regime. This concept subscribes to voluntary compliance in which companies are free not to abide by the laid down recommendations but provide an explanation for non-compliance as required by the code. Secondly, the Namibian government is now busy consulting on the framework that will enable its commercial SOEs to be partially listed on the NSX (Jooste, 2016). Thus, since they are not yet listed, they are not obliged to comply with the NSX requirements. These limitations encroach on the SOEs in Namibia ability to adopt proper CG practices to enhance their sustainability.

The IoDSA (2016:111) summarises the reviews of this section when it notes that CG is prime to the success of the SOEs in protecting and advancing the interest of the country and its populace. Similarly, it helps to augment the effectiveness of leadership structures of SOEs and provides the measures by which they are governed to enable them to meet their objectives. The next section will look at the concept of IA.

2.3 Internal audit function

2.3.1 Introduction

The literature relating to IA is reviewed and specific issues such as evolution of IA, characteristics of internal audit function (IAF), the IA roles in organisations and contributions to managerial activities, IA and value addition, IA independence, the need for top management support for the IAF, efficiency of the audit committee (AC), etc., are addressed.

The understanding of the origin, influence, and context of IA development significantly depends on the knowledge of the scope and existence of the IAF (Swinkels, 2012:27). It is gratifying to note that post-Enron reforms had given IA greater responsibilities and power demanding that they should audit almost everything in the organisation to avoid repetition of future failures. Ratliff and Reding (2002) cited in Ramamoorti (2003:10) note that IA functions should cover, among others, information systems, legal compliance, financial statements, fraud, environmental reporting and performance quality.

The past has witnessed a change in the functioning of the IA. For example, the establishment of the IIA in 1941 (Cascarino, 2015:4), the development of several codes of governance in different parts of the world, etc., have changed the role and perception of the IAF. It has therefore, become necessary to assess contemporary literature from different perspectives on IA since there has been no clarity regarding divergent views on the topic by academics and professionals to prevent confusion of the theory in use (Swinkels, 2012:191). That makes it imperative to deal with the origins and development of IA to enable the understanding of the scope and mandate of the IAF.

2.3.2 Definition and Scope of IA

This section progresses with the definition and scope of IA to highlight its importance and how it is contributing to the world of commerce. According to the Institute of Internal Auditors (IIA, 2000), IA has been defined in several ways as it journeyed through different stages of its development by the emphasis placed on its functions. Considering the modern-day role, it plays in organisations, however, the IIA (2002) cited in Cascarino (2015) provides a comprehensive definition, which states the fundamental purpose, nature, and scope of IA.

> “It appropriately defines IA 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 process”* (p. 14-15).

The definition touches on *“consulting activities, value-added services, evaluation and improvement of the effectiveness of the risk management and governance processes”* (Abdolmohammadi & Burnaby, 2006: 816) as its principal features. The definition is obviously quite broad as it extends the latitude of the IAF and responds to the intricacies of the organisation and its setting. They suggest that internal auditors must acquire new skills and tools as a result of the increase in the scope of the IAF and must focus on supporting the board by providing them with the required information in achieving their objectives (Karagiorgos, et al., 2010:18). The definition further supports the view that IA has indeed shifted its emphasis from being transaction checkers to enterprise risk management (ERM) addressers (Kramer (2013:1). This subsection has discussed the definition of IA. The next subsection will look at the history of IA.

2.3.3 Evolution of IA

The name audit is a borrowed word from Latin “audits” or “audire” meaning hearing when people gathered to hear the report. Affirming the historical journey, which audit has passed through, Mautz and Sharaf (1961) cited in Ramamoorti (2003) stated that:

> “The origin of auditing goes back to times scarcely less remote than that of accounting … Whenever the advance of civilisation brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some check upon the fidelity of the former would become apparent” (p. 3).

Modern day audit profession was developed towards 1900 when it became more extensive and systematic in approach (Swinkels, 2012:27). Since then auditing has evolved over the years. Moeller (2009:6) defines two types of auditors - external and internal. According to him, external auditors (EAs) are chartered by a regulatory authority. They review the work of their clients and independently report on them. Internal auditors, on the other hand, are employees of the company who also independently examines and assesses the operations of the organisation.

2.3.4 The changing role of the IAF

Moeller (2009:7) acknowledges that IA has come into existence as a result of the emerging need for the profession. According to him, IA was not regarded as a profession until the establishment of the Securities Exchange Commission (SEC) in the USA in the 1930s. As a legislative requirement, the SEC insisted that organisations listed with them can only submit their financial statements when independent auditors certify them. This condition prompted many organisations to have IAF established to assist the external auditors to reduce their cost of services in terms of time and costs. At that point, IA services involved very minimal activities such as reviewing accounting records, dealing with errors and discrepancies. Internal auditing in those days was a clerical activity involving routine accounting reconciliations or served as administrative support personnel.

Moeller (2009:7) notes that the turnaround happened when Victor Z. Brink published his book “Modern Internal Auditing” soon after the 2nd WW and the establishment of the IIA in 1942, which modernised and expanded the role of the IAF. As the need for IAF gathered momentum and broadened its frontiers, there has been a change of prominence of the IAF from the routine clerical activities to operation as experts providing professional and useful services to address the complexities of modern business challenges facing organisations. Internal audit is now a highly professional activity engaged in careful collection, interpretation and reporting of business activities to enhance management ability to keep track of important activities and results from varied sources and dealings (Ramamoorti, 2003:3).

Internal audit is reporting directly to the Board or its AC in the organisations and providing the best assurance compliance to business organisations. Companies which realise this fact, have quickly expanded their IAF. The complexity of organisations resulted in the recognition of IA by professional bodies such as IIA, which occasioned the growth and significance of the IAF. In their attempt to cope with the challenges of their expansion, company management needed to address questions related to procedures, compliance, safeguarding of assets, and performance of employees. They also needed to ascertain whether the existing methods were still relevant given the dynamics of the changing conditions (Ramamoorti, 2003:7; Moeller, 2009:7). Again, management’s eagerness to monitor the activities and production more closely necessitated the need for the IAF to help them achieve their objectives (Sawyer, 2003:5; Moeller, 2009:7). The expertise of IA has become meaningful, and today their function has been extended to include an audit of management (Cascarino, 2015:5). This subsection has discussed the changing role of the IAF. The following sub-section provides the role of IA in organisations.

2.3.5 Internal audit function in organisations

Pinto et al. (2013:70) state that the role of IAF is presented by different researchers through various lenses, but eventually fulfils its objective of adding value to organisations by providing them with assurance and advisory services and supporting management. The glossary to the Standards cited in Anderson (2003) defines assurance as "an objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization" (p. 106). Assurance engagements may consist of financial, performance, compliance, system security, and due diligence audits. Thus, assurance offers the leadership guarantees that the organisation is holistically in good shape. Anderson (2003:106) further, quotes the standard, which explains consulting activities as advisory and related client service agreed upon with the client, which are meant to add value and enhance an organization's operations. Consulting activities include such services as conducting internal control training, providing advice to management on control concerns, drafting policies, and participating in quality teams.

Internal audit needs a healthy relationship with the company leadership and the AC and must have effective communication skills and capacity to engage parties within and outside the company (Boyle et al., 2012:13). To meet their increasing demands, internal auditors need to assure business leadership of their abilities by demonstrating their unique skills and capabilities in the organisation while adding value. Internal Audit provides confidence, reduces uncertainty and risk, and adds value to financial statements enabling people to make vital economic decisions (Broadley, 2006:9). Internal audit plays very significant role in organisations by helping management identify risks and control weaknesses, gives assurance to stakeholders on the effectiveness of risk management process and control in the business. However, in Africa IA departments have not been given their due recognition retorts Okeahalam (2004:362).

Cascarino (2015) quotes IIA Standard 2130 which states that

> *"The internal audit activity should contribute to the organisation's governance process by evaluating and improving the process through which (1) values and goals are established and communicated, (2) accomplishment of goals is monitored, (3) accountability is ensured, and (4) values are preserved" (p. 216).*

To these researchers, the impact of the standard has transformed the role and position of internal auditors in organisations as a result of the global demands for better-quality governance practices and responsibility over the last few decades to help the board to identify and assess operational risks and provide low-cost effectiveness in dealing with them.

Management relies on IA for assurance that risks and other organisational activities are under control and of a good standard (Hermanson and Rittenberg, 2003:54). They claim that the IAF has played significant roles in governance implementation and controls, and in some instances responded to requests to assist in the assessment of management performance. Soh and Martinov-Bannie (2011:606) contribute to the debate by arguing that although there are no mandatory requirements for the Australian business organisations to have an IAF, the Australian Securities Exchange Corporate Governance Council Guidelines (ASXCGC, 2010), and the professional bodies (AICD et al., 2008) suggest that

> *"the internal audit function generally should analyse how adequate and efficient the organisations' existing risks management and IC systems are and give support to the AC and provide them with independent and objective assurance on internal CG, risk management, IC and compliance" (p. 605).*

Pinto et al., (2013:70) posit that IA is of real value to management when monitoring and assessing the adequacy of IC processes and the rules and procedures implemented by the management. According to them, it is quite imperative that management improves their strategies, tools and methods by tapping into the IAF in making proper decisions in a sustainable manner in the midst of stiff competition. They lament that only a few prior studies on managerial perception on the role of the IAF in management practices and decision making have been done and devoted their research to inspire academic literature by contributing to the IAF in managerial decision making and also whet the appetites of future researchers to explore the issue further.

2.3.6 Internal audit function value addition to organisational performance

Several researchers unanimously agree with the definition provided by the IIA (2010), regarding the fact that IA adds value to organisational activities (Al – Twaijry et al., 2003; Goodwin, 2004; Arena and Azzone, 2009; Mihret et al., 2010). Pinto et al., (2013:70) characterise value addition as more comprehensive and includes not only financial issues but also human and physical aspects. Therefore, to add value in IA connotes harnessing all the available resources in the organisation with the objective of assisting management in attaining their goals.

Carey et al. (2006:26) note that the aftermath of Sarbanes-Oxley Act (SOX) of 2002 increased the IAF role in CG through its services to the board of directors. Mihret et al. (2010:20) argue that IA adds value by assisting in the protection of real values through prevention of wastage of capital, fraud and inefficiency, improving operational processes and by reduction of EA's fees by the reliance on IA's work. Karagiorgos, et al. (2010:19) contribute to the debate on value addition when they state that the primary definition of IA in itself focuses on supporting the board in achieving its objectives and it is the IA that provides them with the required information for that purpose.

2.3.7 Quality assurance and improvement programme (QAIP).

The Standard 1300 expect IAF to put in place QAIP, which incorporates various aspects of the IA activity (Sarens, et al., 2012:193). The programme strongly recommends monitoring and continuing self-assessment and further suggests that external assessment should be done at least once every five years. The IAF uses monitoring tools such as a survey of customer satisfaction to determine the value addition and relevance of services rendered. Unfortunately, less than 50% of internal auditors conduct customer satisfaction surveys (Sarens et al., 2012:199) although, as suggested by Zaman and Sarens (2013:496) enhancement of the IAF is a significant activity in the CG process.

Some key empirical studies relating to IA effectiveness are indicated in Table 2.2 below. It illustrates a few selected past studies to buttress support for this research. It displays the author, methods used, purpose and findings of the study.

2.3.8 Internal audit effectiveness

According to Bender (2006:5), AC is required to examine and monitor the auditors' independence, objectivity and effectiveness of the audit procedures in place. Bender quotes the definition offered by the Institute of Chartered Accountants in England & Wales (ICAEW, 2003) which states

> *"Effectiveness can be regarded as a composite of competence, procedural arrangements, quality control and quality assurance. The procedural arrangements can be viewed as tools used by firms and individuals to ensure that audits comply with technical standards, i.e. legal requirements, regulators' requirements and*

auditing standards set by the Auditing Practices Board (APB) and taking into account the supplementary material in APB Practice Notes and Bulletins" (p. 2).

This definition is more formal, comprehensive and gives a better guidance for the AC in evaluating the effectiveness of the IA processes as it stresses competence, procedures, quality control and quality assurance.

2.3.8.1 Factors affecting IA Effectiveness

Various researchers have proposed some variables in line with the performance standards of the Institute of Professional Practices Framework (IPPF) of the IIA (2012:7) affecting IA effectiveness. These include audit quality (Standard 1300), the competence of audit team (Standard 1200), the independence of IA (Standard 1100) and support by top management (Standard 2060). Other researchers add the sector in which the organisation operates (Cohen and Sayag, 2010:302), in-house and outsourcing of IAF (Soh & Martinov-Bannie, 2011:607), and efficiency of the AC (Sarens et al., 2009:93); Karagiorgos et al., 2010:19).

2.3.8.2 Internal audit quality (IAQ)

Carrying out IA work by IA standards adds significantly to IA effectiveness (Cohen & Sayag, 2010:304; Mihret & Yismaw, 2007:470). A study by D'Silva and Ridley (1997:113) in the UK, indicates that complying with professional standards is a good thing to do because it contributes to IA quality. This is confirmed by Mihret & Yismaw (2007:474) and later by George et al. (2015:114) who note that IAQ, top management support and organisational environment influence IA effectiveness. According to Karagiorgos et al. (2010:20), it is empirically proven that IA is an essential part of the CG mosaic in all kinds of economic activities and the combination of these two key elements, are appreciated globally as a means of better management of economic resources. IA provides evidence about fraudulent activities unearthed during their auditing activities and report their findings to the AC (Rezaee & Lander, 1993:37). It boosts the AC's periodic appraisal of activities as compared with the existing standard practices to ascertain that the organisational activities do not deviate from the norms (Sawyer, 2003:1068). The outcome of Karagiorgos et al. (2010:20) study has successfully established that there is a positive relationship between attributes of CG and IA effectiveness, confirming that indeed IA plays a significant role in the governance processes. A regular comparison of its performance against the requirements of its stakeholders – boards, senior management, etc., will make IAF useful and all these provisions depend on the quality of the IAF (Feizizadeh, 2012:2778).

2.3.8.3 Competence of internal audit team (Standard 1200)

The proficiency of the IA team influences their effectiveness (George at al., 2015:115) and is considered as a very significant factor in IA. Internal audit effectiveness is related to the level of expertise within the IA team (Mat Zain et al. (2006:901). Suitable talent within the staff of the IA unit and the appropriate management of the staff are the means to IA effectiveness (Cohen & Sayag, 2010:305). A later study by Mihret et al. (2010:17) confirms that technical competence and continuous training of the IA staff are a necessary concomitant to the IA effectiveness. Alzeban and Gwilliam (2014:80) sum up the discussion by stating that a developed IA effectiveness is complementary to greater IA staff competence. This subsection has examined the need for competent IA team and the importance of sharpening the skills and technical abilities of Internal auditors. The next subsection examines the independence of IA.

2.3.8.4 Internal audit independence (Standard 1100)

Christopher et al. (2009:201) quote Mutchler et al. (2001) who suggested that with the increasing responsibilities of the IAF in the dynamic business environment coupled with competition and infiltration of globalisation, IAF is facing increasing pressure, which could impinge on its independence. They define independence as *"freedom from material conflicts of interest that threaten objectivity".* In other words, independence is a state where the threat of hopeless in IA services is minimised or controlled.

One of the key features of IA definition is the question of independence (Swinkels, 2012:32). IA effectiveness is considered as a function of independence and objectivity, which is also regarded as important for proper discharge of internal auditors' responsibilities (Christopher et al., 2009:202). Independence and objectivity enable internal auditors to perform their engagements without interference from anyone within or outside the organisation. The IIA standards prescribe that internal auditors must report to a level within the organisation that allows them to fulfil their responsibilities; and suggest that ideally, internal auditors should report functionally to the Board of Directors or the AC and administratively to the CEO. Independence is considered as one of the pillars of the IA effectiveness (Yee et al., 2008:148) and the lack of it compels IA to lose its ability to offer new ideas and simply regarded as part of the management team (Yee et al., 2008:152; George et al., 2015:115). The level of independence enjoyed by the IA from management and operating accountabilities is regarded as the strength of the IA department (Bou-Raad, 2000:183) and must be assessed as such.

Montondon (1995), Rittenburg (1977) and Chambers et al. (1988) differentiate between two dimensions of independence: organisational independence which consists of organisational factors and individual independence based on individual factors. They consider organisational independence as much more prominent to IA effectiveness than individual independence as that independence protects the IA from intimidation and promotes objectivity of the work of the auditor.

2.3.8.5 Top management support (Standard 2060)

Several recent studies in the field of auditing offer sufficient evidence that top management support is one of the key factors affecting IA effectiveness (Mihret & Yismaw, 2007; Cohen & Sayag, 2010; Alzeban & Gwilliam, 2014; George et al., 2015). Management support is complex and entails hiring qualified and experienced staff, making sufficient resources available, promoting the relationship between EA and IAs, and maintaining independent IA department (Alzeban & Gwilliam, 2014:81). Thus, all these variables affecting IA effectiveness are positively associated with top management support as Cohen & Sayag (2010) posit that a “greater support from management will be related to increased auditing effectiveness” (p. 301). According to them, the few available studies have not devoted enough attention to examining it comprehensively. They, therefore, devoted their study to contribute to the literature by building a theoretical understanding of IA effectiveness in the organisation by collecting data through questionnaires and structured interviews on the efficacy of IA from the general managers and Internal auditors of 180 Israeli companies. The results of their study confirm earlier study by Mihret & Yismaw (2007:478), which indicated that top management support is critical for IA to thrive in organisations. Management support is, therefore, the foundation for IA effectiveness. They demonstrate that all the other determinants of IA effectiveness are associated with top management support because they are the ones who hire efficient IA staff, determine their career paths and provide organisational independence for the IAF and make all the important decisions affecting the organisation which naturally includes the IA.

2.3.8.6 Influence of the sector on IA effectiveness

Cohen and Sayag (2010:298) suggest that IA effectiveness is affected by whether the organisation is running in the private or public sector. Goodwin (2004:644) believes that IA is perceived to be greater in the public sector than in the private sector when he argues that IA in the public sector has higher status than those in the private sector organisations in Australia and New Zealand. Cohen and Sayag (2010:298), however, dismiss this claim when they quote a prior study by Pfeffer and Leblebici (1973) who observed that private sector organisations have strong systems because they operate in a competitive environment where the level of supervision is high. In line with this, Thomas (1996) cited by Cohen and Sayag (2010:298) suggests that private sector organisations function in a more sophisticated control environment saddled with more risks and therefore require more effective system of IA to succeed.

2.3.8.7 In-house and outsourcing of IAF

In-house and outsourcing of the IAF are differentiated by the fact that by in-house the IAF is located in the company and it is one of the units/departments of the organisation. Outsourcing, however, is a situation where the organisation engages the services of the IAF from an outside firm to perform the IAF. Sometimes to have in-house or outsourcing IA is influenced by the size of the organisation which may not permit an autonomous department or the organisation may not have the expertise in-house to perform that function. The proponents of in-house IAF justify it by saying that it is more efficient because the role is performed by people with intimate knowledge of the organisation (Coram et al., 2008:548; Soh et al., 2011:21).

The Public Finance Management Act of 1999 of South Africa requires that all public entities in South Africa must have IAF. Unfortunately, for lack of suitable and qualified IA personnel in the country, professional accounting and auditing firms infiltrated the market to fill the IA gap (Cascarino and Van Esch (2007:195). They further argue that the terms of outsourcing the IAF must be discussed and agreed with management. Goodwin (2004:648) supports outsourcing when they note that it allows the IAF achieve effectiveness as such organisations have access to a broad range of expertise which may not be available in-house. Under such circumstances, the problems of confidentiality and auditor's liability issues may arise. Cascarino and Van Esch (2007:195) suggest that such fears must be addressed in the engagement letter of outsourcing the function. Soh and Martinov-Bannie (2011:610) however, caution that the cost and benefit analysis of both practices should be considered taking into consideration the size of the organisation before a choice is made.

2.3.8.8 Audit committee efficiency

The audit committee is considered as one of the pillars supporting IA effectiveness (George et al., 2015:114). Efficient AC strengthens IA effectiveness by providing it with an independent and compassionate environment to perform its functions thereby remaining productive and able to support the organisation better. Deloitte (2014:4) states that a clear articulation of lines of communication and reporting among AC, management and internal auditors are a strong bond for the existence of the IAF. Of the three parties in the relationship, that of AC and IA is the most important. According to them, CAE ability to contact the AC chair with questions seeking clarification can improve communication and also boost the relationship between the two. Thus, the involvement of the AC in the activities of the IA promotes and improves IA effectiveness in the organisation.

Internal audit effectiveness should be considered as a vibrant process that is influenced by the interplay of IAQ, management support, organisational environment and attributes of the auditee (Mihret and Yismaw, (2007:480) and a host of other factors. IA must, therefore, be capable of being able to meet its objectives and assist all the parties involved in the welfare of the organisation including the Board, management, etc., in addressing the organisational problems.

The other side of the issue is IA ineffectiveness. Some researchers have reported that ineffective management controls, setting objectives that are not clear in some organisations and inadequate support from top management are factors contributing to IA ineffectiveness (Ahmad et al., 2009:58; Feizizadeh, 2012:2777; Badara & Saidin, 2013:346). According to Vijayakumar & Nagaraja (2012:2), curbing ineffectiveness will help organisations to achieve performance, productivity and prevents losses in revenues.

Table 2.2: Previous studies on internal audit effectiveness

Author & Date	**Method**	**Purpose of study**	**Findings**
Badara, M.S. & Saidin, S.Z. 2015	Literature review	To examine the antecedents of internal audit effectiveness moderating effect of effective audit committee at local government in Nigeria	Found that effective internal control system, risk management, audit experience, cooperation between internal and external auditors and performance measurement have positive relationship with internal audit effectiveness at local government level in Nigeria.
Mihret, D.G. & Yismaw, A.W. 2007	Case study	To identify factors affecting the effectiveness of internal audit services in Ethiopia	Found that internal audit effectiveness is strongly influenced by internal audit quality and management support. Organisational environment and auditee attributes did not have a solid impact on audit effectiveness
Cohen, A. & Sayag, G. 2010.	Mixed method: using factor analysis, regression analysis and ANOVA	To build a conceptual understanding of the effectiveness of IA in Israeli business organisations	Found top management support was the most important factor that determines IA effectiveness irrespective of whether the organisation is private or public – a finding which tallied with a study by Albrecht et al. (1988) who also found management support was important to the success of IAF.
Abdullah, R.B. 2014.	*Mixed method:* Quantitative for the survey and qualitative for the in-depth analysis	To examine IAF effectiveness of the involvement of audit committee in internal audit activities and the effect of internal audit on corporate governance in Malaysia.	Found that the level of ACs' involvement in the reviews of each stage of the internal audit process contributes to the overall effectiveness of IAF. Also, IA performance is affected by motivation for organisational excellence.
George, D., Theofanis, K. & Konstantinos, A. 2015	Mixed method : Factor Analysis and regression analysis	The study investigated the specific factors associated with IA effectiveness in the Greek business environment	Found that the four factors affecting internal audit effectiveness are quality of internal audit, competence of internal audit team,

			independence of internal audit and management support. And that independence of internal audit is the foundation of internal audit effectiveness
Alzeban, A. & Gwilliam, D. 2014	Quantitative Method: Using multiple regression analysis	To examine the association between IAE and five principal factors namely: hiring trained and experienced staff, enhancing the relationship with external auditors, having an independent internal audit department and providing sufficient resources.	Found that management support for IAE drives perceived effectiveness of IAF from both management's and internal auditor's perspectives
Van Gelderen, S.C., Zegers, M., Boeijen, W.M., Westert, G.P., Robben, P.B & Wollersheim, H.C	Mixed Method: Using a survey questionnaire & in-depth interview	To evaluate the organisation of internal audits and their effectiveness for six Dutch hospital boards to govern patient safety	Found that internal audits are regarded as effective for patient safety governance, as they help boards to identify patient safety problems, proactively steer patient safety and inform boards of supervisors on the status of patient safety
Endaya, K. A. & Hanefah, M.M. 2013.	Qualitative method: using case study & in-depth interviews	To extend the literature of internal auditing, and its originality using agency theory, institutional theory, and communication theory as an approach to build a theoretical framework of internal audit effectiveness.	Found that internal audit effectiveness is influenced directly by internal auditors' characteristics, internal audit department performance, and organization members' support as a moderating variable on these relationships which could provide insights for future research.
Mihret, D.G. 2010	Mixed method	Examined IA practices in selected government ministries, state-owned enterprises, and private companies in Ethiopia to identify country- and organization-level contextual influences on internal audit effectiveness	Acknowledged the contribution of the state in the development of IA through coercive isomorphic pressures exerted by the government through its involvement in economic activities and its regulatory roles appears to have contributed to IA

			adoption and effectiveness in Ethiopian organizations.
Arena and Azzone (2009)	Quantitative method: Questionnaire survey	Examined internal audit in Italian companies to identify the determinants of internal audit effectiveness.	Found that internal audit team characteristics, IA processes and activities, and the organizational links are the variables that influence IA effectiveness.

2.3.9 Impact of internal audit on corporate governance practices of State-owned enterprises

Alattom et al. (2013:179) interrogated the association between IA quality and CG practices and how quality IA impacts on CG within the financial institutions using Jordanian Banks as a case study. The findings of the study indicated that the IA has contributed to boosting CG practices in the financial sector of the Jordanian economy, which has resulted in the improvement of GDP in that country. They postulate that this result is the consequence of improvement in IA quality and assert that IA quality is a function of CG and that effective IA translates into effective CG if the quality of IA in an organisation is active.

Rezaee (1996:30) draws on the definition of IA to support his stand on this debate. According to him, the definition primarily focuses on supporting the board and management in achieving their objectives, and it is IA’s responsibility to provide them with the required information for that purpose. Internal audit, therefore, offer management much more information about the organisation's activities such as finance, operations and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities. The findings of a study by Karagiorgos et al. (2010:18) indicate a positive relationship between attributes of CG and IA effectiveness, confirming the important role IA plays in the CG processes.

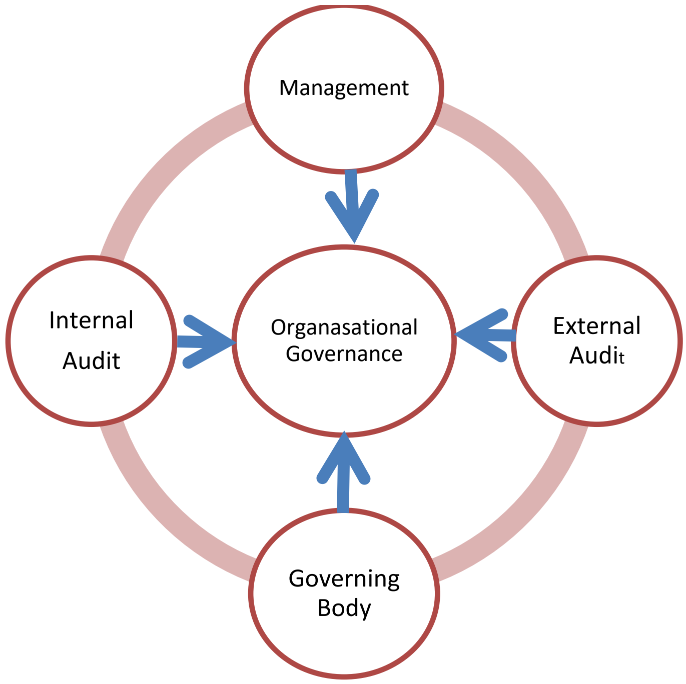


Figure 2.2: The four cornerstones of corporate governance *(Adapted: IIA (2008: npn))*

The association established in this figure is confirmed by the IIA (2008), Gramling et al. (2004:196) and other leading organisations when they opine that the four cornerstones of effective CG are the governing body, external audit, executive management, and internal auditing. According to them, these cornerstones are in consonance with each other and must work together to achieve organisational objectives.

There are some researchers who argue that IAF has no impact on employee performance and on CG as evidenced in the studies of (Churchill & Cooper, 1965; Euecker, Brief & Kenny, 1981). However, Gramling et al. (2004:200) refutes that notion and regard IA as invaluable in the governance activities and argue that there is indeed a direct relationship between IAF and CG and suggests that IAF prevents mismanagement, financial irregularities, provides safe environment, reduces mistakes, and enhance organisational performance and thereby enhances the CG structures in organisations.

2.3.10 Relationship between internal audit, external audit, audit committee and Management

Gramling et al., (2004:210) emphasise the importance of the relationship between IA and EA in the light of CG responsibilities placed on it as a consequence of the recent financial crises. According to them, the two professions, IA and EA, have become closer of late concretising a deeper relationship. For instance, the annual audit done by the EA is meant to fulfil the CG goal of quality reporting by management. Gramling emphasises the professional auditing standards regarding the assistance that IAF gives to the EA in fulfilling that important role. Tackling the relationship between IAF, AC and Management, Dezoort et al. 2002:41) state that the role of the AC has been extended to include the overarching internal control (IC) and auditing activities. Conversely, the AC also works towards the provision of an environment in which IAF could carry out its governance related activities.

Gramling et al. (2004:195) describe the connection between internal auditors, EAs, AC and management as the cornerstone of CG mechanism. Cohen et al. (2004:89) on their part confirm this association and describe it as “corporate governance mosaic” used for the first time in literature. Although these researchers provide an excellent blend of literature in this area, both studies are mainly from the US perspective. Stewart and Subramaniam (2010:339) have attempted to expand the study to cover Europe and Australasia. Hopefully, this study will also contribute to the knowledge in this field as the researcher endeavours to cover the impact of IA and CG practices on SOE sustainability and thereby, extend the study to Africa and Namibia in particular in an attempt to close the gap in the literature on the issue at hand.

Hermanson and Rittenberg (2003:54) describe the IAF as an important *“frontline layer*” in the primary CG activities by monitoring risks and providing assurance regarding controls. They quote the IIA (2002) which describes the IAF’s role in governance as follows –

> “Internal Auditors roles include monitoring, assessing and analysing organisational risks and controls, and receiving and confirming information and compliance with policies, procedures and laws. Internal auditors, working in partnership with management, provide the board, the AC and executive management assurance that risks are held at bay, and the organisation’s CG is strong and effective. And when there is room for improvement anywhere within the organisation, the internal auditors make recommendations for enhancing processes, policies and procedures” (pg. 54).

Thus, the primary IA activity, which consists of risk assessment, control assurance and compliance work translates directly into organisational governance. In the governance, therefore, the IAF consists of the following roles indicated in Figure 2.4 below.

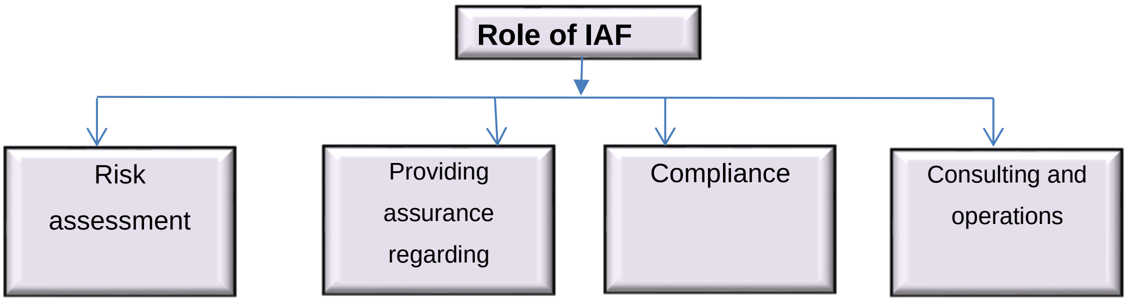


Figure 2.3: IAF in the governance processes *(Adapted: Hermanson & Rittenberg, 2003: 55)*

The understanding of risks and control has been a major contribution of the IAF to the organisational governance in several ways (Hermanson & Rittenberg, 2003:54). They describe the IAF contributions of risks and control as indicated in Box 2 below.

The IIA Standard 2130 cited in Cascarino (2015) tries to address the question of how AC developments impact on IA when they state that:

> "The internal audit activity should contribute to the organisations governance process by evaluating and improving the processes through which (1) values and goals are established and communicated, (2) the accomplishment of goals is monitored, (3) accountability is ensured and (4) values are preserved" (p. 216).

They also concede that the role and the position of the internal auditors in organisations have significantly changed due to the global demands for improved governance processes as internal auditors control transactions of the business to supporting management to manage their business effectively and efficiently.

Box 2: IA Risk & Control function

Risks:

- *Assess existing risks of audited area and report that assessment to management, the AC or both*
- *Develop a plan to systematically assess risks across the organisation*
- *Lead the risk management activities when a void has occurred within the organisation*
- *Facilitate risk management through risks self-assessment techniques*
- *Evaluate risk associated with new computing developments and stop the project if risks are not controlled at predetermined acceptable levels*
- *Assist management in implementing a risk model across the organisation*

Control

- *Test compliance with controls in functional areas. Report findings to management and if important to the AC*
- *Assist management in designing a comprehensive assessment, including testing of controls across the organisation*
- *Assist management in preparing reports on effectiveness of ICs*
- *Identify significant control deficiencies, including elements of the tone at the top, and communicate to the AC*
- *Implement computerised testing techniques, e.g. continuous control monitoring techniques to monitor effectiveness of controls*
- *Facilitate the understanding and development of controls within functional areas through control self-assessment (CSA) techniques.*

Adapted: Hermanson & Rittenberg (2003:55)

Rossiter (2011:1) believes that governance risk and compliance (GRC) demonstrates the essential opportunity for IA to lead change in the governance processes. According to her, the GRC value propositions result in “efficiency, economy of scale, cost savings and sharpened effectiveness” (p. 3) which results in better decision making. Gramling et al., (2012) on their part contributes to the debate by acknowledging that IA provides assurance and consulting activities to organisations.

2.3.11 Internal audit function and SOE performance

State-owned enterprises are a part of the strategic sector in developing countries and need to develop in support of the socio-economic development initiatives, which are best achieved by emulating the governance practices of the private sector where it relies on amongst others IA, for the proper functioning of their organisations (Radasi & Barac, 2015:97). As noted in the previous sections, management and the AC rely on IA for their expertise in the evaluation and improvement of risk management (Msiza, 2011:27). A study by Radasi & Barac (2015:97) of three SOEs in South Africa using qualitative research approach and case study method, aimed at the determination of the views and challenges faced by IAF currently in the SOEs, found out there is a paucity of research done on IA within the SOE sector. They, therefore, motivated their research to add substantially to the body of knowledge in that area. The issue of the scantiness of literature on IA within SOEs is further demonstrated by Stewart and Subramaniam (2010:329) in their study, when they report that there have been insufficient prior reviews of literature on IA until Bailey et al. (2003) wrote their article on research opportunities in IA. This encouraged researchers to delve into internal auditing and also close the gap between academics and practitioner's views on IA.

Section 2.4.4 brings to fore the numerous challenges facing the SOE sector in Namibia. The IA role in assisting SOEs overcome the challenges and improve their performance is emphasised here. Radasi and Barac (2015:99) confirm that SOEs are facing challenges, which are due to changes taking place in the business environment in which they function. Several researchers on the topic, such as Maharaj, Hei & Van Rensburg (2006), Allen & Mawn, (2011), Crosby, (2014) confirm that the acceleration of changes in globalisation and advancements in technology, competition for a share in the global markets and complex financial mechanism, required to compete for investors are leaving behind many developing countries who are unable to keep up with the pace. Such environmental challenges, according to Mintz and Krishnan (2009:61) lead to organisational changes that impact on CG systems and risk management processes in the SOE sector. For this reason, Ernst & Young (2013:27) note that internal auditors are progressively being asked in addition to the provision of operational business understandings also to serve as strategic advisors to the organisation. Corporate leaders on their part require internal auditors to improve their visibility in the organisations and provide strategic discernments that can deliver enduring value for the organisation. Msiza (2011:28) adds that the operations of the IAF should be in consonant with the changing risk profile of the organisation and the changing needs of the stakeholders in attempting to address the environmental challenges.

2.3.12 Internal audit challenges in the SOE sector

The study by Radasi and Barac (2015:98) of three SOEs in South Africa using qualitative research approach and case study method aimed at the determination of the views and challenges faced by IA in the SOE sector. These researchers concluded that reliance on IAF is significant for SOE survival, but laments that IAF in SOEs face several challenges, which impinges on effective performance of IA. The educational and professional qualifications of IA staff in the SOEs in developing countries are low or sometimes unrelated to the activities they perform and suggest that the aptitude of IA staff involved in the auditing activities is crucial and regarded by the IIA as an essential component of effective audit activity (Alzeban & Sawan, 2013:447) and emphasise that IAs need to buttress their qualifications and engage regular CPD to be able to perform their duties better. The successive subsections address other challenges facing IAF.

2.3.12.1 Lack of resources

Peters and Romi (2013:220) contributing to the issue at hand, argue that internal auditors' inability to respond appropriately to the needs of the auditees is due to lack of resources. According to them, a study of heads of internal audit in the UK, shows that while about 25 percent of private sector organisations increased their IA budgets, 18 percent public sector HIA faced decreased. The HIAs lament that they are aware of the enormity of the challenges requiring them to deliver effectively, and yet cutting IA budgets at a time when there are significant changes taking place in the sector, has ramifications.

Peters and Romi (2013:216) argue that governments should avoid wasting resources and consider investing in IA, which is capable of informing them about how effective their controls and processes are and how IA can provide solutions to the major challenges faced by the SOE. Contributing to the skills and knowledge deficit debate, Baharud-din et al. (2014:127) in their study in Malaysia, confirms that only 50.3 percent of internal auditors had a university degree and above. They further noted that over 50 percent of the Internal auditors had few years' experience in auditing, confirming that internal auditors in public sector lag behind their counterparts in the private sector regarding qualifications, skills and experience of the SOEs.

This subsection has examined the lack of resources as an impediment that impacts on SOE performance. The next subsection discusses the lack of Appreciation for the IAF within the public sector organisations as challenges.

2.3.12.2 Lack of appreciation for internal audit function within the public sector organisations

Boosting the awareness of and appreciation for the IAF in the organisation is an important responsibility of management, who should initiate a dialogue that stresses the merits of having IA department and the gains to be derived from such a unit in the organisation (Kagermann et al., 2008:32). Internal audit should be seen as credible and accorded its rightful position within the organisation (Alzeban & Sawan, 2013:446). Unfortunately, Namibia SOEs like their counter parts in other African countries have not given prominence to the IAF in their operations as observed by Okeahalam (2004). Although relevant codes of governances such as the SOX (2002) of the USA, King IV Code (2016) of South Africa and the NamCode (2014) of Namibia, several strategic policies, frameworks and recommendations strongly recommend the inclusion of IAF in CG practices. Many SOEs have failed to adhere to this recommendation as a core element in the reform processes of SOEs. While this recommendation is compulsory in their "comply or else" regime in the US and enshrined in their constitution, many African countries, especially in the Southern African region, have adopted the voluntary system of "apply and explain" (King IV, 2016 – previously "apply or explain" as in King III). They have chosen to ignore the recommendations or relegate the IAF to lower levels in the organograms of those institutions. This issue is a universal phenomenon in the developing world as Alzeban and Sawan (2013:452) report that institutional factors have contributed to the failure of IA development in the public-sector organisations in Saudi Arabia making it redundant. They further note that some powerful government bodies' reluctance to appreciate the value of IA mechanism as capable of improving the efficiency and goodness in the public sector is a serious concern. Peters and Romi (2013:18) amplify this concern when they highlight the failure to implement the recommendations of the IAF by the UK Department of Works and Pensions, which resulted in writing off of £34m of IT work as a typical example of failing to adhere to technical advice provided by IA.

2.3.12.3 Lack of management supports for internal audit function in the SOE sector

Consistent with the failure of recognition discussed above is the lack of management support for the IAF, which in turn hurts the performance of the SOEs (Ahmad et al., 2009:53; Badara & Saidin, 2013:346). The lack of understanding of the role of IA in the public-sector organisations especially among SOEs denies IAF the opportunity to remain efficient and contribute to SOE performance. The SOEs should, therefore, note that without management support, the IA unit will lose its independence and objectivity which are necessary to enable it to contribute to the overall organisational efforts (Alzeban & Sawan, 2013:453).

2.3.12.4 Risk Management in the SOE sector

Turlea & Stefanescu (2009:211) describe risk as unavoidable element ever present in all organisations. According to them, risk is a string of challenges that diminishes the concentration to succeed and prevents the possibility of achieving the intended outcome. The cost of risk management failures, besides monetary costs, is measured in terms of management time needed to rectify the situation. The system in place should, therefore, ensure that risks are understood, managed, and when appropriate, communicated (OECD, 2014).

Accordingly, the Indian and the German Company Acts require their board to take appropriate measures by setting up a monitoring mechanism to ensure the identification of any risk, which may threaten the existence of the organisation and communicated to the board. In the same vein, the NamCode of Namibia (2014:72) and the King IV Report (2016) of South Africa regard risk management as an integral part of the organisation's processes. Both codes suggest that the board should remain responsible for risk management and pay attention to the specific risks, such as reputational risk, sustainability risk, IT risk, fraud risk, poor governance risks, assets management risks, etc. Organisation must adopt an intrusive risk management approach to ensure that they are properly evaluated and controlled.

2.3.13 Significance of internal audit in the Public Sector.

The IIA (2012:5) in their additional guidelines on the role of auditing in the public sector also note that auditing is the backbone of good public-sector governance as it adds value by providing objective assurance to every public-sector organisation. It enables the reinforcement of the governance mechanism by making the public-sector entities accountable to the people. They also note that auditors support governance in promoting credibility, equity, and ethical behaviour of public sector officials and help lower the risk of corruption in the public sector.

A study by Ţurlea and Stefănescue (2009:214) using qualitative method and Romania as a laboratory test, note that the redefinition of the role of IA in the public sector is evolving and motivated by the profound transformation and the overwhelming public-sector activities of today. According to them, the acceleration of complex events and diminution of future resources in the public sector require the redefinition of the role of IA as consumers of these resources are continuously demanding for diverse and quality services, higher public and social responsibility, as well as adherence to higher performance and transparency. Public sector organisations require independent audit activities capable of providing assurance and advisory services ranging from financial attestation to performance and operational efficiency (IIA, 2012:5). And to be able to respond to the needs of the organisation’s activities, the IIA (2012:17) and Radasi & Barac (2015:103) suggest that auditing activity should be as broad as possible including the following seven essential attributes listed in Table 2.3 below.

Table 2.3: Seven essential attributes of auditing activity

Organisational independence	Allows the auditors to perform their work without interference by the entity being audited and also perceived to conduct its work without interference. The findings of a study by Radasi & Barac (2015) in South Africa, alluded to previously, indicated that IA independence is assured in all the three organisations they studied, which give rise to value and objectivity in the profession as prescribed by Standard 1100 of the institute, fulfilling IInternal auditors requirement that IA activity must be independent of thought and in action.
Formal mandate	A formal mandate should be enshrined in the charter or legal document of engagement indicating the duties and powers of the auditors. The document should also address procedures and requirements of reporting and the obligation of the organisation to collaborate with the auditors.
Unrestricted access	Auditors must not be restricted from getting access to the organisational records involving, employees, assets, and financial records as appropriate for the performance of audit activities.
Sufficient funding	There must be sufficient funding about the size of the audit responsibilities to enable the auditors to perform their work
Competent leadership	Leadership with the ability to recruit, retain, and manage highly skilled staff without interference from management or political influence is what is required of the head of the audit activity independently and efficiently. S/He must be well informed of the applicable standards and must be professionally qualified.
Objective staff	Objectivity like independence is an essential requirement of an audit staff engaged in audit activities. They must be impartial in attitude and avoid conflict of interest.
Competent staff	The audit activity requires professional staff with the necessary qualifications and skills to perform the audits required by its mandate. They must comply with the minimum continuing education requirements required by their relevant professional organisations and standards.

The IIA (2012:13) compares the public-sector organisation to that of a principal-agent relationship. The officials who represent the government are the principals and the management in charge of stewardship of resources are the agents. The auditor serves as the buffer between the principals and the agents who attempt to reduce the inherent agency cost. As indicated in Figure 2.5 below, the auditor provides the principal with an independent and objective evaluation of the accounting information from the agent and gives a report on their findings. The agents must periodically render account to the principal for their use of resources and how the public expectations have been accomplished. The auditor, therefore, is the third party who attests to the credibility of the financial reports and compliance and other measures put in place by the organisation and therefore serves an accountability relationship.

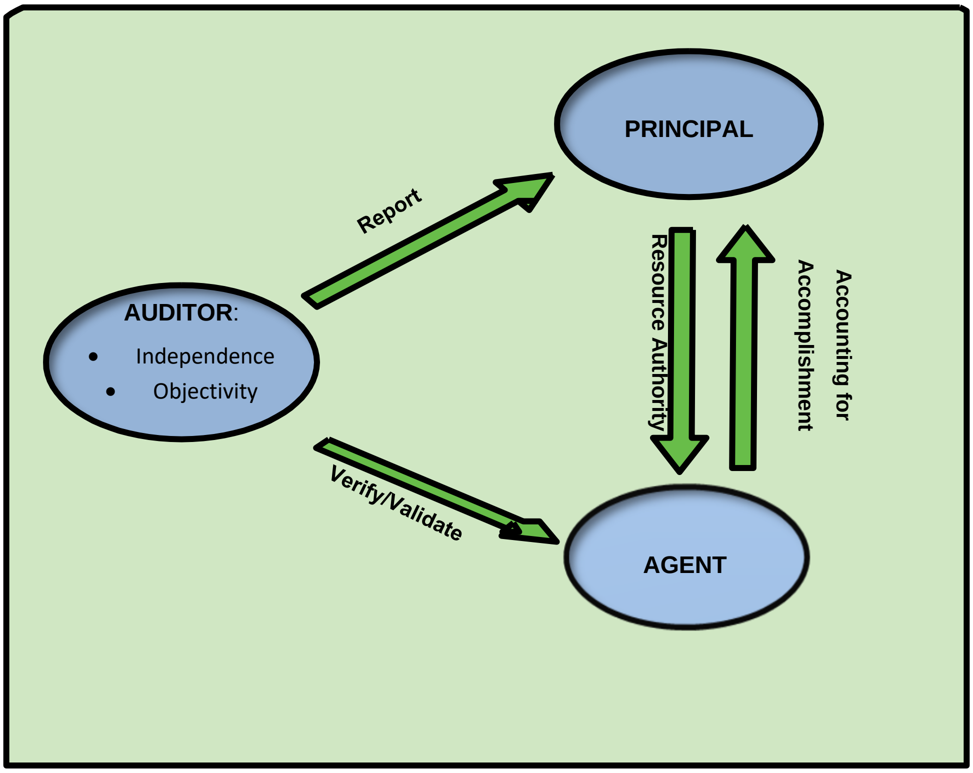


Figure 2.4: Three-party agency relationship (Adapted: IIA (2012:13))

The OECD (2014:8) recognises the unique position that internal auditors occupy in the organisation and stresses that they play a significant role in the evaluation of the governance practices, implementation of risks management policies and internal control processes. They also suggest that internal auditors constitute the first level of review of the quality of information concerning the extent to which the organisation has achieved its objectives.

2.4 State-owned enterprises

2.4.1 Introduction

This section begins by reviewing the relevant empirical literature concerning issues affecting SOE development, performance and challenges globally, Africa and Namibia in particular. The study acknowledges the fact that theoretical research on SOE development is so enormous that any attempt to comprehensively deal with such a vast amount of literature in any single study may be quite a daunting exercise. The researcher, therefore, attempts to present and review the theoretical literature that is significant to this study in a discriminatory manner without jeopardising the quality of the research in this section. Thus, the current section is looking into SOEs in general, historical perspective, their motivation, challenges and whether privatisation is the answer to the woes of SOEs.

2.4.2 Definition and meaning of state-owned enterprises

What constitutes SOEs is a relevant question that this section is attempting to address. SOEs are common across nations and given different names such as Parastatal organisations (PO); Government Controlled Enterprises (GCE); Government Owned Corporations (GOC); Public Business Enterprises (PBE); State Own Entities or PEs Enterprises (PEs). The definition of this concept has not been amply addressed in academic literature. But with a diverse range of activities extending to different disciplines, a working definition is needed for a deeper interpretation (Basu, 2005:3). Like the name, the definition also varies from country to country (PWC, 2015:8). In that regard, Basu adopts one of the definitions provided by the International Centre for Promotion of Enterprises (ICPE), which is also adopted by The World Bank (2008) as:

> "any commercial, financial, industrial, agricultural, or promotional undertaking owned by public authority, either wholly or through majority shareholding, which is engaged in the sale of goods and services whose affairs are capable of being recorded in balance sheets and profit and loss accounts" (pg. 3).

A definition such as this is too broad as it incorporates all organisations engaged in activities supported by the state. The OECD (2015) reports that countries differ in the range of institutions that they consider as SOEs, and that

> "any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be regarded as an SOE. That includes joint stock

companies, limited liability corporations and partnerships limited by shares. Moreover, statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their operations, are of a largely economic nature" (p. 15).

While the researcher agrees with the first part of the definition, it is, however, doubtful to ascribe the name SOE to organisations whose purpose and activities are of commercial nature and link SOE activities to profit making. Many academic works of literature on the subject state that SOEs may, in fact, engage in financial and non-financial activities such as promotion, regulation, etc. And in associating what SOEs truly are, some researchers describe them as enterprises involved in non-financial activities (Chang, 2007:27). For the purposes of this study, the researcher is tempted to agree with the definition provided by the Namibian Constitution enshrined in the Namibian SOE Act No. 2 of 2006, which simply defines SOE as "a company incorporated under the Companies Act 1973, (Act No. 61 of 1973) in which the State is the sole or majority shareholder" (p. 4).

2.4.3 State-owned enterprises in Namibia

In the Namibian context, Diescho (2015: *npn*) argues that the history of SOEs is similar to that of the struggle for the liberation of the country as well as the socio-political and economic emancipation of the people. According to him, the PEs were part of the state-run financial and economic institutions under the apartheid South African regime. They were meant to propagate the economic development agenda of foreign owners and as a result, the existing PEs at the time of independence did not have the interest of most Namibians at heart (Diescho, 2015: *npn*).

Namibia inherited twelve SOEs from the apartheid South African government at independence in 1990 (Links and Haimbodi, 2011:1) and considering their significant role in the economy the new government retained them and added more. Today, the total number of SOEs stand at seventy-two (Government Gazette, 2013). Thus, as the number of SOEs in other parts of the world is reducing through privatisation, the number keeps increasing in Namibia. SOEs in Namibia are established by Act No. 2 of State-owned Enterprises Governance Act, 2006 of the Government of Namibia. The purpose of the Act is "to make provision for efficient governance of State-owned enterprises and the monitoring of their performance ………" (SOE Governance Act, 2006, pg. 1).

Going by the definition alluded to above, all SOEs in Namibia are 100 per cent owned by the government under the control of two shareholding ministries, namely Ministry of Finance and a line Ministry, who is, by conversion, the SOE's ministry (SOEG Act, 2006). The SOEs' report to the government and the government appoints their boards. An act of parliament established most of the SOEs. The SOEs are classified into three categories:

- Economic and Productive SOEs (EPSOEs);
- SOE with Regulatory function; and,
- Service Rendering Enterprises (GRN, 2010).

2.4.4 Motivation for state-owned enterprises – Namibian perspective

Namibia's Vision 2030 sets the political and socio-economic agenda of the country to address the inherited colonial legacy of weak economic growth, high-income disparity and poverty through pro-active policies (Vision 2030; AFDB, 2009-2013: vii). The primary instruments for achieving these policies and programmes are the National Development Plans (NDPs). The latest plan being the NDP5 (2017/18 up until 2021/22), which aims at implementing and achieving the objectives and aspirations of Namibia's Vision 2030 (GRN, 2017: iii). The NDP5 has adopted three all-inclusive goals, which include i) High and sustained economic growth ii) Employment creation, and iii) Increased income equality. Although Namibia through its developmental agenda has achieved macroeconomic stability supported by prudent fiscal and monetary policy (Diescho, 2015), political stability, backed up by maturing democracy, the economy still reveals an unacceptable level of income inequality, poverty and unemployment (NDP4, 2012).

They are expected to assist the government in its elaboration of a non-negotiable national agenda of peace, stability, security, freedom, justice and harmony (Diescho, 2015). Meeting these noble epitomes of the nation requires the SOEs to embark on targeted approach towards jobs creation, economic growth, wealth distribution and competitiveness in the country. Despite the negative views expressed by many researchers, SOEs are fulfilling the needs and aspirations of the impoverished (Jauch, 2012:1) majority of the populace who would have been tormented by the economic rules of demand and supply without state intervention. The political leadership, therefore, considers SOEs as important and must continue to play a significant role in the economy.

These SOEs are charged with delivering essential developmental services (Jauch, 2012:1) like water supply, electricity - including rural electrification, telecommunication and infrastructural development whose costs would obviously be beyond the reach of consumers if left in the hands of private sector organisations. The contention that privatisation will not necessarily achieve national goals is eminent in Namibia, and it is better to address the shortcomings demonstrated by the existing SOEs to enable them to perform better and be more accountable in utilising public resources. It is imperative that any debate between privatisation and non-privatisation of SOE in Namibia must consider the environmental factors and the government developmental imperatives indicated in Vision 2030 and the various NDPs.

Source: Government Gazette of the Republic of Namibia. No. 5213. Schedule 1. [31 May 2013]

Table 2.4: Economic and productive SOEs in Namibia

ECONOMIC AND PRODUCTIVE SOES (EPSOE) IN NAMIBIA	
Agricultural Bank of Namibia	MeatCo
Air Namibia	Namibia Water Corporation
August 26 Holdings Company (Pty) Ltd	Namibia Power Corporation
Development Bank of Namibia	Namibia Wildlife Resorts
Lüderitz Waterfront Limited	National Housing Enterprise
Meat Corporation of Namibia	New Era Publication Corporation
Nam Water Corporation	Offshore Development Company[10]
Namibia Agronomic Board	Roads Contractor Corporation
Namibia Airports Company	Roads Fund Administration
Namibia Development Corporation	Star Protection Service Windhoek
Namibia Institute of Pathology	Telecom Namibia
Namibia National Reinsurance Corporation	TransNamib Holdings Ltd
Namibia Ports Authority	Windhoek Machinen Fabrik
Namibia Post	Zambezi Waterfront Limited

The government created and funded the SOEs, which today, stand at seventy-two. Twenty-eight of these are the Economic and Productive SOEs (EPSOEs) listed in Table 2.3 above. This subsection has discussed the motivation for SOE development in Namibia. The next subsection will discuss the challenges facing SOEs in Namibia.

[10] Namibia Industrial Development Agency (NIDA), was incorporated into the Namibia Development Corporation (NDC) and the Offshore Development Company (ODC) as per the Namibia Industrial Development Agency Bill 16 of 2016.

2.4.5 Challenges facing SOEs in Namibia

The government has set up the SOEs with public funds, and it is natural to expect them to contribute to the government's pursuit of a non-negotiable national agenda of peace, stability, security, freedom, justice and harmony (Diescho, 2015). To meet this noble plan, the SOEs are expected to embark on targeted approach towards jobs creation, economic growth, wealth distribution and competitiveness in the region, Africa and globally (Diescho, 2015). Unfortunately, many SOEs have failed in Namibia as they face overwhelming challenges. All the challenges facing the African SOEs indicated in subsection 2.4.6 above are also true in the case of Namibia. Recent media reports are encumbered with several negative headlines on SOE activities. Headlines such as "retrenchment of staff is attracting enormous severance packages" (The Villager, 2012); "payment to consultants and contracts without board approval and sometimes the job not done"; "payment of huge salaries to senior management and board members"; "making a huge severance payment to fired CEOs who lose their jobs for non-performance are commonplace". These reports are worrisome and need to be addressed, but this can only be done after thorough analysis of the challenges facing the sector that are evoking these scarily tendencies, which include:

- Poor reporting, transparency and disclosure
- Political interference
- Dual governance model of the PEs
- Appointment of the board and senior management and their performance
- Lumping together SOEs in performance evaluation; and
- Lack of Personnel with credible experience and skills

The paucity of studies on the issue is problematic, yet the few literatures on the subject are emphatically about the negative impacts they are having on SOE performance in the country. The following sub-sections will look at the challenges.

2.4.5.1 Poor Reporting, Transparency and Disclosure

The OECD (2015:26) requires SOEs to observe high standards of transparency and disclosure. The OECD expects them to adhere to the same high-quality standards as in the case of accounting and auditing and compliance as it is in listed companies. Namibia SOEs fall in the trap, which the OECD (2014) describes as having

> *"fragile system of internal controls and processes, inadequate accounting and auditing practices, and weak compliance procedures, with low levels of financial*

and nonfinancial disclosure and few if any requirements to publicly report their accounts or other information" (p. 15).

The OECD attributes these problems to the lack of a high-performance monitoring arrangement to ensure accountability, transparency and disclosure on the part of the boards and the CEOs. For example, in Namibia, the SOE Act (No. 2, 2006), the Governance Policy Framework for SOEs (2001) and other policies in place, require SOEs to produce annual reports and submit them to their line ministries within six months of each financial year. Expressing their dismay on the issue, Motinga (2004:9) and a later study by Sherbourne (2013-2014:380), note that getting reports (annual reports, financial reports and other performance reports) from SOEs in Namibia is very challenging and remains unreliable. The newly appointed minister for the Ministry of Public Enterprises (MPEs) publicly complained in 2015 to Parliament about failure of the SOEs to comply with his request for information and expressed his dismay regarding their failure to conform with the existing laws requiring them to publish annual reports (Weylandt, 2017:11). Except for a few SOEs, the reports are either not available or past reports are not properly archived. The quality of the reports is another problematic issue. The Patriot newspaper report (2018: npn) quotes the minister of PEs as having apprehensions over the accuracy and quality of information provided by the SOEs regarding its clarity and details. The Namibian Newspaper report of 2013, quotes Mr Maamberua[11], as having stated that forty-three SOEs out of seventy-two had not submitted any document about their operations by November that year. He cautioned the CEOs and board chairpersons that it is obligatory for all institutions receiving public funding to provide annual reports. The IPPR Report (2014) quoted in The Patriot newspaper (2018, *npn*) states that 44 out of 62 SOEs contacted had no annual reports on their website. Further, "nine websites only had reports from 2012 or older" (*npn*). Again, Mr Maamberua noted that lack of pertinent information from the SOEs compounds accountability, transparency and disclosure challenges and weakens their performance monitoring at all levels and disguises debts that could destroy the financial system and proliferate chances of corruption.

2.4.5.2 Political Interference

The previous sub-section has exposed the lapses in reporting, transparency and disclosure as a challenge. This subsection takes on political interference as another source of

[11] Mr. U. Maamberua is currently a member of parliament. He was also a former permanent secretary of the ministry of Finance

challenge facing SOEs in the country. Several studies and reports have highlighted undue political interference of SOE activities as a serious problem (Jauch, 2012:7; Sherbourne, 2013-2014:392). As !Gawaxab (2012) observed, the Namibian government is playing multiple roles of owner, shareholder, policy-maker and regulator. The government having been caught up in such a maze of functions, is unable to find a balance between actively exercising its ownership responsibilities while attempting to refrain from imposing undue political influence in the management of the organisations.

Again, using its regulatory and supervisory powers, one would expect the state to ensure fair play between the private sector and the SOEs, whereby both can compete on equal footing in the market. This is not the case since the state is always ready to protect the SOEs through several bailout mechanisms such as subsidies, grants, debt relief, etc., and provide them with soft budgets. The obvious consequence is that the management of SOEs is not strengthened to be competitive as their counterparts in the private sector. Again, the SOEs are unable to operate as commercial entities, and their ability to function independently is infringed upon (Sherbourne, 2013-2014:377). Sherbourne further notes that the Government's regulation of pricing of SOE products and services in many instances contradicts the state's role as a regulator attempting to reduce prices for the benefit of the populace and as an owner trying to maximise profits, taxes and dividends in the interest of the state. It must be appreciated that politically motivated appointments, price regulation and soft budgets accorded SOEs infringe on the fulfilment of their mandates and cripple their performance.

2.4.5.3 Appointment of board members, executives and their performance

Linked to political interference is the appointment of the board and senior executives of SOEs. The state prescribes who the directors or CEOs should be and influences who should be on the board of the SOEs, which leads to the appointment of directors who are either civil servants or ex-civil servants who have little or no private business experience (Mwaura, 2007:49). The performance and fulfilment of the SOEs mandate are infringed upon and makes it difficult to ensure accountability of the sector as the appointees' integrity and probity are often compromised. In most cases, they may not be necessarily qualified and not be sufficiently trained to perform the definitive governance roles to direct strategy, supervise management activities, and ensure a healthy internal control system (OECD, 2015:49). In fact, such appointees attempt to fix significant corporate decisions with political agenda, which encroaches on the very existence of the organisations.

The procedure for the identification, nomination and appointment of board members should be transparent and formal, which is indeed an accepted international governance code of practice that boards should have a role to play in this regard (OECD, 2014:83). That does not happen in Namibia as the state still plays the role through the SOEGC and the line minister with all the ramifications indicated earlier. According to Jauch (2012:8), the board members are usually not sufficiently trained and exposed, resulting in conflicts of interest as they are stretched between attempting to fulfil their political mandate and organisational pressures.

Furthermore, board members serve on various interlocking boards and unless properly controlled leads to the dictum of “scratch my back, and I’ll scratch your back” resulting in corrupt practices. In most cases, board members are government employees without experience in managing businesses but appointed for political reasons rather than technical or financial competencies, which results in the lack of expertise such as auditing, finance and risk management in several SOEs (OECD, 2014:33). This subsection has discussed political interference. The next subsection examines the multiple principals’ governance model of PEs as another challenge.

2.4.5.4 Multiple principal’s governance model of PEs

The state frequently exercises its ownership responsibilities through several actors including line ministries, the ministry of finance, the cabinet and various portfolio ministries. Mr Leon Jooste, the Honourable Minister of PE in his budget motivation address to the Cabinet in November 2015, stresses the multiple governance models of SOEs as another challenge facing the SOEs. This model creates conflicts between the state’s ownership function and its policy-making and regulatory functions, which can arise and results in the organisation being vulnerable to being used to achieve short-term political goals at the expense of efficiency. Again, the state may end up by setting inconsistent goals while attempting to exercise its ownership function and fail to monitor the organisation’s performance closely (OECD, 2014:82). According to the minister, the current model where ownership responsibility is shared with the MPE, line ministry, cabinet, various portfolio ministers, and the board of directors and executives of SOEs is a major obstacle to SOE performance. The multiple principal/agency system brings in numerous layers of authority, which distorts reporting and accountability lines and breaches on the ministry’s effectiveness in performing its oversight functions. Under such circumstances, managers in such SOEs end up playing off one stakeholder against the other to avoid accountability undermining operational effectiveness (Robb, *nd*:1).

2.4.5.5 Grouping together SOEs in performance evaluation

Empirical findings have confirmed that SOEs differ in their objectives, nature and functions and must not be subjected to the same standards when measuring their performance (Wang, 2007:32; Obadan, 2008:69). Hon Jooste notes that it is not appropriate to use the same yardstick to assess profit-making SOEs and those rendering public goods and services. For example, comparing the performance of Air Namibia or TransNamib with the Namibia University of Science and Technology (NUST) or the University of Namibia (UNAM) is entirely inaccurate because the nature and objectives of these institutions differ. The minister, therefore, suggests that there is urgent need to recognise the existing segregation of the SOEs as recommended by the SOE Act No. 2 (2006) and other policy documents so that the economic and productive SOEs are given different governance architecture from those providing public goods. He further emphasised that the current governance structure for the SOEs is unsustainable, inadequate and will not be able to support the socio-economic imperatives of the country in addressing the gravity of unemployment, poverty and inequality facing the country.

This subsection has discussed the problem of grouping together SOEs in performance evaluation. The next subsection examines the lack of personnel with credible experience and skills as a challenge.

2.4.5.6 Lack of Personnel with credible experience and skills

Contributing to the challenges debate, the Namibian Sun (2013) notes the lack of personnel with substantial experience and prudent skills for the task as a serious concern. !Gawaxab (2012) concurs with this statement when he notes that SOEs need experience and qualified board of directors and CEOs, who are capable of providing accountability, leadership and able to set up effective performance management systems. A prior study by Yakasai (2001) remarks that

> "the governance of a company is the prerogative of the board of directors composed of knowledgeable and trustworthy people who possess sound judgement and believe in the core values and purpose of the institution" (p. 246).

Individuals with these kinds of qualities, bring with them proficiency and value to the board. A report by the SOEGC (2013) confirms that they do not have the required technical capacity and experience staff to monitor the performance of the SOEs effectively confirming OECD (2004) assertion that the

> “key challenge in many emerging markets is building effective supporting infrastructure and that regulators do not have sufficient human and financial resources” (p. 12).

The Namibian Sun (2013) further emphasises that poor performance of parastatals in Namibia will continue for the foreseeable future, and the government will continue subsidising these dismal performers unless the problem is urgently addressed. The sentiments of Gurirab (2013) echoed by Jauch (2012:5) that the solution lies in the appointment of professional and knowledgeable board members capable of holding management to account and regularly report to the shareholders.

Besides the numerous challenges alluded to above, it is also true that the Governance Policy Framework for SOEs in Namibia (since 2001) in place is too old and ineffective and can hardly be applicable in regulating today's business environment, which has become sophisticated due to technology and globalisation (Mwaura, 2007:73).

2.5 Is privatisation the answer?

Based on the analyses alluded to in the prior sub-sections, the question that needs to be addressed is whether it is necessary to privatise the SOEs in Namibia to ensure efficiency and accountability or to retain them as part of the developmental agenda of the nation irrespective of their performance. Privatisation is associated with the transfer of ownership and control from the public to the private sector. Megginson & Netter (2001) broadly define it as the “deliberate sale by a government of state-owned enterprises ….. or assets to private economic agents” (p. 1). And for Odukoya (2007) privatisation entails

> “a transformation of the property right regime in the sense that rights of control are reallocated. Rights of control, which have been dispersed in the public decision-making the structure, now become concentrated on a single private person, private organisation or a collective of shareholders partially controlling such a private organisation” (p. 25).

This description suggests that privatisation is first regarded as a change either of property rights system or the lessening of public control (Odukoya, 2007:23). Megginson & Netter (2001:1) consider privatisation as one of the most significant components of the growing use of markets to allocate resources globally. According to them, privatisation is executed in different ways. It is implemented through the sale of the firm's shares to the public in countries with developed capital markets, which may involve the sale of the business as a whole entity or in some form of a joint venture in developing countries where financial markets are underdeveloped. A liquidation measure is resorted to in situations where the state is unable to sell the SOE or enter into a joint venture agreement with the private sector (Hemming & Mansoor, 1988:5).

A recent empirical study on privatisation indicates that a considerable number of SOEs have been privatised at an increasing rate in many transitioning and developing economies to address the issue of making SOEs more competitive in the global marketplace (Boubakri & Cosset, 2002:111). A study by D'Souza and Megginson (1999:1431) compared pre and post-privatisation of 75 companies. Ten from developing countries and 15 developed countries from 1990 to 1994. Their findings indicated an increase in profitability, output, operating efficiency and dividend payments after privatisation.

A similar study by Boubakri and Cosset (1998) also yielded the same outcome when they state that "the newly privatized firms exhibit significant increases in profitability, operating efficiency, capital investment spending, real sales, employment level, and dividends". However, they also noted that "our evidence suggests that privatisation yields greater benefits for companies operating in developing countries with high income per capita and for companies whose governments surrender voting control" (p. 1084)

A later study by Boubakri and Cosset (2002:112), however, cautioned D'Souza and Megginson's findings and branded them as empirical literature that focuses on experiments based on developed economies. According to them, owing to the weaker institutional frameworks of the developing economies, that outcome may not be accurate. Instead, they suggest that a more comprehensive assessment of privatisation in developing countries especially in Africa needs to be done to ascertain an outcome based on their environmental conditions; and that is what this study is in some way attempting to address. For instance, the government of Namibia is saddled with bailing out several of its SOEs annually to support their operations. In the year 2010/2011, subsidies to SOE amounted to over 10% of total government expenditure. During that period, twelve SOEs received on average 93% of all grants given in 2008/2009 and 2009/2010 as indicated in Table 2.4 below.

Many researchers such as Okeahalam (2004:366), Wanyama et al. (2009:172) feel that privatisation is the solution because the empirical evidence on the impact of privatisation of SOEs suggests that this leads to improvement in economic performance (Smith and

Trebilcock, 2001:218). The private sector usually defines the best practice standard for SOE governance, and it is a common practice for governments to adopt and adapt best practices from the private sector (Frederick (2011:27).

A core question in the privatisation debate is whether the nature of ownership has an impact on the performance of companies (Goldeng et al., 2008:1266; Januszewski et al., 2002:301; Shleifer and Vishny, 1997:768). To this question, Goldeng et al. (2008:1246) suggest that it is reasonable to tilt towards the most efficient type of ownership which displays superior economic performance above others, and that performance must be the guiding principle in any debate about the pros and cons of the state-owned provision of goods and services. If SOEs systematically generate weaker economic results than privately owned firms, then advocates of privatisation are winning the debate on their stance (Goldeng et al. 2008:1264).

Source: Adapted from Hon. Saara Kuugongelwa-Amadhila's speech delivered at Namibia's Societal Acceleration Platform Prototyping week 2012 in Windhoek

Table 2.5: Subsidies to SOEs 2010-2011

Organisation	**Amount N$**	**Percentage**
Higher Education: UNAM, NUST & Colleges of Education	824 000 000	31
Nampower	490 000 000	18
Development Bank of Namibia (DBN)	300 000 000	11
Road Fund	300 000 000	11
Air Namibia	250 000 000	9
Namibia Broadcasting Corporation (NBC)	216 000 000	8
AgriBank	131 000 000	5
NamWater	100 000 000	4
Namibia Tourism Board	57 000 000	2
TOTAL	**2 668 000 000**	**100**

Menshikov (1994:289) argues that reckless implementation of privatisation has ended up being destructive in many developing economies. According to him, total privatisation is impossible to achieve, and it is wise for countries to keep to partial state ownership where the state and the private sector participate in the economic development. Menshikov

(1994:289) justifies his argument by saying that SOEs are not necessarily inferior to the private sector organisations in economic efficiency. Supporting his argument with a Two Model approach, he indicates that SOEs could be as efficient and profitable as their private sector counterparts. In his Model One, he suggests the separation of SOEs from the State and allowing it to operate independently with profit maximisation as its primary motive. Menshikov (1994:295) applies his Model Two to industries providing vital services like power generation, water, sanitation, ports, telecommunications, etc., whose objectives are for economic efficiency. These two models according to him must not be evaluated using the same criteria since they serve different purposes – profitability and economic efficiency. He argues that preservation of SOEs is a necessary means of narrowing the inequitable income gap at the source where revenues are created; and advises that transitioning is an evolutionary process that must be tempered with care. According to him, it involves real revolution embracing modernisation of fixed assets, a revolution in institutional as well as human capital transformation. Menshikov states that these are but just a few concerns and cautioned transitioning economies to grapple with in attempting to embrace privatisation.

A paper presented on “Alternative to Privatisation of Transition Economy State-Owned Enterprises: The Case of China” at the Dynamics of Globalization Chapter Meeting in Portsmouth – US by Wang (2007:2) towed a similar line when he challenged the current debate that privatisation is capable of making SOEs more competitive in the global arena. He suggests that further research on alternative strategies to privatisation concerning SOE reforms could be appropriate. According to him, recent literature on the topic has disputed the view that privatisation is a better way of addressing the problem of SOE sustainability and suggests that despite the privatisation of numerous SOEs globally; their performance has not been significantly improved. Using China as a laboratory test, Wang (2007:58) challenges the status quo by devoting his study to exploring whether privatisation is a flawed solution to improving the performance of transition economy SOEs and make them more competitive.

Contributing to the debate, Megginson et al. (1994:404), acknowledge the fact that although privatisation brings considerable benefits to global economic reforms, the weaker nature of institutional frameworks of the developing nations (Spicer et al., 2000:631; Uhlenbruck et al., 2003:20), transitional arrangements need to be put in place until the institutional infrastructure is strengthened enough to support it (Wang, 2007:51). Concretising this view, Boubakri and Cosset (2002:112) note that the reason why privatisation in Africa is not moving as fast as in Asia or Latin America is due to its environmental weaknesses. Factors such *as* “embryonic capital markets, scarce financial resources, a weak private sector and inadequate prudential regulations" (p. 112) are responsible for the inactivity in the privatisation process. These uncertainties make the institutional framework not capable of supporting the required restructuring needed for privatisation (Uhlenbruck et al., 2003:4; Wang, 2007:9).

Jefferson et al. (1998) underscore the notion that privatisation eliminates the plundering of state assets. They argue that privatisation does not prevent management from plundering private assets either, as it happened in Russia where the insiders looted assets knowing perfectly well that the new shareholders had no means of preventing such opportunistic behaviour.

An African study by Appiah-Kubi (2001:226) on Ghana echoes similar sentiments. Appiah-Kubi reviewed the experience of Ghana in their privatisation programme of PEs between 1987 and 1999 and evaluated its implications on the Ghana's economy. According to him, the privatisation programme generated revenues equivalent to 14% of GDP for the struggling public sector. The exercise succeeded by facilitation of the fiscal crisis which the economy desperately needed for other developmental issues and in fostering the Structural Adjustment Programme (SAP) of the country. However, the negative impact of the programme outweighed the benefits in the end. Despite the massive proceeds, the direct net revenues indicated modest returns due to the high cost of divestiture, credit sales and huge outstanding liabilities of the privatised firms. Again, the programme emphasised excessively public finance rationalisation at the expense of socio-political imperatives and regulatory issues. The inability of the system to pay adequate attention to the privatised firms' regulations after privatisation and the use of privatisation as a political trump card in the hands of the ruling party to reward friends and party sympathisers resulted in failure to achieve the purpose for which it was intended.

The hidden consequences of privatisation not mentioned but quite noticeable was the devastating unemployment and poverty that it brings about which confirms Menshikov's (1994:289) assertion that hasty privatisation of SOEs have negative ramifications on the institutional environment and might result in fiscal deficit and mass unemployment which many developing economies may not be able to endure. In Namibia, commercialisation of some of the major SOEs in 1998, which led to the creation of Telecom, NamPost, and TransNamib resulted in job loss of over 3000 workers and instead of delivering affordable services, it brought about sharp substantial price increases (IPPR. 2016:6).

Jauch (2012:2) further stressed that privatising the parastatals would jeopardise the chances of the poor benefiting from the essential services if left in the hands of the private sector organisations that operate on profit motives. Privatisation understandably favours concentration in the major populated centres where firms can find a market for their products, but unfortunately at the expense of the rural sector developmental needs.

In another contemporary study in Iran by Alipour (2013:300) using data from firms between 1996 – 2006 and employing pooled regression models to assess whether privatisation leads to improved performance, found no positive effect on profitability and efficiency. Instead, debts and risk increased. Alipour (2012:281) refuting privatisation, quotes Adams and Mengistu (2008) who noted that several theories such as property rights, agency and public choice justify firm privatisation and emphasise the inefficiency of SOEs but concluded that improved performance does not depend on ownership change but rather must be supported by adjustments in the capital market, the banking system and formulation of proper corporate rules and policies. Alipour concedes that his study is based in one country, and the outcome may not be conclusive for all other countries. Again, his study emphasised effects of privatisation on profitability and therefore suggests that more research in other developing countries centred on the impact of privatisation on productivity and efficiency should be attempted to test the outcome in their respective countries. This study intends taking up the challenge to verify those findings in Namibia.

Minqi Li (2008) sums up his apprehension on privatisation when he quotes Haque (2001) who asserted that:

> "Privatisation and other neoliberal policies sponsored or implemented by IMF and the World Bank have caused economic collapse, falling living standards, degradation of environment, disintegration of public services, and rapid growth of unemployment, poverty, malnutrition, inequality and social tension in Africa, Latin America, Eastern Europe, and Central Asia" (p. 17).

Governments of developing economies attempting privatisation should be mindful of these experiences and carefully weigh the pros and cons of the socio-economic and environmental impact of such a move. Mi and Wang (2000:298) observe that improving SOE performance is the right way to go but not at the expense of social and economic stability. And to Curi et al (2016:1340) the espousal of good CG mechanisms is regarded as better alternative reform than privatisation to augment the efficiency of the SOEs.

Based on the above debate on privatisation the Namibian government, while creating a congenial environment for the private sector to thrive, has ruled out total privatisation of SOEs even though they continue making losses (Nyaungwa, 2010:*npn*). The Namibian constitution provides for a mixed economy, the government, therefore, has a significant role in the economic developmental imperatives of the country. Being cognisant of the economic woes it inherited from the apartheid South African government – a system that had created huge disparities regarding income and ownership, the government has serious challenges to address in the country. It, therefore, resolved that full participation in economic development was the only way to improve economic development and emancipate the masses of the people from the economic doldrums and desperation in which they find themselves.

2.6 Public Private Partnership

In view of the dismal performance of the SOEs and the government's reluctance to accept privatisation, could Public Private Partnership (PPP) be a better alternative to experiment with? The World Economic Forum (2016, *npn*) sums up the virtues of Public Private Partnership (PPP) when they state that PPP demonstrates a standard set of best practices talent development that drives innovation, anticipate future demands and trends, offer a value proposition that surpasses traditional business barriers and flourishes in shared responsibilities. PPP excels at building bridges between groups that otherwise would operate in different domains, extracting concealed value from the combination of the collaborating networks; and importantly develop reputations for trustworthiness, reliable budgets, innovation, productivity, reliability, resourcefulness and quality. These virtues which are beyond the reach of SOEs on their own are made possible with the adoption of the PPP strategy which has successfully worked in the health sector in Australia and Turkey. In Africa, the Senegalese water sector and Dakar-Diamniadio toll road is another good example, which were attributed to the political commitment of the government and active involvement of public and private sector institution in that country (Carter, 2015: *npn*).

2.7 The need for SOE reforms in Namibia

The historical perspective of the sector, coupled with other equally challenging factors, have necessitated the restructuring and indeed the reorganisation imperatives of the government to change the structure and the mind-set of the populace about SOEs since independence. SOEs are an extended arm of the state in safeguarding the nation towards economic growth and development (Diescho, 2016; Motinga, 2004) and therefore have a vital role to play in the economy for the common good of the people. Reforms are therefore a necessity, and many of them have been put in place with the recent establishment of the new Ministry of (MPE) in 2015 being the latest. The ministry is broadly charged with the responsibility of reforming the sector and creating a centralised mechanism and reduce the number of role players in the industry to ensure quality, transparency and immaculateness.

Evoking the cabinet decision of 1994 to commercialise, privatise or deregulate areas and functions within the public service and the Wages and Salaries Commission (WASCOM) recommendation of 1995 coupled with the recommendations of the Namibia National Development Plan (NDP1, 1995/96-1999/2000) propelled the acceleration drive for the reforms (Jauch, 2012:3). The recommendations required the government to change its role in service provision by allowing the private sector a chance to play a more active role and also privatise some of the SOEs, which have existed long enough to attract the interest of private sector organisations. Another report of significance is the SOE Governance Policy Framework in Namibia presented by Deloitte and Touché consultancy to the Cabinet Committee on Economic Development and Parastatals (CCEDP) on the 25 October 2001. The report was meant to invigorate privatisation of SOEs in the country. The situational analysis preceding the report acknowledged the significant role SOEs are playing in the economy, especially in infrastructure and promotion of socio-economic development.

Based on the various recommendations, the Namibia government started with the restructuring process to improve efficiency and service delivery. The first phase of the commercialisation began with the Ministry of Works, Transport and Communication (MWTC); Telecom; NamPost and TransNamib (Jauch, 2012:3). The Namibia Wildlife Resort (NWR) was formed out of the Environment and Tourism ministry. And the Namibia Water Corporation (NamWater) was created out of the Ministry of Agriculture and charged with the activities and services of the Department of Water Affairs and with the key task of managing the country’s water resources and the supply of bulk water to the populace.

Jauch (2012:4) indicates that the outcome of the SOE reforms has produced mixed feelings as the favourable situation anticipated as a consequence of the reforms was dented by worrying trends displayed by the overall performance of the SOEs. Thus, despite the positive intentions of the changes, SOE reforms ended up causing 3000 employees losing their jobs by 1998. The price hike in major SOEs including Namwater, NWR, Telecom and Nampost as a result of commercialisation ensued and brought about disquieting feelings among the people it had intended to help. The government has continuously been subsidising and bailing out underperforming SOEs; debt is at unacceptable levels and very few SOEs can meet their fiduciary responsibilities by paying taxes. All these are apparently compounding public expenditure increases on underperforming SOEs. For example, government spending on SOEs increased from N$102.4 million in 1993 to over N$500 million by 1997, reaching N$2.8 billion in 2011-2012 (Jauch, 2012:4). He further argues that the only groups that benefited from the commercialisation process are the management and board members of the SOEs as their salaries and allowances keep on increasing without showing anything to justify the increases. He, therefore, recommends urgent implementation of the performance related contracts for SOE management as recommended by the government some years ago.

2.8 Future of state-owned enterprises – Attaining the goal of public value creation

There is undeniable the fact that SOEs will continue to play an influential role for the next foreseeable future in the economies of developing countries and Namibia in particular. To be certain that they achieve their stated objectives in a responsible manner and meet societal outcomes, the SOEs need leaders who are capable of seeing the big picture and possess a deeper knowledge of the industry; leaders capable of bridging existing gaps, creating a strategic vision, actively own and manage the SOEs to create value for their citizens and stakeholders (Higgs, 2006). That will also enable innovative partnerships necessary to invent a better future for the SOEs. In that regard, PWC (2015:42) calls on the ownership, the board and the executive management to play their roles in enhancing the challenges indicate in Table 2.5 below.

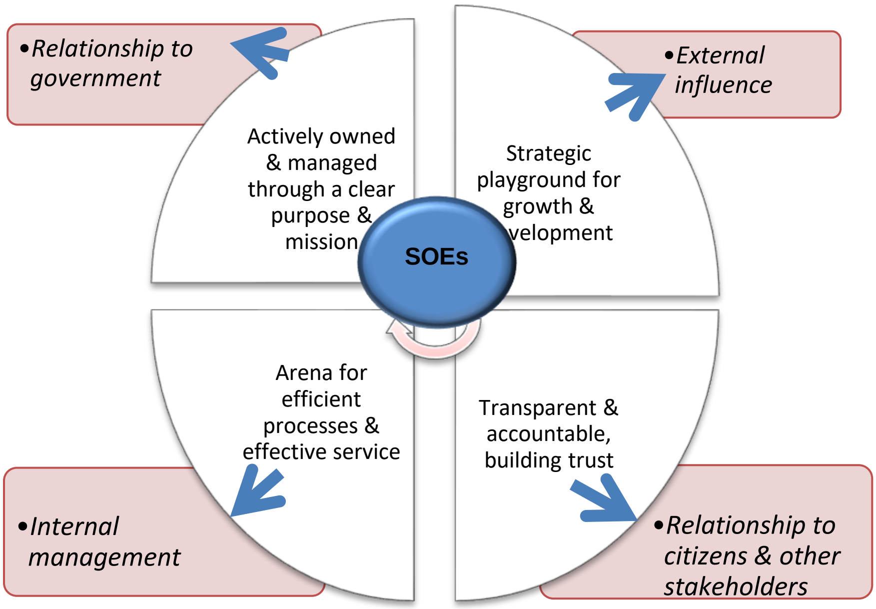
Table 2.6: Agenda for the future of SOEs

SOE Owners (The State)	SOE Board	SOE Executive leadership
SOEs should have a clear purpose and set of objectives linked to desired societal outcomes. These in turn should form a long-term view and balance goals relating to value creation and profitability.	The SOE should be evaluated and steered according to its stated purpose, mission and strategic objectives.	The SOE should be managed according to principles of transparency and accountability, with its performance reported on a timely, consistent and transparent basis.
The SOE's purpose and objectives should be continually evaluated to ensure they remain valid over time, and these (including prioritisation of the various objectives) should also be clearly communicated to all stakeholders, especially the SOE board, executive management, auditors and other SOE shareholders	The SOE should find an appropriate balance between commercial and non-commercial objectives linked to its purpose and mission, as well as between internal and external perspectives.	The SOE should operate in an innovative and agile way and use technology (especially digital) and service innovation to deliver products and services effectively and efficiently: 'better for less.'
The government's ownership stake in SOEs should be monitored and evaluated on an ongoing basis to ensure that value continues to be delivered.	The SOE performance scorecard should capture the various SOE objectives and desired outcomes, especially where there might be trade-offs between different performance outcomes, to ensure that the right decisions are being made.	The SOE executive leadership should ensure that they possess the right level of competence, professionalism, authority and integrity, and fulfil the "4 Cs" test.
For SOEs which no longer need to be under state ownership, they should be considered for privatisation in a way that extracts the most value for society.	The SOE board should ensure that they possess the right level of competence, professionalism, authority, integrity and independence, and fulfil the "4 Cs"[12] test.	
The owners should set forth a clear, transparent and structured way of nominating, evaluating and compensating the SOE board.		

Source: Adopted PWC (April 2015: 30-31)

[12] The "4 Cs" according to PWC (2015) are: **Clarity** – Clear understanding of the purpose and objectives of the SOE and their role in delivering this. • **Capacity** – Time and resources to conduct their role well. • **Capability** – Required and relevant expertise and experience to steer and manage the SOE. • **Commitment to integrity** – Serving the citizen for the purpose of societal value creation.

Figure 2.5: SOE of the future.



Source: PWC 2015, p.31

Furthermore, PWC (2015:28) notes that the future SOE needs a new scorecard, which embraces not only financial outcomes but a total impact on social and human resources, innovation, environmental capital, etc. According to them, SOEs would have to innovate to embrace the scorecard by developing new capabilities as indicated in figure 2.6 above. Accordingly, SOEs must be actively owned and managed with clear purpose and mission which are linked to expected outcomes; transparent and accountable by building trust between the state, citizens and stakeholders, and also be role models for quality and reliable reporting practices; develop and maintain sound internal-external management to maximise efficiency and effectiveness; and leverage their external influence with other stakeholders by driving growth base on its tenacity, goals and strategic objectives. “In this way, SOEs can truly become catalysts for sustainable public value creation” (PWC, 2015: 7)

2.9 Chapter summary

This chapter reviewed previous literature on what prior researchers have articulated in the area of the study pertaining to the research questions and the objectives. It has indicated the issues pertaining to the effect of IA on CG practices of EPSOEs and how it affects the sustainability and performance of SOEs in Namibia. This review, further, has led to the confirmation of the woes of the EPSOE and a preposition for the need to reform them. Also, the need for the adoption of PPP as opposed to total privatisation as proposed by some researchers. The literature review has also articulated how IA effectiveness and CG practices have contributed to the improvement of SOE sustainability globally and how it could as well help in the Namibian situation.

CHAPTER THREE

THEORETICAL AND CONCEPTUAL FRAMEWORKS

3.1 Introduction

This chapter presents the theoretical and conceptual frameworks of the study. The study is intended to examine the effect of IA effectiveness on CG practices of EPSOE performance and sustainability in Namibia. The previous chapter points out that CG practices, IA effectiveness and SOE performance have not been examined together in any study. Therefore, the present topic is unique as the researcher attempts to integrate them in one study to find out the possible relationships and outcomes. The chapter starts with introduction and proceeds to examine the theoretical framework, which evaluates agency and stewardship theories of the study. A conceptual framework, which guides the flow of the research, follows and explain how IA effectiveness impacts on CG practices of EPSOEs in the country.

3.2 Theoretical Framework

The theoretical framework is meant to serve as a lens to guide the research. It addresses the different theories that explain the CG mechanism, which includes IAF. Wacker (1998:362) notes that a theory provides a framework for analysis. It enables effectual development of the field and is required for the practical application of real-world issues. This section draws on the contemporary agency and stewardship theories to address the research questions and also meet the objectives of the study.

3.3 The search for suitable theory

According to de Almeida (2014:275), the theories explaining auditing have to be structured in the context in which this area of knowledge exercises a fundamental and credible role. He describes auditing as important control mechanism of all economic activities. Therefore, finding a suitable theory to explain its existence is an intellectual challenge, an academic requirement and important contribution to existing body of knowledge (de Almeida, 2014:281). The expansion of IA research demands a critical evaluation of proven and evolving theories related to the field (Mihret, 2014:2). A research of this nature obviously requires a proper guidance to steer the direction of the study.

There are several theories advanced for the explanation of CG mechanism, which are also relevant to the dynamic roles of IA. These theories hinge on major theoretical frameworks, with agency theory, stewardship theory, institutional theory, resource-dependence theory, and stakeholder theory being the most popular. Considering the enormity of research advanced by researchers on these theories, it is virtually impossible to attempt to use all of them in a single study such as this. The researcher has therefore constructed a theoretical framework, which draws on agency and stewardship theories without prejudice and compromise on the quality of the theories advanced as an explanation of IA role and CG support for SOE sustainability.

The reasons for the choice of the agency theory are motivated by the fact that, the agency theory is the most popular platform for the foundations of organisational structures (Eisenhardt, 1989:57; Ittonen, 2010:5). It has remained a dominant paradigm in CG and auditing research (Hill & Jones, 1992:132; Ittonen, 2010:5), and a powerful economic theory of accountability, which helps to explain the development and role of IA in organisations (ICAEW, 2005:4). The concept explains the relationship existing between shareholders (principals) and agents (executives/management) in business. It is tied to problems that arise as a consequence of differences between the desires of the principal and those of the agent (Ittonen, 2010:13). The theory is a way of describing how the principal and the agent work together in determining the best motivation that will enable them to enact a successful transaction, and also reduce the expenses that are related to any potential disagreements between them (Business Dictionary, *nd*).

Internal audit effectiveness, which, to some extent, is the pivot of this study, has not been appropriately explained by the agency theory (Mihret, 2010). Badara (2017:17) acknowledges the fact that various studies have used different approaches to explain IA effectiveness. Al-Twaijry et al. (2004) and Mihret (2010) explored IA effectiveness with the guideline provided by the International Standards for Professional Practice of Internal Auditing (ISPPIA). Others like Endaya and Hanefah (2013), Badara and Saidin (2013), Ahmad et al. (2009), Arena & Azzone, (2009) Mihret and Yismaw (2007) used their own models to examine IA effectiveness. These are indications that different models and constructs have been used to explore the concept of effectiveness in literature by different researchers (Badara, 2015; Arena & Azzone, 2009). Badara further, notes that IA effectiveness can be examined through different lenses, which opens an avenue for more research on IA effectiveness. This study, therefore, suggests the combination of agency theory and stewardship theory for the development of a theoretical framework to extend the study on IA effectiveness. Hopefully, these theories will answer the research questions and also fulfil the objectives of the study.

3.4 Agency Theory

There are numerous theories, sometimes contesting but often complementary, with regard to studies in IA and CG (Beasley et al. 2009:69). The agency theory posits that the board is in place to monitor the activities of management, who otherwise may act in their egocentric interests at the expense of their principals. Thus, the board monitors its management to prevent opportunistic behaviour by them. This perspective is the predominant view of academic accounting literature (Beasley et al. 2009:69) on the role of CG and IA for that matter.

The theory has its origins in the positivist group of theories, which are derived from literature in economics (Wacker, 1988:363; Adams, 1994:8). It has been explained by several researchers as a relationship between two parties called principal and agent (Adams, 1984:8; Ittonen, 2010:12). Colbert and Jahera (2011:8) further note that it is based on the economic theory of non-satiation of want, which regards individuals as selfish entities always wanting more and seeking to maximise their personal utility at the expense of others. The principal–agent relationship is intrinsically built around the idea that principals are unable to do everything by themselves and that if the principals were knowledgeable and had vast resources with no costs to obtaining information to run their business, there would be no need to engage agents (Parker et al., 2018). With these limitations, the principals are compelled to delegate responsibilities to agents who are equipped and capable of performing those functions on their behalf. Thus, the agency relationship exists where managers and other employees including IAs (agents) perform service on behalf of owners (principals) with some delegated decision-making authority (ICAEW, 2005:4; Eisenhardt, 1989:58) – a division of labour, which is helpful in the promotion of an efficient and productive economy.

According to the ICAEW (2005:4), IA plays a prominent role in the economy by strengthening accountability, reinforces trust and confidence in serving the public interest. In the process, IAs promote economic development, enhance diversity, provide the number and value of transactions that people are prepared to enter into. In spite, of their contributions, the world is witnessing more demands for improvement in quality audit in the light of corporate scandals of the recent past. In that regard, the ICAEW poses a question about how these demands and concerns can be addressed and draws on the agency theory to help answer the question.

In 1716, Adam Smith first highlighted incompatible self-interest of principals and agents in his treatise “The Wealth of Nations”, which is echoed by Jensen and Meckling (1976), together with information asymmetries, brought about the agency problems (ICAEW, 2005; Subramaniam, 2006). The focus on conflict between owners and agents is the most important assumption of the theory. de Almeida (2014:286) affirms that shareholders interest is to maximise their wealth in the long run. The agents on their part tilt towards the maximisation of their selfish interest in the short run being achieved by the attainment of high levels of profit. The unpredictability of the agent’s behaviour compounds the problem of the principal’s ability to control management in this behavioural logic (de Almeida, 2014:286). The consequence of attempting to align the diverse interest is a high cost commonly known as the agency costs meant to monitor the behaviour of the agents (Subramaniam, 2006:61). The considerable attention given to this cost of monitoring the performance of the agents suggests that the principals have inadequate information about their own firm’s technology and other activities (Baron & Besanko, 1984:447). In the process, two agency costs, namely monitoring and bonding costs in the organisation are evoked as the consequences of the untrustworthiness embedded in the theory (Jensen & Meckling, 1976:309; de Almeida, 2014:287). To mitigate this problem, the principals impose monitoring activities such as auditing to reduce these costs (Jensen & Meckling, 1976)

In Namibia, the SOE sector has been marked by some high-profile scandals and their susceptibility to corruption mostly propagated by their agents (executive management). A number of reported cases regarding agency problems and highlighted in the news media in the recent past includes the demise of the SME bank as a result of failure to adhere to corporate governance principles and application of fiduciary powers of directors. The misappropriation of N$660 million of the Government Institutions Pension Fund (GIPF), the missing millions of the National Housing Enterprise (NHE), N$100 million of the Offshore Development Company (ODC), as well as approximately N$30 million of the Social Security Commission (SSC) and Avid (Coetzee, 2018:5) have been reported in the media. Similar scandals have been reported about the Namibia Wildlife Resort, Namibia Airports Company, Roads Authority, TransNamib, Air Namibia, etc. (Weylandt, 2016:7). These cases constitute absurdity in expectations of good governance, due professional care and diligence of directors, managers, as well as auditors.

The agency contract is, therefore, burdened with conflict of interest in addition to information asymmetry, which leads to the agency conflict (Jensen & Meckling, 1976:309; Subramaniam, 2006:59). In these conflicts, agents are reluctant to maximise the worth of the principals who are compelled to mitigate this problem by imposing monitoring activities such as IA and EA of the agent's activities. Wilkinson (2013: *npn*) explains information asymmetry as failure of agents to inform the principals about the activities of the business. According to him agents take advantage of information asymmetry, which is an attitude that may cause a loss to the principal (Baron and Myerson, 1982:912). The principal may be able to reduce this loss, by monitoring the agent's activities and punishing them where possible if it turns out that they did not act in their interest (Jensen & Meckling, 1976:309; Baron and Besanko, 1984:466).

In spite of the demonstration of commitment and the ensuing bonding costs on the part of the agents, they still run the organisation in their own interest and therefore need to be controlled (de Almeida, 2014:288). As a result of this disagreement and suspicions, the focus of the theory is on securing the most efficient contract between the principal and the agent considering the nature of humans such as self-interest, risk aversion, bounded rationality, etc. The theory regards information as a commodity which can be purchased. Eisenhardt (1989:58) further notes that the agency regime is applicable in several disciplines such as organisational structures, innovation, ownership and financial structures (Jensen & Meckling, 1976:310; Adams; 1994:11).

The agency relationship is explained diagrammatically in figure 3.1 below

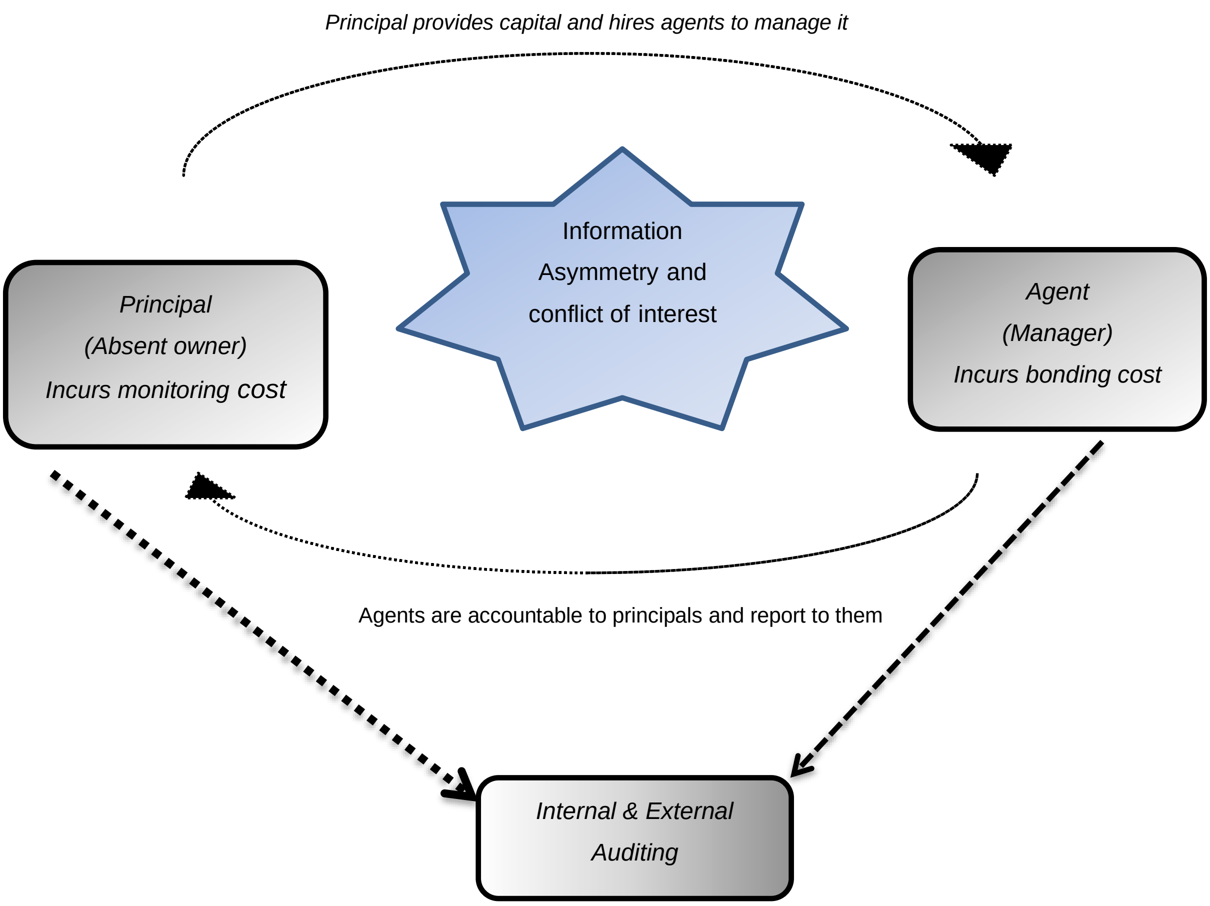


Figure 3.1: Overview of principal and agent relationship and internal audit intermediary role (Adapted from Ittonen, 2010:30)

Figure 3.1 above is a pictorial representation of the principal-agent relationship. Independent intermediary becomes necessary due to information asymmetry. And these intermediaries are the auditors (IA & EA) who step in to evaluate management activities to assure the principal about the security of their investments.

Dittmann (1999:525) supports this view when he extends the agency theory to include not only a relationship between principals and agents but also auditors and describes the agency theory as a game with three risk-neutral players. He asserts that the principals are the owners of the organisations, which are run on their behalf by agents (management) with information about its productivity and the auditor collects information about the productivity for the principals. The agents (management and the auditors) do not own the organisation, and the principals neither have the time nor the knowledge to manage the enterprise or to monitor the activities of the agent by themselves. Thus, unlike other researchers who define the agency theory in terms of principal-agent relationship, Dittmann adds the auditor as another role player in the relationship who is a major actor in the whole process and capable of compounding the agency problem or enrich it. For instance, Dittmann asserts that there could be a collusion between the agent and the auditor, whereby the auditor adjusts his/her report in favour of the agent at the expense of the principal for a price. A scenario in which the principal is unable to put strategies to protect himself/herself in the collusion, is termed as a moral hazard which carries disastrous implications.

The implementation of Sarbanes-Oxley (2002) has heightened the demand for IA by organisations and regarded it as a control mechanism that helps management and the board to attain organisational objectives (Spira & Page, 2003; Gramling, et al., 2004; Mihret, 2014). The agency relationship historically has been used to justify the existence of auditing (Colbert & Jahera, 2011:9). Adams (1994:10) notes that the agency theory contributes to articulating the existence, nature and approach of the IAF and in collaboration with other interventions such as financial reporting and EA, it contributes to maintain cost-efficiency between the agents and their principals. It helps to protect the impact of the organisational change on the IAF. Furthermore, the predictive qualities of the theory help other constituencies like researchers and IA professionals to better embrace change. Thus, the influence of the agency theory on IA has significant benefits to both academics and practitioners.

The agency theory, though very popular in some disciplines such as economics, accounting, finance, organisation behaviour, etc., (Eisenhardt, 1989:57) it is still surrounded by controversies. While some call it a great theory (Jensen, 1993:870), its distractors regard it as trivial, dangerous and dehumanising (Eisenhardt, 1989:57). Mihret, (2014:1) contends that the agency theory has not been able to explain how IA fits into the control framework of the firm. And for the ICAEW (2005:4), it is complicated and unable to explain the development of the IAF and the agency relationship between the principal and the agent. The theory further suggests that management relies on IA and other internal control mechanisms to convince shareholders that they are serving their interest (Mihret (2014:1). Mihret, therefore, underscores the significance and confidence of the theory in assisting modern organisations and suggests further research and a better theory in place of the agency theory that addresses this conundrum.

In defence of the agency theory, de Almeida (2014:286) notes that the agency theory, is sufficiently broad and regarded as the most reliable explanation that provides justification for explaining IAF in organisations. He further, notes that “the agency theory is a deeper, more concrete, rational and suitable explanation concerning the present economic environment characterised by permanent conflict of interests…" *(*p.300).

3.5 Stewardship Theory

The researcher found the stewardship theory of Donaldson and Davis (1991) significant to complement the agency theory to explain IA research framework. The reason is that the theory is mainly about identifying situations in which the welfares of the principal and the steward are aligned (Badara, 2017:19). The theory argues that people are intrinsically motivated to work for organisations to achieve the objectives of what they are entrusted with. It contends that people are by nature not individualistic but rather collective minded and therefore, work toward the attainment of organisational or societal goals, which in turn, gives them a higher level of satisfaction (Riyadh et al., 2017:72). Like the principal-agent model, the theory is about employment relationship between two parties, the (owner) and the steward (management).

In contrast with the agency theory, the stewardship theory posits that managers are fundamentally honest individuals and therefore, are good stewards of the resources entrusted to them (Nicholson & Kiel, 2007:588). To Davis et al. (1997) the model of humans is "based on a steward whose behaviour is ordered such that pro-organisational, collectivistic behaviours have higher utility than individualistic, self-serving behaviours" (p. 24). Thus, it is, therefore, an alternative view of the agency theory based on serving others and assumes a humanistic model of a man and therefore aligns with the attainment of the principal's objectives (Argyris, 1973 quoted in Madison, 2014:2)

Again, unlike the agency model, where management seeks for their selfish interest the stewardship model strives to perform well to be exemplary stewards of the organisational resources – thus, the element of inherent general problems of executive motivation does not arise (Donaldson & Davis, 1991:51). Davis et al. (1997:21) and later, Corbetta and Salvato (2004:359), note that the quality of the relationship between the principal, the steward, the environment and the ideals of the organisation fosters the behaviour imperatives of the theory. Thus, the employees, which include internal auditors, are stewards. They are committed and devote more attention to the achievement of organisational objectives.

The theory further postulates that both the principals and stewards are agents. There is an improvement in performance when they work together as stewards because both parties will aspire towards the same goal and the organisation considered as a part of themselves (Davis et al., 1997:20). The principal, therefore, need not be too authoritative, as the agency theory would suggest. Instead, the theory advocates for the board to play a magnanimous role to strengthen the executives to enhance their potential for higher performance (Hendry, 2002:108; Shen, 2003:466). The stewardship theory proactively supports relationships between boards and executives, which involve training, mentoring, and shared vision (Sundaramurthy & Lewis, 2003:403; Shen, 2003:467).

Bandara (2017:19) agrees with Ebimobowei and Binaebi (2013) when he notes that, auditing arose as a result of the concept of stewardship and stewardship accounting. He asserts that the adoption of a stewardship stance within an organisation maximises the benefits of steward behaviour. The reason being that stewardship theory is an accountability mechanism, which supports proper audit, active monitoring, and reporting to assists in achieving organisational objectives (Cribb, 2006:14). To Ebimobowei and Binaebi (2013:45) the stewardship theory leads to organisational success since auditing enhances appropriate stewardship reporting and that using the stewardship theory in the context of SOE sector, will enable them to attain their objectives.

The stewardship theory is more realistic and comprehensive than the agency theory in terms of supporting management actions and their motivations (Badara, 2017: 19-20). Albrecht et al. (2004) add to this when they note that agency theory is based on economic models as opposed to the stewardship model which is based on psychological and sociological literature, which considers stewardship as a construct that is suitable to shape employee behaviour (Schepers et al.,2012).

The stewardship theory, further argues that managers are trustworthy and good stewards who will work diligently in order to attain high levels of corporate objectives and will not engage in any activities that will lead to misappropriation of corporate resources (Donaldson & Davis, 1991:52). Good stewardship implies IA effectiveness, as a way of contributing to the organisational objectives they are also ensuring their effectiveness.

3.6 Linking the agency and stewardship theories

To fully grasp the application of the theories discussed above, namely, agency and stewardship theories, it is necessary to link them together and also explain the tenets on which they are based. The framework of agency theory has conventionally been used for research in auditing (Endaya & Hanefah, 2014:95). However, the recent criticisms labelled against the theory by Mihret et al. (2010) who argued that the agency theory was the main reason for paucity of research in IA and vehemently criticised the assumption the agency theory, which regards agents as selfish beings always wanting more and seeking to exploit their personal utility at the expense of owners who are also attempting to maximise their worth. Since then, contemporary researchers have expanded the theory base to include a combination of several theories to cater for the socio-economic dimensions and behavioural aspects. For instance, Endaya and Hanefah (2014) used agency theory, institutional theory and communication theory in Libya, Christopher et al. (2009) used agency and institutional theories for their study in Australia and Christopher (2018) combined agency and stewardship theories also in Australia.

For the reasons noted above, this study combines the agency theory and stewardship theories. The choice of these two theories is justified by the fact that the agency theory on its own is insufficient for a study in a developing country such as Namibia, where many assumptions of the agency theory are not applicable. The agency theory is, therefore, buttressed with the stewardship theory, which regards humans as pro-organisational who believe in collaborative behaviour and are always seeking to help the principal achieve the organisational objectives as opposed to the individualistic self-seeking tendencies of the agency theory.

This theory suggests that both the agent and the principal are stewards of the organisation. The organisation performs better when they work together as stewards aspiring towards the same objective. Further, the combined theories explain how they both fit together in the cobweb of this study to support the objective of the study, which seeks to "examine the impact of IA effectiveness on the CG practices of EPSOEs in Namibia" to enhance their performance and sustainability. The use of these two theories, again, has provided validation for the use of triangulation in this study.

3.7 CONCEPTUAL FRAMEWORK

3.7.1 Introduction

This section deals with the conceptual framework for the IA effectiveness and clarifies how it contributes to CG practices of the EPSOE; and how it impacts on their performance and sustainability in Namibia. According to Regoniel (2015:4), a conceptual framework sets the stage for the presentation of the research question, which drives the investigation being reported based on the problem statement. It lies within a much broader theoretical framework, which draws support from verified theories that exemplify the findings of researchers on why and how a specific phenomenon occurs (Verschuren & Hans Doorewaard, 2010:265). This study, therefore, utilises the agency theory and stewardship theory to strengthen this conceptual framework in an attempt to explain the variables used in the research.

The dependent variable examined was IA effectiveness, and the independent variables are organisational policy authorising IA, cooperation between IA and auditees, independence and objectivity, IA and risk management, IA and EA relationship, internal audit effectiveness, the scope of internal audit work and others including planning, reporting and follow-ups. These dependent and independent variables have been explained in the literature review (Chapter two).

3.7.2 Conceptual framework of internal audit effectiveness

The discipline of IA has not yet reached a state of maturity (Vinten, 1966). It is, therefore, not easy to investigate research issues concerning IA effectiveness under well-developed structures that have resulted from a long history of research with altering paradigms (Mihret, 2010; Kuhn, 1996). Thus, until a recent breakthrough by the works of Al-Twaijry, Brierley and Gwilliam (2003), Arena and Azzone (2009), Mihret (2010), Badara and Saidin (2013), etc. research in the arena of IA effectiveness was minimal. It is quite apparent, therefore, that further exploration of IAF as a whole is needed to revamp knowledge contribution in IA, especially in Africa. Again, it appears that literature has not explored the impact of IA effectiveness on CG practices of SOE performance and sustainability, and this research is intended to contribute in some way to close this gap.

Agency theory and stewardship theory were employed cohesively in this study to explore this association. The agency theory (See section 3.1.4) was used to explain how the agent and the principal, despite their significant divergences, could work together (obviously at a price) to determine the best motivations that will enable them to maximise their organisational objectives (Ittonen, 2010:13). Davis et al. (1997:24) regards stewardship theory (See section 3.2) vital as it considers human behaviour as pro-organisational and obtains satisfaction from working together rather than being individualistic and selfish as postulated by the agency theory. The researcher used these two theories to explain the variables that shaped IA effectiveness and support the view that cooperation between the principal and the agent in the agency theory and the compromising position of the stewardship models contributes to making the IAF effective and enables it to add value to the SOE operations. Thus, from the literature reviewed, the following conceptual framework was established, as indicated in Figure 3.1. to depict the independent and dependent variables. Figure 3.2 below shows the conceptual framework of the dependent and independent variables.

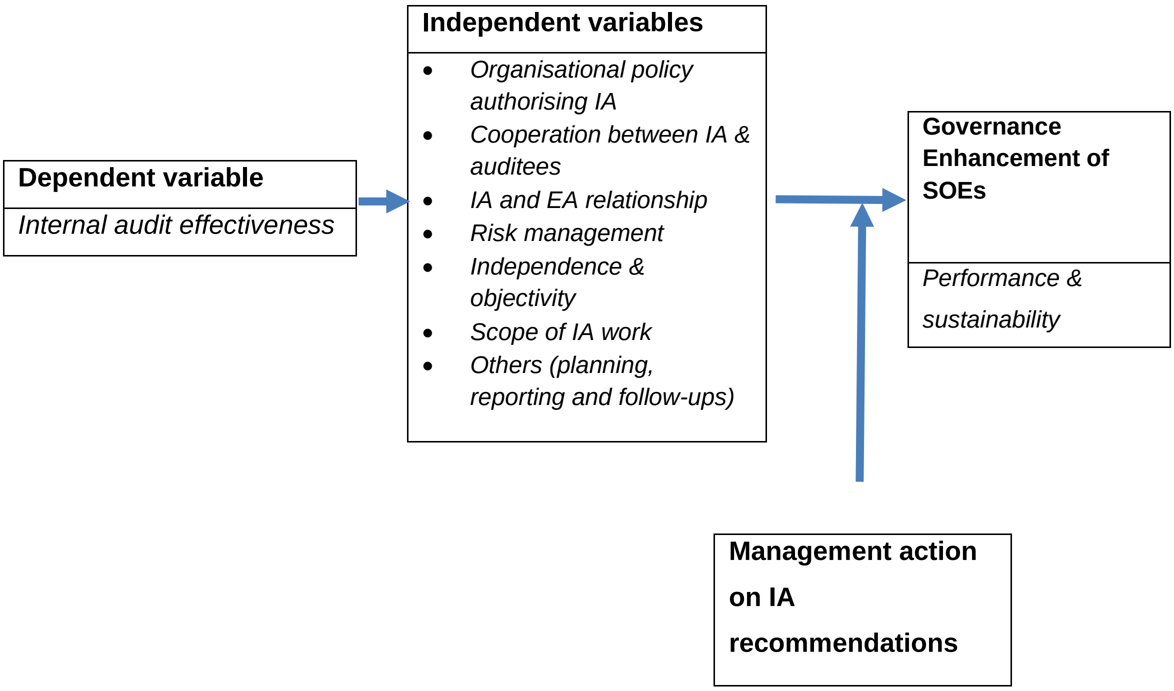


Figure 3.2: Conceptual model of the study (Developed for this study)

The conceptual framework brings together the key concepts discussed in the literature review in Chapter 2. It displays the dependent variable (IA effectiveness), which is explained by the independent variables consisting of the seven factors located in the middle of the framework. The effects of management actions on IA recommendations shows the exploration of the association between IA effectiveness and CG practices that enhances SOE performance and sustainability.

Most of the concepts in the model are intangible and are, therefore, operationalised to enable a possible measurement (Mihret, 2010:57; Kumar 2011:77). Several studies that have used these attributes to measure IA effectiveness in developing their conceptual framework include Mihret (2010), (Al-Twaijry, Brierley & Gwilliam, 2003) and Albercht et al. (1988).

3.7.3 Definition of internal audit effectiveness and measures

The measures are the independent variables being used to evaluate the dependent variable. The following subsections define IA effectiveness and the measures in the framework.

3.7.3.1 Internal audit effectiveness

The difficulty of measuring IA effectiveness and the absence of a generally agreed approach to explain the concept constitutes a problem (Arena & Azzone, 2009:43). Cohen and Sayag (2010:297) lament that despite IA gathering momentum and becoming an indispensable control mechanism in both public and private sector organisations, very little research has been done on IA effectiveness and therefore researchers have devoted their exploratory studies to build a conceptual understanding of the IA effectiveness in organisations. Eden and Moriah (1996) were perhaps the pioneers who developed and tested an exploratory model of IA effectiveness. Their study, unfortunately, did not explain when and why IA works and the conditions that enable or obstruct it (Cohen & Sayag, 2010:296). Cohen and Sayag bridged the gap by proposing two approaches to measuring IA effectiveness. According to them, the link between the audit and the general standards of IA characteristics such as professional proficiency, interdependence, the performance of the audit, the scope of work, and management of the internal audit department, explains IA effectiveness.

Their acknowledgement of the fact that internal auditing is not a computable reality constitutes the second approach. To them, IA effectiveness is determined by the subjective evaluations of opinions of internal audit customers, which they assigned to this function. Thus, the success of any internal audit depends on the expectations of the relevant stakeholders (Albrecht et al. 1988) – an approach that requires the development of stringent measures by which to determine IA effectiveness (Schneider 1984; Dittenhofer 2001).

The IIA (2008) cautions that if the responsibilities of the IA are to be met, compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) is necessary. This study adopted this stance, which was previously used by Twaijry, Brierley & Gwilliam (2003) and later Mihret (2010) considered to be a reliable measure of IA effectiveness. Further, it allows measuring IA effectiveness by evaluating IA activities and processes, helps to understand the associations between two sets of variables in detail and consider the interrelationships within the set of IA effectiveness dimensions (Mihret, 2010; Fornell & Lacker 1980). This brief evaluation demonstrates the need for a more comprehensive study of the issue of IA effectiveness, which is being dealt with following the example of Dittenhofer (2001), who used a similar method.

In this study, the researcher used the attributes indicated in Figure 3.1 as a measure of IA effectiveness. These are the independent variables (itemised in figure 3.1.) as recommended by the ISPPIA and used by Abu-Azza (2012), Mihret (2010), and Al-Twaijry, Brierley & Gwilliam (2003) in similar studies in Libya, Ethiopia, and Saudi Arabia respectively. Independence is explained as freedom of IA activity from any condition that threatens it from carrying out its responsibilities. Moreover, objectivity connotes unbiased mental attitude that allows IA to carry out their responsibilities without compromising quality (Standard 1100; and explained in Chapter 2 (sub-section 2.3.8.3 – p.25). The scope of IA work is considered as the quality of work carried out by internal auditors that enables them to perform their roles objectively by professional practice to help improve risk management (Cohen & Sayag, 2010:299) as defined in Subsection 2.3.2. Internal audit and external audit relationship imply the ability of the IA to perform quality work that will enable EAs to rely on their reports to make informed decisions when they are auditing the organisation. Risk is embedded in the operation of every organisational endeavours and risk management entails IA's ability to contribute to tackling these risks that emerge in the process. Organisational policy authorising IA conveys the idea of top management acceptance and support of the IAF that promotes cooperation between IA and auditees. Lack of cooperation between IA and management destroys the very fabric of organisational operations that IAF is deemed to improve (Usang & Salim, 2012:115). Quality of planning involves consultation with management for their input when setting up IA priorities and review working papers before commencing an audit. Reporting and follow-ups entail IA discussion with auditees their findings before issuing a report, and follow-up with management to ascertain whether the implementation of corrective actions relating to audit findings have been done (see appendix B).

3.7.3.2 Corporate governance enhancement of State-owned enterprises performance and sustainability

The extent to which an organisation achieves its goals determines its performance. Ayub and Hegsted (1986:4) indicated that SOE performance and sustainability are attributed to three determinants. These are: (i) the degree of competition to which they are exposed; (ii) the degree of financial autonomy and accountability under which they operate; and, (iii) the extent and manner in which managerial autonomy and accountability are ensured. They caution, however, that it is confusing to assess the individual importance of each of these factors statistically, but wherever these three factors exist as a package, the performance of SOEs significantly improve and their sustainability enhanced. It is also argued that IA fulfils its objective of adding value to the organisational performance by providing them with assurance and advisory services, which implies IA involvement in concretising the three determinants noted above. Further, it supports the objectives of the study (Chapter.1 Sec.1.6), which was to demonstrate how IA effectiveness influences CG practices of the economic and productive state-owned enterprises (EPSOEs) to enhance their performance and sustainability.

3.7.3.3 Management action on internal audit recommendations

The significance of senior management support for IAF is comprehensively identified as an essential factor that enhances IA work in the literature (Mihret, 2010; Cohen & Sayag, 2010) which then improves CG practices and the organisation's risk profile. Internal audit role and the recommendations are meant to support management, and the seriousness that management attributes to IA recommendations is pivotal in organisational performance. Mihret (2010) suggests two methods of measuring management action in IA recommendations. It is either by dividing the number of recommendations in the past few years by total audit findings in the period or evaluating CAE and audit staff observations of the extent to which management implements IA recommendations.

3.8 Research questions

The discussion of concepts and measures defined in the preceding sections have enabled the researcher to evoke the main research question and related sub-questions of the study.

> "To what extent does IA effectiveness influence CG practices of EPSOE in Namibia?"

To answer this question, the following sub-questions were addressed:

1. What are the corporate governance challenges facing EPSOEs in Namibia?
2. How does CG practices influence the performance of SOEs?
3. What is the impact of IA effectiveness on SOE performance?
4. How does IAF complement CG practices, performance and sustainability of SOEs?
5. How can effective IA control systems be implemented to improve the performance results and culture of SOEs?

The main research question is answered after evaluation of the sub-research questions as briefly indicated in the ensuing subsections and comprehensively answered in Chapter 7 (Sections 7.2.1 to 7.4.5).

3.8.1 What are the corporate governance challenges facing EPSOEs in Namibia?

Chapter two (Section 2.5.4: p. 67) of the literature review articulates the question of challenges facing EPSOEs in Namibia. This question was part of the interview questions completed by CEOs (former & current) and stakeholders (Appendix C). Atlas.ti was used to code participant responses (Table 6.2: p. 200). Among others, the notable challenges are poor governance practices, political interference, appointment of board and executives with no credible education, experience and skills, failure to abide by regulations/legislation and their implementation, and unwillingness to embrace global best governance practices (Rajagopalan & Zhang, 2008:56; Okpara and Wynn, 2011:31). These challenges risk EPSOEs sustainability and future health and create the impression that embracing sound CG practices is not obligatory. Adams (1994:10) notes that the need for regulation or legislation originates in response to some crisis in the organisation which, in this case, are the numerous challenges in the SOE sector. The Namibian government is aware of these challenges and has created the new Ministry of Public Enterprises in 2015, which is still struggling to come up with reforms to ameliorate the situation.

3.8.2 How do CG practices influence the performance of EPSOEs in Namibia?

This question seeks to address how CG practices improve the performance of SOEs in Namibia. Corporate governance enhances the success of SOEs to protect and advance the interest of the country and its populace. By augmenting the effectiveness of the leadership structures, reaffirming the legal, regulatory and institutional frameworks, enhancing accountability and transparency, CG provides the measures by which SOEs are governed to enable them to meet their objectives (IoDSA (2016:111). Thus, the effect of CG practices is indispensable for growth and contributes to the strengthening of long-term company performance (FRC, 2018:4). It facilitates sustainable value creation and ensures checks and balances, reinforces institutions, improves risk mitigation, weakens corruption, combats poverty and contributes to employment creation (Monks & Minows, 2011:4; IoDSA, 2016:1; Shkolnikov & Wilson, 2009:15; Curi et al. 2016:1340). Corporate governance practices must be supported by valid codes of governance to address this question (King Reports IV. 2016 & NamCode, 2014). Appointment of dynamic leadership - board members with a vision to oversee and control the activities of the organisation, management cadre with the required qualification, experience and skills to implement the vision of the board, adherence to existing laws and regulations (IoDSA, 2016) are the complementary requirements.

On the other hand, lapses such as shortage of skills, lack of familiarity with board functions, failure to abide by and implement rules and regulations weaken the governance system and make the board vulnerable to manipulation and abuse by management (Okeahalam, 2004:362; Okpara, 2009:196). The onus of improving the CG practices with the EPSOEs in Namibia rests with the government, and if the ongoing CG reform process can successfully reflect and engage with these problems, the performance and sustainability of the SOE sector will be enhanced. An empirical study on the impact of CG on firm performance in Vietnam by Vo and Nguyen (2014) and later, Latif and Shahid (2018) study on the impact of corporate governances on firm performance giving evidence from sugar mills in Pakistan confirm that improved CG practices enhance firm performance.

3.8.3 What is the impact of IA effectiveness on EPSOE performance?

Mihret (2010) argues that the relationship between IA effectiveness and organisational performance appears unexplored as yet. The outcome of a study by Karagiorgos et al. (2010), however, has successfully established that there is a positive relationship between attributes of CG and IA effectiveness, confirming that indeed IA plays a significant role in the governance processes. Regular comparison of IA effectiveness against the requirements of its stakeholders – boards, senior management, etc., will make IAF useful depending on the quality of the IAF (Feizizadeh, 2012:2778). The agency theory considers the IA role as bonding cost as it is charged with the oversight of good governance. They review control processes, and by relying on them, the SOEs are protected against malpractices, and the cost of EA work is reduced (Abdullah, 2014:20).

The examination of this phenomenon, therefore, comes at an opportune time. As noted in Section 3.2.2., IA effectiveness is assessed by two factors: (1) the quality of the performance, the scope of work, and management of the IA department, and (2) the perception of the auditees regarding the IA activities explain IA effectiveness (White, 1976; Cohen & Sayag, 2010). Internal audit has been described as a cornerstone of good public-sector governance (IIA (2017:25) and is supposed to support the governance responsibilities of oversight, insight and foresight in the SOE sector (D'Silva & Ridley, 2007:114). Thus, the IAF is a core part of the governance system, and by complementing CG, it will enable CG to sanction SOE reforms (Cohen et al., 2004:84; OECD, 2004) and contribute to the overall performance of SOEs. This will, however, depend on the extent to which management adheres to IA recommendations.

3.8.4 How does IAF complement CG practices, performance and sustainability of SOEs?

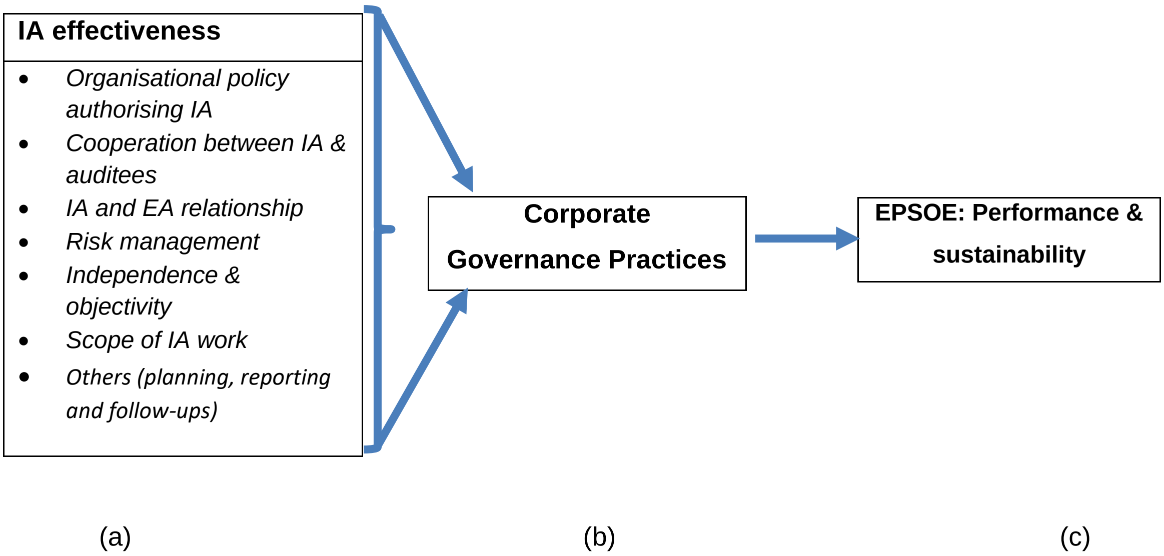


Figure 3.3: Relationship between IA effectiveness, CG practices and SOE performance and sustainability.

Figure 3.3 illustrates seven attributes of IA effectiveness conceptualised as in model (a). This model will enable the researcher to analyse the impact of IA effectiveness on CG practices (b). A comparison of the results obtained from both analyses leads to the formulation of recommendations for improving SOE performance and sustainability, which is the main objective of study (c).

This relationship, which attempts to answer sub research question 3, is discussed under subsection 2.3.8.9. p. 31 in Chapter two. Several studies have established these relationships. For instance, Gramling et al. (2004) establish an association between IA, EA and governance when they argue that external auditors depend on internal auditors when auditing and generating reports for the organisation, while at the same time fulfilling CG goal of quality reporting. The agency theory deals with intervention mechanisms, when it contends that IA helps to bring purity between shareholders and agents such as managers (Adams, 1994. p.10).

3.8.5 How can effective IA control systems be implemented to improve the performance results and culture of SOEs?

The literature review of this study examines how the implementation of effective IA impacts on the culture of SOE performance (See section 2.5.10). As noted in the previous discussions in this study, contemporary literature regards IA as one of the cornerstones of CG and further note that differences in culture could influence CG mechanisms (Cohen, Krishnamoorthy & Wright, 2004; Ayogu, 2001:18; Alzeban & Sawan, 2013:452). Culture may also influence how internal auditors communicate about senior management to the board of directors (Mat Zain & Subramaniam, 2007:904).

As Mihret (2010) remarks, IA has grown into a pre-eminent position as advisers to the board of directors as a consequence of a shift in top management responsibility to assume the role of internal control systems, allowing IA to play its core roles of advisory and consultancy in the organisation. Effective IAF works in partnership with the board and management by providing them with the assurance that risks are contained and the CG mechanism in the organisation is secure and effective (IIA, 2003:54).

Effective IA control systems such as quality and scope of IA work, engaging management in planning the audit work, generation of regular reports and follow-ups on recommendations by the CAE, maintenance of IA independence and objectivity will contribute to the improvement of the governance mechanism through proper evaluation of the organisational activities. This study will, therefore, endeavour to seek for how the IAF could break the culture of indiscipline in the sector by offering a systematic and disciplined approach to improve the effectiveness of the board and management through proper control systems to enhance the performance and sustainability of the sector. The acceptance of IAF by management and implementation of IA recommendations are necessary ingredients in an attempt to break the culture of non-performance.

3.9 Chapter summary

This chapter has summarised the theoretical and conceptual frame frameworks of the study. It begins with the theoretical framework, which underpins the study using the agency and stewardship theories to provide the perspectives through which the researcher will contribute to answering the research questions and evaluate the topic at hand. It has examined the conceptual framework of the study involving IA effectiveness and how it impacts on CG practices of EPSOEs in Namibia. It eventually displayed graphically through charts the conceptual framework which depicts IA effectiveness as a facilitator for improving SOE performance and sustainability in Namibia, thereby helping to answer the main research question – "To what extent does effective IA influence corporate governance practices of EPSOEs to enhance their performance and sustainability in Namibia?

CHAPTER FOUR

METHODOLOGY

4.1 Introduction

This chapter describes the research methodology and design employed to address the questions and the objectives of the study. The research adopts the mixed-method approach, which integrates both qualitative and quantitative paradigms through triangulation strategy. The chapter starts by explaining the research design, followed by an explanation of the use of the mixed-method approach and justification. The statistical tools for explaining the various research activities, the data collection and analysis procedures are discussed and justified in various phases of the chapter. Further, data collection processes for the survey and in-depth interview instruments are described in detailed. Ethical considerations follow these and finally, the summary of the chapter.

4.2 Research design approaches

The glue that holds the research study together is the research design. It shows how all the significant portions of the research work collectively to address the core research question (Trochim et al., 2015:219). Research design has been defined by different researchers in diverse ways but mean the same thing. For instance, Parahoo (1997) defines research design as “a plan that describes how, when and where data are to be collected and analysed” (p. 142). To Burns and Grove (2003), research design is “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings” *(*p.195).

Bryman (2008:161) and Creswell (2014:43) advance three primary approaches to research design, namely, quantitative, qualitative and mixed methods, which have different epistemological grounding and adopt different strategies in research. Creswell adds, they are not restrictive or opposites. Newman and Benz (1999:8), on the other hand regard them as merely representing different ends on a continuum where a study could be more quantitative or qualitative with the mixed method, which incorporates elements of both approaches resides in the middle. Creswell frames the distinction between quantitative research as using numbers and qualitative research as using words. Bryman (2008:165), supports this view when he associates quantitative research more with the natural sciences model, where the research emphasises quantification in collection and analysis of data. Bhattacharjee (2012:103), sums up the distinction between the two when he notes that quantitative research employs numeric data such as scores and metrics, as opposed to qualitative study that relies on non-numeric data, such as interviews and experiments. Mixed methods, according to Bryman, are a relatively new research approach that has become very popular among modern researchers. It combines quantitative and qualitative methods or crosses the two strategies, integrating the two forms of data and using discrete designs that may involve philosophical assumptions and logical structures (Creswell, 2014:199). This study uses the mixed method approach as justified in section 4.4 (p. 107).

4.3 Mixed method approach

The mixed method approach is relatively new, which modern researchers have embraced to bridge the methodological wars of the purists. Jick (1979:602), suggests that the literature on social science research method has a distinct tradition of advocating for the use of multiple methods, described as one of the convergent methodologies, previously noted by Campbell and Fiske (1959:101) as triangulation. Campbell and Fiske are of the view that quantitative and qualitative methods should be regarded as complementary instead of belonging to rival camps to bring out the perfection in research.

The technique provides a natural support to the classical quantitative and qualitative research methods as stated by Johnson & Onwuegbuzie (2004:15). They further note that methodological pluralism, which frequently results in research, is the key feature of the mixed methods research and suggests that mixed method research will be successful as more researchers adopt and advance concepts of the method as they regularly practise it. Creswell (2014:264) notes that since Tashakkori and Teddlíe published the first comprehensive handbook on the Social and Behaviour Sciences on mixed methods in 2003, the paradigm has become the most popular and commonly used mode of inquiry today as it bridges the paradigm wars between qualitative and quantitative research approaches (Terrell, 2012:258). Terrell further notes that mixed methods can offer a researcher many choices involving a range of simultaneous and sequential strategies. According to him, the significant features of these designs entail quality control methods and ethical concerns where relevant data and excellent references are shared. Creswell (2014) stresses on the significance of the mixed methods, when he notes that the core assumption of this sort of “inquiry is that the combination of qualitative and quantitative approaches provides a complete understanding of a research problem than either approach alone” (p. 32).
Johnson and Onwuegbuzie (2004) appropriately define the mixed method research as

> "the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts and language into a single study" (p.17).

Tashakkori and Teddlie (2008) advance a similar definition when they define the term as "studies that are products of pragmatist paradigm, and that combine the qualitative and quantitative approaches within different phases of the research process" (p. 22). Johnson and Onwuegbuzie call it the "third wave" – a movement that circumvents the paradigm wars by offering a logical and practical alternative. The mixed method makes use of pragmatic methods and systems of philosophy. It includes the use of induction and deduction as its logic of inquiry.

Johnson and Onwuegbuzie (2004:15) recognise the significance of both methodologies (quantitative and qualitative) and emphasise that it is neither their intention to suggest replacement of either of the two nor solve the metaphysical, epistemological, axiological and methodological differences of the two opposing purists. Rather, their purpose is to use the mixed method as a method and philosophy that attempts to put together the insights provided by both the quantitative and qualitative paradigms, to draw on the strengths and minimise the weaknesses of both in research.

Again, Johnson and Onwuegbuzie (2004:15), view the mixed method as a compromise of the two opposing paradigms and the mixed method sits in the middle with the quantitative and qualitative methods residing at the extreme ends of the pole. They further note that the mixed method approach offers research practitioners a greater promise closer to what researchers use in practice. As previously indicated, the method bridges the rift between the quantitative and qualitative research methodologies. This approach has now been adopted by several modern authors and researchers such as Creswell (2014), Tashakbiri and Teddlie (2008), Brewer & Hunter (1989). To these researchers, taking the pluralist approach will improve communication between researchers from the different paradigms in an attempt to advance knowledge. Pragmatism will also throw more light on how research approaches can be mixed fruitfully (Hoshmand, 2003:42) and offer the best opportunities for answering significant research questions.

Further, Johnson and Onwuegbuzie (2004:15) suggest research in the area of mixed method stressing its philosophical positions, designs, data analysis, rationality, validity, strategies, etc. – an exercise this researcher is attempting to fulfil. Creswell (2014:45) distinguishes the three main approaches in research design as indicated in the table 4.1 below.

Table 4.1:Quantitative, qualitative and mixed methods explained

Quantitative Methods	**Mixed Methods**	**Qualitative Methods**
Pre-determined	Both pre-determined and emerging methods	Emerging methods
Instrument based questioned	Both open and closed-ended questions	Open ended questions
Performance data, attitude data, observational data, and census data	Multiple forms of data drawing on all possibilities	Interview data, observation data, document data, and audio-visual data
Statistical analysis	Statistical and text analysis	Text and image analysis
Statistical interpretation	Across databases interpretation	Themes, patters interpretation

Source: Creswell (2014:45)

4.4 Justification for the mixed-method paradigm

Deriving from several researchers such as Ram et al. (2016), Naynar et al. (2018), Schoonenboom and Johnson (2017), and others listed in Table 4.2 below, the researcher used the mixed method paradigm grounded in an interpretive epistemology (Sunders et al., 2009; Creswell, 2014) quoted in Ram et al. (2016: 11). Starting with a detailed content analysis of extant literature on IAF (See Section 2.4) the characteristics of the unit of account was defined. Further, a Likert scale questionnaire (See Appendix B), which was used to gauge the responses of the participants and their usefulness (Sekaran, 2003:197; Dimi et al. 2014:40). Factor analysis was used as the tool to reduce the amount of information, and in combination with Atlas.ti identified the core themes (See Figure 6.1), which were evaluated to determine participants view on the impact of IA effectiveness on EPSOEs performance and sustainability.

The choice of this method was motivated by its strengths in providing strong validity and reliability to the results and also the assurance that collecting different types of data from diverse sources affords a better understanding of a research problem than either quantitative or qualitative data alone (Creswell, 2014:217). Furthermore, previous studies in the same field have used this method to expand knowledge. Table 4.1 indicates some of the studies that have used mixed method research. The mixed method has the potential to lessen the problems associated with unique methods. It incorporates the strength of quantitative and qualitative methodologies by using both within the same framework (Johnson & Onwuegbuzie, 2004:21; Creswell, 2009:204). Accordingly, the combination of both paradigms offers a greater understanding than either method by itself or provides an expanded conception of research problems.

The mixed method research has the potential to promote a shared responsibility to achieve accountability and quality by narrowing the gap existing between the two opposing paradigms (Johnson & Onwuegbuzie, 2004:20). The method uses multiple approaches to answer research questions, rather than limiting researchers' choice by rejecting dogmatism. The mixed method has been described as an expansive and creative form of research, which is inclusive, pluralistic and complementary and it proposes that researchers take a different approach in selecting methods in conducting research (Johnson & Onwuegbuzie (2004:21). Further, they noted that the research question is fundamentally the most important and that researchers should follow research questions that give useful answers. The mixed method is the methodology that best answers research questions in a study.

Table 4.2:Examples of studies using mixed method paradigm.

Author & Date	Topic	Country
Hanskamp-Sebregts et al. (2013)	The effects of auditing patient safety in hospital care	USA
Endaya & Hanefah (2013)	Internal audit effectiveness: An approach proposition to develop the theoretical Framework.	Malaysia
Alcantara (2013)	Building a performance measurement internal auditing framework for the ISO 9001 quality management system	UK
Zakari & Ahmad (2014)	The role of audit evidence in enhancing the quality and reliability audit report in Libya	Libya
Mihret, D.G. 2010.	Antecedents and organizational performance implication of internal audit effectiveness: evidence from Ethiopia.	Ethiopia
Abdullah, R. B. 2014	Redefining IA performance: Impact on corporate Governance in Malaysia	Australia
Tashakbiri, A. & Teddlie, C. 2008	Introduction to mixed method and mixed model studies in the social and behavioural science	Singapore
Ram, A., Maroun, W. & Garnett (2016)	Accounting for Bitcoin: accountability, neoliberalism and a correspondence analysis	South Africa
Naynar, N.R., Ram, A.J., & Maroun, W. 2018.	Expectation gap between preparers and stakeholders in integrated reporting	South Africa

This table illustrates examples of studies that have used the mixed method approach to analyse their data.

To enable triangulation, meaning and proper interpretation of data at the disposal of the researcher, this study utilises the mixed method approach with the aid of Atlas.ti to analyse the in-depth interview responses, and SPSS to generate the various statistical techniques to investigate the survey questionnaire involving the participant responses.

4.5 Statistical techniques for the data analysis

Descriptive statistics, test of reliability, correlation analysis, regression analysis and factor analysis are the statistical techniques used in this study. These techniques are explained individually below and the results discussed in Chapter 5.

4.5.1 Descriptive statistics

Researchers use descriptive statistics to present quantitative descriptions in a manageable way (Trochim, 2006). In a research study where there is a large number of data to be measured, descriptive statistics help to simplify them in a sensible way. It is used to describe the primary structures of the data in a study (Trochim, 2006: *npn*). Wegner (2012:7) describes it as a way of summarising a given data set into a few concise, descriptive measures. After gathering large quantities of data, it is necessary to organise and extract the essential parts of the information in the data, which can represent the entire population or a sample of it, and that is the important role that descriptive statistics play. Wegner, further notes that the summarised data allows a user to identify profiles, patterns, relationships, and trends within the data, which are usually expressed as measures of central tendency, validity and variation (spread). The study, therefore, used descriptive statistics to present the quantitative account of the study in a manageable way to streamline the large amounts of data collected into a simpler summary, which enabled appropriate analyses. For instance, the questionnaire was statistically analysed by means of descriptive statistics with the aid of SPSS, while the open-ended responses, which allowed the participants personal contributions and free expressions (6.6: Table 6.9) analysed by comparing the answers of the participants with the questions by making comprehensive contribution to the study.

4.5.2 Test for reliability

The term reliability in research refers to the consistency of a study or measuring test (Dudovskiy, 2018). If findings from research are replicated consistently, they are reliable. A correlation coefficient can be used to assess the degree of reliability. Cronbach's alpha is one of the measures used to determine scale of reliability and internal consistency, which indicates how closely related a set of items are as a group (UCLA, *n.d.*). Previous researchers have used reliability Cronbach's alpha to estimate the internal consistency of their instruments (example, Yoo et al., 2002; Usang & Salim, 2006; Bhattacharjee, 2012; Alzeban, 2015). This study therefore uses the Cronbach's alpha to affirm its reliability and consistence as explained in section 5.4.

4.5.3 Correlation analysis

Correlation is described as a statistical method of studying association between quantitative or categorical variables. It is simply a measure of how things are related (Horse, 2019). The Pearson's correlation coefficient (r) is the most common means of testing for association between variables and measures the strength of the association between any two variables (Horse, 2019; UWE, 2019: npn). The outcome of correlation analysis could either be positive, negative or neutral. There is positive association when one variable is positively associated with another variable and vice versa for negative association. The relationship is neutral when there is no relationship (association) between the variables. The null hypothesis that is tested is that the variables are not associated against the alternative that the variables are associated. Correlations between indicator, or observed variables do not explain the causation of these indicator variables, nor do they explain the relationship between the indicator variable and the latent variables. These indicator variables represent how the data is behaving, and from this observed behaviour, basic interpretations can be made about the relationship of these independent indicator variables. If the indicator variables are highly correlated, these variables will affect interpretation of the relationship with the dependent latent variables. For example, the number of the coefficients in the relationship may be too large, making it difficult to interpret these variables in the model.

The first step used to avoid misinterpretation is investigating the correlation matrices to determine if correlations greater than 0.90 exist. The second step is conducting a multiple collinearity test on the variables. During this test, it is imperative to check the variable inflationary factor (VIF), which should not exceed the value of 10 (Hair, Anderson, Tatham, & Black, 1998). In the correlation matrices, there was no value over 0.90, and the collinearity diagnosis confirms that there were no highly correlated variables to affect the interpretation of the relationships in the model.

4.5.4 Regression analysis

Regression is utilised for the purpose of extrapolation of values of dependent variables when the values of the independent variables are given (Kothari, 2009:142). It is estimated by the coefficient of the linear equations when one or more independent variables are used that best predict the value of the dependent variable. The relationship between these variables must be linear, and this demonstrates how variables affect each other and can be used to predict each other. The regression results include the signs on the coefficient of the independent variables, a coefficient of determination greater than 60% when using time series data and the significance of the independent variables in explaining the dependent variable.

The R^2 value indicates the percentage of the dependent variable that is explained by the independent variables included in the model. The larger the R^2 value the more significant the relationship between the dependent and the independent variable. If R^2 is 0.60, this means that 60% of the variation in the dependent variable is explained by the variations in the independent variable. Related to the R- squared measure is the t-statistic which help to determine the significance of the individual variables. The *t*-statistics are mandatory in determining which variable significantly explains the dependent variable. The standard *t*-statistic is $t \geq 1.96$ for positive coefficients or $t \leq -1.96$ for negative coefficients at the 5% level of significance.

Linear regression is an analysis that assesses whether one or more predictor variables explain the dependent (criterion) variable. Regression has five key assumptions:

- The variables are linearly related.
- The errors from the model are normally distributed.
- The model suffers from no or little multicollinearity.
- The residuals from the models are not autocorrelated.
- The residual from the model are homoscedastic
- The model equation is correctly specified.

The relationship between the variables must be linear, and this demonstrates how variables affect each other and can be used to predict each other. The regression model that is estimated in this study is:

$$\mathrm{AOPAI} = \alpha_0 + \alpha_1\mathrm{BCBIA} + \alpha_2\mathrm{CIAO} + \alpha_3\mathrm{DIARM} + \alpha_4\mathrm{EIAEAR} + \alpha_5\mathrm{FIAE} + \alpha_6\mathrm{GSIAW} + \alpha_7\mathrm{HOPRF} + \varepsilon$$

The definitions of the variables are as indicated below:

AOPAI = Organization policy authorising internal auditors
BCBIA = Cooperation between internal auditors and auditees
CIAO = Independence and objectivity
DIARM = Internal audit and risk management
EIAEAR = Internal audit and external audit relationship
FIAE = IA effectiveness
GSIAW = Scope of internal audit work
HOPRF = Others including planning, reporting and follow ups
$\alpha_{0,}$ α_1 …………………………… α_7 = the parameters of the model
ε = the error term.

We expect cooperation between IA and auditees (independent variable) and organisational policy authorising internal auditors (dependent variable) to be positively correlated. This relationship is explained by the fact that improvement in IA and auditees (management) relationship will positively influence organisation policy authorising internal auditors. For instance, Mihret (2014) found that senior management support for IAF improved IA effectiveness in Ethiopia. Another study by George et al. (2015:113) using regression analysis in Greece also highlighted the fact that a significant relationship between IA and management support enhances organisational support for IA effectiveness. We also expect independence and objectivity and organisational policy authorising internal auditors to be positively correlated. This relationship is because the CAE is supposed to have an apparent authority to communicate directly with either the board or its AC to ensure adequate provision of services without interference (Yee et al., 2008:148).

Furthermore, it is expected that internal audit and risk management and organisation policy authorising IA should be significantly related. This relationship tallies with Mihret (2010) and Felix, Gramling and Maletta (2001) confirmation that the level of risk influences the availability of IA in an organisation as organisations with higher risk compels management demand for IAF. That perhaps also explains the reason why the financial institutions among the SOEs in Namibia such as the Development Bank of Namibia, the Government

Institutions Pension Fund (GIPF), etc. – have the IAF in their organisations due to the risk associated with their organisations. We also expect internal audit and external audit relationship to be significantly correlated with organisational policy authorising IA. This expectation is because if the EA perception of the IA function is good, they will rely on the work of the IA when auditing the organisation. Again, the resources spent on the EA in terms of time and money is reduced, which is saving to the organisation. Also, the services provided by the IA will be improved as any lapses in their work will be exposed by the EA - implying that EA to some extent, exerts pressure on the IA, and contributes to their professional development (Mihret, 2010:50). We expect a significant relationship between IA effectiveness with organisational policy authorising IA. Internal audit effectiveness is sharpened by their educational and professional qualifications, which enable them to carry out their work. Internal audit must undertake continuous professional development (CPD) activities to remain useful, current and be able to meet the expectations of the organisation (IIA, 2000; Alzeban & Sawan). Again, we expect the scope of internal audit work and organisational policy authorising IA to be positively correlated. The work performed by the IA enhances the image and development of the organisation. By evaluating the internal control system in place, checking the organizations' compliance with laws and regulations and reviewing the systems to safeguard the assets regularly, the IA is playing a vital role to remain productive and protect the interest of the organisation. Other activities such as planning, reporting and follow-ups are also expected to be positively related to organisational policy authorising IA. Internal audit consults with management when setting IA priorities. They are supposed to discuss with auditees their findings before they are reported. They also follow up with management to ascertain the implementation of their recommendations to ensure that management act timeously to ensure smooth running of the organisation.

To sum up, the motivation for using linear regression analysis for this study is to describe the degree of influence of the independent variables on the dependent variable. The researcher wanted to know not just whether IA effectiveness impacts on CG practices of EPSOEs in Namibia, but also whether the likelihood of effective IA is influenced by variables such as organisational policy authorising IA, cooperation between IA and auditees, IA and EA relationship, risk management, independence & objectivity, scope of IA work, and others including planning, reporting and follow-ups. Further, regression analysis is a very popular tool that has been used by several researchers to analyse their data in similar studies (e.g. George et al., 2015; Tumwebaze et al., 2018; Temesgen & Estifanos, 2018).

4.5.5 Factor analysis

Factor analysis is a multivariate statistical tool at the disposal of the researcher used to decrease the number of variables to a realistic level. It enables the examination of a whole set of interdependent relationship for reduction and summarisation of data (Malhotra et al., 2009: 839; Sharma, 2017:252). Bartholomew, Knott and Mousktaki (2011) quoted in Yong and Pearce (2013:80) share the same view when they labelled factor analysis as a statistical method, which operates on the notion that observable variables can be condense to fewer factors that share a common but unobservable variance. It creates fundamental dimensions between factors and concealed constructs, thus, allowing the development and improvement of theory (Taherdoost et al., 2014:375).

Literature confirms two types of factor analysis techniques, and it is essential for researchers to understand the difference when conducting research (Pareek, 2015; Hair et al., 2006) for proper interpretation of results. These techniques are exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Stevens (2009) regards EFA as a theory-testing procedure used to identify the factor structure for a set of variables. Exploratory factor analysis is a statistical method, which determines the number of factors and loadings (Hair et al., 2006). Hair et al. (2006) note that CFA suggest the means to authenticate the results obtained from EFA and also determine their replicability. They further elucidate that the number of factors and variables making up those factors are quantified before running the analysis in the case of CFA; thus, its role is to suggest how well the specifications of the factors relate to actual data (Hair et al., 2006, p.774).

This study used exploratory factor analysis (EFA) because the study is in itself exploratory. It is a useful technique, which is used to reduce a large number of items to a smaller number to determine the components/factors underlying a dataset (Foster et al., 2006; Field, 2009; Fabrigar et al., 1999; Williams et al., 2010). Exploratory factor analysis was considered as one of the preferred statistical tools for this analytical methodology to examine the effects of the variables affecting IAF in the EPSOEs in Namibia. The choice was motivated by the fact that EFA is popular in research interpretations (Dimi et al. 2012:40) and has been applied in social sciences for many years (Kline, 2010; Casteel, 1971; Spearman. 1904]. The method is also suitable where the study intends to categorise and describe data instead of extrapolating results in a more positivist sense (Dimi et al. 2012:40).

The application of factor analysis is based on certain assumptions, which need to be examined for the technique to be useful. The presence of univariate and multivariate normality within the data but without the effects of their outliers is necessary when performing factor analysis (Child, 2006; Yong & Pearce, 2013:80; Pison et al., 2003). It also assumes a linear relationship between the factors and the variables when calculating the correlations (Gorsuch, 1983). The sample size of the participants must be large enough (Comrey & Lee, 1992). As explained in Section 4.7.3, in the case of Namibia, the total number of SOEs is 72 of which only 28 are EPSOEs. An average of 8 participants per organisation totalling 224 questionnaires was administered. Therefore, EFA works well with the sample of the study. Tabachnick and Field (2007) quoted in Yong & Pearce (2013:81) note that the correlation *r* must always be 0.40 or more because anything lower will lead to an unacceptable relationship between the variables. In this study, correlations below 0.40 were eliminated to enhance the relationship between the variables. As recommended by Tabachnick and Field (2007), all datasets in which multicollinearity and singularity were found to be absent were checked and subsequently removed.

The questionnaire used for this study was designed for ease of completion by the participants who were deemed to be knowledgeable on the issue at hand. After piloting the questionnaire to determine the validity of the responses, a five-point Likert scale was used to tap the responses and establish the professed level of usefulness (Sekaran, 2003:197; Dimi et al. 2014:40). The statistical programme, SPSS, was utilised to produce the preliminary descriptive statistics and also employed to conduct inferential statistics including correlation, regression and factor analysis.

The data was eventually summarised and aggregated into components/factors. Prior to the generation of the components, the data was further subjected to principal component analysis (PCA) - one of the factor extraction methods (FEM) with orthogonal Varimax and Kaiser Normalisation rotation method was applied to extract the most critical components (Sharma, 2017:252; Malhotra et al., 2009). The principal component method is supported by literature where it is noted to have been used by several researchers in social sciences to reduce critical factors to a manageable level (Cohen & Sayag, 2010; Bryman & Cramer, 2011; Hair et al., 2006; Dimi et al., 2014). In this study, the PCM was used for the extraction of components based on eigenvalue criteria of extracting numbers with values more than one (Cohen & Sayag, 2010:304; Dimi et al. 2014:41; Malhotra et al., 2009). This resulted in 14 components with eigenvalues greater than one retained, allowing for 83% retention of the data’s potential (Table: 4.3). Thus, the factor analysis technique enabled the reduction of the list of the initial 48 critical factors to a set of manageable and significant components.

Again, Varimax with Kaiser Normalisation rotation method was applied to extract only those factors that met the cut-off criterion of .40 (Yong & Pearce, 2013:91). The fundamental goal of the factor analysis was to identify item loadings >0.40 that are interpretable (Kang, 2007;

Bies et al., 2018). In this case, the 14 factors with eigenvalues more t1 (Table 5.13) were further reduced, with only eight components meeting the criteria (Component 1 to 8) after 24 iterations. The first factor explained 21.5% of the variances, the second factor 10.9% of the variance, the third factor 7.5 % of the variables and a fourth factor 7.2% of the variables. The fifth and sixth factors explained 5.5% and 4.9% respectively. The seventh and eight factors had eigenvalue of just above one explaining 4.2% and 4.1% of the variance. It is noted from Table 4.3 that the cumulative percentage of variances accounted for by these eight factors is approximately 58% and that the advantage of going for nine or more factors was insignificant and discarded.

Table 4.3: Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.875	21.468	21.468	9.875	21.468	21.468	5.752	12.505	12.505
2	5.027	10.927	32.395	5.027	10.927	32.395	4.331	9.414	21.919
3	3.440	7.478	39.873	3.440	7.478	39.873	3.526	7.666	29.585
4	3.299	7.172	47.045	3.299	7.172	47.045	3.221	7.002	36.588
5	2.527	5.494	52.539	2.527	5.494	52.539	2.718	5.909	42.497
6	2.254	4.901	57.441	2.254	4.901	57.441	2.524	5.488	47.984
7	1.934	4.205	61.646	1.934	4.205	61.646	2.468	5.365	53.350
8	1.894	4.117	65.762	1.894	4.117	65.762	2.308	5.018	58.368
9	1.712	3.722	69.484	1.712	3.722	69.484	2.275	4.946	63.314
10	1.496	3.251	72.736	1.496	3.251	72.736	2.047	4.451	67.765
11	1.262	2.744	75.480	1.262	2.744	75.480	1.856	4.034	71.799
12	1.200	2.608	78.089	1.200	2.608	78.089	1.721	3.741	75.541
13	1.157	2.516	80.605	1.157	2.516	80.605	1.695	3.684	79.225
14	1.004	2.182	82.786	1.004	2.182	82.786	1.638	3.561	82.786
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 24 iterations.									

Source: Author's calculations – generated with SPSS

4.5.6 Validity and reliability

Validity and reliability are the two universal tests of any measurement tool. They are the critical criteria that researchers use to determine the quality of both quantitative and qualitative research (Leung, 2015:325). Reliability refers to exact replicability of the same results under identical or similar conditions (Havenga, 2008:22; Leung, 2015:325).

The validity, on the other hand, connotes “suitability” of the tools, processes, and data in qualitative research (Leung (2015:325). Joppe (2000) noted in Golafshani (2003) states that “validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are ……” (p. 599). It determines whether the research question is valid for the desired outcome, the methodology is appropriate for answering the research question, the sampling and data analysis is suitable, and the findings and conclusions are appropriate for the sample and situation (Leung, 2015:325). Golafshani describes validity in quantitative research as construct validity that determines which data is to be collected and how it is to be gathered. Validity and reliability should be considered as complementary entities because a calculation cannot be valid unless it is reliable (Loyal, 2016: *npn*). Loyal further notes that a calculation can only be considered as an accurate representation of an attribute when it is both valid and reliable. However, quantitative and qualitative researchers apply the concepts of validity and reliability in diverse ways but must have a common ground in answering the research questions with the expectation of meeting the research objectives. The survey and the in-depth interview questions have been subjected to validity and reliability tests through triangulation and pilot testing the instrument (See Section 4.6.3; p. 120)

4.6 Triangulation

Triangulation is characteristically, a strategy for testing the improvement of validity and reliability of research and evaluation of the findings (Golafshani, 2003:603). He describes it as a technique where researchers search for convergence among several and different sources of information to form themes or groupings in a study. Denzin (1989) defines it *as* “the combination of methodologies in the study of the same phenomenon” (p. 291). Jick (1979) contend that “triangulation allows for more confident interpretation, for both testing and developing hypotheses and for more unpredicted and context related findings” (p. 608).

Both quantitative and qualitative paradigms can be useful for several purposes, such as descriptive, exploratory, confirmatory, inductive, and explanatory purposes. The critical issues, however, are how these two methods are integrated and how priorities are set between the components (Mihret, 2010:65).

Sequential designs and convergent designs constitute the two broad classifications under the triangulation approach. The resolved of the sequential designs is to build one phase of the method on the other. The intent of the convergent design, on the other hand, is to combine the stages so that the quantitative and qualitative results are comparable (Fetters et al., 2013:2135).

Creswell (2014:282) breaks the sequential and convergent designs further into six patterns that have divergences regarding their sequence, priority, and point of integration at the point of mixing the results of quantitative and qualitative components. These are sequential explanatory strategy, sequential exploratory strategy, sequential transformative strategy, concurrent embedded strategy, concurrent transformative strategy and concurrent triangulation strategy.

The researcher opted for the concurrent triangulation strategy approach in this study. This strategy places equal emphasis on both the qualitative and quantitative methods. By merging the data from the two methods, the results can be easily compared side by side and the weaknesses of one offset by the strength of the other. This strategy is less time consuming and has been the strategy of choice by many researchers, and the outcome typically leads to well-validated and substantiated findings (Creswell, 2014:280). Accordingly, the researcher collected and analysed quantitative and qualitative data concurrently and the results combined to authenticate and reinforced each other. This analysis is indicated in figure 4.1 below.

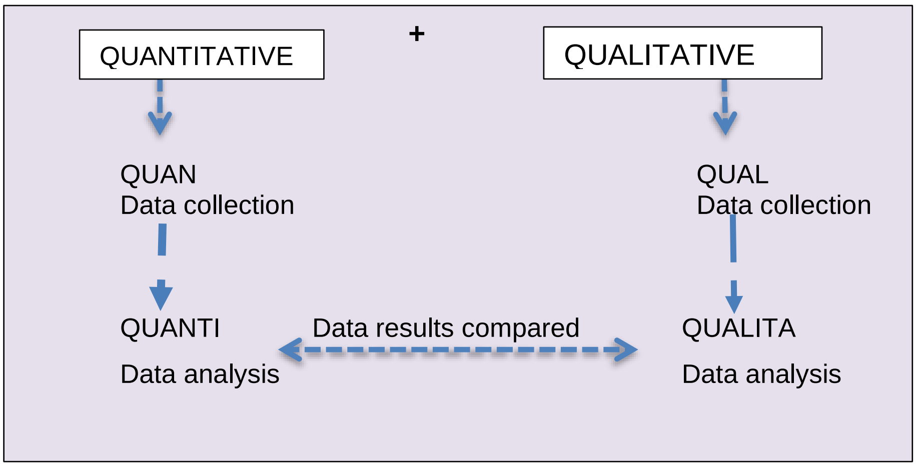


Figure 4.1: Concurrent triangulation design (Adapted: Creswell, 2009:210)

Key: "+" Is an indication of a concurrent form of data collection with both set of data collected at the same time.

" ---> "Indicates sequential form of data collection

Capitalisation indicates emphasis placed on a method.

4.7 Measurement and instrumentation

In this study, methodological triangulation was used to establishes validity between different methods - quantitative and qualitative methods (Havenga, 2008; Guion, 2002). Triangulation was applied in the present study by using both quantitative and qualitative analyses with the aid of Atlas.ti (Section 4.10), and various statistical methods (Sections 4.4.3 to 4.4.5) to analyse participants and interviewees view on the impact of IA effectiveness on CG practices of EPSOEs. Again, Chapter 7 triangulates Chapters 5 and 6 to some extent to support the survey process. For example, Section 7.4.3. attempts to bring together the quantitative and qualitative outcomes as part of the conclusions of the study. Measurement and instrumentation

Trochim et al. (2015:112) describes measurement as the process of observing and recording the observations that are collected as part of a research effort. It is a technique of mapping features of a field onto other aspects on a scale in a range by some rule (Kothari, 2004:69), without which the outcome could be meaningless. The usefulness of measurement in the decision process, depends on the extent to which one can rely on the data as an accurate and meaningful indicator of a phenomenon (Gadotti et al., 2006:138). Furthermore, the quality of a measurement is influenced by such criteria as reliability, validity, responsiveness, practical and easy to obtain. The measurement instruments used in the mixed-method approach for data collection in the research process are survey questionnaire and in-depth/face-to-face interview.

4.8 Research survey data collection – Quantitative approach

A survey design offers a numeric description of trends, attitudes, or opinions of a population by studying a sample of that population (Creswell, 2014:296). A survey uses written questionnaires, which according to Neuman (2006:471) is the instrument used for gathering information on opinions, behaviour and characteristics from a sample of individuals. A sample is a subset of the population selected for the purpose of a survey (Sekaran, 2003:266; Terrell, 2012:24). The participants for this survey consist of AC chairpersons or their nominees (representing the board), senior management (auditees), CAEs and internal auditors. Although there are 72 SOEs in the country (see Chapter one, Section 1.3), the SOE Act 2006 classifies them into three categories, namely, Economic and Productive SOEs (EPSOEs); SOE with Regulatory function; and Service Rendering Enterprises (GRN, 2010).

This study is based on the EPSOEs and the justification for the choice, is motivated by the fact that, these SOEs are expected to operate as commercial entities whose performance can be determined by their profitability imperatives and contributions to the government in the form of returns. It is easier to analyse the performance of such SOEs as compared with their non-commercial counterparts whose output include non-measurable social benefits, which are subjective and difficult to quantify.

4.8.1 Sample Size:

In social sciences research, the determination of population and sample is a necessity (Sawalha, 2011:114). A population is a well-defined group of individuals or items that share similar characteristics (Explorable.com, 2009). A sample is a subset of the population that are being measured. It should be representative of the population to ensure generalisability of the findings from the research sample to the population as a whole. The researcher used the whole population as the sample. Saunders et al. (2009:112) justify this stance when they argue that a researcher can examine the whole population if it is of a manageable size and considers the use of the entire population in a study as census. The rationale for using the entire population in this study is that, a population of 28 EPSOEs is considered a reasonable size to fit the use of census. Census was used by Sawalha (2011) in his studies on a Jordanian case study on business continuity management and strategic planning for the same reason advanced for this study.

4.8.2 Survey Questionnaires

Accordingly, about 224 participants on average were selected for this study (consisting of auditees, AC chairpersons or their nominees, CAE and internal auditors). The participants were regarded as knowledgeable individuals who possess the necessary information and background needed for the purpose of this study and can answer the questionnaire.

Neuman (2014) characterises best survey questions as “being integrated whole with the questions flowing smoothly from one to another” (p. 326), meaningful and clear in the minds of respondents to give valid and reliable outcomes. He further notes that the instrument should be constructed after a careful review of available literature, consultations with experts and the researcher's personal knowledge and experience. In line with this requirement, some of the questionnaires for this study have been adapted from existing instruments (for example Mihret, 2010 with permission; see Appendix A, p 278) measuring IAF and the researchers own additional questions to solidify the validity and reliability of the outcomes.

The questionnaire on the evaluation of IAF was measured on a 5-point Likert-type scale ranging from “strongly agree” (coded as 5) being the highest and “strongly disagree” (coded as 1) being the lowest (Appendix B, p.336). It is designed to evaluate how strongly respondents agree or disagree with statements on a five or seven-point scale (Sekaran, 2003:197). Sekaran further notes that the Likert scale is more sophisticated than the other scales such as nominal or ordinal. According to her, by allowing the measurement of any two points on a scale, the Likert scale enables the researcher to compute the mean and standard deviations of the responses on the variables – thus making the measurement of magnitudes of differences in the preferences of the individuals possible. Likert scale has been employed in prior studies by several researchers in similar studies that applied statistical analysis. For example, Mihret (2010) used a 5-point Likert type scale to test his hypothesis on IA effectiveness; Abdullah (2014), Kalbers & Fogarty (1995), and Koo & Sim (1999) employed the same scale to test their hypothesis in redefining IA performance in CG, consequences of internal auditor professionalism and a study of auditors’ role in Korea respectively.

The survey questions, which are forty-five in number, are classified under eight overarching categories, made up of an average of five questions each and an additional five open ended questions to enable the participants to express their individual views on the issue at hand. The participants were made to indicate their opinion on IAF in their companies in the eight categories, which broadly covered topics such as: organisational policy authorising IA, cooperation between IA and auditees, IA independence and objectivity, IA and risk management, internal and external audit relationship, IA effectiveness, scope of IA work, others comprising planning, reporting and follow ups.

To facilitate the flow and make the study possible, the researcher made use of Google Forms, SPSS (version 24) and Microsoft Excel software packages for this study. Google Forms is user-friendly and was used to capture the responses of the participants, which were automatically captured in Excel spreadsheet and eventually imported into SPSS. SPSS is a powerful and comprehensive statistical tool used for manipulation, analysis and presentation of data (Landau & Everitt, 2004: npn). The researcher used SPSS for data description, test for reliability, correlation, linear regression analyses, etc., and was, therefore, regarded as a good tool for carrying out the analyses (See Chapter 5). The next section explains the pilot study used to test the instrument.

4.8.3 Pilot study

Pilot testing of the questionnaire to establish the content validity of the scores and improve the questions, format and scales is the most significant in the measurement process (Creswell, 2014:206). Neuman (2014:331) contends that it is not easy to have perfect reliability in an instrument and therefore recommends pilot testing as one of the factors to improve reliability of the instrument and also allow validation of the statistical method and the survey before they were administered. Accordingly, a small set of ten respondents consisting of seven lecturers (5 with Chartered Accounting professional qualifications) and five professors with several years' industrial experience (some of them having served on corporate boards) were engaged to pilot test the questionnaire. In this study, pilot testing was carried out to uncover aspects of the instrument that needed refinement and ensure that the quality of data collected was clearer and unambiguous. The instrument was accordingly adjusted to reflect the comments and suggestions of the respondents – a procedure, which contributed to the enhancement of the reliability of the instrument. The next subsection outlines the data collection protocols and ethical consideration used for the study.

4.8.4 Data Collection protocols

Data collection procedures are an essential part of the research process and can enhance the value of the research with the use of appropriate methods (Sekaran, 2003:259). It can be done in a variety of ways such as interviews, questionnaires, observations and some other motivational techniques such as projective tests. Both questionnaires and interviews are the most common data collection instruments in the social sciences. While interviewing has the benefit of flexibility, obtaining data more efficiently with regards to time, energy and cost are the main advantages of questionnaires (Sekaran, 2003:236). Since the methodology for this study is the mixed-method approach, administration of a questionnaire and interviewing was used for the quantitative and qualitative methods respectively.

The Ministry of Public Enterprises (MPE) in-charge of SOE operations in Namibia granted the researcher permission to administer the survey questionnaire and interview questions (See Appendix C, p. 286 among the EPSOEs in the country by issuing a letter of support which accompanied all the questionnaires and interview questions dispatched to the participants (See Appendix D, p 288)*.* Besides the ministry's letter of support, a covering letter which explained the purpose of the instrument, the benefits to the researcher and to the SOEs, assurance of confidentiality of information gathered and seeking the cooperation from participants, etc. accompanied the instrument.

Two strategies for the administration of the questionnaire were employed, namely, on-line survey and hardcopy dispatch by hand (where either computer literacy was a challenge or incompatibility of software in use). Additionally, several telephone calls for responses were made to follow-up some of the delays experienced. Out of the 224 questionnaires dispatched, a total of 141 were returned and 131 representing 58 per cent found useable. This rate is comparable to other survey-based research in IA literature. For instance, Lenz (2013:126) obtained a usable response rate of 34 per cent; Sarens and Abdolmohammadi (2011:7) recorded 28 per cent for a similar study on factors associated with the internal audit function's role in corporate governance.

4.8.5 Data analysis

Correlation analysis, linear regression and factor analyses were the statistical techniques used to analyse the data gathered through the process. Inter correlation analysis was done to establish the relationship between the variables of this study (see Section 4.4.3). Regression analysis was used to extrapolate the values of the dependent variables where the values of the independent variables are known (See Section 4.4.4). The third technique used was factor analysis, which was applied to examine the interdependent relationship between the factors for the purposes of reducing and summarising the data at the disposal of the researcher (See section 4.4.5). The results of these analyses have been discussed in Chapter 5. These techniques are popular tools that have been used to analyse data in similar studies. For instance, Suwaidan and Qasim (2010) used linear regression analysis in a study in Jordan to examine the impact of EA reliance on IA on audit fees. Ismael and Roberts (2018) used factor analysis in their study in UK to examine the factors affecting IAF within the “comply or disclose reasons” regime in CG. Dimi et al. (2014) also used factor analysis to examine the usefulness of South African annual reports. And in their study in Australia, Leung et al. (2011) used correlation analysis to establish inter-relationship between the scope of IA work and their objectives.

4.9 Qualitative approach

4.9.1 Demographics

The profile of the participants of the qualitative study provided the demographic details of the interviewees. It includes age, gender, rank, tenure and level of education. Seventeen participants participated in the interview. Table 4.4 summarises the profile of the participants.

Table 4.4: Profile of participants

Organisational Code	**Participant Code**	**Gender**	**Education**	**Rank**	**Tenure**
ANDC	AP	Male	Diploma	CEO	10 Years
BNAB	BP	Male	Bachelors	CEO	14 Years
CNP	CP	Male	Masters	CEO	4 Years
DMEC	DP	Male	Masters	CEO	5 Years
ENFSA	EP	Female	Masters	CEO	4 Years
FRFA	FP	Male	Masters	AC	2 Years
GTNAM	GP	Male	Masters	Board M.	3 Years
HPF	HP	Male	Masters	CEO	7 Years
IADB	IP	Female	Masters	CEO	5 Years
JSSC	JP	Male	Masters	FCEO	5 Years
KNHE	KP	Male	Bachelors	FCEO	8 Years
LNZNP	LP	Male	Masters	FCEO	6 Years
MTNAM	MP	Male	Masters	Board M/FCEO.	8 Years
NDBN	NP1	Male	Diploma	Sr. Exe	18 years
	NP2	Female	Masters	Sr. Exe	6 months
Ind. Participant	IPT1	Male	Masters	PS	12 years
Ind. Participant	IPT2	Male	Masters	MP	10 years

Source: Developed for this study

The average age of the group was in the 51 – 60 bracket (9), 4 were above 60 and between 31 – 40 and 41 — 50 were 2 and 1 respectively. None of the participants was below 30 years of age; and 1 did not indicate his/her age. Majority of the participants were male (15) with only 2 females, which is an indication that executive positions are mostly occupied by men in the SOEs (Fig. 4.2)

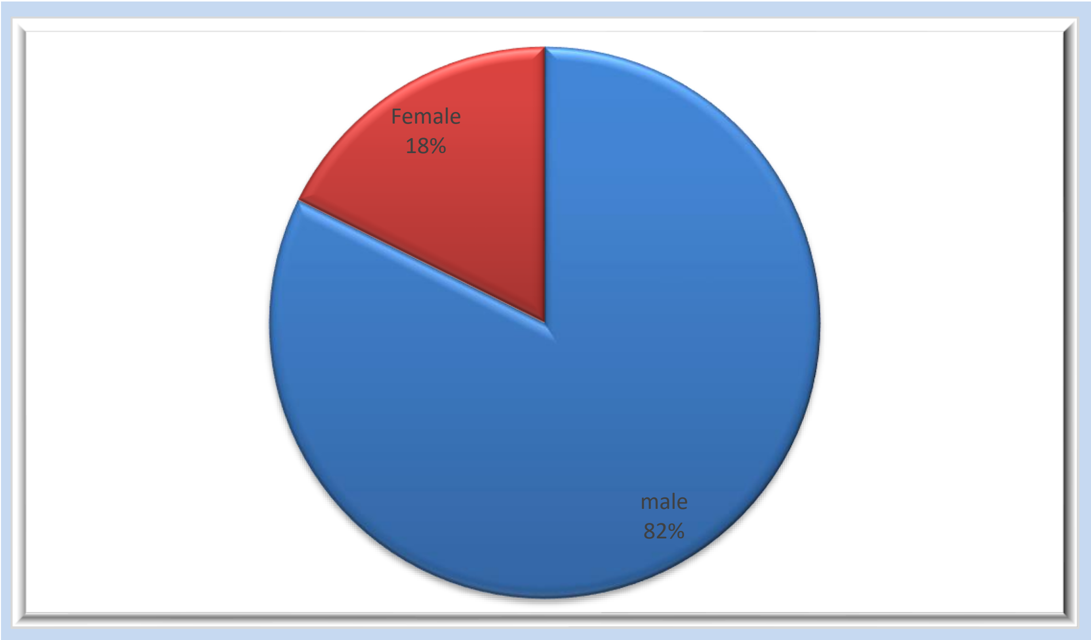


Figure 4.2: Pie chart showing gender of participants (Source: Drawn for this study)

Eagly and Karau (2002) quoted in Mulili (2011:141) opine that leadership roles are traditionally entrenched in the male gender of society. Women who occupy such positions are considered a deviation and often accorded pressured accolade of being branded mannish (Moran, 1992:478). Paustian-Underdahl et al. (2014:1129) add to this line of thought when they attribute the underrepresentation of women in leadership position due to undervaluation of women's effectiveness as leaders. Regarding the educational level of the participants, about 11 of them have master's degree, 5 with bachelor's and 2 with a diploma qualification. In terms of rank, 8 participants are current CEOs, 4 former CEOs and 5 others[13].

The researcher also analysed the tenure of the participants and summarised the findings in a bar chart below (Figure 4.8.2). The chart shows that majority of the respondents had worked for their organisations for a period ranging from 6 to 8 years. And only 3 respondents had occupied their positions for a longer period ranging between 15 and 20 years.

[13] Others include: 1 Member of Parliament, 1 Auditor General, 1 former Permanent Secretary and 2 senior executives

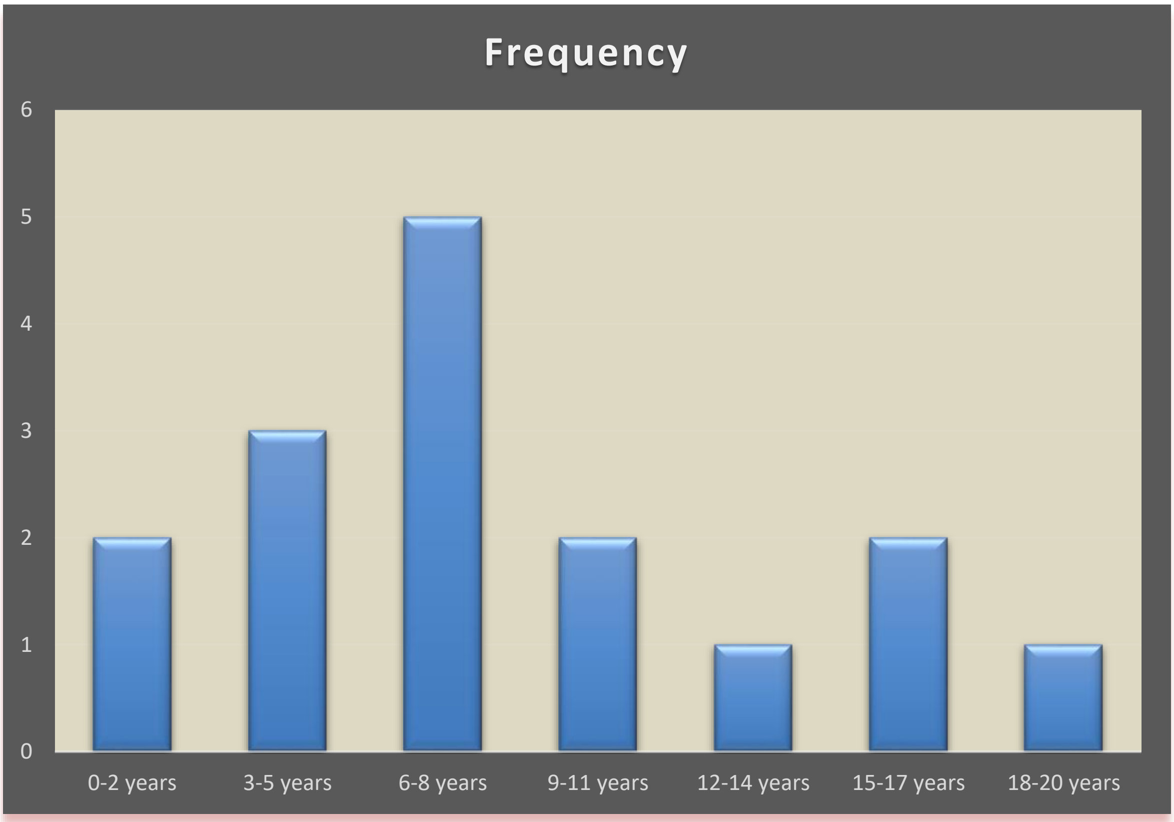


Figure 4.3: Bar chart showing tenure of participants (Source: Developed for this study)

4.10 Research interviews

In-depth interview is one of the vast arrays of methods used to collect qualitative primary data in research (Neuman, 2014:59; Gill et al., 2008:291). As a research strategy, interviews have a "structure and purpose directed on achieving research goals" (Stysko-Kunkowska, 2014:11). ADJP Quad (2016: *npn*); McNamara (1999: *npn.*) contend that interviews are very essential for gathering the story behind a particular participant experience by pursuing in-depth information around the topic, because the interviewer has the opportunity to probe and ask follow up questions.

Its popularity hinges on flexibility and ability to generate data of great depth. Kvale (1996) notes that "research interview seeks through questioning to obtain knowledge in the life world of subjects" (p. 21). According to him, the main purpose of interviewing is to understand the meaning of what the interviewee is saying. Qualitative research by nature, is not uniform, therefore, it is not easy to define interviewing.

Gill et al. (2008: 291) define three fundamental types of research interviews, namely, structured, semi-structured and unstructured. The researcher, however, opted for a semi-structured interview because it is a more commonly used approach that follows a framework to address critical themes (MacDonald & Headlam, 2011:40). It is also flexible compared with the other two, which allowed the interviewer and the participants the opportunity to deviate from pursuing an idea or response in more detail. It consists of numerous vital questions that help to define the areas to be explored. Further, it allowed for unearthing and elaboration of information that is important to participants but may not have been covered in the questions asked, which could contribute to the information gathering.

Despite its advantages, interviews are often contaminated with systematic prejudices that may nullify some of its strengths and attributes (Bhattacharjee, 2012:78). Such negative factors may include practicality issues involving associated costs such as availability of interviewee (Trotman, 2012:79), gaining access to and cooperation of CEOs (current and previous) and politicians for interviews. Potential logistical and operational problems associated with carrying out interviews, which limit potential sample size, interviewer bias at the time of the interview and the analysis stage (Eisenhardt, 1989). The researcher tried to eliminate these biases through the interview guide and analysis protocols, as suggested by Sekaran (2003:224). They include gaining interviewee trust level by assuring them of the confidentiality of their responses, the establishment of good rapport right before the commencement of the interview and attempting to repeat questions and paraphrasing responses as the interview progresses and evinced keen interest in their responses contributed to the success of the exercise. The other negative factors are overcome by the mixed-mode design, which is adopted for this study to strive and even-out the negative factors with the strength of the other, which is its ultimate power (Bhattacharjee, 2012:35).

Purposive sampling technique, also called judgement sampling, was adopted for this research due to the design of the study. This technique "is typically used in qualitative research to identify and select the information-rich cases for the most proper utilisation of available resources" (Etikan et al. 2016:2). Rightly so, the participants (CEOs - current & past, board members, IAs, etc.), by their knowledge and experience, are presumed to be familiar with the topic at hand and were deliberately selected to contribute to answering the main research question of the study through this in-depth interview. Purposive sampling is, therefore, the methodology of choice in the context of a qualitative approach (Benoot et al. 2016:2) such as this and was deemed suitable for this study. The next subsection deals with data collection processes.

4.11 Data collection process

This study relied on interviews and supported it with documentation as the basis for gathering the qualitative data. Many of the interviews were conducted face to face at the premises of the participants. The semi-structured technique was adopted for the qualitative approach. The questions were mostly open-ended consisting of a list of 12 questions asked to address the main themes of the study, which included IAF, CG practices and SOE performance. As previously noted, the semi-structured interview is best used when it is impossible to have another opportunity to interview someone (Bernard, (1988) cited in Cohen & Crabtree (2006: *npn*). Therefore, the participants, being senior executives (the past and current CEOs, board members, etc.) with whom it was not possible to have a second chance, the researcher considered a semi-structured interview as the most appropriate for this study. It provides a clear set of instructions to enable interviewees to provide reliable responses for qualitative data (Cohen & Crabtree, 2006: *npn*). Again, semi-structured interview allows some degree of flexibility for the participants to talk freely in their own words and the interviewer, the opportunity to probe for more in-depth understanding of their thoughts and respond to their answers and thereby develop the themes and issues as they arise (McLeod, 2014: *npn*; MacDonald & Headlam, 2011:40).

The questions were emailed to the participants in advance after gaining their permission to participate in the interview. A total sample of 17 individuals participated in the interview consisting of 3 board members[14], 7 current CEOs, 3 former CEOs, 1 parliamentarian, 1 Permanent Secretary (PS), 2 senior executives (See Table 6.1: p.197). The researcher considered 17 interviewees as sufficient to avoid theoretical saturation (Glaser & Strauss, 1967:61; De Villiers, 2005:148), which started chipping in with minimal additions emerging with each subsequent interview conducted. Eisenhardt further stresses that although a researcher can always find more information, the additional information becomes counter-productive in terms of time and money, when it, in the end, contributes minimal information to the issue under study.

The researcher used the questions that should be covered in the interview as the standard interview guide to ensure a consistent approach and themes in each interview (Trotman, 2013:65). This view is supported by McNamara (2009) cited in Turner (2010) who states that “the strength of the general interview guide approach is the ability of the researcher to ensure that the same general areas of information are collected from each interviewee … but still allows a degree of freedom and adaptability in getting information from the interviewee” (p. 755). An interview guide ensures the researcher of the reliability, validity and comparability of the qualitative data, minimisation of interview bias and completeness

[14] Board members comprises 1 board chairperson and 2 AC members

in attempting to cover the main themes (Trotman, 2013:74). The questions in this interview guide were, therefore, drawn from the researcher's personal experience, the literature review and discussions with colleagues with several years of industrial experience in the related field. The questions were grouped into three parts, covering the main themes of the study, namely, IAF, CG practices and SOE performance and sustainability. These themes were captured in 12 questions, excluding the demographics. Based on the approached used in Beasley et al. (2009) and Graham, Harvey & Rajgopal (2005), the researcher sought the views of other academic researchers whose inputs were used to modify the instrument before it was pilot tested. Thus, the instrument was pilot tested on faculty who have also worked in the industries in the related fields.

The researcher drew heavily on the approaches adopted by Beasley et al. (2009), Cohen, et al. (2002), and Trotman (2013) in conducting this interview. The researcher took advantage of the fact that all the interviewees were located in Windhoek; therefore, the face-to-face approach was the best. A face-to-face interview is considered as an essential and efficient method for collecting data in social science research. It is considered as the queen of data collection by social researchers (Loosveldt, 2006:300). Despite some few disadvantages of the method such as being costly, when the interviewees are scattered in different locations, being slow to moderate and takes too long to conduct (Neuman, 2014:449), its vital advantage include the potential for high coverage and sampling of the intended population. Again, the human interaction in the method allows the interviewer to observe the body language of the interviewee and where possible rephrased questions where it was deemed necessary (Loosveldt, 2006:212).

The key questions addressing the themes were tackled before proceeding to the demographics. The first question addressed the governance challenges facing SOEs in Namibia. Given the concerns expressed in the various literature that many of the SOEs are in non-compliance with the governance codes (Diescho, 2015) the question was meant to find out why there is a problem of non-compliance. The second set of questions addressed the issue of having IAF in all the SOEs. Moreover, how can IAF contribute to improving SOE performance in the country? Participants were guided to explain why there are no IAF in some of the SOEs.

Furthermore, for those who have them, whether they are departments/units within their organisations or subcontracted. Respondents were further asked to explain the implications of these arrangements. The third set of questions addressed SOEs challenges in the country and the interventions needed to be put in place to improve their performance.

The interviews took about three months duration (January – March) due to the general logistical arrangements involving protocols, which were beyond the control of the researcher. Each interview lasted approximately 60 minutes – sometimes some interviews took up to 80 minutes and the shortest around 40 minutes. The researcher recorded the interviews with the permission of the participants. That meant accuracy and entirety (Cohen *et al.* 2010:755*;* Trotman, 2013:71) and enhances the validity of the study. Trotman (2013:72) summarises the merits of recording when he notes that recording allows the researcher to build more exceptional rapport with the interviewee by paying more attention to the discussions instead of concentrating on note-taking. It becomes a source document to which the researcher can return to for any omissions during the transcription to reduce misinterpretation. On the negative side, Trotman (2013:71) contends that recording can lower the comfort of the interviewee inhibiting the free flow of conversation. For instance, Beasley et al. (2009:73) discourage recording interviews from encouraging open responses and protecting the participants' identity. Again, in a study by Mihret (2010) on IA effectiveness in Ethiopia public service, he did not record his interview to avoid the possibility of respondents not providing genuine responses, which may compound the reduction of data quality. On the contrary, the researcher recorded this interview for the merits alluded to in this paragraph. The recordings were immediately transcribed to ensure that an accurate flow of conversations was assured and data reliability established.

The interviews were supported by a detailed content analysis of essential documents as a secondary source, which included Government gazettes and proclamations, SOE governance framework, codes of governance and other documents related to IA, CG and SOEs in Namibia. The literature from these documents contributed to enhancing the data obtained from the interviews and holistically consolidated the key themes that emerged.

4.12 Data analysis using Atlas.ti 7.0 software

This section explains the qualitative phase of the empirical study, with the assistance of computer aided software, Atlas.ti version 7.0. Atlas.ti is a powerful and an excellent software package which enabled the researcher to organise and document themes with the available data. It has been described as a workbench for qualitative analysis of huge data of textual, video, audio and graphical – thus providing systematic approach to unstructured data that cannot be meaningfully analysed by statistical approaches (Hyldegard, 2006:215). It provided support to the researcher during the analytical process, organisation and interpretation of the participants' responses to the interview questions. The researcher's use of the Atlas.ti software for this study was motivated by the enormity of the textual data, whose analysis would not have been easy without it and also enhance the analysis process with the tools embedded in Atlas.ti. A complete demonstration of the process is shown in Chapter 6, section 6.2 and illustrated with two examples (Figures 6.1 & 6.2).

4.13 The coding process of two detailed examples in Atlas.ti

Although all the 12 PDs have been coded it was, however, not possible to discuss the coding process of all to avoid repetition and monotony. The researcher has, therefore, chosen to discuss the coding process for two of the PDs as an illustration. The choice "Governance challenges facing SOEs in Namibia (P1) and "IAF and SOE performance and sustainability" (P8) is influenced by the fact that these two PDs form the core of the topic of the study and are considered significant for analysis. Following the strategies adopted by Havanga (2008) and to some extent, Pretorius and Schurink (2007), the coding of these two PDs (P1 & P2) is explained in detail in Chapter 6 (see Section 6.2: Figures 6.1 & 6.2).

4.13.1 Researcher's input in the analysis

The researcher saved each of the participants' responses as a primary document (PD) and numbered as P1, P2, ….. Pn, etc. He then analysed each one of them with the help of Atlas.ti. Several noteworthy associations appeared from the participants responses. He highlighted and selected portions of the texts and assigned appropriate codes to them. The responses were all subjected to the same processes, which were then organised into into categories and themes. Whilst the researcher was accountable for the choices made in the processes, the Atlas.ti software was used to support the researcher throughout the processes.

4.13.2 The principles of Atlas.ti philosophy

Friese (2013:9) captures four principles of the Atlas.ti philosophy by the acronym VISA, which stands for Visualization, Integration, Serendipity, and Exploration. Visualization in Atlas.ti connotes the perception of human beings in thinking, planning, and approach to solutions. During the process of eliciting meaning and structure from the analysed data, Atlas.ti enables the visualisation of the complex relations accumulated and keeps the researcher focused on the data. Integration is another fundamental design of Atlas.ti meant to integrate all the data stored in the hermeneutic unit (HU) to keep the available data handy. Webster's Dictionary quoted in Friese (2013) defines serendipity as "a seeming gift for making fortunate discoveries accidentally" (p. 10). She further describes serendipity as fortunate accidents or lucky discoveries or discovering something without having searched for it accidentally. Object Managers, the HU Explorer, the interactive margin area, full text search, and the hypertext functionality are the tools which, ATLAS.ti offers for exploiting the concept of serendipity. Exploration is a discovery-oriented approach to getting data as part of productive activities such as theory building in a study.

4.13.3 Two principal modes of Atlas.ti

The two principal modes of working with ATLAS.ti, which, Friese (2013:27) defines as textual level, and conceptual level were used in this study. The textual level refers to the researcher's activities like separation of data files, coding text, image, audio, and video passages; and writing comments and memos. By comparing striking sections of the data, a creative conceptualisation phase that involves higher-level interpretive work and theory-building is induced. "ATLAS.ti provides the researcher with a highly effective means for quickly retrieving all data selections and notes relevant to one idea" (Friese, 2013:27). The conceptual level focuses on model-building activities where the researcher links codes to themes development. These processes support the development of grounded theory. The researcher adapted Havenga's (2008:33) fashion of consolidation of the researcher's role in the steps indicated in Figure 4.*4* below:

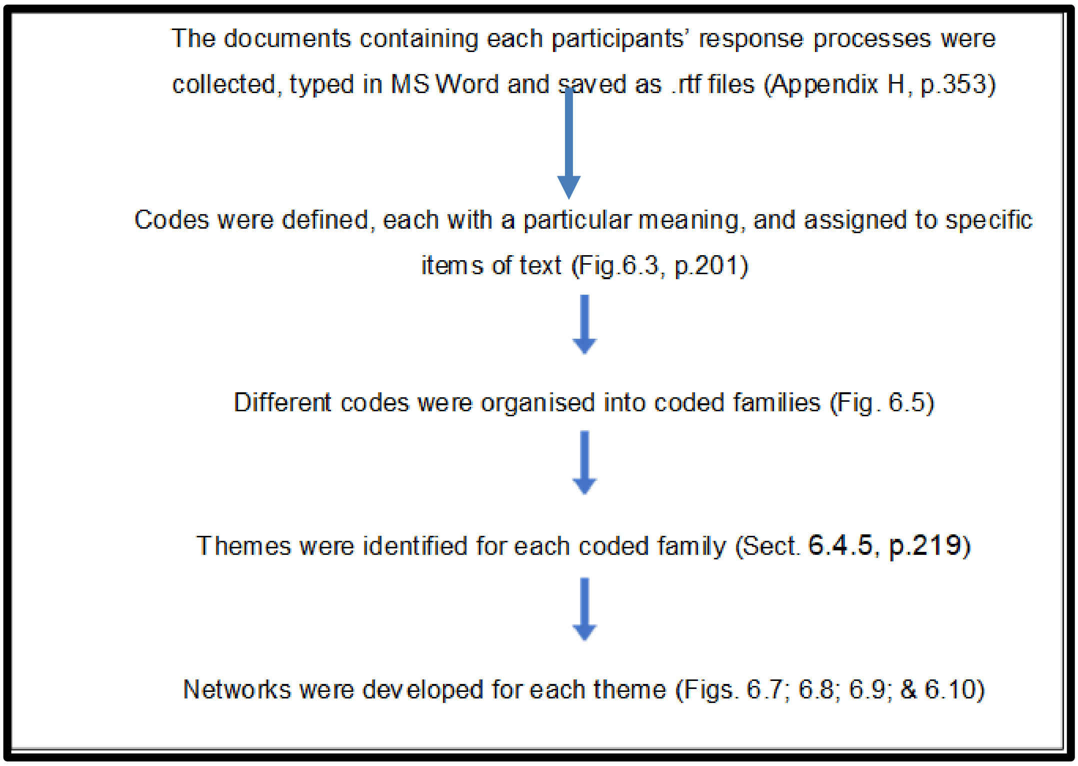


Figure 4.4: Consolidation of researcher's role (Adapted: Havenga, 2008: 33)

4.13.4 Stages in the Atlas.ti workbench

The researcher used the following sequence in Atlas.ti shown in Figure 4.5 and described in detail below.

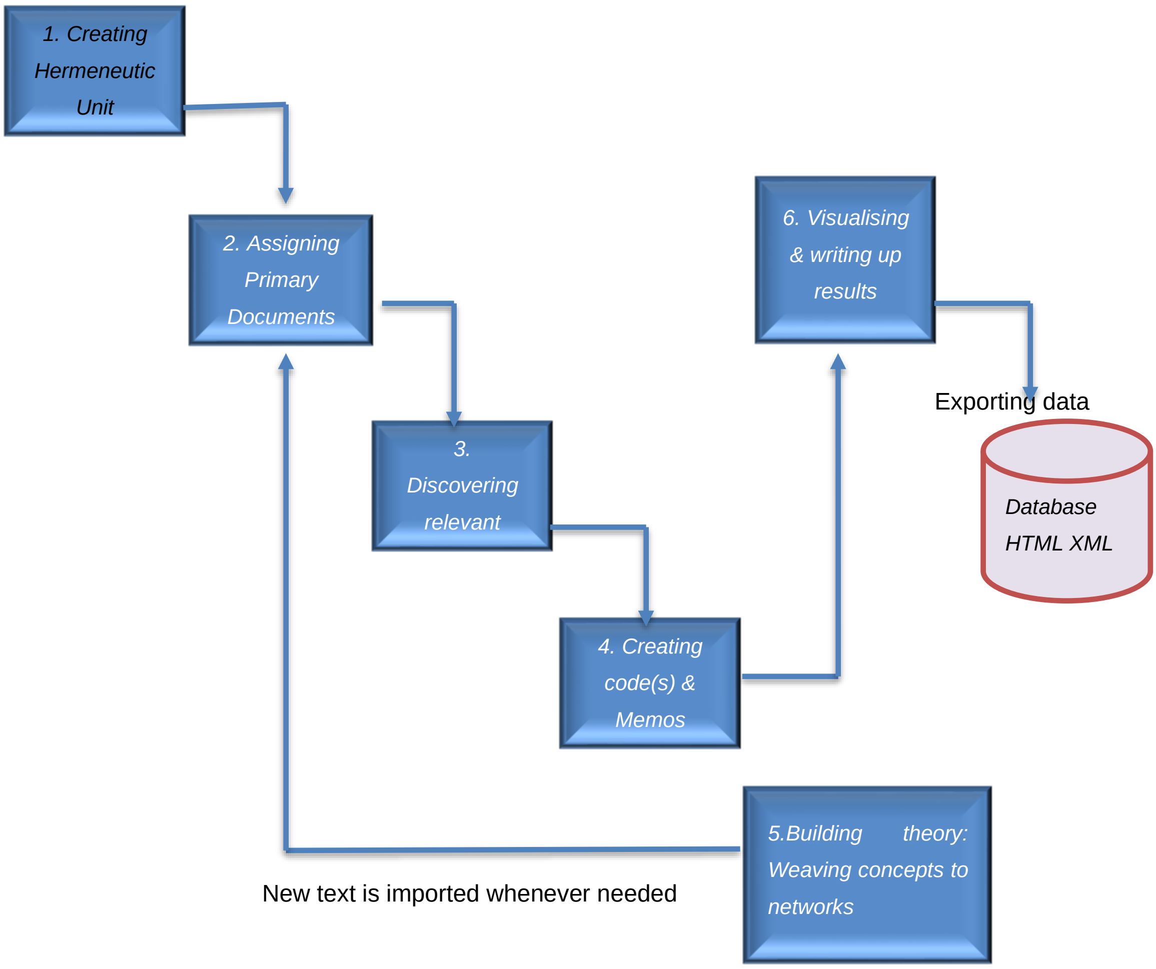


Figure 4.5: Atlas.ti workflow (Adapted: Hyldegard, 2006:215)

Figure 4.5 shows a diagrammatic representation of the stages in the Atlas.ti processes. The process started by creating a project described as idea container (Friese, 2013:28) as the first step in the analysis. It was meant to contain all the data such as text document (primary documents), codes, quotations, memos and conceptual linkages under a single name called a hermeneutic unit (HU) and provides data structure for each project in the ATLAS.ti. Holistically, everything that is relevant to a particular project is considered as part of the HU which resides in the digital domain. The HU therefore, serves as the home page of the entire processes in Atlas.ti and keeps all the documents within reach. A copy of the HU, in a form of bundled file was made to ensure that the contents are saved as a single file project. Making a copy was important as it facilitated the backups of projects and also moved projects between computers at home and at the office (Muhr, 2004:14).

The researcher created the HU and saved it under the name “Internal Audit in Atlas.ti.” And each document in .rtf format was saved within this single HU as primary document (PD). The documents were prepared before importation into the HU. For instance, the transcribed interview reports were cleaned and edited before the importation. By activating the HU, all the associated materials were activated automatically to make the work easier and interesting. The contents of the HU are as displayed in figure 4.6 below.

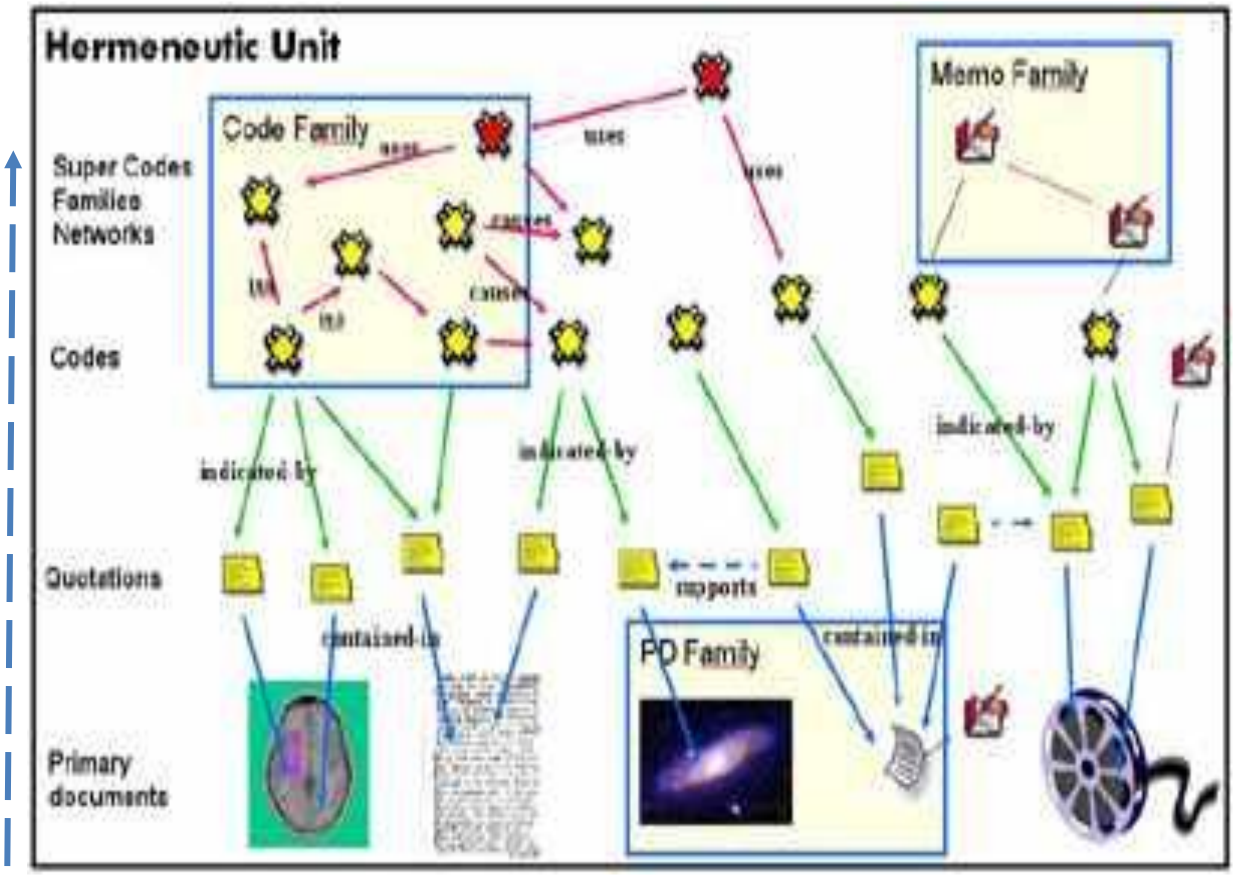


Figure 4.6: The hierarchy of objects inside a Hermeneutic Unit – showing, PDs, quotations, codes, families and memos. (Adopted: Friese, 2013:14)

Figure 4.6 shows the hierarchy of items inside the HU from bottom up. Reading from bottom-up, the foundation level of the HU is made up of the primary documents (PDs) such as texts and videos. This is followed by quotations, which are selections from the PDs and are assigned codes. The PDs and codes are categorised into families, which is a dense web of PDs, memos and codes and inter-relationships between the codes and the data.

Atlas.ti provides the means of finding a way through this web by means of browsing, retrieval and editing tool.

4.13.5 Primary Document

The next stage in the Atlas.ti process is the development of the primary document (Fig.4.4). In the HU, documents loaded are regarded as one project. The data added to the Atlas.ti project is in the PDs. The PDs are uploaded from the menu and play important and fundamental role in Atlas.ti. They are the interface between HU and the data and also provide access to data sources, which are normally files stored on the network (Hyldegard, 2006:216). The PDs are normally in the form of text, audio, image, video or geographic materials that are meant to be interpreted and in the case of this study, they were mainly in the form of text (transcribed interview reports). A total of 12 PDs in .rtf format were uploaded and assigned a number automatically when loaded in the HU. For instance, the first document loaded "*Governance challenges facing SOEs"* was numbered P1, the second, "*Number of boards that members should be allowed to serve on*" P2 ……. and the last one "*Measures in place to compel SOEs to submit their annual reports*" numbered P12, as displayed in Figure 4.7 below.

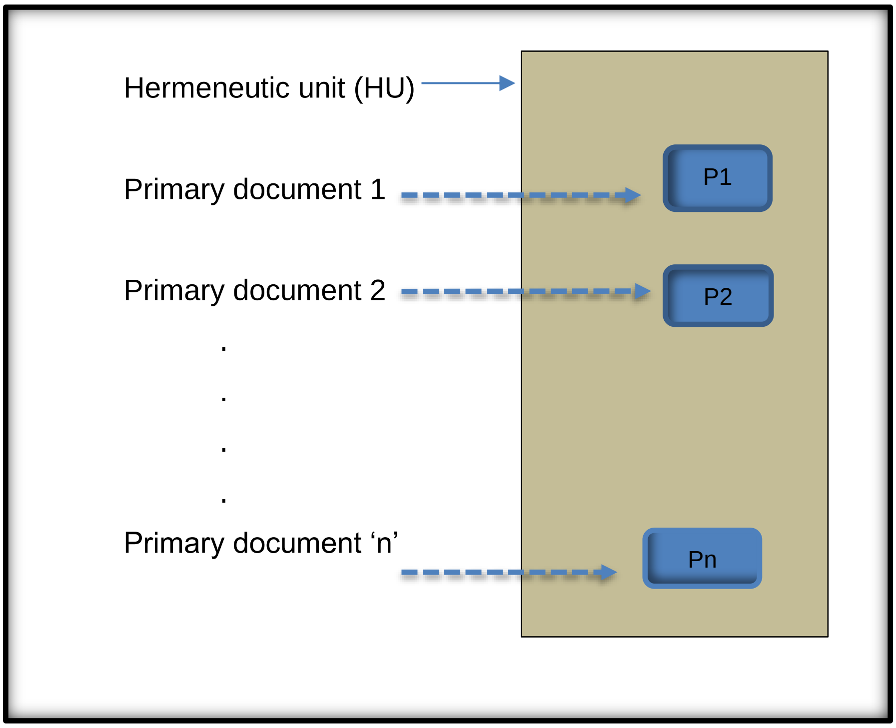


Figure 4.7: Primary documents displayed in HU

Adapted: Muhr (2004:66) and Havenga (2008:34)

By clicking on the dropdown arrow of the P-Doc in the HU, the loaded PDs are displayed and a specific PD number that is to be processed is chosen from the list to display the contents. For instance, when P1 was selected, *"governance challenges facing SOEs in Namibia"* was displayed and enabled the researcher to commence the coding (Figure 4.8 below). The figure displays the whole HU in which PDs are loaded and coded one-by-one and also quotations are found.

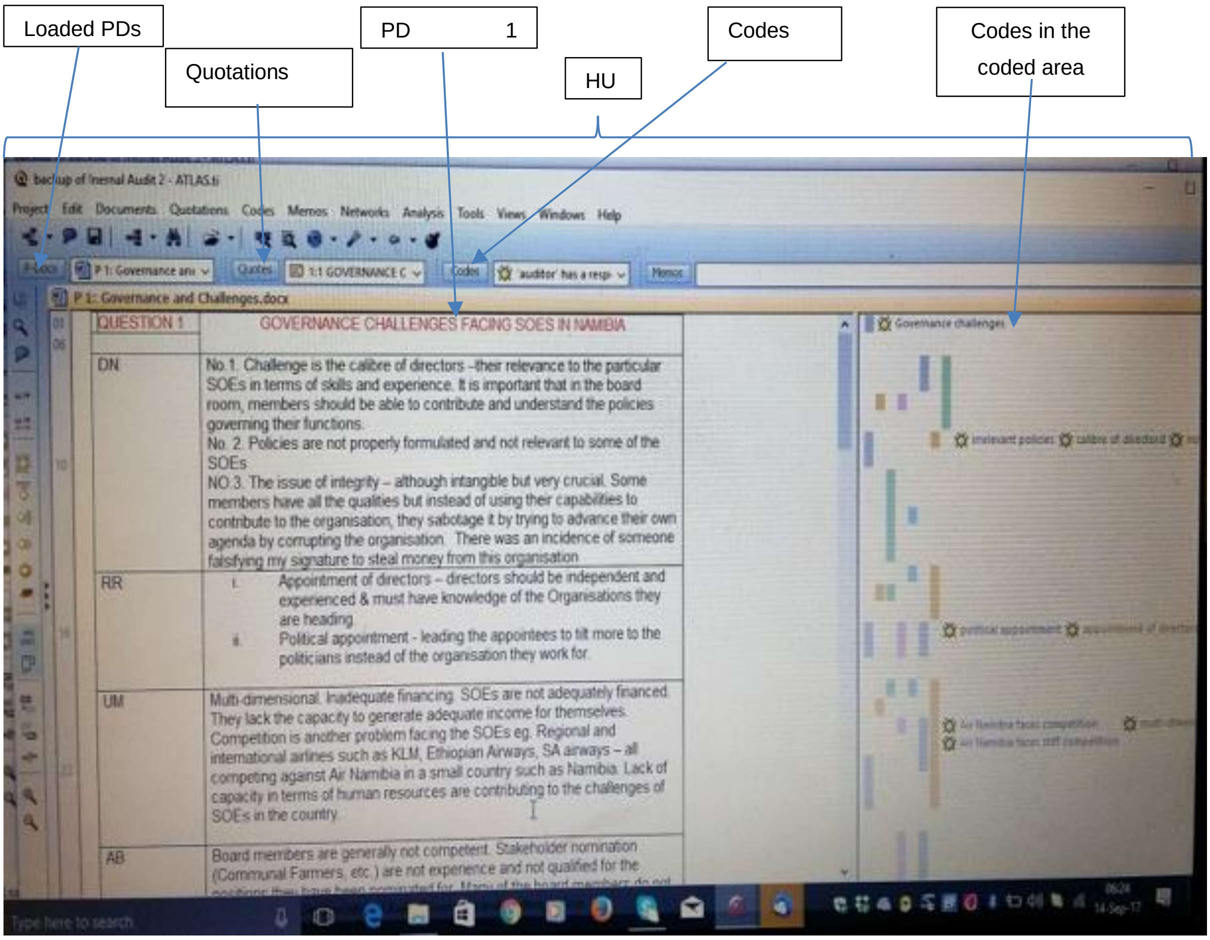


Figure 4.8: Coding of one of the primary documents showing the coded data on the right-hand side - developed fore this study

4.14 Coding data in Atlas.ti

Codes offer the key components for models and theories and have been described as the most important objects in the Atlas.ti systems (Freise, 2013:308). All the PDs in the HU were coded. The reduction and analyses of data started immediately the uploading of the documents as projects was done. Data were classified involving breaking up data into bits and again putting them together and identifying formal connection between them (Smit, 2002:67). That was the process of coding which involved the procedure of associating code words with selected data (Freise, 2013:187). Freise further, expands the meaning of coding to be the association between a quotation and a code. Again, Smit (2002:67) notes that coding is a paramount part of analyses. It lays the foundation upon which meaningful interpretations are made. In this study, the researcher used coding to classify the large number of textual information at his disposal.

Freise (2013:187) suggests four coding procedures in Atlas.ti, namely, open coding, in-vivo coding, code-by-list, and quick coding as explained below.

i. Open coding – Quinn (2002:490) describes open coding as the critical procedure through which ideas are recognised and their properties and dimensions are exposed in data. It is the first stage in logical process of coding, which is meant to identify a text or other informative data and to associate the said segments with codes (Hovenga, 2006:17) (See Subsection 6.6.3.1)

ii. In-vivo coding – Friese (2013:193) describes “in-vivo" as a term derived from grounded theory, which deals with expressions used by the participants themselves. In-vivo coding is used when the selected text is expressive enough to be used as code name. Thus, it creates a quotation from the text selected and uses it as the code name (See Subsection 6.6.3.1 on 1st stage coding below).

iii. Code-by-list - This procedure offers a list of all current codes from which one or more code can be selected and associated with the current data selection. The researcher avoided repetition by utilising this procedure to simplify the coding process

iv. Quick coding - Quick Coding assigns the last used code to the current data segment. This is an efficient method for the consecutive coding of segments using the most recently used code.

The researcher used these coding procedures for this study because they allowed small pieces of data to be considered in detail and enabled comparisons (Silver & Lewin, 2014:189; Lewis, 2016:5).

4.14.1 First stage coding

The researcher adopted Lewis (2016) fashion of coding in stages. In the first stage, the coding started when each PD was opened and scrutinised to allow the thoughts, ideas and meaning it conveys open up to discover the concepts and identified the various notable significant associations, which were emerging repeatedly from the texts. The codes representing each of the associations were highlighted and selected segments of the text from each PD assigned appropriate codes. Thus, the researcher was enabled to break down the text into distinct parts, scrutinized for similarities and differences and given a name that stands for it. Conceptually, similar items such as events, occurrences, actions were grouped into categories, which are the most logical descriptor for what the text contains. This process was repeated for all the twelve PDs and eventually organised into possible families that subsequently became themes.

The coding was done line by line and any line of data which was of interest, significant or relevant was coded at this stage. Although, some researchers consider line by line coding to be time consuming (Strauss and Corbin (1998: 120), but the researcher chose that fashion of coding because it was found to be procreant. First stage coding is described as just indexing and an attempt at analytically putting together fragments that are of interest to the researcher (Silver & Lewins, 2014: 189; Lewis (2016:6).

In-vivo coding was also used in the coding process whereby sections of texts were simply highlighted and the in-vivo window clicked to activate the code. Although Atlas.ti has restrictions regarding the maximum character length for in-vivo coding, this did not create problems as none of the in-vivo codes exceeded this limit in this study. Some codes became heavily used as the coding progressed and from the list in the code manager, desired codes were dragged and dropped near the highlighted text establishing connection between the highlighted text and the desired code. That concept building facilitated the ground for the second and third coding.

4.14.2 Second stage coding

Code co-occurrence is the relationships between similar codes. Such codes were grouped together, fused into super codes and incessantly re-visited and compared for improvements in the second stage of the analysis (Lewis, 2016:7). Printing out the output of 985 codes spreading across nearly 2400 pages in excel to ease the development of the second stage coding was impossible and waste of resources. A coefficient table was therefore generated which depicted association between the codes. Thereafter, the most strongly associated codes were captured through data mining process, where all the codes with associated value of zero and a total sum value below four were eliminated. Again, related and similar codes were merged and insignificant codes, which were sporadic, were also eliminated to reduce the number of codes further. In the end, there emerged a massive reduction to a manageable level of 94 codes.

The document was further reviewed and, in the process, discovered that two or more codes, though, with different names but fundamentally represented the same idea. Such codes were amalgamated by selecting the desired code, and with the help of the “Merge Codes” from the menu, the selected codes were merged and given one code name. This process further reduced the number of codes terrifically.

4.14.3 Third stage coding

The outcome of stage two as indicated in Appendix E (p. 344) allowed selective coding for the third stage coding. Smit (2002:70) citing Strauss and Corbin (1998), suggests that selective coding involves the process of selecting one main core category and relating the other categories to it. According to her, it implies the process of integrating and refining categories. For that purpose, the data and codes were re-examined seeking for themes, relationships, and concepts – throwing more light on the theme, its codes and associated quotations. For instance, there were 25 codes associated with CG, but after amalgamation and given one code name, the outcome resulted in 9 super codes (Figure 6.5). Broadly, four most relevant codes were extracted from Table 6.5, which included CG, IA, privatisation, and SOEs. As indicated in Table 6.5, CG registered 9 super codes, privatisation 7, SOEs 8 and IA 7. To advance concepts leading to theoretical development, these super codes were further coded. For instance, CG was amalgamated to 4 codes and eventually to 1 code, and the remaining three (privatisation, SOEs and IA) were fused to one code each as indicated in Figure 6.4 The concepts emerged out of this process were “Improved CG Practices” (CG); “IA effectiveness” (IA); “Public Private Partnership” (Privatisation); “SOE performance & sustainability” (SOEs).

Furthermore, Atlas.ti enabled the linkage of the codes and the quotations to create concepts, patterns, and themes, which also necessitated the identification of patterns and mapping of co-occurring codes facilitated by Atlas.ti. Thus, the hyperlinked maps of quotations enabled by Atlas.ti were used for the analysis of the qualitative parts of the research questions of the thesis.

4.15 Organisation of codes, associations and frequencies

In the organisation of the coding process, codes were grouped together, fused into categories and incessantly re-visited and compared for improvements (Lewis, 2016:7). Nine-hundred and eighty-five (985) codes emerged initially with the help of Atlas.ti. Due to the huge amount of data, a coefficient table was generated which depicted association between the codes. Thereafter, the most strongly associated codes were captured through data mining process, where all the codes with associated value of zero and a total sum value below four were eliminated. Table 4.5 represents code associations and frequencies.

Table 4.5: Codes, Associations and Frequencies

CODES	ASS0CIATIONS	FREQUENCIES
IA is important	Activities interfered with, CEO view of IAF, Cost, disposals, EAs depend on them, IA unit, influenced, information, maintenance, struggling, subcontract (x7), testing, very qualified, government appoints junior officers as Internal auditors, IA is important, IA to help save losses, IA unit/department, influenced, information, maintenance and acquisitions, not good enough, not independent, not quantifiable, review accounting transactions, review operations, review processes, safeguarding of assets, size of the firm, struggling orgns (4), testing of internal control (x2), Very necessary	42
Privatisation is possible but complex	Africa, airlines are not public goods, selling orgns, commercialization, govt. control (x2), detriment of the people (x2), did not augur well, experienced imposition, income disparity, increased prices, structural adjustment (x2), public sector, privatisation should not be rushed, PPP a better alternative (x5), retrenchment, workers point of view (x2), commercialization, consider privatization (x2), contracting out, experienced imposition by IMF & WB (x6), income disparity, liquidation (x2), privatization compounded the problem	33
Organisation	Abide by the codes, adopted King Reports, Auditing is misunderstood, awareness, codes are not enough, depend on international funding, financial institutions, DFIs to standardise their codes, do better business, improves reputation, institutionalize the codes (x3), interest of every entity, interest of the people, international sources, leaders, management recognition (x2), private sector, resource allocation, resource availability, SADC level, SOEs established for a purpose, underperforming SOEs must be sold.	25
Relationship development	Skills (x4), audit committees, Auditing is misunderstood, board, board & executive qualifications not of good standard, board and executives, board interference, board composition, board exceed their mandate, Capacity, Committees, definition of roles, Enterprise risks, executives, experience, serious challenge, trust	21
IMF & World Bank imposed privatisation	Area of water, power & education, commercialization, compounding, consequences, divestitures, privatisation, privatising state enterprises, privatise Inst. Pathology, size of the firm, struggling companies (x8), subcontract (x7).	19
Performance tied to rewards	appoint people with skills, Appointment, board members, Board membership, board must be held accountable, Knowledgeable executives, must be trained, Namport is effective, good example.	19
Appointment (executives, & BODs)	80% not qualified, the law, SOE extended arm of govt. (x2), within the law, independence, interference a reality, lack of clear guidance, lack of funding, minister can over-rule, must have	17

	knowledge, political interference, politically encroach on functional activities, questionable, policies, SOE sustainability, appointments, serving on many boards, people with the requisite skills & experience.	
quality of board	Experience (x2), IAF, IAF must be entrenched, impose compliance, International Accounting Standards, legal framework is too old, legal framework, matter of urgency, pool of young managers, qualifications & skills, quality of management, quality of the board, review legal framework.	14
Who will buy a struggling company?	400 excess employees (x2), About 90% SOEs are failing, business, employment (x2), loose (x2), make money (x2), who will buy struggling companies(x2), Who will be willing to expel 400 employees (x3),	15
definition of roles	audit committees, board & executive qualifications not of good standard, Committees, Enterprise risks, experience, legislation, mandate, PM chairing SOEGC, political interference, qualifications, Relationship, Risk, serious challenge, executive recruitment, necessary skills	14
There are laws & measures in place	ACC and the Act are there, ACC & the Act, etc. are there, are the rules followed? collusion, corruption index, lack of accountability, enforcement of existing laws, implementation is the problem (x3), lack of seriousness, no consequences, No one cares, there are procurement rules in SOEs	14
Income disparities	Commercialization, deliver social outcomes, consequences of privatization, divestitures, full privatization, PPP instead of full privatization, Kenya, Nigeria, privatization, privatization – painful consequences, suffered the consequences, privatisation is complex, privatization leads to retrenchment	13
Auditor General is the problem	6 months after year end (x2), Absolutely nothing, contradiction, minister should report to cabinet, no accountability, no consequences, no one ask “Where are the reports?”, No one is warned, No one loses their jobs, no punishment for non-performance, receive salaries, what happens if reports are not submitted?	13
Apply the codes	Compliance is important, comply, leadership, regulations, international funding, development bank, organization, the board does not understand the code, CEOs enjoy the ignorance, compliance is important, compliance must be enforced, compliance is voluntary, consequences for non-compliance, leadership must insist on compliance.	14
Framework	80 % not qualified, checks & balances, codes of governance, reliance on government, Companies Act, governance framework, management & controls, resource allocation, resource availability, checks and balances, tight framework.	10
Tricky	Upgrade the resorts (x2), private sector engagement, perform the function, opt for PPP (x2), NWR partnered (x3), Namport = effective (x2),	11
Government appoints junior officers as Internal auditors	IA is very important, Internal auditors regarded as spies, support outsourcing, IA within, controls in place, IA is a must to have, IA is very important, Outsourcing, within (x2)	10
Capitalisation	Capitalization, capitalisation is important (x2), resource allocation (x3), resource availability (x3), capitalisation is interesting	10
Political & board interference	Advisors not performing, CEO appointments, micro-managing (x2), ministers stay in one ministry for too long	10
Serving on the boards	Accountability, appoint people with requisite skills & experience, board membership requires full attention, eliminates prejudices,	10

	process of appointing directors = fraud, same people serving on the boards, scarcity of expertise, two is enough, two to three is enough	
SOEs: extended arm of government	Unable to break-even (x2), encouraging, establishing SOEs, opt for PPP, private sector, struggling organisations (x2), subcontract, underperforming organisations must be sold, appointments, benefit organisations, compliance (x3), compliance is the issue, compliance must be enforced, established by government, NamCode, within the law.	10
AC is the problem	6 months after year end (x2), absolutely nothing, contradiction, minister should report to cabinet, no accountability, no consequences, No one is warned, No one loses their jobs, no punishment for non-performance, received salaries, no one asks the question where is the report?	9
Blame the board	4 years ago, annual report, board must enforce requirements, current annual report, Failure to submit annual reports, It is fraud, it is not right, lack of accountability, relevant supervisory bodies, tell the story.	9
Regulations are in place	Awareness, implementation of the laws & regulations, implementation (x4), measures & rules, MEASURES IN PLACE, whistle blowers	9
Compliance to codes	Compliance is important, comply, laws, leadership, regulations, concretise positions, King Reports, NamCode, not good enough, OECD standard, skills & experience, SOEs not in compliance, very good standard	8
Multifaceted	Experience (x3), limited pool to recruit from, management (x5)	8
Reliance on government	Capitalization (x2), laws, leadership, organisations, right agenda, thrown at the deep end, without sufficient capital	8
Resource availability & allocation	Capitalization (x3), laws, leadership, organisations. Right agenda, thrown on the deep end, without sufficient capital	8
Performance of the sectors	Good contribution, good planning, leadership, requires leadership, What are the real issues? which sectors are not performing?	7
Legislations in place	Civil society, consequences (x5), accountability	7
No guidance on how reports should be done	Abdication of responsibility (x3), contributes to failure, leadership, leadership must insist on compliance, who is ready to report on failure?	7
Performance management	Appointments, board members, contaminated views, must be trained, regulators must know the code, rewards must be tied to performance	6
Finance	Capital, capital supplied by owners, CEOs not conversant with CG, lack of professional experience, lack of skills, political interference	6
Mechanisms in place	Controls (x4), corruption (x2), experience	6
Outdated policies	Board interference (x2), contaminated views, current policies, policies not contemporary, political interference, SOE framework - 2001	6
Public sector	do not support privatization, partnership, private sector, privatisation is possible, thinking properly	6
SOEs	appointment of board, appointment of directors, Budgets, complement govt directives, legal framework, pressure can generate good consequences, challenges facing SOEs	6
SOEGC is not performing	lack of enforcement, management does not play its role (x2), No guidance on how reports should be prepared (x2)	5

Lack of oversight	The ACC, serious challenge, serious setbacks, irresponsibility, Coy's Act.	5
Lack of knowledge	board chairs, executives, executives receive their salaries, Knowledge, the board remains ignorant	5
Checks & balances	Framework, governance framework, private sector, there must be checks and balances, tight framework	5

This process of sifting through the codes and associations brought about a massive reduction of the codes from 985 to 43 as indicated in table 4.5 above. The table shows the codes in column 1 and the associated codes in column 2 and their frequencies in column 3. These codes and their associations are the result of open coding, which is dense and still includes a number of repetitions and similarities. For instance, the first code in the table is "*IA is important*" (super code) with its frequencies as 42. The associated codes to this super code are as indicated below:

> *"Activities interfered with, CEO view of IAF, Cost, disposals, EAs depend on them, IA unit, influenced, information, maintenance, struggling, subcontract (x7), testing, very qualified, government appoints junior officers as Internal auditors, IA is important, IA to help save losses, IA unit/department, influenced, information, maintenance and acquisitions, not good enough, not independent, functions not quantifiable, review accounting transactions, review operations, review processes, safeguarding of assets, size of the firm, struggling organisations (4), testing of internal controls (x2), very necessary".*

From this codes and associations, it could be observed that "subcontract (x 7)", "struggling organisations (x4)" and "testing of internal controls (x2)" are indications of the number of times those codes are repeated, thus, 7, 4 and 2 times respectively and had to be merged with the help of the "Merge" option in the Code Manager in Atlas.ti.

The researcher started seeking for similarities and differences among the many categories at his disposal. Axial coding process was adopted to reduce the numerous categories to a manageable size (See figure 6.2 below). At this stage, the categories were given phrasal descriptors and by thinking in a more abstract manner, paved the way for the development of a second order theoretical level of themes, dimensions thereby attempting to answer the big question "*What's going on here?"* (Gioia et al., 2013:20).

4.16 Development of concepts and themes

The development of concepts and themes was the next stage in the process, which propelled the study into the 2nd order analysis and firmly in the theoretical realm (Gioia et al., 2013:20). This process attempted to find out whether the emerging themes suggested concepts that might help the researcher explain the issue at hand. Following a massive reduction of categories in Table 4.5 above, a workable set of themes and concepts became available to the researcher, where theoretical saturation was attained. This is said to have occurred when gathering more data makes no further additions to the properties of their general category (Charmaz, 2008:167). Thus, when no further unique codes emerge, theoretical saturation is said to have occurred. This saturation occurred in this study only towards the end, showing the quality of the PDs at the disposal of the researcher (See Figure 6.1 - concepts and theme building). These concepts can further be developed into code families and networks, which is not the objective of the current study and therefore ignored.

4.17 Ethical considerations

Modern research has acknowledged that social scientists have explored ethics in qualitative social research since the 1960s (Orb et al., 2001; Robley, 1995; Homan, 1991; Bulmer, 1982; Kimmel, 1988). Resnik (2015) regards ethics as a wise aphorism and defines it as “norms for conduct that distinguish between acceptable and unacceptable behaviour” (p. 1). Given the significance of ethics in research, Resnik further notes that many professional bodies, government agencies and universities have adopted rules, codes and policies with regards to research ethics. Accordingly, the Cape Peninsular University of Technology (CPUT), where the researcher is attached, has its ethical considerations which address honesty, objectivity, integrity, carefulness, confidentiality, accountability, legality, etc., and expects all its researchers to abide by in fulfilment of the research ethics of the institution. Furthermore, it expects its researcher to respect the rights of participants and ensure that they thoroughly understand the objectives of the study and thereby enhanced the data reliability (Fowler, 2002:142).

In line with the ethical requirements, the researcher attempted to implement interview protocols as recommended by Beasley, (2009:73). The interview was preceded by an explanation to the participants the objectives of the study, elucidating the procedures to be followed, and the implications for the researcher, the SOE sector and the economy. Participants were assured of the anonymity of their responses for themselves and their organisations and further assured them that their answers remain solely with the researcher and will not be shared with anyone. The respondent’s role was also clarified with them regarding their right to withdraw from participation at any time and be free to ignore any question they were uncomfortable to answer during the interview and also sort their permission to record the interview, which they all granted. The researcher conducted all the interviews by himself without anyone's assistance to ensure effective control of the process. The questions were read in full as worded in the questionnaire (Loosveldt, 2006:203). Although the interview guide was utilised, and the interview approach was semi-structured, when participant's responses prompted a significant development, the scenario was pursued by probing further with follow-up questions before returning to the main interview material (Beasley, 2009:74). The chapter ends with a summary as indicated in the section below.

> "Activities interfered with, CEO view of IAF, Cost, disposals, EAs depend on them, IA unit, influenced, information, maintenance, struggling, subcontract (x7), testing, very qualified, government appoints junior officers as internal auditors, IA is important, IA to help save losses, IA unit/department, influenced, information, maintenance and acquisitions, not good enough, not independent, functions not quantifiable, review accounting transactions, review operations, review processes, safeguarding of assets, size of the firm, struggling organisations (4), testing of internal controls (x2), very necessary".

From this codes and associations, it could be observed that "subcontract (x 7)", "struggling organisations (x4)" and "testing of internal controls (x2)" are indications of the number of times those codes are repeated, thus, 7, 4 and 2 times respectively and had to be merged with the help of the "Merge" option in the Code Manager in Atlas.ti.

The researcher started seeking for similarities and differences among the many categories at his disposal. Axial coding process was adopted to reduce the numerous categories to a manageable size (See figure 6.5 below). At this stage, the categories were given phrasal descriptors and by thinking in a more abstract manner, paved the way for the development of a second order theoretical level of themes, dimensions thereby attempting to answer the big question "*What's going on here?"* (Gioia et al., 2013:20).

4.18 Chapter Summary

The chapter explored in detail the methodology used for this study. The study employed the mixed-method approach and the justification for doing so. It further explained the concept of triangulation as a way to integrate both the quantitative and qualitative approaches to the study. The chapter also discussed the measurement, data collection instruments and protocols, and the sample population. It emphasised the importance of ethical requirements and explained how the requirements had been fulfilled regarding the university's ethical requirements. It further outlined the procedures employed in both the quantitative and qualitative data collection processes used to collect data. In the process, SPSS and Atlas.ti were used to analyse both the quantitative and qualitative data of the study. The detailed results are expanded in Chapters 5 and 6, where they are reported separately and eventually triangulated as expected of mixed-method studies in Chapter 7

CHAPTER FIVE

QUANTITAIVE DATA RESULTS AND DISCUSSIONS

5.1 Introduction

The purpose of this exploratory mixed study was to investigate how effective IA could improve CG practices of the EPSOEs and enhance their performance and sustainability in Namibia. The previous chapter dealt with the methodology used to explicate the research questions formulated in chapter three. This chapter communicates the results and discussions of the detailed quantitative analysis involving survey questionnaires of the IA effectiveness, which was conducted with chief audit executives, audit committee chairpersons or nominees, internal auditors and auditees[15]. A Likert scale anchored from strongly agree (5) to strongly disagree (1) was used for the data collection. Initially, descriptive statistics and demographic information are discussed. The findings of the study are articulated after the validity and reliability of the instrument were presented.

5.2 Descriptive statistics - Attributes of participants and their response rates

Descriptive statistics is explained comprehensively in Section 4.4.1 in Chapter 4 above.
A total of 224 questionnaires were distributed to all the target groups. One hundred and forty-one (141) responses were received out of which 131 representing 58% were useable and also met the acceptable criteria as indicated in section 4.5.4 in Chapter 4. Eighty-three of the participants did not complete the forms and offered no reason for their action and could be interpreted as simply refusal to participate (Neuman, 2014:386).

The evaluation of the IAF questionnaire was completed by 131 participants (n=131) comprising CAEs, ACCs[16], internal auditors and auditees. Majority of them were male (n=89, 67.9%), and minority females (n=41, 31.3%). One participant did not state his/her gender. The age distribution of the participants ranged from 30 to 40 to over 60 years. The

[15] Auditees comprised senior management whose work is evaluated by the internal audit unit

[16] ACCs stand for Audit committee chairpersons which is synonymous with audit committee (AC) members. They are used interchangeably since ACs are delegated to represent the ACCs sometimes.

41 to 50 years' range was the majority (47.3%), followed by 31 to 40 (32.1%), 51 to 60 (13.7%) and above 60 years and below 30 being the minority with 6.1% and 0.8% respectively. Regarding tenure, participants experience ranged from below 5 years to over 21 years. And the majority in the order of 6 to 10 years (44.3%), below 5 years (26.0%), 11 to 15 years (19.1%), 16 to 20 (8.4%) and 21 and above being the lowest (2.3%). All the 131 participants responded to the rank variable – a possible indication of full understanding of the question and open-mindedness of the participants. The measure indicated general managers (n=59, 45%), followed by internal auditors (n=29, 22.1%), CAEs (n=28, 21.4%), ACC (n=5, 3.8%) EA (n=1, 0.8%) and others (n=7, 5.3%). In terms of educational level, most of the participants either have masters (n=57, 43.5%) or bachelor's degrees also with the same number (n=57, 43.5%), followed by diploma, PhD and certificate at 5.3%, 4.6% and 0.8% percentages respectively. Also, other professional qualifications held by the Internal auditors and the CAEs are 3 Certified Internal Auditors (CIA) and 5 Chartered Accountants (CA). That constitutes a 14% professional certification rate (Internal auditors 29 + CAE 28 = 57) which is relatively low considering the positions they occupy in their organisations. The data analyses are as indicated in table 5.1 below.

Table 5.1: Gender, age, tenure, rank and education of participants

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	89	67.9	68.5	68.5
	Female	41	31.3	31.5	100.0
	Total	130	99.2	100.0	
Missing	System	1	.8		
Total		131	100.0		
Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	31 to 40	42	32.1	32.1	32.1
	41 to 50	62	47.3	47.3	79.4
	51 to 60	18	13.7	13.7	93.1
	Above 60	8	6.1	6.1	99.2
	Below 30	1	.8	.8	100.0
	Total	131	100.0	100.0	
Tenure		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	34	26.0	26.0	26.0
	2	58	44.3	44.3	70.2
	3	25	19.1	19.1	89.3
	4	11	8.4	8.4	97.7
	5	3	2.3	2.3	100.0
	Total	131	100.0	100.0	
Rank		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	GM	59	45.0	45.0	45.0
	AC	5	3.8	3.8	48.9
	IAs	29	22.1	22.1	71.0
	Others	7	5.3	5.3	76.3
	CAE	28	21.4	21.4	97.7
	EAs	1	.8	.8	98.5
	CEOs	2	1.5	1.5	100.0
	Total	131	100.0	100.0	
Education		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	4.6	4.7	4.7
	2	57	43.5	44.5	49.2
	3	57	43.5	44.5	93.8
	4	7	5.3	5.5	99.2
	5	1	.8	.8	100.0
	Total	128	97.7	100.0	
Missing	System	3	2.3		
Total		131	100.0		

Source: SPSS output for this study

5.3 Data Coding

Prior to engaging deeper into the statistical techniques, it became necessary that all the items for the analysis and results be coded. Smit (2002), describes coding as attaching keywords to text segments and plays important role in data analysis. In this study the researcher coded the data before they were imported into SPSS. The data regarding organisation policy authorising IA was coded as AOPAI, while BCBIA represented cooperation between IA and auditees. The data regarding independence and objectivity were represented by CIAO and IA and risk management were coded as DIARM. The data for IA and EA relationship were represented by EIAEAR. While IA quality was coded as FIAQ, scope of internal audit work GSIAW and others were coded HOPRF (Table 5.2). Descriptive statistics were generated for each of these coded items generating the means, standard deviations and variance on each of the data sets (See Table 5.1) above.

Table 5.2: Items coded

CODE	***FACTOR***
AOPAI	Organization policy authorising internal auditors
BCBIA	Cooperation between IA and auditees
CIAO	Independence and objectivity
DIARM	Internal audit and risk management
EIAEAR	Internal audit and external audit relationship
FIAQ	IA effectiveness
GSIAW	Scope of internal audit work
HOPRF	Others: (Planning, reporting and follow-ups).

(Note: the first letter of each code represents the normal alphabets meant to indicate the sequence)

5.4 Test for reliability analysis

Literature refers to reliability as exact replicability of the processes and the results in quantitative studies (Leung, 2015:326; Carcary, 2009:12). Cronbach's alpha is one of the measures used to determine scale of reliability and internal consistency, which indicates how closely related a set of items are as a group (UCLA, *n.d.*). Previous researchers have used reliability Cronbach's alpha to estimate the internal consistency of their instruments (example, Yoo et al., 2002; Usang & Salim, 2006; Bhattacharjee, 2012; Alzeban, 2015).

A Cronbach's alpha of .70 is considered acceptable by many researchers, although in some cases 0.60 and 0.50 are also adequate (Kerlinger & Lee, 2000:44). In this study, the internal consistency reliability of the survey instrument was 0.91, which means 91% reliability. This is an indication of a very high reliability and shows that all the items in the survey can hypothetically measure the IAF. The Cronbach’s alpha for organisational policy authorising IA (AOPAI) was .57, which means 57% reliability for those statements represented by that construct. Regarding cooperation between IA and auditees construct (BCBIA), the measure was .62 indicating 62% reliability. Independence and objectivity (CIAO) were 0.67 revealing 67% reliability. For IA and risk management (DIARM), the Cronbach’s alpha was .70 showing 70% reliability. And the Cronbach’s alpha for IA and EA relationship (EIAEAR) was .81, IA quality (FIAQ) .64, scope of internal audit work (GSIAW) was 0.76, and others representing planning, reporting and follow ups (HOPRF) was .59 indicating 81%, 64%, 76% and 59% respectively (Table 5.3).

To improve on the factor Cronbach’s alpha, a number of items such as AISV, CIAPAOI, GICOOAC, and HICWM were deleted from the scale since they had low reliability. Prior to the deletion, the minimum overall alpha was .57 for the construct AOPAI and the highest was .81 for EIAEAR. The lowest alpha increased to .63 for BCBIA. Although the highest alpha remained .81 for EIAEAR, all the other factors increased their alphas except FIAE, which remained the same at .64 (Table 5.3). The level of the alpha was considered good enough to deem the data reliable and proceed for further analysis. This analysis justifies the fact that several different descriptors have been used by different authors to interpret values calculated in which case alpha values 0.93–0.94 have been described as excellent, 0.91–0.93 strong, 0.84–0.90 reliable, 0.73–0.95 high, 0.67–0.87 reasonable and 0.64–0.85 adequate (Taber, 2018). Taber further, suggests that the diverse list of values indicate that there is no clear consensus regarding the appropriate labels to be used in calculating alpha. Taber (2018) and Griethuijsen et al. (2014), therefore, justifies Cronbach's alpha values of 0.6 - 0.7 as acceptable.

Table 5.3: Reliability statistics.

Factor	***Cronbach's Alpha***	***Cronbach's alpha based on standardised items***
AOPAI	.57	.68
BCBIA	.62	.63
CIAO	.67	.70
DIARM	.70	.71
EIAEAR	.81	.81
FIAE	.64	.64
GSIAW	.76	.77
HOPRF	.59	.67

NOTE: AOPAI= Organisation policy authorising Internal auditors; BCBIA= Cooperation between IA & auditees; CIAO = Independency and objectivity; DIARM= Internal audit and risk management; EIAEAR= IA & EA relationship; FIAE= IA effective; GSIAW= Scope of internal audit work; HOPRF= Others: (Planning, reporting and follow ups).

5.5 Correlation Analysis

Correlation analysis was applied to examine inter-item correlations to establish reliability and determine inter-relationships among the variables. With the exception of few cases where the inter-item correlation was comparatively low, many of the inter-item correlations of the variables were more than 0.30 indicating that there was enough correlation among the responses as supported by (Hair Jr. et al. 1998). As indicated in all the tables (Table 5.1 to 5.11), correlation matrices, each variable is impeccably related with itself and therefore r= 1 along the diagonals of the tables.

Table 5.4: Inter-item correlation table for organisational policy authorising internal auditing

Correlations						
	Means	**SDV**	AOPD	ATOR	AISV	AOAS
AOPD	**.789**	**3.99**	1			
ATOR	**.797**	**4.02**	.294**	1		
AISV	**1.020**	**3.45**	.231**	.263**	1	
AOAS	**.712**	**3.70**	.314**	.367**	0.170	1

**Correlation is significant at the 0.01 level (2-

NOTE: AOPD = the purpose of IA is clearly defined in your organisation; ATOR = the terms of reference of internal auditors are approved by the board; AISV = the TOR of IA are sufficiently visible to everyone in the organisation; AOAS = The objectives of IA are in accordance with the standards set by the IIA

The Pearson correlation "*r*" was used for this analysis to confirm the linear relationship in the data and also test the significance of the relationship between each of the variables. Table 5.4 demonstrates the results of the organisational policy authorising IA ranging from AOPD - AOAS. These variables were moderately correlated and yielded a moderate level of correlation across all variables at 0.01 significant level (2-tailed). The highest correlation coefficient between the variables is r = 0.37** (between "the objectives of IA are in accordance with the standards set by the IIA (AOAS) and "the terms of reference of IAs are approved by the board (ATOR)). The lowest correlation was between "the TOR of IA are sufficiently visible to everyone in the organisation" (AISV) and AOPD with r = .23**. In between the two ends of the pole are the correlation between ATOR and AOPD with r= .29**, AISV and ATOR with r = .26** and AOAS and AOPD with r= .31**. These outcomes demonstrate that there was positive moderate correlation between the different constructs supporting organisational policy authorising internal audit. However, the objectives of IA are in accordance with the standards set by the IIA and the terms of reference of IAs as approved by the board are the significant variables that moderately influenced organisational policy authorising internal auditing.

Table 5.5: Inter-item correlation table for cooperation between IA and auditees

Correlations								
	SDV	**Mean**	BECIA	BIOWR	BIDWMMAA	BIPEIA	BMRIAV	BRGIDEMA
BECIA	**3.78**	**.800**	1					
BIOWR	**3.87**	**.864**	.294**	1				
BIDWMMAA	**3.87**	**.801**	.139	0.131	1			
BIPEIA	**3.65**	**.887**	.148	.315**	.359**	1		
BMRIAV	**3.67**	**.896**	.324**	0.013	.182*	.339**	1	
BRGIDEMA	**3.70**	**.965**	.063	.319**	.182*	0.150	.244**	1
****. Correlation is significant at the 0.01 level(2-tailed).**								
***. Correlation is significant at the 0.05 level (2-tailed).**								

NOTE: BECIA= Effective cooperation between IAs and auditees; BIOWR= Internal auditors operate without restrictions and have full access to all records; BIDWMMAA= Internal auditors discuss with management about major areas of audit and approach; BIPEIA= Internal auditors provide early identification and advice to contentious issues; BMRIAV= Management regard IA as adding value; BRGIDEMA= Reports generated by IAs are detailed to enable effective management action

Table 5.5 measures the observed cooperation between IA and auditees, which ranges from BECIA to BRGIDEMA, also demonstrating a moderate correlation coefficient values recording *r*= .36** between BIPEIA and BIDWMMAA as the highest. The lowest was between BRGIDEMA and BMRIAV with *r*= .24** and in all cases, at a significant level of 0.01 (2-tailed). Most of the variables yielded an average correlation of *r* = .30** and above. This happened between BIPEIA and BIOWR with *r* =. 32**, BMRIAV and BECIA with *r* = .32, BMRIAV and BIPEIA with *r* = .34; and BRGIDEMA and BIOWR with *r* = .32**. Most of the perceived useful values were found to be significant for supporting cooperation between IA and auditees with a moderate-high value of r= .36** being the highest and moderately influenced cooperation between IA and auditees.

Table 5.6: Inter-item correlation table for independence and objectivity

Correlations							
	Means	**SDV**	CIAFIA	CIAPAOI	CIRFAWI	CISRAC	CICACWAC
CIAFIA	**3.83**	**.799**	1				
CIAPAOI	**3.78**	**.844**	.309**	1			
CIRFAWI	**3.73**	**.913**	.486**	.413**	1		
CISRAC	**3.74**	**.964**	0.151	0.153	.424**	1	
CICACWAC	**3.52**	**1.029**	0.166	0.084	.341**	.343**	1
****. Correlation is significant at the 0.01 level (2-tailed).**							

NOTE: CIAFIA= Internal audit function is independent of the activities being audited and everyday internal processes; CIAPAOI= Internal auditors perform their activities on their own initiative in all departments of the organisation; CIRFAWI= Internal auditors feel free to report their findings and appraisals without interference from auditees; CISRAC= Internal auditors submit their reports to AC; CICACWAC= The head of the internal auditors has clear authority to communicate directly with Audit Committee without interference.

Table 5.6 displays the results of independent and objectivity variables indicated as CIAFIA to CICACWAC. The variables displayed equally from moderate to moderately high correlation across the data set. The lowest correlations were displayed across the variables CIAPAOI and CIAFIA, CICACWAC and CIRFAWI and CICACWAC and CISRAC with r = .31**, r = .34** and r = .34** respectively. The moderately high correlation was displayed within three items, thus, between CIRFAWI and CIAPAOI with r = .41**, between CISRAC and CIRFAWI with r = .42** and between CIRFAWI and CIAFIA with r = .49** being the highest. Thus, the variables IAs feel free to report their findings (CIRFAWI) and IA function is independent of the activities being audited (CIAFIA) have significantly moderate highest influence on independent and objectivity.

Table 5.7: Inter-item correlation table for IAF and risk management

Correlations							
	Means	**SDV**	DIUORE	DICOA	DIHSE	DIPPCWM	DICMRIO
DIUORE	**3.85**	**.830**	1				
DICOA	**3.87**	**.661**	.464**	1			
DIHSE	**3.69**	**.834**	.289**	.331**	1		
DIPPCWM	**3.67**	**.842**	0.093	.195*	.502**	1	
DICMRIO	**3.80**	**.857**	.269**	.261**	.289**	.411**	1
****. Correlation is significant at the 0.01 level (2-tailed).**							
***. Correlation is significant at the 0.05 level (2-tailed).**							

NOTE: DIUORE= Internal auditors understand the organisation and its risk environment; DICOA= ICs in the organisation are generally acceptable; DIHSE= Internal auditors have sufficient expertise to effectively carry out their duties; DIPPCWM= Internal auditors always sufficiently pre-plan and coordinate with management before each phase of audit; DICMRIO= Internal auditors frequently communicate to management risks that may have organisational impact.

The IA and risk management variables range from DIUORE to DICMRIO. Correction was significant at 0.01 level with the highest correlation between DIPPCWM and DIHSE with *r* = .50**. The lowest correlation across all items was *r* = .26** between DICMRIO and DICOA. The correlations between DICOA and DIUORE*; and between* DICMRIO and DIPPCWM were moderately high with *r*= .46** and .41** respectively. The correlation between IAs always sufficiently pre-plan and coordinate with management (DIPPCWM) and IAs have sufficient expertise to effectively carry out their duties (DIHSE) with the highest *r* =.50** has the most significant influence on IAF and risk management. The items DICMRIO and DICOA with the lowest correlation is of less significant to this analysis and excluded.

Table 5.8: Inter-item correlation table for internal and external audit relationship

Correlations							
	Mean	**SDV**	EEARIW	EEPIAFO	EWIEES	EECREI	ECBIEE
EEARIW	**3.49**	**.871**	1				
EEPIAFO	**3.51**	**.758**	.682**	1			
EWIEES	**3.50**	**.872**	.528**	.523**	1		
EECREI	**3.33**	**.845**	.410**	.515**	.426**	1	
ECBIEE	**3.42**	**.941**	.351**	.399**	.339**	.557**	1
****. Correlation is significant at the 0.01 level (2-tailed).**							

NOTE: EEARIW= EA rely on the work of internal auditors when auditing the organisation; EEPIAFO= EAs perception of IA function in the organisation is generally good; EWIEES= Work done by Internal auditors ensures less resource spent on EAs in terms of time and money; EECREI= EAs consider the relevant experience and educational level of Internal auditors when relying on their work; ECBIEE= the communication between IA and EA is effective.

The EA and IA relationship variables were represented in the range from EEARIW to ECBIEE and these variables showed a high correlation between majority of the variables. Although, majority of the variables in this construct are convincingly high, the correlation between "EAs perception of IA function in the organisation is generally good" and "EA rely on the work of internal auditors when auditing the organisation", has the largest influence on internal and external audit relationship r= .68**. The rest of the variables are moderately high with the lowest r= .34** at 0.01 level of significance (2-tailed). Thus, the entire construct displays a highly significant level of correlation signifying an important measurement association among the EA and IA variables.

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Table 5.9: Inter-item correlation table for internal audit effectiveness

Correlations										
	Means	**SDV**	FISEQ	FIUAS	FIUCPDA	FWAIMEO	FISON	FEIRP	FEIRAC	FIRBI
FISEQ	**3.76**	**.766**	1							
FIUAS	**3.42**	**.928**	.350**	1						
FIUCPDA	**3.60**	**.935**	.311**	0.144	1					
FWAIMEO	**3.84**	**.647**	0.176	0.067	.273**	1				
FISON	**3.72**	**.643**	0.116	-0.049	.242*	.697**	1			
FEIRP	**3.79**	**.747**	.218*	0.072	.211*	.458**	.347**	1		
FEIRAC	**3.66**	**.761**	0.079	0.123	0.033	.299**	.269*	.222*	1	
FIRBI	**3.66**	**.721**	0.100	0.110	0.091	0.150	0.184	.240**	.456**	1
****. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).**										

NOTE: FISEQ= Internal auditors have sufficient educational qualifications and professional experience to effectively carry out their functions; FIUAS= The IA unit is adequately staffed to conduct their activities; FIUCPDA= Internal auditors undertake continuous professional development (CPD) activities (such as attendance of workshops, seminars and conferences); FWAIMEO= The work and activities of internal auditors meet expectations; FISON= Internal auditors are aware of and sensitive to the organisation's needs and operate accordingly; FEIRP= Evaluation of Internal auditors reports by management is positive; FEIRAC= Evaluation of IA reports by the Audit Committee is positive; FIRBI= Internal Auditors are reliable and behave with integrity.

The variables for IA effectiveness are displayed in Table 5.9 above and ranges from FISEQ to FIRBI. Majority of the variables display a low positive correlation when compared across the data set. The highest and positively correlated variable is between FISON and FWAIMEO *r* = .70** and the lowest *r* =. 24** between FIRBI and FEIRP at the 0.01 level of significance (2-tailed). Thus, the correlation between "IAs are aware of and sensitive to the organisation's needs and operations", and "the work and activities of IAs meet expectations" has the largest influence on internal audit effectiveness *r*= .70. The remaining variables display a moderate correlation of *r* = .30** to a moderately high correlation of *r* = .46** indicating a noteworthy correlation among item responses (Hair Jr. et al., 2014:242) in the construct. This confirms the classical measurement theory which suggests that such items are indication of reliability of measures (DeVellis, 2003) quoted in Mihret (2010:151).

Table 5.10: Inter-item correlation table for scope of IA work

Correlations								
	Means	**SDV**	GICARK	GRSSA	GIEICS	GIDCWOP	GIACOCWC	GICOOAC
GICARK	**3.38**	**.962**	1					
GRSSA	**3.14**	**.929**	.676**	1				
GIEICS	**3.29**	**1.032**	.531**	.698**	1			
GIDCWOP	**3.74**	**.809**	.138	.212*	.274**	1		
GIACOCWC	**3.84**	**.805**	.017	.084	.061	.396**	1	
GICOOAC	**3.72**	**.915**	.378**	.326**	.272**	.337**	.371**	1
****. Correlation is significant at the 0.01 level (2-tailed).**								
***. Correlation is significant at the 0.05 level (2-tailed).**								

NOTE: GICARK= Internal Auditors check the adequacy of the auditees' record keeping at least once a month; GRSSA= Internal Auditors review the systems to safeguard assets monthly; GIEICS= Internal Auditors evaluate the internal control systems fortnightly. GIDCWOP= Internal Auditors determine compliance with organisational policies and procedures to ascertain consistency with organisational goals; GIACOCWC= Internal Auditors check the organisation's compliance with contracts with other parties/organisations; GICOOAC = Internal auditors check the operating objectives to ascertain consistency with organisational goals

The scope of IA work ranges from GICARK to GICOOAC in table 5.10 above and majority of these variables show positive correlation across the entire data set. A significantly highest correlation was found in two items between IAs evaluate the internal control systems fortnightly (GIEICS) and IAs review the systems to safeguard assets monthly (GRSSA) with r = .70** followed by Internal Auditors review the systems to safeguard assets monthly (GRSSA) and GICARK with r = .68**. Another high correlation was registered between Internal Auditors evaluate the internal control systems fortnightly (GIEICS) and Internal Auditors check the adequacy of the auditees' record keeping at least once a month (GICARK) with r = .53**. Of the three high correlations the highest is r= .70** and has the highest influence on scope of IA work. The lowest correlation was found between GICOOAC and GIEICS and again between GIDCWOP and GIEICS both registering positive correlation of r = .27**. The rest of the other variables registered moderately high with an average correlation ranging between r = .34** to r = .40**. With correlation at significant level of 0.01, the rest of the variables were insignificant and were disregarded in the analysis. The results show that in general the items seem to measure the scope of IA work associated with IAF. This is revealed in the moderate and strong association between the items.

Table 5.11: Inter-item correlation table for others comprising, planning, reporting and follow-ups

Correlations								
	Means	**SDV**	HICWM	HIRWP	HIDWAAF	HIFMEICA	HIAMCAP	HMATIR
HICWM	**3.85**	**.878**	1					
HIRWP	**3.82**	**.840**	.445**	1				
HIDWAAF	**3.93**	**.775**	.328**	.335**	1			
HIFMEICA	**3.80**	**.827**	0.098	-0.001	.361**	1		
HIAMCAP	**3.82**	**.879**	0.091	0.110	.283**	.430**	1	
HMATIR	**3.54**	**.875**	0.044	.201*	0.103	0.077	0.133	1
****. Correlation is significant at the 0.01 level (2-tailed).**								
***. Correlation is significant at the 0.05 level (2-tailed).**								

NOTE: HICWM= Internal auditors consult management for their input when setting internal audit priorities; HIRWP= Internal auditors review audit working papers before commencing an audit; HIDWAAF= Internal auditors discuss with the auditees audit findings before issuing a report; HIFMEICA= Internal auditors follow up with management to ascertain whether implementation of corrective actions relating to audit findings have been done; HIAMCAP= Internal auditors agree with management corrective action plan before the report is issued; HMATIR= Management acts timeously on IA recommendations.

The variables for planning, reporting and follow-ups are displayed in Table 5.11 and ranges from HICWM to HMATIR. The correlation levels are moderate to moderately high across the data set. The correlation between HIRWP and HICWM was the highest with r = .45** followed by HIAMCAP and HIFMEICA with r=. 43**. The lowest was found between HIAMCAP and HIDWAAF with r = .28**. The remaining variables recorded positive moderate correlation between r =. 32** and .36**. The remaining variables were insignificantly correlated at 0.01 levels and were ignored in this analysis. The results of this construct showed that the variables “IAs review audit working papers” and “IAs consult management for their input” have moderately high influence on planning, reporting and follow-ups and that their influence on IAF was moderately significant.

The correlation analyses (Tables 5.1 to 5.11) have represented the primary statistics of the variables and their inter-correlations. The results indicate satisfactory reliabilities of the research variables. The results of some selected dependent variables with their independent variables are expounded below.

With regards to the relationships between the dependent variable and independent variables, numerous findings were noted. For instance, internal audit effectiveness (dependent variable) is influenced by the independent variables, evaluation of IA reports by management is positive, IAs are reliable and behave with integrity, IA unit is adequately staffed to conduct their activities, and IAs are aware of and sensitive to the organisational needs, and the work and activities of IAs meet expectations. The latter of these variables indicated a very high correlation between the perceptions of the participants and provided strong support for internal audit effectiveness.

Regarding the dependent variable (scope of IA work), the most influential variables included IAs evaluate the internal control systems, IAs review the systems to safeguard assets, and IAs check the operating objectives to ascertain consistency with organisational goals. IAs evaluate the internal control systems to safeguard assets had the most substantial influence on Scope of IA work. With regards to independence and objectivity, IA perform their activities on their own initiative, IAs submit their reports to AC, and the head of the IAs has clear authority to communicate directly with AC were the independent variables. The correlations were stronger in the case of IAs are free to report their findings and IAF is independent of the activities being audited and had the strongest influence on independence and objectivity. Organisational policy authorising internal audit was another dependent variable examined, and the results show that the terms of reference of IAs are approved by the board, the TOR of IA are sufficiently visible and the objectives of IA are in accordance with the standards set by IIA are the significant variables with the latter being the most positive influencer with the strongest correlation.

5.6 Linear Regression results and discussions

Table 5.12 shows the results of the study using linear regression analysis. Linear regression was used to test whether *corporation between IA and auditees, independence and objectivity of internal auditors, internal audit and risk management, IA and EA relationship, IA effectiveness, scope of IA work and planning, reporting and follow-ups (independent variables) impact on organisational policy authorising IA* (dependent variable) or not. The model is significant with F=9.06 and p<0.05. The adjusted R^2 of the model was 0.619, which showed that 62% of the variance in organisational policy authorising IA is explained by IA and risk management, the scope of IA work and others including planning, reporting and follow-ups. The results further show that IA and risk management, scope of IA work and others (including planning, reporting and follow-ups) were positively and significantly related to organisational policy authorising IA, with scope of IA work contributing the most, which is supportive of the specified model analysis. That is indicated in the *t*-values for IA and risk management (*t*- value 2.62), scope of IA work (*t*- value 3.56) and others including planning, reporting and follow ups (*t*- value 2.15). The three variables had t-statistics > 1.96 & p <0.05.

Internal audit and risk management showed a positive and significant relationship with organisational policy authorising IA. This finding supports previous research of Selima and McNamee (1999:147) who noted that internal auditors have obligation to use risk assessment techniques to create opportunities for themselves and the organisation to enable the alignment of the audit plan with the strategic objectives of the organisation. A prerequisite for this relationship to succeed is the need to engage IAs who are knowledgeable in dealing with business risks management to support the organisation. And to the OECD (2014), the parties involved in risk management must ensure that they understand risks and are ready to communicate and manage them. Further, Kramer (2013:1) confirms that IA has indeed shifted its emphasis as transaction checkers to enterprise risk management (ERM) addressers emphasising the need for organisational policy support to enhance IAF.

Scope of IA work had the most positive significant relationship with organisational policy authorising IA (t-values 3.557). Scope of IA work is one of the core determinants of IA effectiveness as suggested by the SPPIA and massively supported by literature (Abu-Azza, 2012; Mihret, 2010; Al-Twaijry, Brierley & Gwilliam; 2003). A study by Alzaban and Sawan (2013) in Saudi Arabia found that quality, effectiveness and scope of IA work attracts top management support in organisations. This confirms the stewardship theory postulation that both management and IAs are stewards and by committing and devoting their attention to the achievement of organisational goals, they contribute to improvement in organisational performance (Davis et al., 1997:20).

Furthermore, the significant relationship existing between organisational policy authorising IA and others, including planning, reporting and follow-ups were evident. According to Mihret (2010:178), audit planning and execution are of higher significance in organisations where organisational policy authorising IA is well-defined. The results of a similar study, which he conducted in Ethiopia in 2010, also found planning, reporting and follow-ups highly significant. This result, therefore, indicates that there should be more systematic quality planning and execution of IA as well as follow-up procedures in the SOE sector in Namibia.

In summary, these three variables (IA & risk management, the scope of IA work and others - including planning, reporting and follow-ups), which significantly and positively influenced organisational support for IA are the consequences of top management support (Al-Twaijry et al., 2003) without which IA activities will be weakened. This is also in line with the agency theory, which suggests agent-principal interest alignment to protect shareholder interest and minimise agency costs (Davis et al. 1997:23). A study by Cohen and Sayag (2010:300) in Israel confirmed this and a prior study by Mihret & Yismaw (2007:470) in Ethiopia, also emphasised how critical top management support is for IA to succeed in organisations - a perception, which could be attributable to company policies in support of IAF.

The results, also displayed a negative and non-significant relationship between organisational policy authorising IA and four variables namely, internal audit effectiveness ($\beta = -0.31$; t-value -1.93, $p > .05$), internal audit and external audit relationship (t-value 1.32, $p < 0.20$), independence and objectivity (t-value 1.14, $p < 0.26$), and cooperation between IA and auditees (t-value 0.39, $p < 0.70$) suggesting that the relationship between these variables and organisational policy authorising IA was insignificant and had an adverse effect on IAF.

Table 5.12: Regression results

R = 0.787[a]		R^2 = 0.619		Adjusted R^2 = 0.551			
F = 9.06		**Std. error of the estimate = 0.343**					**Sig = .000**
Variable		Unstandardized Coefficients		Standardized Coefficients	*t*	*P*-Value	Remarks
		B	Std. Error	Beta (β)			
	(Constant)	0.02	0.568		0.036	0.971	N/sig
	BCBIA	0.061	0.158	0.057	0.388	0.7	N/sig
	CIAO	0.158	0.139	0.16	1.136	0.263	N/sig
	DIARM	0.412	0.157	0.34	2.621	0.012	Sig
	EIAEAR	0.129	0.098	0.152	1.315	0.196	N/sig
	FIAE	-0.411	0.213	-0.309	-1.928	0.061	N/sig
	GSIAW	0.358	0.101	0.426	3.557	0.001	Sig
	HOPRF	0.315	0.146	0.31	2.152	0.038	Sig
a. Dependent Variable: AOPAI							

(b. $p<0.05$ c. $t >1.96$)

NOTE: AOPAI= Organization policy authorising Internal auditors; BCBIA= Cooperation between IA & auditees; CIAO= Independency and objectivity; DIARM= Internal audit and risk management; EIAEAR= IA & EA relationship; FIAE= IA effectiveness; GSIAW= Scope of internal audit work; HOPRF= Others including planning, reporting and follow ups.

This result was rather unanticipated as contemporary literature in the field suggests that IA effectiveness enhances organisational efficiency (Usang & Salim, 2016:116; Mihret & Yismaw, 2007; Cohen & Sayag, 2010; Alzeban & Gwilliam, 2014:75) and that a good relationship between IA and EA leads to cost reduction for the organisation. Gramling et al., (2004:210) emphasised the importance of relationship between IA and EA in the light of CG responsibilities, which has been deepened since the Enron episode in 2000.

It seems as if the lack of significant relationship between organisational policy authorising IA and independence and objectivity; and cooperation between IA and auditees are symptoms embedded in the SOE sector in the developing countries. Alzaban & Sawan's (2013:447) study in Saudi Arabia supports this view when they found that lack of qualified

IA staff is one of the major problems in the Saudi public sector, which is explained by nepotism resulting in the recruitment of people with poor educational and/or professional qualifications with no work experience. External auditors under such circumstances will obviously not depend on reports submitted by internal auditors in their audit work. This lack of relationship in the final analysis compound the organisational problems by making them pay more for EA services. Okeahalam (2004) laments that African SOEs have not given credence to the IAF. These lapses have contributed to the lack of cooperation between IAF and management within the Namibian EPSOEs, where appreciation for IAF is lacking. They impede on IA independence and objectivity, which are very essential for the survival of IAF.

5.7 Factor analysis: Results and discussions

The data of the study were further subjected to a factor analysis using principal component analysis (PCA) with orthogonal Varimax with Kaiser Normalisation rotation method. Yong and Pearce (2013:80) quotes Bartholomew, Knott and Mousktaki (2011) who explicated factor analysis as a statistical method operating on the notion that observable variables can be reduced to fewer factors that share a common but unobservable variance. Thus, factor analysis enables the reduction of a large database that consists of many items by assembling them into a descriptive category. Yong and Pearce further note that instead of considering several trivial variables, it is easier to focus on some key factors for putting variables into common categories. Accordingly, this study extracted key factors which met the minimum criteria (≥1) using the principal component analysis (PCA) (Table 5.13: Total variance explained). Again, the rotation method (Varimax with Kaiser Normalisation) was used to extract only those factors that met the cut-off criterion of .40 (extraction method). In this case, there were 14 factors with eigenvalues ≥1 (Table 5.13). The "% of variance" column displayed how much of the total variability can be accounted for by each of those summary components. For instance, component 1 accounts for 12.51% of the variability in all the 14 variables, and all the components cumulatively explained 83% of the variance in the data, which was credibly significant.

Table 5.13: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.875	21.468	21.468	9.875	21.468	21.468	5.752	12.505	12.505
2	5.027	10.927	32.395	5.027	10.927	32.395	4.331	9.414	21.919
3	3.440	7.478	39.873	3.440	7.478	39.873	3.526	7.666	29.585
4	3.299	7.172	47.045	3.299	7.172	47.045	3.221	7.002	36.588
5	2.527	5.494	52.539	2.527	5.494	52.539	2.718	5.909	42.497
6	2.254	4.901	57.441	2.254	4.901	57.441	2.524	5.488	47.984
7	1.934	4.205	61.646	1.934	4.205	61.646	2.468	5.365	53.350
8	1.894	4.117	65.762	1.894	4.117	65.762	2.308	5.018	58.368
9	1.712	3.722	69.484	1.712	3.722	69.484	2.275	4.946	63.314
10	1.496	3.251	72.736	1.496	3.251	72.736	2.047	4.451	67.765
11	1.262	2.744	75.480	1.262	2.744	75.480	1.856	4.034	71.799
12	1.200	2.608	78.089	1.200	2.608	78.089	1.721	3.741	75.541
13	1.157	2.516	80.605	1.157	2.516	80.605	1.695	3.684	79.225
14	1.004	2.182	82.786	1.004	2.182	82.786	1.638	3.561	82.786

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 24 iterations.

5.8 Factor extraction and loading

As indicated in Table 5.13 below, the number of significant factors was determined, extracted and the rotated values were meaningful for interpretation (Yong & Pearce, 2013:89). The extractions are based on commonalities and eigenvalues that are less than 1 were and not included. The rotation sums of squared loadings, which show eigenvalues and variance are extracted after rotation. The interpretation was made possible with the help of principal component analysis (PCA) and rotated the matrix of loadings to obtain varimax rotation which was manipulated to suppressing small coefficients where eigenvalues of less than 1 were excluded. With that manipulation, only 14 items were included for further analysis as displayed in Table 5.13 below. The fundamental goal of the factor analysis was to identify item loadings >0.40 that are interpretable.

The Rotated component matrix shows the pattern of resultant factor loadings for each variable as indicated in Table 5.14. It displays the eight components solution and items associated with them. The Cronbach alpha reliability test (Table 5.3) confirmed the suitability of the final factor analysis – each factor had a statistic greater than 0.50 as recommended by Nunnally (1962) quoted in Dimi et al. (2014:44).

Based on this table, ten items loaded onto component 1 (Purpose of IA is well defined =.64, terms of reference =.44, IA provides advice = 61, No interference with Internal auditors reports & findings =.52, internal auditors submit reports to AC = .83 (which is the most critical), internal auditors plan & coordinate with management = 55, internal auditors communicate with management risks of the organisation = .74, internal auditors undertake CPD activities = .40, internal auditors check organ's compliance with contracts = .63 and internal auditors follow up with audit findings =.73). These variables must be interpreted. Interpretation is explained as the process of evaluation to select variables which closely relates to a construct and given a name for that construct (Taherdoost, et al.,2014:378). Taherdoost, et al. (2014) further note that labelling a construct is "a theoretical, subjective and inductive process" (p. 378) and, that the labels of constructs must mirror the theoretical and conceptual variables they personify (Yong & Pearce, 2013:91).

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Therefore, the variables noted above relate to internal auditors' freedom to operate, hence labelled as '*IA independence and o*bjectivity" and the reliability of this scale was 0.70 (Cronbach's Alpha).

The five items loaded onto component 2 (TOR are sufficiently visible = .83, internal auditors check auditees record keeping = .85, internal auditors review systems monthly = .82, internal auditors evaluate ICs fortnightly = .75 and internal auditors check consistency of organisational goals = .64) relate to the nature of IA activities. Therefore, the component was named *"Scope of IA work" with 0.77 reliability (Cronbach's reliability).* The seven items that load onto component 3 (Objectives are in accordance with IIA standards = .41, internal auditors have full access to all records = .43, EAs rely on internal auditors in auditing =.85, EAs have good perception of IA function = .81, internal auditors work ensure less resource spent on EAs =.51, EAs consider experience and educational level of internal auditors = .58, and communication between internal auditors & EA is effective =.47), among others, relate more to the relationship between internal auditors and EAs; therefore, the component was named *"External auditor reliance on internal audit work"*. The reliability of this scale was 0.81 (Cronbach's Alpha).

The five items that load highly on component 4 (Internal auditors discuss with management areas of audit = .46, Internal auditors work meet organisational expectations =. 72, internal auditors are sensitive to organisational needs =.72, internal auditors discuss with auditees audit findings = .41, Internal auditors agree with management action plan =.81) seemed to relate to IA activities enhancing organisational effort. Therefore, it was labelled *"Organisational policy authorising internal auditors" and a Cronbach's Alpha reliability of 0*.68. The four items loaded onto component 5 (IA reports are detailed =.87, IAF is independent =.58, internal auditors have educational and professional qualifications = .55 and Management evaluation of internal auditors is positive =.40) ideally speak to individualities of IA, hence named *"Internal Audit Quality*" with *a Cronbach's Alpha reliability of 0.64*. The three items loaded onto component 6 (Internal auditors perform activities on their own initiative =.83, internal auditors understand organisation risk environment =.49 and objectives are in accordance with IIA standards) relate to internal auditors having initiative and also appreciate organisational risk. This component is categorised *"IA and Risk management" with a Cronbach's Alpha of 0.71. T*he four items listed in component 7 (Internal Controls are generally acceptable =.78, Management evaluation of internal auditors is positive =.69, internal auditors are sensitive to organisational needs =.43 and internal auditors understand organisation risk environment =.45) identified the IA understanding of the intricacies and risk environment of the organisation. Again, component 7 is significantly influenced by the variable "ICs are generally acceptable" with .78. The other 3 variables .43, .69 and .45 in this component are shared with components 4, 5 and 6 respectively. Although these components are linked to component 7, the emphasis is on .78 and .69. The emphasis on the other two variables, .72 and .49 are found in components

4 and 6 respectively. All these variables are labelled as “Others: including planning, reporting and follow-ups”. And carry Cronbach’s Alpha of 0.69. Finally, the three items for component 8 (CAE communicates directly with AC =.76, internal auditors discuss audit findings with auditees =.40 and no interference with internal auditors reports and findings =.52) indicate active communication in the organisation, therefore marked as “Cooperation between internal audit and auditees” and carry Cronbach’s Alpha reliability of 0.63.

Thus, through the application of EFA technique the dimensionality of internal audit effectiveness construct has been established in this section. The results revealed that IA effectiveness encapsulates eight significant variables namely, IA independence and objectivity, Organisational policy authorising internal auditors, Scope of internal audit work, External auditor reliance on internal audit work, IA and Risk management, Internal audit effectiveness, Cooperation between internal audit and auditees” and Others: including planning, reporting and follow-ups.

Table 5.14: Rotated component matrix[a]

S/No	Factors	Components							
		1	2	3	4	5	6	7	8
1.	Purpose of IA well defined	.64							
2.	Terms of reference	.44							
3.	IA provides advice	.61							
4.	No interference with internal auditors reports & findings	.52							.52
5.	Internal auditors submit reports to AC	.83							
6.	Internal auditors plan & coordinate with management	.55				.51			
7.	Internal auditors communicate with management risks of the organisation	.74							
8.	Internal auditors undertake CPD activities	.40							
9.	Internal auditors check organ's compliance with contracts	.63							
10.	Internal auditors follow up with audit findings	.73			.42				
11.	TOR are sufficiently visible		.83						
12.	Internal auditors check auditees 'record keeping		.85						
13.	Internal auditors review systems monthly		.82						
14.	Internal auditors evaluate ICs fortnightly		.75						
15.	Internal auditors check consistency of organisational goals		.64						
16.	Objectives are in accordance with IIA standards			.41			.47		
17.	Internal auditors have full access to all records			.43					
18.	EAs rely on Internal auditors in auditing			.85					
19.	EAs have good perception of IA function			.81					
20.	Internal auditors work ensures less resource spent on EAs			.51					
21.	EAs consider experience and educational level of Internal auditors			.58					
22.	Communication between Internal auditors & EA is effective			.47					
23.	Internal auditors discuss with management areas of audit				.46				
24.	Internal auditors work meets organisational expectations				.72				
25.	Internal auditors are sensitive to organisational needs				.72			.43	
26.	Internal auditors discuss with auditees audit findings				.41				.40
27.	Internal auditors agree with management action plan				.81				
28.	IA reports are detailed					.87			

29.	IAF is independent					.58			
30.	Internal auditors have educational & professional qualifications					.55			
31.	Management evaluation of Internal auditors is positive					.40		.69	
32.	Internal auditors perform activities on their own initiative						.83		
33.	Internal auditors understand organisation risk environment						.49	.45	
34.	ICs are generally acceptable							.78	
35.	CAE communicates directly with AC								.76
	Eigenvalues *Percentage of total variance* *No of test measures*	9.87 21.47 10	5.03 10.93 5	3.44 7.48 7	3.30 7.17 6	2.53 5.49 5	2.25 4.90 3	1.93 4.21 4	1.89 4.12 3

5.8.1 [a]Extraction Method: Principal Component Analysis.

5.8.2 Rotation Mathod: Varimax with Kaiser Normalisation.

Rotation converge in 24 iterations

Out of the ten factors loaded onto component 1, the most critical driver of the item labelled IA independence and objectivity, was "*Internal auditors submit reports to AC"* with a loading of 83%. This is in line with contemporary literature, which states that IA reporting to AC enhances IA independence and objectivity and encourages open communication between the two parties (Ramamoorthi, 2003:3; Deloitte, 2018: *npn*).

The most significant of the five factors loaded to component 2 regarding the item, scope of IA work, was "*Internal auditors check auditees' record keeping*" with 85% factor. This is also supported by literature, which notes that checking the auditees record keeping contributes to quality IA, improves IA effectiveness and attracts top management support for IAF in the organisation (Alzaban & Sawan, 2013; Abu-Azza, 2012; Mihret, 2010; Al-Twaijry, Brierley & Gwilliam; 2003).

Regarding item EAs reliance on IA work, the most important item out of the 7 factors loaded to component 3, was "*EAs rely on IA in auditing*" also with a loading factor of 85%. This result confirms the profound relationship that has emerged of late between IAs and EAs, which must have arisen as a result of the pressure placed on both professions by their professional bodies, shareholders and other stakeholders. These parties now demand quality service, value for money and prevention of business collapse as witnessed in the recent past (Ratliff and Reding, 2002; Ramamoorti, 2003:10). A loading factor of 85% seem to suggest that IAF is a very significant element supporting CG practices and importantly, the reliance of EA on IAF enhances the quality of service provided to clients. Further, reliance on IA work by EA is an indication of IA quality. Al-Twaijry (2017) notes that audit quality is very important and the consequence of the absence of the expected quality could severely harm the organisation. An acceptable level of IA quality reduces EA fees and cost (Felix et al. 2001: 514); and instils confidence in IA work.

The most significant performance driver of the 5 factors for the item IA support for CG practices, was "*IA reports are detailed"* with a factor loading of 87% to component 4. Internal audit reports are useful when they are detailed because it is a major intervention that prevents ills like fraud and improves the board's attentiveness in their oversight role. Adams (2004:10) notes that by generating quality reports for management they help to maintain cost-efficient relationship between owners and managers thereby curtailing the agency conflict in the organisation. "Internal audit agrees with management action plan" with a factor loading of 87% was the most important among the 4 factors loaded onto component 5 for the item internal audit effectiveness. Internal audit agreement with management action plans connotes a good relationship that evokes top management support for internal audit work in the organisation. Mihret (2010:34) notes that internal audit quality in addition to senior management support are the key determinants of IA effectiveness.

In component 6, the most significant factor among the 2 factors was *"Internal auditors perform activities on their own initiative"* with 83% loading in the item IA quality. This factor fulfils Standard 1100 – Independence and Objectivity of the ISPPIA, which stresses the necessity of IA independence in the organisation. Independence implies freedom from any condition that threatens IA ability to perform their activities (IIA, 2013:3) – a feat which could only be achieved where there is senior management support for the IAF. Similarly, in component 7, out of the 4 factors loadings, *internal controls are generally acceptable*, was the most significant with 73% loading in the item others including planning, reporting and follow-ups. Mihret (2010:178) in his study in Ethiopia confirms that proper audit planning, reporting and follow-ups are of higher significance in business organisational environment – an outcome which tallies with the regression results (see Section 5.7; p. 171).

Finally, the factor *"CAE communicates directly with AC"* was the most significant among the 3 factors in component 8 with 76% loading in the item cooperation between internal audit and auditees. These factor loadings holistically confirm the findings that IA positively impact on CG practices, which is in line with Gramling and Hermanson (2009) and Sarens

(2009), who emphasised the importance of IA reports and frequency of communication and recommendations as important support for enhancing CG practices.

This analysis could have further been subjected to analysis of variance (ANOVA) to test for group differences in type of participants and organisational responses. ANOVA has been widely employed in IA research. For instance, Inua and Abianga's (2015) study on the effect of internal audit outsourcing on auditor independence: The Nigerian experience; and another study by Boyle et al. (2015) on effects of internal audit reports type and reporting relationship on internal auditor's risk judgement employed ANOVA to analyse their questionnaires. However, the objective of this study is not about exploring differences and therefore, ANOVA has been ignored at this stage. Hopefully future research could be conducted to explore the differences using ANOVA to broaden knowledge in this area of research.

5.9 Chapter summary

The results of the questionnaire survey conducted for this study have been presented in this chapter. With the aid of Google Forms survey instrument and the statistical software package SPSS, the chapter interconnects the results of the quantitative analysis of the data gathered and reports the results of the survey on IA effectiveness provided by the participants. The data manipulation procedures, screening, validation and conversions using statistical analyses such as descriptive statistics, test for reliability (Cronbach's alpha), correlation analysis, regression and factor analysis with the aid of SPSS, the results are reported and discussed.

The overall Cronbach's alpha of 0.91, which is a 91% reliability displayed by the study is an indication of great internal consistency and reliability of the construct. Furthermore, the outcome of the correlation analysis used to test inter-item correlation showed that besides a few variables considered insignificant and excluded, displayed a general positive correlation among all the items indicating a positive association with IA effectiveness. The instrument, therefore, was a reliable measure of IA effectiveness. Furthermore, the outcome of the analyses seemed to suggest that all the attributes, thus, organization policy authorising Internal auditors, cooperation between IA and auditees, IA independence and objectivity, IA and risk management, IA and EA relationship, IA effectiveness, scope of internal audit work and others such as planning, reporting and follow ups, tend to be associated with IA effectiveness and supported by extant literature. The next chapter will examine the qualitative results and discussions of the study.

CHAPTER SIX

QUALITATIVE DATA RESULTS AND DISCUSSIONS

6.1 Introduction

The previous chapters discussed the quantitative results of this study. Based on the research questions delineated in Chapter 3, this chapter is now in position to present the results of the qualitative data analysis. This part of the study used interviews and review of relevant documents with the aim of finding data on internal audit support for corporate governance practices of the economic and productive state-owned enterprises (EPSOEs) in Namibia. The chapter starts with in-depth interviews with the relevant people, including current and previous CEOs and stakeholders (consisting of a member of parliament, an Auditor General, a Permanent Secretary and 2 senior executives). The results of the interviews and documents reviewed were examined to establish patterns and themes with the aid of Atlas.ti. The patterns and themes emerging from the data are linked to the research objectives established in section 1.6 (p. 6) of this study. The summary of the chapter is then provided as conclusion.

6.2 Participants responses

This section displays the results of Primary Documents (Questions 1 and 9) to illustrate how the participants responded to them. The remaining questions have been attached as an appendix (See Appendix H). The result of the responses of the participants for question one is displayed in Table 6.1 which indicate their responses. The first column records the number representing the participants. Numbering has been used to protect the anonymity of the participants. The second column records their responses pertaining to the question.

Table 6.1: Participant responses to question 1 (PD1) – Governance challenges facing SOEs

QUESTION 1 **Participant**	*WHAT ARE THE GOVERNANCE CHALLENGES FACING SOES IN NAMIBIA?*
1	*i. Challenge is the calibre of directors –their relevance to the particular SOE in terms of skills and experience is a concern. It is important that in the board room, members should be able to contribute and understand the policies governing their functions.* *ii. Policies are not properly formulated and not relevant to some of the SOEs* *iii. The issue of integrity – although intangible but very crucial. Some members have all the qualities but instead of using their capabilities to contribute to the organisation, they sabotage it by trying to advance their own agenda by corrupting the organisation. There was an incidence of someone falsifying my signature to steal money from this organisation*
2	*i. Appointment of directors. Directors should be independent and experienced & must have knowledge of the organisations they are heading.* *ii. Political appointments – Make the appointees tilt more to the politicians instead of the organisation they work for.*
3	*Multi-dimensional. Inadequate financing. SOEs are not adequately financed. They lack the capacity to generate adequate income for themselves. Competition is another problem facing the SOEs e.g. Regional and international airlines such as KLM, Ethiopian Airways, SA airways – all competing against Air Namibia in a small country such as Namibia. Lack of capacity in terms of human resources is contributing to the challenges of SOEs in the country.*
4	*Board members are generally not competent. Stakeholder nomination (Communal Farmers, etc.) are not experience and not qualified for the positions they have been nominated for. Many of the board members do not have any source of income at all. They depend on board sitting allowances as their main source of income. The number of meetings called determines what they earn during the year. Therefore, board meetings are called for flimsy reasons.* *We are asked to train the board members but sometimes it is not possible to train someone who cannot read a balance sheet.*
5	*Political appointments to SOE board without the minimum qualifications, skills or experience have been a serious problem*
6	*They are multifaceted. We are a growing nation. 26 years after independence, one cannot say that we are where we are supposed to be regarding governance in the country. It is the people that make governance work or not work. What type of calibre we bring into leadership positions counts in terms of their experience, qualifications, skills, etc. which they bring to these institutions? We have a limited pool where we draw these leaders from. Management is another issue. If you have CEO, management or directors who have little appreciation for governance, we have a problem.*
7	*Outdated policies. Most of the policies are not contemporary. We need current policies. There is also political interference which is hurting the SOE performance. Management sometimes are not allowed to make independent decisions. Their views are mostly contaminated. The board is also encroaching on operational activities of the organisation which is supposed to be left in the hands of executives/management.*
8	*i. So many and differ substantially in terms of nature and requirements. It makes sense to group them so that we can deal with them appropriately* *ii. Failure to appropriately group the SOEs in their respective groups.* *iii. CEOs operating on their own without consideration of the owners. E.g. Airport co. blatantly operated against government directives.* *iv. The commercial SOEs are the ones to be held accountable because they need to make profit. They should be accountable for monies given to them by the government. Air Namibia & TransNamib, NWR, etc. are good example of such SOEs – economic inefficiency. It is important that they generate profit. Service provision SOEs such as UNAM, NUST, etc. just need to account for what they did with the money given to them by the government.*

9	*Primarily 3 issues: i. Finance: The firm is supposed to be a commercial enterprise. Capital needed come from the owners – Namibia, Zimbabwe & South Africa. Unfortunately, Zimbabwe could not contribute its capital. We could always produce good business Plans, etc. ii. Interference from political stakeholders. Not aware of the situation right now, but at that time, the minister was not interested in having a non-Namibian as CEO. iii. Lack of skills and professional experience. Many of the CEOs and top board members were not conversant with the details of CG. These are true to all the SOEs.*
10	*i. Starting with the legislation. Aware of the recent Act but I am talking about the 2006 Act. What it failed to do was the definition of the roles of the board – Eg. The PM chairing the SOEGC and supported by ministers.* *ii. The new Act also has a problem. It is separating the Commercial ones and the non- commercial ones. The governance architecture is faulty at operational level especially accountability. There are no consequences. If you are on a board, you should be accountable to the people who put you there. There are instances where monies deducted from employees for pension funds are not paid into the account.* *iii. The ACC is supposed to be responsible but there is no one asking the relevant question.*
11	*Like SOEs globally, they are saddled with political influence. Obviously as the owner the gov. has some objectives that need to be met. And the firms have got their own objectives. This conflict of interest needs to be balanced to have things moving*
12	*Relationship between the structures of the SOEs - Definition and roles is missing. There is a need to defining the roles so that each party is clearer about its mandate. Political interference of issues that should be left in the hands of the SOEs is another serious challenge. The SOEs have been established for a purpose yet the politicians are always attempting to over-ride the mandates of the SOEs. Qualifications, skills and experience of the board and even some of the executives are not up to the standard of what is entrusted to them. Committees, especially Audit Committees do not provide the structures to look at governance issues. Risk: Enterprise risks and how to mitigate them. ICT is helping and should be encouraged.*
13&14	*Directors must make decision on behalf of the business but the problems are not the same. Political interference regarding the nature of our business is hurting*
15	*Appointment of directors, executives and management is serious challenge. Lack of funding is another challenge. Political inference, questionable policies and structures in place – these are all contributing to lack of clear guidelines to ensure SOE sustainability in the country*
16	*The challenges relate to accountability and resources sustainability of the SOEs. The architecture around accountability has been a problem. Again, the issue of the board composition which is restricted to 5 is another problem. Imagine how the 5 people will serve on the board subcommittees, e.g. AC, salary committee, recruitment committee, etc. means the same people being recycled repeatedly.*
17	*Directives from shareholders are sometimes not clear and confusing at times. Senior politicians' interference in operational activities is a concern. Board interference is another concern where sometimes they exceed their mandate by infringe on managerial functions. Priority areas such as Budget, Financing, etc. are very important but sometimes relegated to lower position making executive function very difficult.*

Some of the extracts from Table 6.1, which show the responses of the participants, including their aspirations, frustrations and in some cases, suggestions for improvement are quoted and discussed below. For instance, in responding to the question "*what are the governance challenges facing SOEs in Namibia?*

Participant “1” indicated that:

> *“The number 1 challenge is the calibre of directors – their relevance to the particular SOE in terms of skills and experience is a concern. It is important that members should be able to contribute in the board room, and understand the policies governing their functions”.*

Majority of the participants concurred with this statement when they lamented that the SOEs are struggling organisations besieged by incompetent, fraudulent and corrupt leadership. Incompetence impacts negatively on consumers and destroys the foundation of the organisation. This must change otherwise, no amount of intervention by the government can sustain the sector.

Participant 1 further stated that

> *“The issue of integrity – although intangible but very crucial. Some members have all the qualities but instead of using their abilities to contribute to the organisation, they try to advance their own agenda by sabotaging and corrupting the organisation. There was an incidence of someone falsifying my signature to steal money from this organisation.”*

This espouses the principal-agency conflict advanced by the agency theory, where the agents are reluctant to maximise the worth of their principals who are compelled to mitigate this problem by incurring extra cost (agency cost) to monitor the agents activities (Jensen & Meckling, 1976:309). Without integrity, the operation of the entire organisation will be compromised. The SOE sector in Namibia is noted to be infested with fraud, corruption, etc. (Weylandt, 2016; Coetzee, 2018:15). The boards and the executives of the SOE sector must curb such vices and the existing laws and regulations governing them must be implemented and enforced. These must be supported by severe consequences for defaulters.

To participant *5*,

> *“Political appointments to SOE boards of individuals without the required minimum qualifications, skills or experience have been a serious problem”.*

This concern is in line with the results of a study by Weylandt (2016) in Namibia and Azaban and Gwilliam (2014) in Saudi Arabia. They expressed their disenchantment regarding political interference in the operation of SOEs in that country and further noted that such interference has resulted in the appointment of family members who are unqualified to perform at positions they occupy in the Saudi parastatals. A good number of the participants supported this line of thought when they overwhelmingly stated that appointment of individuals without credible credentials has contributed to crippling the SOE sector in Namibia.

These are a few of the views expressed by the participants regarding the governance challenges facing SOEs in Namibia.

Table 6.2 shows the results of the participant responses to question 9 on internal audit contribution to SOE performance and sustainability

Table 6.2: Participants responses to question 9 – IAF contribution to SOE performance and sustainability

QUESTION 9	IAF CONTRIBUTION TO SOE PERFORMANCE & SUSTAINABILITY
1	Yes. Some of them do not have IAF at all. But it is a necessity. It could be either internal or sub-contracted. But not to have it is a misnomer.
2	IA is very important depending on the size of the firm. A firm could seek the services (subcontract IAF) of an audit firm for assistance to perform the IA function. It also dependents on the way the CEO view the IAF. It is also better to subcontract the function if the firm is not big enough to have a whole IA unit/department.
3	Internal Audit contributes to proper governance of organisations. An organisation without IAF is bound to fail because IA is supposed to be eyes and ears of the board and management. Internal auditors provide the board with assurance and serves as consultants to management. Fraud and petty corrupt practices in the system are picked up by Internal auditors before they are entrenched in the system. One therefore wonders how an organisation can operate without IAF.
4	We do not have IA function. However, bigger firms must have IAF either within the organisation or subcontracted.
5	Internal audit has many aspects – testing of internal control once established; review of accounting treatment of transaction; review of processes; review of results of operations; safeguarding of assets – disposals, maintenance and acquisitions. A centrally trained corps of internal auditors reporting to the Auditor General for performance and to the PS or Accounting Officer of SOE for operation matters would initially add to the labour force but the results will be recognised when the trained internal auditor is absorbed into the line function of the SOE – i.e.. Internal audit for 5 year and then into a supervisor position
6	In the private sector, it is one of the major requirements. This should also happen in the public sector, but it is not happening. You need to ensure checks and balances. It is indeed the approach to risk management. It is assessing the risk in the organisation. You need to use it to push the risk agenda. The executives and the board should embrace it and inculcate this issue among their members stressing on importance of IAF to the organisation.
7	IA is good and needed. Unfortunately, IA is not independent as expected. They are always influenced and their activities interfered with. The position of the manager of IA has been vacant for the last 4 years @ TransNamib. The function has therefore been subcontracted, which is not the best because we would prefer it inside as part of our system.
8	IA is absolutely needed. Internal auditors potentially help the SOEs save some of the losses they make. They can detect the losses early enough and prevent it from getting out of hands. The firms do not need to wait till external auditors come at the end of the year. There is a choice to be made and the government must make decisions no matter what the consequences may be.

9	The notion of auditing is misunderstood by many African Countries. There must be a deliberate inculcation of this profession to the African business organisations to understand it fully and what contributions they can make towards the improvement of the performance of their organisations. There should be some concrete evidence of IA contributions.
10	If you talk about CG, you talk about IA. The system unfortunately is not demanding the function. We are saddled with EAs doing auditing at the end of the year at a very high cost. IA would have checked the ICs and all the examinations in advance so that the EA could spend less time and charge lower costs.
11	It is the health of the company. It is a misnomer to depend on annual audit by external audit. Internal audit should be allowed to operate to help management and the board to be on their toes to be in control of all activities so that they do not get out of hand. Reporting channels? … He is in favour of IA reporting to the CEO and not the board.
12	Very useful in supporting the governance system. IA is a must have to support/advise the board and serve as consultants to management. With the IA, external audit spends less time with the client and thereby saving the organisation in terms of costs. Fraud and other criminal activities are discovered early enough before they get entrenched in the system.
13 &14	The government. system has appointed very junior staff as Internal auditors whose reports do not make it to the executive level. Otherwise IA is very important that an organisation shouldn't do without. Unfortunately, they are regarded as spies, police, etc. in some organisations. They are an essential part of governance system globally and SOX has emphasised it so is the Kings' Reports. The NamCode has replicated it. There is therefore no reason for not having it. It is a must have. It can be outsourced or within but it must be there. We support outsourcing to a chartered accounting firm because they are very qualified, and organisations take them seriously.
15	Very necessary. All SOEs must have it to ensure sustainability
16	IA is a very import function. Because EA depends on them for information because they go beyond the traditional financial audit. The probable reason of some of the SOEs not having IA is purely a cost issue, which is not tangible – not good enough. Without IA you struggle to get things done, which are not effective. The positive externalities that comes with IA is just so much that it is sometimes not quantifiable.
17	Very important. We do have IAF within our organisation therefore, we sub-contract due to the cost of having a whole department

The participants overwhelmingly supported IAF contributions to improve SOE performance and sustainability. For instance, participant 8 stated that:

> *"IA is absolutely needed. Internal auditors potentially help SOEs save some of the losses they make. They can detect the losses early enough and prevent it from getting out of hands. The organisations do not have to wait till external auditors come at the end of the year. There is a choice to be made and the government has to make decisions no matter what the consequences may be."*

This response seemed to have captured the views of the majority of the participants, which acknowledges the importance of IAF. Unfortunately, a good many of the SOEs do not have the function at all culminating into their inability to enjoy the value addition that the IAF bestows on organisations. As noted by Pinto et al (2013:70), IA monitors the planning activities, evaluate and report improvements regarding weaknesses in the system, Further, the definition of IA offered by the IIA, focuses on supporting the board in achieving their objectives (Karagiorgos et al,(2010:19) therefore not having the function internally or subcontracting it is a major disadvantage the SOEs should avoid.

Participants 13 and 14[17] had the following to say expressing their support and at the same time dismay on the issue:

> *"The government has appointed very junior staff as internal auditors in the various ministries and departments. Their reports do not make it to the executive level. Otherwise IA is very important that an organisation shouldn't do without. Unfortunately, they are regarded as spies, police, etc. in some organisations. They are an essential part of governance systems globally and SOX has emphasised it and so are the King Reports, which the NamCode has replicated. Therefore, there is no reason for not having it. It is a must have. It can be outsourced or have it within the organisation, but it must be there. We support outsourcing to Chartered Accounting firms because they are very qualified, and organisations take them seriously."*

Appointment of junior staff as IAs has serious ramifications for the organisation and the IAF. Chambers and Odar (2015:44) note that the reports submitted by such people can hardly make it to the top and suggest that "assurance is better if it is provided by a party that is not subordinate to those to whom the assurance is being given" (p.44). This could be the predicament of some of the SOEs in Namibia where some executives abhor the presence of IAs in their organisations confirming their misunderstanding of the IAF.

The results and discussion of all the remaining PDs will be dealt with in Chapter 7 where the conclusions and recommendations of the study will be carried out.

6.3 Concepts and themes of the study

The researcher attempted to investigate whether the second level themes can further be distilled into aggregate dimensions. After thoroughly sifting through the codes and their associations, four main categories which are relevant to the topic of discussion namely, CG challenges, IAF support to SOEs, SOE performance and sustainability, privatisation of SOEs were extracted by the researcher. The choice of these four themes were motivated by the fact that the first three are directly associated with the topic (*Impact of IA effectiveness and CG practices on the performance and sustainability of SOEs in Namibia*).

[17] Participants 13 & 14 were interviewed together from the same company. Although they were two but considered as one since they are from the same company.

The researcher decided to add one more theme to enrich the first three and the choice was privatisation of SOEs which was one of the most debatable areas among the participants. Furthermore, according to the code manager as displayed in the Atlas.ti, the groundedness and density of the theme privatisation of SOEs were equally high. That process enabled the researcher to develop Figure 6.1 displaying 1st order concepts, 2nd order themes and aggregate dimensions, or concepts/themes which is the highest level of analysis enabling the building of data structure. Gioia et al. (2013:20) describes this level as the pivotal step in the entire research approach where coding, accordingly, brings down the codes to a manageable level as indicated in themes, concepts and families' development in figure 6.1 below.

CORPORATE GOVERNANCE CHALLENGES		
1st Order concepts	2nd order themes	Aggregate dimensions (ConceptsThemes)
• **Calibre of directors** • **Disjuncture between skills needed & qualifications** • **Organisations must be codes compliant** • **Executives must understand the codes** • **Implementation of the laws and regulations** • **Improve structures in place** • **Same people serving on the several boards** • **Stronger boards that supports governance** • **Tighten the regulatory framework**	• Board & executive quality • Tighten policies to strengthen CG • Effective organisations • Improve governance & review outdated policies	Improved CG Practices
IAF SUPPORT FOR SOES		
• **CAE must be part of EXCO** • **IA is not independent** • **IA is very necessary** • **IA prevents losses** • **Safeguard assets** • **IAF is part of governance** • **Strengthen internal controls**	• IA contributes to governance • IA reviews operations • IA ensures effective IC processes	IA effectiveness
PRIVATISATION of SOEs		

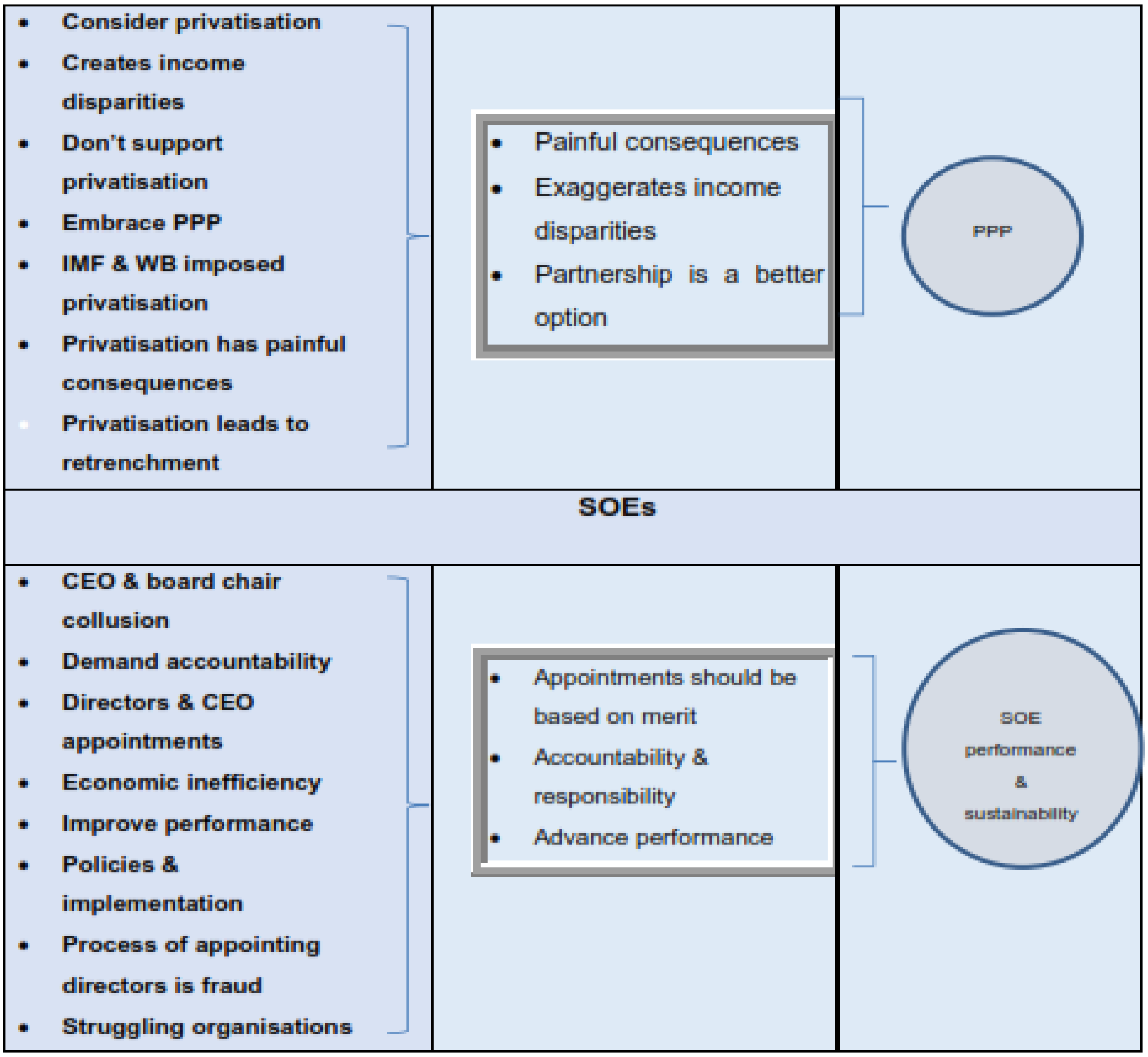

Figure 6.1: Concepts and theme building (Source: Gioia et al. (2013:21)

In figure 6.1, the first column details the code categories or first level concepts as described by Gioia et al. (2013:21). Column two shows a further reduction in the codes, which they called second order themes and column three consists of concept/themes, also called aggregate dimensions by Gioia, et al. For instance, the categories under CG challenges, which comprises nine codes, were further reduced to four themes and finally, *"improved CG practices"* emerged as the name for the concept/theme guided inductively by the data.

Following a similar procedure, *"IA Effectiveness"* emerged as the theme from the IAF support for SOEs*.* By the same process, the other two themes namely "*PPP*" and "*SOE performance and sustainability"* from privatisation of SOEs and SOEs respectively. Thus, finally, the four themes emerged as the outcome of the code manipulations were *"Improved governance challenges, IA effectiveness, PPP (Public Private Partnership) and SOE performance and sustainability"* as indicated in Figure 6.1. These themes are also termed as “code families” in Atlas.ti. At this stage, no further reduction and additions to the codes were necessary since the theoretical maturation had been attained.

This data structure allowed the researcher to configure the data into a sensible visual aid, which provides a graphical demonstration of how the analyses have advanced from raw data to codes and eventually themes in steering the analysis. Gioia et al. (2013:22) note that it is not enough for model builders to account mainly for concepts, themes, and dimensions, but of equal importance is to account for their dynamic interrelationships. Borrowing from the grounded theory model, this study advocates for showing a dynamic relationship among the concepts that explain the phenomenon of interest and make clear all relevant data-to-theory connections leading to what is described as “families” in Atlas.ti.

It is indeed quite clear that various themes have emerged from the analysis of this study using Atlas.ti – (Figure 6.1). The four major themes are:

- Improved Corporate Governance Practices
- Internal Audit Effectiveness
- SOE Performance and Sustainability
- Public Private Partnership (PPP)

It is amply clear that the first three of these themes correspond closely with the topic of the study and this is further confirmed by the natural flow from the empirical analysis conducted. The fourth one, PPP emerged from the strong views expressed by the participants who argued for and against privatisation of SOEs. The government of Namibia has made it quite clear that privatisation is not the right way to go in their current stage of economic development. Supporters of this view are of the opinion that privatisation will exacerbate the problem in a country where the gap between the rich and the poor ranks amongst the highest in the world (Solt, 2009:231; Kuugongelwa-Amadhila, 2015). However, those in favour of privatisation convincingly argue that the dismal performance of SOEs in the country is because of the lack of will on the part of the government and its reluctance towards denationalisation; that the SOEs must partner with the private sector to improve their performance and for purposes of sustainability. This finding was so convincing that the researcher decided to include PPP as part of the themes to augment the first three.

The themes displayed in Figure 6.1 are very important because, they are few, precise and at a high level of analytics leading to the development of theories and tilted towards answering the research questions discussed in chapter 7. Thus, with the help of Atlas.ti, the numerous and complex codes have actually been reduced and brought closer to the way the research process is heading which according to (Friese, 2013:302) has “added a heuristic right brain approach to qualitative analysis”.

The following sections constitute the explanation of the themes explicated above and contributed to the theory building.

6.4 Explaining the themes (Findings) of the study

The themes that constitute the outcomes of the qualitative study are Improved CG Practices, IA Effectiveness, SOE Performance and Sustainability; and PPP. The ensuing subsections explains each of them.

6.4.1 Theme 1: Improved Corporate Governance Practices

This subsection explains the first of the four emergent themes, namely improved corporate governance practices (Theme 1). The various codes relevant to the theme are generated in Atlas.ti and are displayed along with their associated quotations (See Chapter 4: Figure 6.3). These quotations were arrived at after sifting through them, removing repetitions and merging similarities. Again, based on their groundedness, all the quotations with values below two were considered insignificant and excluded. The quotations display characteristics that include a textual reference consisting of “id,” name, start and end positions (Friese, 2013:170). The id shows the number of a particular PD to which it is associated and the second number after the colon (:) indicates when the quotation was created. For example, in Table 6.3 below, one of the quotations associated with the code “Implementations of laws and regulations” is “7:33 Industrial regulations (57:57)”. The 7:33 is the id. The 7 means the quotation is from P7 and the 33 after the colon (:) indicates that it is the 33rd quotation to be created. “Industrial regulations” is the name of the quotation, which only displays the first 30 characters. The researcher, therefore, renamed some of them to make them meaningful. The last figures in the quotation (57:57) mark the start and end positions. In this particular instance, the figures indicate that the quotation started and ended in paragraph 57 in which the code segment occurs.

Theme 1 consists of 7 codes generated from Atlas.ti and associated with 36 quotations. Table 6.3 is an indicative of participants’ views on this issue. Almost all the 17 participants acknowledged the contributions that good CG makes as it provides information and suggestions to the board and management to achieving the organisational objectives

(Yasin et al., 2014:15; OECD, 2004: 11) towards corporate performance and sustainability. Nevertheless, participants vehemently attributed the lack of performance of SOEs in Namibia to poor CG practices. They attributed this lack of performance to, among others, the calibre of directors who are entrusted with the control of the SOEs. According to them, these directors have neither the requisite knowledge nor skills and qualifications to contribute to discussions in the board rooms and also understand the policies governing their functions as directors. Furthermore, executives in charge of the day to day management of the organisations who are expected to understand the codes, unfortunately, are not conversant with the details of the CG codes and therefore, have no appreciation for the governance practices. Some of them exploit the ignorance of the board members in an attempt to cement their own positions.

Participant 7 was particularly concerned about the existing policies and regulations and called them *'outmoded and not contemporary'*. He cited as an example, the existing SOE Regulatory Framework developed in 2001, which is meant to guide the operations of the SOEs in the country. This framework has not been reviewed to date. According to him, it is indeed worrisome when businesses that are supposed to operate in a dynamic environment is regulated by a framework that is obsolete. This view is supported by Kovacic (2017:704) who stated that outmoded policies and practices, inherited from the time of comprehensive central planning in China are inconsistent with growth and development and impinge on market allocation of resources, innovation, efficiency and competitiveness, and has compelled the government to intervene and prevent market failure of that economy.

Next, almost all the participants expressed their concerns regarding individual board members serving on many other boards. They pointed out that there is a small group of people serving on several boards, which according to them is humanly impossible. Such practices impede their effectiveness as they do not have enough time for board activities. Participants believed board membership requires full attention of members and suggested that serving on a maximum of two boards is sufficient.

Having expressed their dismay regarding the governance challenges facing SOEs, the participants suggested the following measures as a way of ameliorating the challenges, which also served as codes in Table 6.3 below:

Table 6.3:Codes and their Associated quotations

Theme 1: Improved CG Practices	
Codes	**Associated quotations from participants**
Implementation of laws & regulations	3:85 Implementations of those laws and regulations (78:78) 7:33 Industrial regulations (57:57)
Improve structures in place	1:102 Improve structures (82:82) 7:30 Improve the economy. (44:44) 11:71 Executive recruitment (57:57)
Tighten regulatory framework	3:40 There must be checks and balances. (46:46) 11:14 Legal framework (7:7) 11:32 Framework is outmoded (12:12) 11:59 Framework is too old (48:48)
Stronger boards that support governance	2:24 It is also possible to attract expert foreign nationals to the board (31:31) 2:37 It is better to have smaller boards (46:46) 5:26 Some CEOs enjoy the ignorance of the board. (26:26) 11:2 The quality of the board and management. (7:7) 11:72 Stronger boards and dynamic leadership. (62:62)
Serving on many boards	<2:2 Unfortunately there are a small group of people serving on several boards. (7:7) <2:4 Same 30 people serving on all the boards. (7:7) <2:13 Serving on many boards makes one incompetent. (26:26) 2:60 Serving on many boards blocks efficiency. (66:66) 2:61 It is humanly impossible to serve on several boards. (71:71) 2:63 Impossible to devote enough time for the board activities. (71:71)
Executives must understand the codes	1:5 Understand the policies (12:12) 1:39 CEOs have no appreciation for governance. (40:40) 1:69 Many of the CEOs and board. (57:57) 1:114 Directives from shareholders are ignored. (90:90) 5:5 The board & executives must ensure that members understand and comply with codes. (7:7) 5:82 Understand the codes and apply them (60:60) 11:65 Understand the responsibilities of the offices they occupy (53:53)
Organisations must be code compliant	3:22 Enforcement of the existing laws. (30:30) 5:6 We cannot ignore the good intentions. (7:7)

		5:10 Must have reading culture to read the CODES. (17:17) 5:62 Ensure compliance (45:45) 5:101 Abide by the codes. (74:74) 5:106 Institutionalise the codes. (74:74) 12:31 Enforcement machinery (45:45) 12:34 Enforceability is lacking (50:50)

❖ **Implementation of laws and regulations**

The participants overwhelmingly acknowledged the existence of enough laws and regulations but admitted that lack of implementation by those charged with the oversight responsibilities as the major problem facing the SOE sector. This requires the government to indoctrinate SOEs about the need to appreciate the policies established to regulate their operations to ensure competitiveness and sustainability (Shikonlnikon & Wilson, 2009:54).

❖ **Improve the existing structures**

SOEs must improve their structures especially in executive recruitment and curb political interference in the process. Political appointments instigate appointees to tilt more towards the politicians instead of the organisations that they work for. This line of thought is expressed by participant 15 when he noted that *"political inference, questionable policies and structures in place contribute to lack of clear guidelines to ensure SOE sustainability in the country and must be curbed".*

❖ **Stronger boards that support governance**

What is required in today's business arena is stronger boards and dynamic leadership. The quality of the board and management are a necessary condition for businesses to thrive in the competitive environment. Participants believed board membership should be restricted to individuals with the necessary qualifications, skills and experience and suggested that where possible, foreign nationals with the requisite expertise could be considered and recruited for board membership.

❖ **Review and tighten the regulatory framework**

The participants unanimously suggested the reviewing and tightening of the regulatory framework to reflect the dynamic necessities of the business world. They believed SOEs should not be governed by outmoded framework. Further, they insisted on the issue of integrity and, checks and balances, ensuring that the control mechanisms, especially the internal control systems in place are adhered to. This view is shared by Yakasai (2001:251), when he noted that by reviewing and tightening the existing regulatory framework which directs the affairs of the SOEs, their sustainability will be improved.

- **Better understanding of the codes by the executives**

Executives in leadership positions who oversee the running of the SOEs must understand and appreciate the codes which are supposed to guide their operations. Although, these codes (NamCode and King Reports) are of good standard and have been successfully used by the private sector organisations, board members and executives in the public sector are found wanting when dealing with governance issues. According to participant 6, *"if we have CEOs and directors who have little appreciation for governance, we have a problem".* There are instances where directors and executives have continuously ignored directives from shareholders and supervisory authorities. Participant 2 bluntly stated *"Namibians are not serious about governance"*. The participants consistently maintained that the executives and the board members not only need to understand the codes but must also ensure that their subordinates understand and comply with them.

- **Organisations must be code compliant**

Abiding by the codes is not negotiable for the survival of the very existence of organisations. There are a number of good governance codes at the disposal of Namibia SOEs. These include the King Reports on Corporate Governance I, II, III & IV of 1994, 2002, 2009 and 2016 respectively, the NamCode 2014 (Namibia's own code of governance), OECD governance standards and the Commonwealth Corporate Governance Code (CCGC). These governance standards are available for free for the SOEs and there is no excuse for noncompliance. Majority of the participants being aware of this problem noted one "cannot ignore the good intentions of these codes." They noted that enforceability was lacking and suggested the need for an enforcement machinery to execute existing laws and regulations; institutionalise the codes and abide by them to ensure compliance. They further suggested that board members and executives must have a reading culture to read the codes, understand them and effect their implementation. Participants 13 and 14, however, noted that due to the very nature of their organisations, the financial SOEs such as the Development Bank of Namibia, Agriculture Development Bank and Namibia Development Corporation (NDC), are compelled to abide by the codes and all the necessary regulations to attract funding (loans) from international organisations such as the African development Bank on whom they depend to fund their operations.

6.4.2 Theme 2: Internal Audit effectiveness

In this subsection, IA effectiveness is elucidated. The participants unanimously portrayed IA as essential for SOEs to thrive in the country. In agreement with Sawyer, quoted in Hermanson and Rittenberg (2003:32) who depicted IA as the eyes and ears of the board and management, participant 3 succinctly describes IA in the following words:

> *“Internal Audit contributes to proper governance of organisations. It plays an advisory role to the board and serves as consultants to management. Fraud and petty corrupt practices in the system are picked up by Internal auditors before they get entrenched in the system. An organisation without IAF is bound to fail because one wonders how an organisation can operate without IAF.”*

This is a powerful statement augmenting the value of internal auditing in organisations, which, Cohen et al. (2004:90) described as an essential ingredient in the CG mosaic. The participants felt that IAF is a necessity and could either be internally established within the organisation or sub-contracted depending on the affordability and size of the organisation. To participant 4, *“not having IAF is inappropriate”* and lamented that *“some of the SOEs do not have it and continue losing out in terms of the positive contributions that internal auditing brings to organisation”.* Table 6.4 below throws more light on the theme, its codes and associated quotations.

Table 6.4: Internal audit effectiveness codes and their associated quotations

Theme 2: Internal Audit effectiveness	
Codes	**Quotations**
IA is very necessary	1:107 Accountability and resources sustainability. (86:86) 3:7 Internal auditors have responsibilities. (16:16) 3:66 There should be internal procedures. (60:60) 8:12 Subcontract the function (12:12) 8:15 Bigger firms must have IAF (16:16) 8:21 Review of processes (21:21) 8:22 Review accounting processes. (21:21) 8:23 Review results of operations. (21:21) 8:66 Revamp existing ICs (47:47) 8:95 Very necessary - all SOEs must have IAF. (68:68) 8:99 EA depends on them (72:72)
IAF is part of governance	3:7 Auditor has a responsibility 5:7 Namibia is not serious about governance (12:12) 8:17 Subcontracted (16:16) 8:50 Yes. Some of them do not have it. (39:39) 8:111 IA plays advisory role to the board. (7:7)

IAF is misunderstood	8:10 CEO view of IAF (12:12) 8:51 The notion of internal auditing is misunderstood (43:43) 8:84 The govt system appoints junior officers as internal auditors (63:63) 8:112 IA is not independent (30:30)

Participant 16 raised the issue of accountability and resource sustainability among the SOEs as a serious challenge. To him, the structures surrounding accountability has been a problem. The procedures in the form of internal controls, which are supposed to provide internal stability and effectiveness are jeopardised and internal auditors have serious responsibilities to help improve the situation. He further noted that

"*In SOEs where IA is regarded as an essential part of the organisation, they are able to ameliorate the processes by reviewing the accounting systems, evaluating the result of operations, revamping existing ICs and serving in an advisory position to the board and as consultants to management"*.

Unfortunately, however, many of the participants are of the opinion that IAF is misunderstood by some of the SOEs and that the CEOs' view of the function determines how they are accepted in the respective organisations. For example, Participants 1, 6 and 10 noted that some of the SOEs do not have the IAF in place; and those who have it, acrimoniously and despicably confer on them abusive names such as spies, police officers, fault finders, etc. In the worst-case scenario, the government which is in charge of ministries and departments appoint very junior officers as internal auditors. These people could hardly ascend the organisational ladder and so are their reports. This has serious ramifications on the important roles that the IAF plays to sustain the organisations and as noted by Chambers and Odar (2015:44) "assurance is better if it is provided by a party that is not subordinate to those to whom the assurance is being given".

In the light of the important role played by the IAF and also the negative notions advanced by some SOEs, the participants suggested the following as measures to solidify IA effectiveness to improve SOE performance and sustainability in the country:

❖ IA is very necessary

The CareersinAudit.com (2017:1) confirms this statement when they noted that:

> "the internal audit function remains pertinent in today's market. The role of internal audit in facilitating proper compliance with relevant laws and regulations, is what gives a company's board, key business stakeholders and the senior management the peace of mind to operate their business efficiently and effectively."

This statement rightly spells out the important roles that IA plays in sustaining business organisations. Participants suggest that IA is "a must have" and wonder how organisations could survive without IAF. According to them, IA plays multiple roles besides those noted above. It has been upheld by literature that IA plays vital activities in organisations by preventing waste and fraud, improve operational efficiencies (Mihret et al., 2010:51), monitor planned activities, evaluate and report improvements in weaknesses, provide information to improve risk management and IC procedures (Pinto et al 2013:70-71).
They test ICs regularly to establish their effectiveness, review accounting treatment of transactions, appraisal results of operations, safeguard assets and advise executives timeously to mitigate possible risks. Participant 6 ceiled the debate, when he noted that "*it is imperative for all SOEs to have IAF; and that depending on the size of the organisation, bigger ones must have the function within and the smaller ones, who cannot afford having a whole IA unit, must subcontract it.*

❖ IAF is part of corporate governance

As noted above, IA is likened to the eyes and ears of the board. Just as these two organs are vital to the human body, so is IAF to the corporate body, without which the whole organisation is bound to malfunction. The board members depend on the IA for advice regarding the intricacies of the organisational set up. To participants 13 and 14, IA is an essential part of governance system globally as emphasised by several codes of governance such as SOX of the USA, King Reports of South Africa, the UK Governance Code and locally, the NamCode of Namibia. Participant 15 regarded IAF as a necessity and suggested that all SOEs must have it to ensure sustainability.

It is quite captivating to note the views expressed by the participants on IA effectiveness. They accorded it a status of a necessary and essential part of the organisational body. The researcher supports this view and stresses that where an organisation cannot afford having it internally, the function could be subcontracted and that there is no good reason for not having it. It is therefore, necessary for the board and executives to recognise the pivotal role that IAF occupies in the corporate structure as significant role players such as the board, management, external auditors and other stakeholders cannot function adequately without IAF.

6.4.3 Theme 3: SOE Performance and Sustainability

State-owned enterprises are very crucial to the Namibian economy. The Namibian government regards them as an essential part of its economic development agenda as it contributes to employment creation, poverty alleviation and attempts to bridge the income disparity gap. In spite of its good intentions, SOEs in the country still face serious challenges, which the participants have explicated in their responses to the interview questions and the outcomes have resulted in the theme "SOE performance and sustainability".

Table 6.5 shows the codes and the associated codes forming the theme of this discussions. The Table consists of 5 related codes and 31 associated quotations. In line with Nellis (1986:39), Motinga, (2004:3), Obadan (2008:1) and Chang (2007:18) despite the theoretical justifications supported by some empirical evidence justifying SOE participation in economic development, they are still not performing as expected in Namibia. The participants indicated that majority of the SOEs are struggling organisations besieged by incompetence leading to threat of survival in Namibia.

Table 6.5: Codes in Atlas.ti with associated quotations from participants

Theme 3: SOE Performance and sustainability	
CODES	**QUOTATIONS**
Struggling organisations	2:44 A person who failed as PS is appointed to head NIPAM (47:47) 5:98 In my organisation, we adopted IAF. (74:74) 8:3 Internal Audit contributes to organisational effectiveness. (7:7) 8:86 The govt. system has appointed junior staff as Internal auditors. (63:63) 8:94 Organisations take accounting firms seriously. (63:63) 9:80 Who is going to buy struggling organisations (48:50) 9:104 Organisations not breaking even must be sold (60:60) 9:112 Opt for PPP to turn around the struggling organisations (60:60) 11:49 Effective leadership to direct the affairs of the organisation (25:25)
Process of appointing Directors & CEO must improve	1:41 Directors with little appreciation for governance (40:40) 2:16 The approach of appointing directors is wrong (26:26) 2:33 Purpose of their appointment will be diluted. (41:41) 4:13 Political appointment to board & executive positions is wrong (8:8) 4:66 Accommodate comrades & family members (57:57) 4:67 Accommodate incompetency (57:57) 4:83 CEOs appointment (67:67)
Improve performance	1:28 Rely on number of attendance of meetings to get their allowances (29:29) 2:9 A maximum of 2 is enough (12:89) 4:25 Questions about the performance. (26:26) 5:55 The regulators must be committed. (45:45) 7:2 Why is the government not demanding accountability. (11:12)9:109 Improve their performance. (60:60) 9:152 Resources are being wasted on nonperforming entities (73:73)
Policies & implementation	1:6 Policies are not properly formulated. (13:13) 1:42 Outdated policies. Most of them are not current. (44:44) 1:43 Policies are not contemporary (44:44) 1:44 Current policies are not up to date (44:44) 1:101 Questionable policies (82:82)

	3:5 The policies are there. The problem is the implementation. (12:12)
Insistence on Accountability	3.52 It is all due to lack of accountability (52:52) 3:63 Demand accountability. (56:56) 6.2 Lack of accountability (7:7) 7:4 Inefficiencies must be curbed (12:12)

Participant 4 expressed his dismay about a particular instance where a person who failed as permanent secretary in a ministry was appointed to head a prestigious national institution in the country and called that move a "mockery of the highest order". Appointment of directors with little appreciation for governance is a concern. Participant 1 attributed such appointments as political interference as family members and comrades get appointed to positions and regarded that as wrong. It brings remonstrance to the board and executives structures and dilutes the purpose of such appointments.

Again, the participants added that the SOEs are saddled with poor reporting, lack of accountability, transparency and disclosures, which are contributing to their lack of performance and sustainability. They further stated that the appointment of board members without credible qualifications, skills and experience have also contributed to SOE failure in the country.

Another interesting line of argument in defence of political interference was raised by participants 6 and 7, when they suggested that the SOEs are 100 percent owned by the government. They saw nothing wrong with the government asking relevant questions and demanding reports on how monies advanced to the SOEs are spent and how projects are being implemented. To them, the government is merely intervening when there are problems and not interfering as misinterpreted by many. The researcher noted that, although, this is an interesting line of thought, the problem goes beyond that. The researcher noted that, although, this is an interesting line of thought, the problem goes beyond that. Civil servants in the government are not business experts capable of running the SOEs expected to generate profit, therefore, their interference with the work of CEOs who are trained and have the necessary business acumen is likened to a square peg in a round hole. What is needed therefore is a greater degree of understanding between the government (owner) and the SOEs in the interest of sustainability.

The theme being discussed is the question of SOE performance and sustainability. To address this issue participants contributed a number of suggestions which included a) improvement of the process of appointing directors and CEO, b) improvement of the performance of SOEs, c) improvement of the policies and their implementation, and, d) insistence on accountability.

❖ Improve the process of appointing directors and CEO

There is a need for effective leadership to direct the affairs of the SOEs. Participant 6 stated that the calibre of leadership we bring to these organisations counts in terms of qualifications, skills and experience. Participant 2 supported this view when he added that appointments to the board and executive positions should be based on merit and not on political or family affiliations. According to them, vacant positions should be advertised to attract people with the requisite credentials to apply. Furthermore, they expressed the view that effective leadership will enable the organisation to have the right agenda and direct the affairs of the organisation appropriately. The appointees must also be properly inducted when they are appointed.

❖ Improve the performance of SOEs

The performance of the SOEs in Namibia is very contentious as described in the preceding sections. The question that comes to mind is why is the government not demanding accountability? Participant 2 felt that the responsible minister being a politician, was scared of elections and would not want to antagonize the people in spite of their inefficiencies. Again, the government machinery has no capacity to monitor the SOEs as confirmed by the SOEGCS, who stated that “we do not have the capacity to monitor the operations of the SOEs”. It is hoped that with the establishment of the new MPE, the situation will improve. Fortunately, the ministry is at work attempting to tackle the problems from all angles including the review of the existing 2001 Namibia Governance Policy Framework for SOEs; and the advertisement of board members and executive positions to curb the problem of appointments based on political affiliations, families and friends’ relationships. The regulators in charge of SOEs must be knowledgeable and have the necessary skills and experience to ensure compliance. Participant 9 added that rewards must be tied to performance management whereby good performers are rewarded and dismal performers are punished. Participant 12 indicated that SOEs which are not breaking-even, such as, Air Namibia and others being bailed out each year by the government, must be sold or the government must bring in the private sector to participate in their management. Thus, to this participant, resources are being wasted on nonperforming entities and he therefore, suggested that such organisations must opt for PPP to turn the struggling organisations around. According to him, the SOEs who embraced the PPP option, such as MTC, NamPort and the NWR, have experienced positive outcomes.

❖ Policies and their implementation

Participants unanimously agreed with the fact that there are policies, regulations and laws in place but the political will to implement them has always been a serious challenge. This statement tallies well with Yakasai (2001:251) who suggested that the biggest problem facing SOEs in Africa is not the lack of regulatory instruments but rather the failure to implement them. Participants were concerned with the manipulation of the system especially where the CEO and the chairperson of the board are in collusion, the enforcement of the existing laws becomes a problem. Specifically, participant 12, opined that the Anti-Corruption Commission (ACC), Ombudsman, the Companies Act and all the necessary control mechanisms to ensure checks and balances are in place, but laxity in terms of accountability, lack of oversight and implementation has been a serious challenge and these organisations need to be revamped to curb malpractices entrenched in the system. To achieve this daunting task, participant 1 suggested that:

> *"there must be integrity, checks and balances, and the governance framework must be tight. Issues of procurement, finance, IA and risk management and controls are paramount in the search for antidotes to address the issues at hand."*

❖ Insistence on accountability

Lack of accountability on the part of the board and executives has been a sombre concern affecting SOE performance and sustainability. Participant 10 joins the others in highlighting the fact that in spite of the availability of legislations, the lack of accountability remains problematic. SOEs are not performing, but there are no consequences. The SOE Act 2006, demands that annual reports must be submitted within six months after the financial year ends, but this is not done by many, to the extent that some are outstanding for more than 4 years. According to participant 1 when he demanded the annual report from one of the companies where he is the chairman of the board, he was given a report which was 4 years old and was told it was the latest. To him, these SOEs use public money and since neither the ACC nor the government are capable of doing anything about the situation, the civil society should probably take up the matter with the high courts to demand accountability. He also lamented that the structure around accountability is porous and those responsible for ensuring its effectiveness must be ready to stand up to the existing lapses to improve the situation. Those who are not prepared to positively contribute to the welfare and economic development of the nation must be shown the door.

6.4.4 Theme 4: Public and Private Partnership

Advocates of privatisation of SOEs have advanced several convincing arguments in support of their stand. To them, there is still an element of nervousness about SOEs and have branded them non-competitive and unworthy competitors in the global market and should be privatised (Musacchio and Blanding, 2013:2). In support of this notion, participant 7 stated that privatisation is good because it breeds competition; and to participant 9, privatisation is a tricky one and must be looked at with scepticism and further indicated that privatisation is an inflammatory strategy that should not be rushed into. To him, some of the SOEs should be privatised. But there are others that should remain under the control of the government as part of its developmental agenda. He believes that private firms should not be allowed to buy such organisations; and end up retrenching employees, and increase prices to the detriment of the people.

Menshikov (1994:298) argues that reckless implementation of privatisation has ended up being destructive in many developing economies. According to him, total privatisation is impossible to achieve, and it is wise for countries to keep to partial state ownership where the state and the private sector participation in the economic development. Majority of the participants support the view expressed by Menshikov. According to participant 2, privatisation is not always the best option in a developing country such as Namibia. Participant 3 explains further:

> "Africa and the developing world experienced imposition of privatisation from IMF and the WB, which did not auger well for those countries who adopted it. Privatisation will compound the problem, considering the income disparities in our country. Instead of privatisation, I propose a PPP, commercialisation, contracting out and obviously, in a very extreme case, privatisation or outright sale of such organisations could be considered".

The problem of imposition of privatisation by the WB and the IMF as part of their structural adjustment strategy for developing countries especially in Africa and its impact on the economies of these countries, reminded them of a painful past. It led to the acquisition of national assets by private sector organisations who under the pretext of making them productive embarked upon retrenchment, creation of unemployment and increase in prices - compounding the income disparity gap and making families destitute. Some participants abhor the concept of privatisation which they describe as unacceptable. Whereas others are of the view that privatisation without taking into consideration the environmental landscape of the particular countries left some of them including Nigeria, Ghana and Kenya who experienced the WB and IMF impositions disadvantaged. Newly independent countries like Namibia should not repeat the same mistakes.

Participant 1 posed a question: *“Is privatisation the answer to the SOE challenges in Namibia?”*

Many of the participants were of the view that privatisation is not done for the sake of it. It is influenced by socio-economic and environmental factors and there must be a good reason for adoption. They further suggested that there are some SOEs which are ready and must be privatised. They suggested that the struggling organisations such as Air Namibia, TransNamib, and other similar SOEs could be easily privatised. The participants further felt that it is essential to make the SOEs efficient to adequately serve the purpose for which they were established and not to privatise them because some foreign powers (IMF & WB) demand so and suffer the same consequences as the predecessor countries who adopted such policies. They further noted that considering Namibia’s historical past and the current state of the economy, it would be wiser to engage in partnership with the private sector to ensure effective management. Participant 3 said, “I propose PPP, commercialisation, contracting out and, obviously in extreme cases, considering privatisation or liquidation”. Participants 13 and 14 supported this view and also, added divestitures in the case of non-performing SOEs as a better alternative to privatisation.

By the reasons advanced thus far, the researcher is of the opinion that, although privatisation has brought painful memories to some countries, it will also be naïve on the part of policymakers to totally ignore it. It is indeed true that privatisation has also resulted in positive outcomes. The researcher further stressed that privatisation per se is not evil but has failed because of how it was implemented in many developing countries especially in Africa, where companies were sold to party affiliates, family members and retired army generals as compensations in countries where military coups were experienced. Thus, sales of those organisations were, in most cases, not based on selling to people with business and administration acumen capable of running businesses. It is hoped that the newly independent countries will take a cue from this and avoid the mistakes of the other countries. The researcher further supports the view that PPP is the right way to go because history has proven that the economies of countries where the government combine efforts with the private sector always perform better. The OECD countries have progressively developed a partnership with the private sector with the objective of identifying good practice and lessons in private sector engagement, which will help improve their performance through leveraging private capital, tapping into their expertise, innovation and core business to benefit sustainable development (OECD, 2016:1). Furthermore, the research supports the view of Menshikov (1994:299) who noted that preservation of SOEs is a necessary means of narrowing the inequitable income gap at the source where returns are created. The process involves real revolution embracing modernisation of fixed assets, a revolution in institutional as well as human capital transformation.

Table 6.6: Codes in Atlas.ti with associated quotations from participants

Theme 4: PPP	
Codes	**Associated quotations**
Creates income disparities	9:10 income disparities (7:7) 9:131 Imposed on many countries by IMF & WB. (64:64)
IMF & WB imposed privatisation	9:5 Experienced imposition (7:7) 9:39 History of privatisation (27:27) 9:115 Imposed on many countries by IMF & WB. (64:64)
Consider partnership	9:16 consider privatisation (7:7) 9:40 History of privatisation reminds us of a painful past (27:27) 9:42 ready for privatisation (27:27)
Embrace PPP	9:13 propose a PPP (7:7) 9:15 contracting out (7:7) 9:20 partnership (12:12) 9:50 I will suggest a PPP instead of full privatisation. (35:35) 9:59 opt for PPP (39:39) 9:126 embrace PPP (64:64) 9:130 instead of fully privatisation. (64:64) 9:140 consider, ppp, (69:69) 9:147 I support partnership (73:73)
Privatisation has painful consequences	9:2 Privatisation is complex and must be considered carefully. (7:7) 9:11 Privatisation will compound the problem. (7:7) 9:18 It is not always the best option. (12:12) 9:23 I think the Inst of Pathology shd be privatised. (12:12) 9:24 Air Namibia could be privatised. (17:17) 9:34 It is not done for the sake of it. (27:27) 9:43 Privatisation leads to competition. (31:31) 9:46 It has been used as part of structural adjustment. (35:35) 9:58 Is privatisation the answer? (39:39) 9:71 Privatisation must be looked at with a pinch of salt. (44:44) 9:72 Privatisation must be a balanced. (44:44) 9:116 Privatisation has been painful (64:64) 9:118 Leads to retrenchment, (64:64) 9:129 Fully privatisation is unacceptable (64:64) 9:135 Privatising state industries (64:64) 9:137 Privatisation is a no-go area. (69:69) 9:144 We cannot also say that privation is inconceivable. (73:73)

6.5 Open-ended questions from the quantitative analysis

Four open-ended questions about IAF were included in the questionnaire with the aim of allowing the participants to express their views freely, get adequate responses from them and also explore their thinking regarding the topic at hand. The open-ended questions are as indicated in Table 6.7 below.

Table 6.7: Open-ended questions in the questionnaire

Question No.	*Open-ended questions*
1	*How does IA add value to your organisation and improve its efficiency?*
2	*To what extent would you prefer to have IA unit within the organisation or subcontracted to an outside agent?*
3	*What would you miss most if there was no IAF?*
4	*In what way would you want to see IA improve its functions?*

These questions are analysed below:

Question 1. How does IA add value to your organisation and improve its efficiency?

The participants were asked to express their views on how IA add value to their organisations and improve their efficiency. A total of 120 (out of 131 as indicated in section 5.5 in chapter 5) participants responded to this question. They included internal auditors, AC members, auditees (functional managers) and very few EAs. The diversity of the participants contributed to varied responses. As the internal auditors, the AC members and to some extent the EAs viewed IA as immensely adding value to organisations, some of the auditees displayed a total ignorance as expressed in their responses such as “not sure, don’t know, I don’t think there is IAF, I can’t think of any, I think the organisation can do without IA unit. They interfere with smooth flow of activities,” etc. However, the participants with the technical expertise advanced several knowledgeable responses, prominent amongst them are as indicated in Box 3 below:

Box 3: Participants responses to question 1

- IA is about improving the value and quality of information generated by the financial systems serving as managerial input which affect decision making
- IA helps to improve efficiency and effectiveness through their function as watchdogs, and thereby keep management on their toes
- Covers every segment of the organisation and follows up with management regarding the outcome of their recommendations
- They attempt to understand the client's business operations, identify unit objectives, possible risks and assess the effectiveness of controls and offer recommendations for improvement.
- IA checks the existing ICs, accounting systems, evaluating contracts and discussions Regarding impending risks with management and offer advise where possible.
- Through consultancy, advisory role, support for management activities and, review of contracts entered by the organisation and ensure that auditees remain in line with the legal framework.
- IA identifies the weaknesses & strengths in the organisational operations and ensure that they are in line with the strategic goals and remain more effective and efficient.
- IA systemically ensures that risk management process is adequate to achieve corporate objectives
- They provide an independent, systematic, appraisal activity to examine and evaluate the Adequacy of all elements of the management control framework.
- Evaluate the work of the organisation. Review policies and procedures and advice management and directors about their work.

Furthermore, some participants made specific and meaningful statements worth mentioning such as:

- "They assist our unit by bringing to bear their skills and experience" *(a General Manager*).
- "We can guide management and the board with our experience and skills, in their operations and decision making" (*an Internal Auditor*)
- "They evaluate the adequacy of internal controls, close up the loopholes in the system and prevent fraud and corruption, safeguard the assets and ensure compliance with the existing laws, rules and regulations; and ensure adherence to policies and procedures" (*Audit Committee member*).
- "They keep us on our toes and ensure that activities and operations are in tune with planned work, provide us with technical advice and support management through their consultancy and advisory roles to the board" (*a General Manager)*

The participants have comprehensively answered the question about "adding value by the IAF" as elaborated in the preceding statements. By evaluating and making appropriate recommendations to management and the board, IA fulfils the important role of adding value to the organisational performance and sustainability.

Question 2: To what extent would you prefer to have IA unit within the organisation or subcontracted to an outside organisation?

Outsourcing of the IAF is a common phenomenon among the Namibian EPSOEs. This was confirmed with a follow up a telephonic conversation with some of the CEOs, seeking for how many have the IAF and how many subcontracts the function. The answers indicate that besides a few that have no IAF, the majority have it. In the case of the financial SOEs, all the 4 - Development Bank of Namibia (DBN), Government Institutions Pension Fund (GIPF), Namibia Development Corporation (NDC) and Agricultural Bank of Namibia (AGRIBANK) have the function within their organisations as required by their external funding agencies, such as the AfDB. Depending on the size of the organisation, the bigger ones such as GIPF, NamPower, NamWater, TransNamib, Namport, Telecom Namibia, etc., have the function but the smaller ones such as Windhoek Machine Fabric, Zambezi Waterfront Ltd, etc. do not have it at all. Majority of the SOEs who have the IAF, subcontract them. A CEO who expanded on this issue, attributed the problem to lack of qualified human capital in internal auditing, making it very difficult to employ and retain them. The IAF is, therefore, subcontracted in most cases to independent audit firms and Table 6.10 below is the summarised views expressed by the participants in support of and against sub-contracting.

Table 6.8: Different views for subcontracting IAF or having it within the organisation

SUBCONTRACT	WITHIN ORGANISATION
Too expensive to maintain a whole IA department - cheaper to subcontract	As part of the system, Internal auditors will be able to provide better services
Better because the activity is normally performed by professionals	Able to maintain good relationship with the organisation
Ensure efficiency & good service delivery	Cost reduction – cheaper to have it within
Normally subcontracted to Chartered Accounting firms who are better qualified in terms of experience and skills.	Experience is built up when IA is housed within the organisation
By nature, people trust the work of outsiders than their own especially when the contract is given to professionals accounting firms	To have proper control over the systems in place
External agents will insist on their independence	As employees they will be more understanding in their relationship with other departments and operations better.
Depending on the size of the firm, it may be cheaper to subcontract rather than to have a whole department.	Being part of the organisation, Internal auditors know all the segments of the organisation and can make appropriate recommendations

IAF is performed by competent experts when outsourced	The services provided by external source are limited since they come and go
	No continuity of business knowledge because of high turnover rate in the audit team when outsourced

Also, participants expressed specific but diverse views regarding the issue at hand as indicated below:

- "Since the IAF is a non-core business area, it may be outsourced to reduce the organisational burden and increase their independence, but this comes at the cost of lack of familiarity with the internal working of the organisation considered very important on the extent of usefulness of the information they provide" (General Manager)
- "It is better to have the IA function built inside the organisation. As insiders, they are familiar with every part of the organisational structure and can contribute better as opposed to outsiders who come, audit and go" (General Manager).
- "It is not economically viable to keep a whole department. We, therefore, subcontract the IAF to an outside source." (Audit Committee member)
- "Subcontracting is the appropriate way to go. It contributes to independent role expected of the IAF. Again, since they are from outside the organisation, they are highly regarded by the management systems. It is also cheaper when subcontracted as oppose to having it inside" (Audit Committee member).
- "Subcontracting is better because the work is done by professionals (Chartered Accountants) as opposed to non-professionals employed by the organisations" (General Manager)
- "Within the organisation is preferable because we are part of the organisation and can advise the company more than what external auditors will do" (An Internal Auditor).

From the above analysis, it is quite clear that generally, organisations accept the fact that the IAF is necessary. However, having the function within the organisation seems to be influenced by several factors. These include the size of the organisation, economic reasons to save costs, trust regarding subcontracting to professionals with the necessary skills and experience as opposed to establishing a department for IA within the organisations, and in fulfilment of the independent requirement, which is essential for the IAF. It is also evident that SOEs in a young country such as Namibia with limited human resources will find it almost impossible to employ and retain qualified internal auditors to themselves, hence the reason for the support for subcontracting the function.

Question 3: In what way would you want to see IA improve its functions?

Today's fast-paced and ever-changing business environment requires an improved quality of IAF to ensure the success of the organisation. The Institute of Internal Auditors Standards for Professional Practice of Internal Auditors (IINTERNAL AUDITORSPPIA) regards the organisation as the primary beneficiary of the services provided by internal auditors. Consequently, the size of IA units has increased substantially of late given the complexity of modern businesses, increased competition and complex fraudulent financial reporting (Rezaee, 1996:30). This question, *"In what way would you want to see IA improve its functions?"* was intentionally posed to the participants to solicit their views regarding how they would like to see their organisations benefit from an improved IAF. The participants offered a number of convincing, although, repeated responses, a summary is as indicated in Box 4 below:

Box 4: Summarised participants views of on how they would want IAF improved

- IA should communicate results of findings and recommendations to the board, management and stakeholders timeously.
- IA should report to the board or the AC not the executives
- IA should continuously upgrade themselves by engaging in Continuous Professional Development (CPD) activities through constant training, timely reporting and follow ups
- Training and create good interaction with management
- IA staff should be independent in performing their work without fear or favour
- Their independence should always be protected. They must report to the board and not executives
- Internal auditors must be more visible, outgoing, and more focus on real issues
- The IA Department should boost up its personnel to carry out their functions and to meet their deadlines timeously.
- IA is a senior position in the organisational hierarchy and must be accorded such status in the organisation.
- IAs need senior management support therefore, they need to maintain good relationship with management without compromising their independence
- Management must adhere to IA recommendations and implement them
- They must engage in constant review of all activities including those performed by top executives
- By continuously improving their educational levels and acquiring professional certifications such as CIA and CIIA
- Should constantly attend meetings and continuously run workshops on current issues such as governance, ICs, risks management systems, etc., for management and the board
- Recruit competent staff and boost risk management and internal control systems

Specific responses from participants are as indicated in the statements below:

- "The best auditors are also skilled in data analysis; they should be able to use audit software to assist us in solving business problems and must also be able to combine information-technology and business-audit skills" *(A General Manager*).
- "They are sometimes misunderstood by executives and branded as spies, police, etc. The organisation as a whole need to inculcate the concept of IAF to their members for thorough understanding of the concept throughout the organisation. They could also be considered to sit at the board level" *(AN Internal Auditor*).
- "They should be independent of all activities of the organisation. They should report directly to the board or its AC" *(An Audit Committee member*)
- "They should engage in more visits. Maintain their independence. Follow up their recommendations and ensure that they are implemented" (A *General Manager*).

The analysis of the participant's responses envision improvement of the IAF for total quality performance and sustainability. The researcher, therefore, sums up their line of thought when he stated that improvement of the IAF entails the need to facilitate communication and information sharing within the organisation, support from senior management, continuous professional improvement to motivate IA staff, a function that is committed to client and responds quickly and flexible to their needs; and provision of reliable information for quality and operational performance and establishment of quality system, which support sustainability and efficient performance (Rezaee, 1996:30).

Question 4: *What would you miss most if there was no IAF?*

When the participants were asked what they would miss most in their organisations if there was no IAF, the very few individuals who are unfamiliar with the benefits that IAF brings to bear on organisations, responded in such manner as "nothing, not sure, etc." The majority of the participants, however, responded affirmatively with the opinion that ICs will suffer, the board and management will be denied of their advisory and consultancy assistance offered by the IA role, which will result in their inability to perform their functions. Box 5 below summarises the views expressed by the participants:

Box 5: Participants view on what they will miss if there was no IAF

- The corporate governance process will be faulty
- The system of accountability will collapse and risk identification and assessment will be compromised
- Objectivity and constant monitoring needed in SOEs where problems of lapses are experienced, will be compromised impairing performance.
- Daily engagement, deeper understanding and faster feedback on issues of risks and recommendations for rectification will be lost.
- Internal controls would collapse and fraud and corruption cannot be detected on time to take remedial action
- The Internal control system will not function properly. The board and executive will operate in vacuum without the advisory role and consultancy function of the IA
- The IC system will collapse. Fraud and corrupt practices will be difficult to detect
- Management and the board will not function properly. They will miss the advisory and consultancy role provided by the Internal auditors. Internal control system will collapse

Also, specific views expressed by some participants include:

- "Internal controls will be weakened. The board and executives will not be able to get the assistance they require from the Internal auditors. Fraud and corrupt practices cannot be discovered in time and that will compound the problems of the company" (An AC member)
- "There will be a problem of objectivity and independent verification of operations. The external auditors will spend more time and charge the organisation more and more and the internal control system will not function properly" (An AC member).
- "That shouldn't be encouraged at all. Our investors and shareholders will not have confidence in the system" (A General Manager)
- "Management and the board will not function properly. They will miss the advisory and consultancy role provided by the Internal auditors. Internal control system will collapse" (A General Manger)

The above analysis sums up the views of the participants regarding what will happen to their organisations if there was no IAF. These views support the important roles played by IAF in SOE performance and sustainability. To them, their organisations will suffer from lapses in ICs, which the IAF monitors and offer recommendations for improvement, the board and management will not be able to function properly since they depend on the IAF for advice and consultancy, it will be costly to rely purely on external auditors who come occasionally to evaluate the operations and importantly, those organisations who depend on donor funding will lose out if there were no IAF. It is, therefore, apparent to conclude that IAF is very vital in sustaining SOEs in Namibia.

6.6 Chapter summary

This chapter addressed the qualitative data results obtained from this empirical study with the objective of describing the impact of IA effectiveness on CG practices of the EPSOEs and their performance and sustainability in Namibia. The key findings of the study reveal that IA is considered the most important insofar as CG practices and SOE performance and sustainability in Namibia is concerned. The results have provided support for the conceptual premise that IA applies on CG and SOEs. It also confirms the notion that IA is an integral part of the CG mechanism and contributes immensely to SOE performance and sustainability without which SOEs are unable to function appropriately in fulfilment of their objectives.

The transcribed interview reports were analysed with the aid of Atlas.ti 7.0, which enabled the coding of the PDs. It organised and documented the available data (Participant responses) into codes, associations and frequencies. A massive reduction of the data was brought about by sifting through the codes and associations and eventually concepts and themes developed which helped the researcher to explain the results. The theory in the form of themes (4 themes), which were generated inductively from the data were explicated and the suggestions offered by the participants to ameliorate the challenges were also clarified. The Chapter ended with the answers to the four open-ended questions which were deliberately included to enable the participants to freely express their views on the topic. It could be inferred from the results of this chapter that improved CG practices, IA effectiveness, SOE performance and sustainability and, PPP are the important variables that support CG practices of EPSOEs.

The next chapter (7) will conclude the study in terms of implications on stake holders and offer recommendations for future research.

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This research is about the impact of IA effectiveness on CG practices of EPSOEs and how it affects their performance and sustainability in Namibia. The study used a mixed methodology paradigm which includes both quantitative and qualitative analyses. The quantitative data was drawn from internal auditors, AC chairpersons or their nominees and auditees (line managers whose work are evaluated by internal auditors). The in-depth interview for the quantitative data was drawn from past and present CEOs, researchers and stakeholders. This chapter brings together and discusses the quantitative and qualitative results drawn from Chapters five and six, and connects with similar studies and their findings. It also discusses the importance and purposes of the study of extant literature in IA. It taps into the theoretical framework in Chapter 3 regarding agency and stewardship theories in fulfilment of the exploratory nature of the study. After that, a summary of the chapter is finally provided.

7.2 Investigation on internal audit function

Internal audit plays a critical role in the performance and sustainability of organisations through its value addition to organisational activities as confirmed by the definition of IA provided by IIA (2010) which states that "… *internal audit is designed to add value and improve an organisation's operations"* (npn). This statement is also supported by several researchers (Al – Twaijry et al., 2003; Goodwin, 2004; Arena and Azzone, 2009; Mihret et al., 2010; Pinto et al., 2013:70) who characterised value addition as more comprehensive and connotes connecting all the available resources in the organisation with the objective of assisting management in attaining their goals. In spite of the significant role of the IAF in organisations, the function still experiences a lack of research as noted by a number of researchers (e.g. Radasi & Barac, 2015; Arena and Azzone, 2009; Al-Twaijry et al., 2003; Cohen & Sayag, 2010; Yee et al. 2008) who recommended an increase in research to surmount the problem. This study is contributing to addressing this suggestion. The results of this study indicated that IA is a must-have either as a unit within the organisation or subcontracted to outside firms (See Table 6.2, p.187) but cannot be totally ignored. This view is reinforced by Inua and Abinga (2015:34), who noted that subcontracting IAF is beneficial for the auditee as well as the audit firm.

The foundation of this study was built on the understanding that the EPSOEs in the country are underperforming. Moreover, the government is forced to bail them out, resulting in a drain on the national coffers. The results of this study suggest that the EPSOEs are capable of improving their governance practices when they adopt IAF. Previous studies by several researchers such as Karagiorgos et al. (2010), Zaman & Sarens (2013), Hermanson and Rittenberg (2003) support this view. Internal audit is part of the CG mechanism (Cohen et al., 2004:89). It can help the management and the board through its assurance and consultancy services, which in turn, improve the quality, integrity and guard against unethical activities in the organisation.

Figure 3.1 in Chapter 3 shows how the dependent variable, IA effectiveness is affected by a number of independent variables including, organisational policy authorising IA, cooperation between IA and auditees, internal audit and external audit relationship, risk management, independence and objectivity, scope of internal audit work and others including planning, reporting and follow-ups, and management action on IA recommendations enhance CG practices of the EPSOEs. The outcome showed that some of the features contributed to IA effectiveness and impacted on CG practices of the SOEs.

7.3 Addressing the research question

The main research question which this study addressed was:

"To what extent does IA effectiveness influence CG practices of EPSOE to improve their performance and sustainability in Namibia?" (See Chapter 3. Section 3.6)

The following areas were examined and tested to address this question:

1. What are the corporate governance challenges facing EPSOEs in Namibia?
2. How do CG practices influence the performance of EPSOEs?
3. What is the impact of IA effectiveness on EPSOE performance?
4. How does IAF complement CG practices, performance and sustainability of EPSOEs?
5. How can effective IA control systems be implemented to improve the performance results and culture of SOEs?

The following subsections have expanded on each question.

7.3.1 What are the corporate governance challenges facing EPSOEs in Namibia?

This question was predominantly addressed using in-depth interview responses of the participants. This qualitative analysis, with the aid of Atlas.ti, was used to examine the challenges facing EPSOEs in Namibia. The information gathered from the interviewees (including current and previous CEOs, a member of parliament, the Auditor General, a Permanent Secretary and 2 senior executives), contributed to answering the question and drawing of the conclusions.

The qualitative analysis confirmed corporate governance challenges in the EPSOE sector. Prominent among the challenges as outlined in the conceptual framework in Chapter 3 Section 3.6.1 included poor governance practices, political interference resulting in the appointment of board and executives with no credible education, experience and skills, failure to abide by regulations/legislation and their implementation. These findings tally with those of other studies that indicate that the unwillingness of SOEs in developing countries to embrace global best governance practices is bothersome (Rajagopalan & Zhang, 2008:56; Okpara & Wynn, 2011:31).

Political interference was highlighted as one of the factors making a mockery of appointments to board and executive positions among the SOEs in Namibia. Appointments to executive and board positions are influenced by tribalism, party affiliation and nepotism, where sometimes unqualified relatives and contemptible friends get appointed (Jauch 2012; Sherbourne, 2017; Weylandt, 2016; Azaban & Gwilliam, 2014). Thus, individuals who do not have the required qualifications, skills and knowledge to make meaningful contributions to the organisations and appreciate the policies and regulations governing their functions, get appointed where their services are unable to be utilised appropriately. The OECD (2015:49) supports this outcome when it noted that, in most cases, the appointees may not be necessarily qualified and sufficiently trained to perform the definitive governance roles as expected and ensure a healthy internal control system, which compromises good governance practices. Two Nigeria studies by Okeahalam (2004:362) and later Okpara (2009:196) also affirmed that shortage of skills, ignorance of the intricacies of board functions and fiduciary responsibilities coupled with limited understanding of their roles, make board members vulnerable of being taken advantage of by executives. This is a typical example of agency problem where unscrupulous executives (agents) take advantage of principals to perpetuate their objectives propounded by the agency theory as expounded by Jensen and Meckling (1976) and expanded by Adams (1994), ICAEW (2005) and Subramaniam (2006).

Further, rampant high-profile corruption and fraudulent scandals propagated by high-level officials in the SOEs were indicated as a severe challenge disintegrating proper CG practice among the SOEs. This view is confirmed by Weylandt (2016:7) and Coetzee (2018:15) who noted that the Namibian SOE sector is infested with fraud and corruption and, indicated that similar scandals had been reported about Namibia Wildlife Resort, Namibia Airports Company, Roads Authority, TransNamib, Air Namibia as examples of failed SOEs and, urged the boards and the executives of these organisations to curb the vices and allow CG practices to thrive.

Failure to submit annual reports as required by the SOE Act No. 2 of 2006 (amended in 2016) and the SOE Governance Framework (2001) is another challenge impinging on the CG practices. SOEs are expected to submit their annual reports six months after the year-end, but this is not happening in most cases as confirmed by Motinga (2004:9; Sherbourne, 2014:380). Weylandt (2017:3) reported that one of the biggest frustrations facing Mr Jouste, the Minister of Public Enterprises, is his inability to obtain information from the SOEs and their failure to produce annual reports as required. The boards and the executive's failure to produce the reports, and the line minister's reluctance to demand answers while they continue to receive their salaries and allowances was the issue that baffled the participants. It is worth emphasising that there are legislation, policies and regulations in place to prevent these lapses but lack of accountability, executive manipulations and the lack of political will to enforce them have compounded the problem among the SOEs in the country. These findings support the views of Yakasai (2001:251), who noted that the biggest challenge facing CG practices of the SOEs is not the lack of regulatory instruments but the failure to implement them. Therefore, tightening of the regulatory framework, implementation of existing laws and regulations are a necessity and must be backed up with credible penalties for failure to comply.

"Improved corporate governance practices" as suggested by the Theme 1 (See Figure 6.3; p.149), calls for stronger boards and executives who understand the codes and support governance, political will to implement the existing laws and regulations, revision and tightening of the regulatory framework, compliance with the codes of governance and importantly, senior management understanding and acceptance of the IAF, seemed to be pertinent when attempting to address the ways CG practices could influence the performance and sustainability of the EPSOEs. Further, Zuckweiler and Rosacker (2014:43) bring in another dimension supporting this view when they suggested that business schools should inculcate into students an understanding of CG systems. This could be included in their curriculum of these schools to adequately prepare the students for the world of business. Good CG practices will promote integrity and anti-corruption efforts, and serve as a hindrance to the vices impinging on the performance and sustainability of the SOEs.

It must also be appreciated that although the immediate goal of this study was to examine the impact of IA on CG practices of EPSOEs in Namibia, a stimulation of more research on how good CG practices could augment the entire SOE sector using quantitative approach will contribute to knowledge enhancement of the sector.

7.3.2 How do corporate governance practices influence the performance of EPSOEs?

The study examined the effect of IA effectiveness on the CG practices of the EPSOEs to improve their performance and sustainability in Namibia. An in-depth analysis was done on the impact of CG practices on SOE performance with emphasis on Namibia in Chapter 2 (Sections 2.3.10 and 2.3.17). Innumerable components of CG practices were investigated and the majority of the answers to this question relate to the in-depth interview responses from the participants (See Appendix H: Question (PD) 5 and Question (PD)10 – SOE compliance with existing codes of governance and interventions in place to improve SOE performance in the country, respectively). These responses in addition to extracts from contemporary literature contributed to the conclusions used to answer this question.

The qualitative analysis of this study has identified that CG practices contribute to improving organisational performance. This has been confirmed by numerous prior studies on CG and SOEs, which have emphasised the significant role that CG practices play in the SOE sector (example, OECD, 2004; Shkolnikov & Wilson, 2009; Curi et al., 2016; IoDSA, 2016) and have offered good reasons as to why SOEs should be CG compliant (See Chapter 2: Section 2.3.10). The outcome of a study by Goel (2018:2) in India, also confirmed that CG is meant to enable effective monitoring and efficient control of business organisations and help them perform better through quality decision making.

The SOEs in Namibia which stands at 72, have been established by the government to assist its national agenda of peace, stability, security, freedom, justice and harmony (Diescho, 2015). They are expected to contribute to these ideals through job creation, economic growth, wealth creation and distribution and improved competitiveness in the country. True to its mandate, the SOEs are delivering essential development services such as water supply, electricity (including rural electrification), telecommunication, and other infrastructural development, all necessary services, which would have been beyond the reach of the majority of the populace in terms of cost if left in the hands of private sector organisations. This assertion is supported by Weylandt (2016:3) who noted that the SOEs are often a vehicle for the government of Namibia to ensure that the people have access to services.

One of the core objectives of this study was to *"evaluate how CG practices influence the performance of SOEs*." The findings of this study have provided a number of strategies as discussed in this section. Table 6.5 demonstrates the codes and associated quotations of the analysis, which consolidated into theme one *"Improved CG Practices."* This theme is basically the summary of the views expressed by the participants on this extract. They overwhelmingly acknowledged the contributions that good CG practices can bring to bear on SOE performance. They noted that as the main pillar of organisational sustainability, CG is meant to contribute to the attainment of organisational objectives by providing guidance and support to the board and management. Corporate governance complements the performance of SOEs by defining the relationships between the board and its management. It ensures that organisations are accountable and holistically take into account the interests of the communities in which they operate, and ensure that their boards remain responsible to the organisation and the wider stakeholder community – a notion strongly supported by Yasin et al. (2014:15) and OECD (2004:11).

Although, maintaining quality governance among the SOEs in the midst of the numerous challenges indicated above (See Question I above) is a serious hurdle to surmount, the SOEs should fulfil their mandate by improving their performance by seriously adopting the CG practices through protracted efforts to ameliorate the current situation. Improvement of the capacity of the boards and executives is the logical starting point. Further, the CEOs who have failed to appreciate the codes of governance in place and implement them and having been accused of enjoying the ignorance of the board members in their attempt to concretise their own positions, must desist from such practices and up their performance. In these instances, Dickinson's (2016:*npn*) question *whether the board members have the right mix of skills, experience and ability to manage and monitor the company effectively* is very pertinent. It is acknowledged that finding qualified people to fill board positions is a major solution to the complex governance challenges in the SOEs. Efforts must be made at all costs to refrain from vices such as tribalism, nepotism and party affiliations and be guided by merit when it comes to recruitment and promotions.

Although adoption of the NamCode which is meant to improve CG practices in the country is not a mandated legal requirement (due to the “Apply or explain” regime option), the deplorable situation of the SOEs calls for change of regime from “apply or explain” to “apply or else” to make the compliance of the governance codes compulsory as in the case of the US. This view is reinforced by Yoshikawa and Rasheed (2009) and Goel (2018) who suggested that the governance code should become a source of normative institutional pressure for convergence within the EPSOEs to make their structures more effective. The code has significant implications for the board of directors, disclosure requirements, audit committee, etc. and suggests adoption by all organisations listed on the NSX. This tallies with the recommendation of The World Bank report (2014: xxvi) and supported by the Namibian government, which states that the EPSOE should be partially listed on the Namibian Stock Exchange (NSX) to tap into the essential regulations of the stock market to improve their performance and compel them to perform better as the state continues in search of broader reforms to develop this sector. This stance is the right move and fully supported by this study. There is, however, the need to consider a timeframe for the implementation of this move.

Again, the findings have stressed the need for integrity (p.185) and indicated that without integrity, the operation of the entire organisation would be compromised. This view agrees with Hubert (2017:518) who considered integrity as a crucial concept for understanding CG. The study further, concurred with the sentiments expressed by Weylandt (2016) and Coetzee (2018:15) who noted that the SOE sector is infested with fraud, corruption, etc. and suggested that such vices should be curbed to allow good governance practices to thrive.

It is further suggested that the implementation of existing laws and regulations and adherence to the governance codes (King Reports and NamCodes) would go a long way to curb the problem of noncompliance in the system. Improvement of the structures in the recruitment processes and refraining from political appointments which have been described as impediments in the way of employing qualified people is the way to go. The regulatory framework must be reviewed and tightened. It has been stressed that the existing 2001 SOE Governance Framework is outmoded and of little use in governing contemporary SOEs. Again, the findings suggest the appointment of stronger boards that support governance. Dynamic leadership at the board level comprising competent individuals with necessary qualifications, experience and skills and dedicated CEOs motivated and ready to serve the organisations are a necessary condition for the SOEs to thrive in the complex, competitive business environment. Board members must desist from serving on many boards that compromise their competences and contributions and must be restricted to serving on not more than two boards at any given point in time. Again, board membership positions must be advertised to attract competent individuals to apply and be recruited. Executives who do not understand or appreciate the codes is a dangerous loophole that must be filled. As mentioned by one participant, "Namibians are not serious about governance" (Participant 2) – this is not the true reflection of all sectors, because the private sector organisations have successfully used the governance codes in the same economy. The participants attributed poor adherence to codes of governance in the public sector to poor leadership, failure of the oversight authorities to oversee the performance of the SOEs, and failure to act against non-performing individuals on the board and the executive who deliberately ignore directives from shareholders and authorities. It will be interesting for contemporary researchers to take up further studies to explore how the outcome will impact on private sector organisations.

The findings, moreover, unearthed education and knowledge gap generally as a problem in the SOE sector, which logically destroys the sustainability of the SOEs and impinges on their performance. Proper education and training for the board and executive members could be a better way of improving the governance systems and enable proper functioning. The ignorance of the board and the lack of understanding of the system of governance and the intricacies of their own roles make them vulnerable of being taking advantage of by executives who want to consolidate their positions. Okike supported this view in a conference paper which she presented in Nigeria in 2012. She argued that if developing countries are to achieve the desired levels of CG and financial sustainability, improvement in the area of education and training of key role players is of paramount importance as appropriate training will improve the skills and knowledge of the directors and enhance their CG acumen.

7.3.3 What is the impact of internal audit effectiveness on state-owned enterprises performance?

This study has strongly established the significant role that IA effectiveness is purportedly expected to play to improve the performance and sustainability of EPSOEs. Triangulation of the results was employed to evaluate the impact of IA effectiveness on EPSOEs using various statistical tools such as variance analysis, regression analysis and factor analysis (See Chapter 5: Sections 5.5, 5.7 & 5.8 respectively) and, in-depth interviews (See Chapter 6) to authenticate the value of the outcomes. Several components of IA effectiveness have been examined and the majority of the variables that are supported are used to answer this question. The following conclusions are derived in answering the above question.

The qualitative results have acknowledged the importance of IAF contribution to IA effectiveness. By tapping into the views expressed by the participants as explicated in Section 6.5.2 (Theme 2), they supported IAF and considered it as an integral element of the corporate governance system and branded it as “must-have” in organisations. Internal audit contribution to governance in terms of assurance, consultancy and value addition is what makes IA effective. The findings have indicated that IA is very necessary (see Table 6.4) and that by ensuring accountability and resource sustainability, reviewing processes and results of operations, and revamping existing internal controls, the function concretises IA effectiveness. The outcomes support other prior empirical studies and views that show that IA is an essential part of the CG system and globally supported as a means of better management of economic resources (Karagiorgos et al. (2010:20), deters corruption and fraudulent activities (Rezaee & Lander, 1993:37) and support the board of directors in aligning the management’s strategic initiatives through risk management and risk appetite of the company (Omolaye, & Jacob, 2017). Swinkels (2012:136) conjures the agency theory, when he regarded IA as an agent of hope who helps principals to overcome the information asymmetry problem imposed by other agents (management) and monitor their activities to ensure cost effectiveness.

Unfortunately, however, the results further, indicated that IAF is generally not supported because the notion of IA is in most cases, misunderstood by the EPSOEs in Namibia (see Section 6.5.2, Theme 2). The IAF in the sector is not independent to a large extent as their survival depends on the whims or caprices of the CEO’s view of the function, which culminates into lack of adequate management support, frequent management override of the internal controls systems and limited resources availability (Ngwenya & Kakunda, 2014:2; Motubatse et al, 2015:403). Internal audit in some cases appears to be uncoupled in among the SOEs as many of them do not have the function. Participants reported low levels of auditee cooperation and to a larger extent, management failure to exploit IA to the fullest extent has been a concern. These vices lead to a lack of clearly defined reporting structure and professional independence and significantly infringes on the job satisfaction of IAs severing their significant agency role of protecting the board from information asymmetry propagated by executives. The view of lack of management support is contradicted by several studies which regard top management support as essential for IA effectiveness (See sub-Section 2.4.7.5 - Mihret & Yismaw, 2007; Cohen & Sayag, 2010; Alzeban & Gwilliam, 2014; George et al., 2015). This qualitative outcome provides a new knowledge concerning IAF, which could be investigated further.

The importance of IA is confirmed by the rapidly growing demand for this function in all organisations. The complexity of modern businesses overwhelmed by the increased competition and complex fraudulent activities have necessitated increased in size of IA units substantially of late. The growing globalised nature of businesses has also compelled the development of new and reforms of existing codes of corporate governance in several developing countries including Namibia (Reed, 2002; Tsamenyi, Enninful-Adu & Onumah, 2007, cited in Mihret, 2010:169). To that end, SOX (2002), OECD (2014), the Commonwealth Association of Corporate Governance Guidelines (CACG, 1999), the World Bank (2009), King Report (2016) and the NamCode (2014) are evidence of such contemporary reforms. Internal audit being part of CG, and the study about a developing country, the results of this study is augmenting global effort to improve CG systems by validating the need for IAF. Thus, the results have provided IAF support for CG practices contribute to improving SOE performance and sustainability (See Appendix H: PD 9); thereby providing stronger support for IA effectiveness.

Unfortunately, however, in spite of the impressive need and increased in IAF, enough research has not been done by researchers in this field to contribute to knowledge development of the function (See Mihret, 2010; Cohen & Sayag, 2010; Okeahalam, 2004). This study is, therefore, timely and imperative that in attempting to answer this question and addressing the main objective of the study, it is also inspiring more research on this ignored function.

Given the paucity of research on this issue, a scale was developed to measure IAF effectiveness. Again, a conceptual framework (Chapter 3) was advanced to set the stage for addressing the research question. The findings of the correlation analysis overall indicated a positive effect in all the variables tested for organisational policy authorising IA with IA and EA relationship, IA effectiveness, scope of IA work and, planning, reporting and follow-ups being the most significant. The remaining variables ranged from moderate to moderately high significant support for organisational policy for IA (See Tables 5.1 to 5.11). Thus, the correlation analysis by implication, seemed to support the fact that these variables (IA and EA relationship, IA effectiveness, scope of IA work and, planning, reporting and follow-ups) appear to be significant in SOEs where organisational policy authorising IA is well-defined and IA effectiveness supported. This outcome suggests that empowering IAF through organisational policies could be a better way of strengthening IA effectiveness as a good relationship between IA and the board, and its AC might also have significant impact on IA survival in the organisation. And as noted by Albrecht et al. (1988), the success of IA activities depends on the acceptance of the relevant stakeholders who utilises the function, which in this case are the EPSOEs.

The results of the regression analysis show a powerful effect on three dimensions of IA effectiveness namely, IA and risk management, the scope of IA work and others (including planning, reporting and follow-ups), which were positively and significantly related to organisational policy authorising IAF. As indicated previously (See Chapter 5: Section 5.8), these findings by implication suggest that senior management support is strong and contributes to effective IAF, which in turn adds value to the organisational performance and sustainability through its assurance provision, risk management processes and enhancement of the governance processes in place. Further, the result is in harmony with many prior studies that considered senior management support as a significant contributory factor that promotes IA effectiveness (See Al-Twaijry et al., 2004:932; Cohen and Sayag, 2010:300; Mihret & Yismaw (2007:470). Since management is responsible for hiring IA staff, provide them with resources, and afford them organisational independence, and at the same time being the primary consumers of IA activities, the IAF will not survive without management support. It is, therefore, imperative that IA should maintain in good relationship with top management through consultations for their input when planning and setting priorities, discuss findings and agree with them corrective action plans before reports are issued. Management on their part must act timeously on IA recommendations to concretise the relationship for the benefit of the organisation. This outcome tallies with the findings of Cohen and Sayag (2010: *301*) who noted in their study in Israel business organisations that a greater management support was a major factor in augmenting IA effectiveness. The result is again consistent with a theme that arose from the interviews in the qualitative analysis with regards to IAF support for SOEs (See Figure 6.1, p.193). This theme indicated that IAF effectiveness enhance governance, review operations and ensure effective internal control processes, which by implication boosts the sustainability of the EPSOEs and improve their performance.

Additionally, the regression results did not find the effects of some of the independent variables, which were significant in the correlation analysis relevant. For instance, internal audit and external audit relationship, independence and objectivity, and cooperation between IA and auditees as explained in Section 5.7 (p.176-177) did not have significant impact on IA effectiveness. These rather unexpected results suggest the need for further research and insight into these possibilities to elaborate further on these outcomes. Some of these findings agree with the outcome of the in-depth interview analysis. It indicated that IA independence and objectivity are weakened by the lack of recognition by management who in most cases interfere with that important function preventing them from carrying out their mandate and meeting their objectives. The lack of IA independence, education and professional qualifications and, training could probably explain why internal audit and external audit relationship is not supported because EAs cannot rely on the reports of IAs for their lack of these important requirements.

Further, as alluded to above, the regression results show that IA and risk management, the scope of IA work and others including planning, reporting and follow-ups are the principal determinant variables impacting on IA effectiveness. Thus, IA is effective when, its space of operation is broadened to cover essential areas such as checking adequacy of record keeping, identifying risk and control processes to curb fraudulent and corrupt activities, compliance with existing rules and regulations, etc.; and adequate planning involving the board and management, and ensuring that follow-up of recommendations to management are timeously done and by that efficiency, IA is able to meet the purpose of its operations and add value to the performance and sustainability of the EPSOEs.

Some of the findings of the factor analysis agreed with those of the regression and correlation analyses. At the same time, however, the factor analysis seemed to resuscitate many of the variables not supported by the regression analysis. While the factor analysis reinforced scope of IA work and, others including planning, reporting and follow-ups in the regression analysis, it also indicated that external auditors rely on internal audit work when they are auditing*,* IA independence and objectivity, cooperation between internal audit and auditees are contributary variables tittivating IA effectiveness.

The open-ended questions of the quantitative analysis also added to the clarification to curb any possible contrasts of the variables and their contribution to IA effectiveness. For instance, the question of "*How IA add value to your organisation (SOE) and improve its efficiency?"* provided very enlightening answers and confirmed that IA adds value to organisations *(See Table 6.7)*. As agents of hope of the board and executives, IAs play multiple roles. They contribute to efficiency and effectiveness, offer recommendations for improvement after assessing the nature of the client's business, objectives and prevent waste and fraud, follow-up with management about outcomes of recommendations, helps to identify weaknesses and strengths and, ensure that the strategic goals of the organisation remain more effective and efficient, and that risk management process is adequate to achieve corporate objectives. A participant noted that IA’s evaluate the adequacy of their IC systems, bridge possible loopholes and prevent fraud and corruption, safeguard their assets and ensure compliance to existing laws and regulations as confirmation of the impact of IA effectiveness on the performance and sustainability of state-owned enterprises.

7.3.4 How does internal audit function support corporate governance practices of the EPSOEs?

The second sub-research question investigated is how IAF enhanced CG practices of the EPSOEs in Namibia. The results of this study confirm that the CG practices of the EPSOEs is dismal and faces numerous challenges. The need for the identification of definite areas of perfection of the CG practices by senior management will go a long way to somehow reduce these problems. The acceptance and application of IA recommendations by management is noted by this study as the major solution as indicated in the conceptual framework (See Chapter 3: Figure 3.1; p. 98). By adoption of IA recommendations, management is able to improve CG practices and the organisation's risk profile because they are meant to support management operations. And the importance that management attaches to these recommendations is pivotal in organisational performance as noted by Mihret (2010) and Cohen and Sayag (2010) who indicated that senior management support for IAF is expansively identified as an essential factor that enhances IA work and improves CG practices.

The implied assumption of IA effectiveness is based on its value-added contribution to organisational objective achievement. Internal audit value addition is also associated with its recommendations for improvement in CG practices. The expectation that IA must have impact on CG is comprehensively outlined in Box 3 (p. 213) where participant responses confirm IA contributions to CG practices. Again, evaluation of the relationship between IA effectiveness and SOE performance contributes to the level of management acceptance of IAF in the organisation. A positive relationship will obviously boost IA's value creation and will experience rejection if the opposite is the case. The results of this study indicated that quite often, the management of some of the SOEs are apprehensive of the function due to their lack of appreciation for it. Literature notes that IA should be accorded its credibility and be given the merit it deserves within the organisation (Alzeban & Sawan, 2013:446; Mihret, 2010:204). Despite affirmation of the various codes of governances (SOX, 2002; King IV Code, 2016; and the NamCode, 2014) having strongly recommended the inclusion of IAF in CG practices, Namibia SOEs like their counterparts in other parts of the developing world, have not paid heed and given prominence to this important function in their operations (Okeahalam (2004). The outcome of a study by Alzeban and Sawan (2013) on *"The role of internal audit function in the public-sector context in Saudi Arabia"* confirmed this problem when they stated that reluctance of oversight bodies and other government agencies to appreciate the value of IAF as capable of enhancing public sector operations is a serious concern that has contributed to public sector failure in Saudi Arabia. Moreover, it was not until the demise of Enron in 2000 that the adoption of IAF was made compulsory by the US government for all business organisations in that country (a first world country).

The findings of the quantitative part of this study also have contributed to answering this question, when it indicated that essential variables such as cooperation between IA and auditees (management), risk management, independence and objectivity, scope of IA work, planning, reporting and follow-ups contribute to IA effectiveness which by implication improve CG practices. Further, the responses of the open-ended questions of the quantitative analysis emphasised that IAF immensely contributes to CG practices. Among others, it indicated that IA evaluates the work of the organisation, review policies and procedures and advice management and directors about their work, examine, evaluate the adequacy of management control systems. They also stressed the fact that without IAF, the internal control system and the CG processes will be faulty; the board and management will be denied the assurance they need for the organisational growth, and the objectivity and monitoring needed to curb problems of lapses experienced among the SOEs, will be compromised and impair their performance. They also suggested that they would want to see the IAs continuously upgrade themselves by engaging in continuous professional development (CPD) activities through constant training, recruit competent personnel for the internal audit units, maintain a good relationship with management without compromising their independence to buttress their support for the CG practices among the EPSOEs. The International Standards for the Professional Practice of Internal Auditing (ISPPIA, 2016:12) supported these conclusions when it suggested that IAF must evaluate and accordingly make suitable recommendations to improve the organisation's governance processes by promoting appropriate ethics and values within the organisation and ensure effective organisational performance management and accountability.

It is also gratifying to note that the main focus of IAF, according to IIA (2017:3), is "to enhance and protect organisational values". Based on the understanding of these two-principle stance – the focus and the objective of IAF, the findings of the study, have amply demonstrated that IAF is one of the main conduits complementing CG practices in organisations by enhancing their performance and sustainability. Furthermore, the definition of IA supported by contemporary literature suggest that IA adds value to organisational performance and sustainability. By definition "Internal Auditing is an independent, objective, assurance and consulting activity that adds value to and improves an organisation's operations …………." (IIA, n.d:1). Again, literature has it that since the demise of eminent business organisations such as Enron, WorldCom, Parmalat, Swissair and others in the USA and Europe, the role of IAF has come to prominence globally and many researchers such as Bou-Raad (2000:184);

Al-Twaijry, Brierley & Gwilliam (2004:931); and Yee et al. (2008:147) have acknowledged the value addition of IA to organisational development and sustainability in the last few decades. To these researchers, IAF adds value in contemporary organisations providing them with assurance, consulting and advisory support and helping them realise their intended objectives.

The findings of this study have supported these views as participants overwhelmingly indicated that internal auditors' diverse abilities bring enormous value to the board and management in their CG responsibilities and risk management and operational activities. By tapping into the IAF, CG can eliminate waste, simplify tasks and minimise corruption and fraud that have saddled SOE operations in the country by improving their methods of managing their organisations. Again, with improved governance practices, internal auditors are enabled to target high impact areas such as allocation of scarce resources, advise management on weaknesses and suggest remedial measures to prevent lapses and improve operations. Thus, in essence, IA enhances SOE governance, performance and sustainability. Other researchers such as Mihret et al. (2010:51) and Pinto et al. (2013:70-71) have upheld these findings when they acknowledged that the vital activities performed by the IAF prevent waste, fraud, improve operational efficiencies, monitor planned activities, evaluate and report improvements in weaknesses, provide information to improve risk management and IC procedures.

Nevertheless, in spite of the elaborate description of IAF and the significant contributions to SOE performance and sustainability, some factors inhibit the efficient operation of IAF constraining its full potential to assist the SOEs in the realisation of their capacities in Namibia. Starting from the state which employs very junior officers as Internal auditors and whose reports are not accorded any seriousness, IA is generally still not independent as expected. The IAF is always influenced and activities interfered with by executives. In some instances, acceptance of the IAF depends on the whims of the CEOs, which is contrary to contemporary literature view that IA needs top management support to be effective (Mihret & Yismaw, 2007:578; Cohen & Sayag, 2010:300; Alzeban & Gwilliam, 2014:81; George et al., 2015:114).

Reporting lines of the IAF is another contentious debate among the SOEs. Some CEOs (past & present) in the SOE sector are of the opinion that IAs should report to them and not the board because IAs are employees of the organisation. The standard practice as recommended by several codes of governance (e.g. King Reports, NamCode, UKCG, etc.) the IIA and contemporary literature on the issue prescribe that IAs should report functionally to the board or its AC and administratively to the CEOs. Reporting to CEOs will obviously infringe on the independence of the IAF and obstruct the flow of their work. This finding support the standards as noted above but strongly suggest that IA still needs the support of management and, therefore, must copy in management all reports submitted to the board ease the fears and suspicions of the IAF and ensure that effective communication system is in place.

The absence of IAF in some of the SOEs as unearthed by the results poses a major challenge. And as noted by one of the participants, many African business organisations do not appreciate the concept of IAF and the appointment of internal auditors depends on the goodwill and acceptance by the CEOs. This problem of non-acceptance is probably due to the scantiness of literature on IAF as noted by Stewart and Subramaniam (2010:329). It is hoped, therefore, that this study will inspire more research to boost the knowledge deficiency in this important area of study.

In Namibia besides the financial SOEs who are obliged by their funding agencies to have the function, and the bigger SOEs who can afford it, many of the SOE do not have the function. Considering the important complementary role of the IAF to CG and its impact on performance and sustainability of organisations, the fact that the EPSOEs must have IAF is not negotiable irrespective of size or type. The debate on whether to outsource or have it as a unit within the organisation is both convincing and as presented in Table 6.8. Among others, the reasons advanced by each camp indicated that it is too expensive to maintain a whole IA unit and therefore, outsourcing the function is a better option. Some of the participants considered it as an option trusted by management because subcontracted services are normally given to Chartered Accounting Firms who are professionally qualified, have the skills and capabilities to comparatively, do better job than those employed within the organisations. The opposite view that internal auditors will be able to provide better services when it is part of the system is equally convincing. It is indeed, quite apparent that the SOEs are of different sizes and some may not be able to have IA units within their organisations. This tallies with OKeahalam's (2004:363*)* stance on the issue when he noted that most African listed companies are too small to sustain their own internal audit departments. Such SOEs should therefore be free to subcontract the function, and those who can afford to have it within their organisations should be free to do, but the idea of not having it is incorrect.

To recapitulate, the discussion has exhausted IAF's complementary role to CG practices, performance and sustainability of SOEs. The findings have confirmed that, in spite of the challenging task of IAF, coupled with the intractable problems confronting CG practices and SOE performance and sustainability, IAF is still a fundamental part of the CG mosaic. It attempts to complement the governance practices and the efforts of the SOEs to improve their performance and sustainability in fulfilment of their mandate in the economy. The realisation of this almost insurmountable feat, however, will depend on a visionary leadership comprising boards ready to control measures that enhance effectiveness and accountable management ready to direct and exercise valuable judgement in the process of managing the EPSOEs.

7.3.5 How can effective internal audit control systems be implemented to improve the performance results and culture of state-owned enterprises?

Organisational culture has been explained as a way firms integrate internal forces and processes by adapting to external environmental factors (Denison & Mishra, 1995; Schein, 1990) quoted in Xin et al. (2002:416). They further noted that despite the voluminous extant literature on organisational culture in the Western World, very little is known about it and its impact on the Chinese economy. This study is not intended to delve into the effect of organisational culture since many developing countries, including Namibia, have not as yet critically examined its impact on their economies and would like to suggest further research to examine it.

Nevertheless, there is an element of cultural changes taking place in the SOE sector in the country as the Namibian government is anxious to reform the sector amid numerous challenges facing it. A massive transformation, which started with the establishment of the newly created MPE in 2015, is meant to oversee and transform the sector. This transformation, including the creation of a new governance system, has been described as "game-changer" by the minister – Hon Leon Jooste. The transformation of the internal management structures from the previously decentralised system wherein SOEs were controlled by individual line ministries to which they were affiliated. It has been replaced by a modern hybrid system of centralisation of SOEs oversight system, while others are left under the control of their line ministries. This system, which is meant to share and lessen the oversight responsibilities and hailed by Weylandt (2017:2) as useful and follows the international trend is arguably the opposite of the Chinese version. The oversight authority is decentralised in the Chinese system and delegated to bodies who oversee the operations of the SOEs (Xin et al., 2002:416). Despite this dichotomy, the researcher believes that the environmental situation and previous experience play a vital role in the choice of the system to follow.

The question of how effective IA control systems can be implemented to improve the performance results and culture of SOEs is one of the vital issues addressed by this study. The conceptual framework (See Chapter 3 Section 3.6.5) has briefly addressed this question on the culture of SOEs in Namibia. This section now expanded and concluded how IAF could contribute and enhance the culture of SOEs in the country. The researcher interrogated this question by posing another one "*why is IAF important to SOE performance and sustainability?"* The findings of the study supported by contemporary literature have been utilised to provide the answers. By evoking the mission statement of IA, which states "IA role is to enhance and protect organisational value by providing risk-based and of the objective assurance, advice and insight" (Chartered Institute of Internal Auditors, 2018: *n.p.n.)* could be a good starting point. By extension, internal auditors are a critical part of the highest governance system of any organisation. This reiterates the view that IAs support principals to overcome the information asymmetry problem imposed on them by agents (management) and monitor their activities to ensure the enhancement of organisational objectives (Swinkels (2012:136). Thus, IAs contribution to organisational performance and sustainability has no controversial interpretations. In the process, IA calls management attention to significant risks when they are discovered and suggest improvements where necessary and convince both the board and management that they are adequately controlling the activities of the organisation.

The study has further observed that the identification of strategies that could be used to improve the implementation of an effective IA system will naturally contribute to improving the performance and culture of the SOEs. Executives' understanding and acceptance of the IAF will boost senior management support thereby influence the organisational environment for the function, which notably includes recognition of IA independence, granting IAs unrestricted access to all organisational records involving employees, assets, and financial records as appropriate in performing their activities. This is in line with previous studies (e.g. Mihret & Yismaw, 2007:578; Cohen & Sayag, 2010:300; Alzeban & Gwilliam, 2014:81) who suggested top management support as a significant factor in augmenting IA effectiveness. The CAEs, therefore, need to adopt tactics which will enable them to win the support of top management. Also, granting access to the CAE in the boardroom and unequivocal access to the board or its AC without hindrance could be an excellent strategic move in the right direction. Allowing the IAF to maintain its independence is not negotiable as supported by both the quantitative and qualitative findings (Chapters 5 and 6). Without independence, the IAF will be captivated by the management, which implies losing their ability to perform the functions which they are meant to do, confirms George et al. (2015:113) line of thought when they assert that independence of IA is the underpinning pillar supporting its effectiveness. In that regard, the involvement of the AC in the activities of the IAF will promote and improve IA effectiveness and afford the function value and objectivity as prescribed by Standard 1100 of the profession. By ensuring that IAs operate freely without interference, they are enabled to perform their functions better and enhance their ability to offer new ideas to the organisation.

Further, the study expects AC to be sympathetic towards the IAF by providing IAs with a compassionate environment to perform their functions. A good relationship between the AC and IA will naturally promote the articulation of effective communication between the two, which is needed to strengthen the IAF. The stewardship theory concurs with this view when it regards IAs and AC as agents working together for the benefit of the organisation.

The findings, although acknowledged the critical role that the IAF plays to assure governance and complement the organisation's sustainability, unfortunately, this critical function is strangely perceived as unnecessary by some board members and executives and would rather have existing units closed down confirming the reason why some SOEs do not have the function at all. It also confirms the stream of contemporary literature on IA, which questions the relevance of the IAF to the CG mechanism (Sarens et al., 2016:2). This sharp criticism calls for antidotes to address the problem urgently. One remedy suggested by some participants is that the internal auditors themselves must show concrete evidence of their worth, which will convincingly make them a significant part of the solution to the governance challenges of the SOEs. This opinion is condoned by the IIA (2016:14) who also noted that strategic management objectives could be appropriately addressed when internal auditing is performed by competent professionals in conformance with ISPPIA requirements. The dichotomy in the case of Namibia, where only 14% of the IAs interviewed had the necessary professional certifications consisting of Certified Internal Auditors (CIA) and Chartered Accountants (CA). Internal auditors must, therefore, improve themselves academically and professionally, and provide quality service if they are to avoid the negative self-perceptions that generate marginalisation and form the basis of non-acceptance in the eyes of stakeholders. It is also confirmed by the Standard 1200 of the IIA's ISPPIA (2017:6), which requires IAs to have the knowledge, skills, and other competencies needed to perform their responsibilities effectively. Invariably, the business environment is changing and so are the risk management responses and controls needed to tackle them, and the way IA respond to these changes should be part of their core proficiency in attempting to deliver their assurance services. They must, therefore, see themselves as not having all the answers but rather remain open-minded with excellent leadership, communication and listening skills always aspiring to help the auditees, the board and executives to ameliorate the cultural challenges of the EPSOEs and achieve their objectives.

7.4 Other pertinent conclusions

7.4.1 The role of institutions of higher learning and the media in governance

In addition to the findings discussed in the earlier sections, the role of universities and the media in the corporate world is exciting and must not be ignored in a discussion such as this. The media certainly has a crucial role to play in Namibia where SOE performance and sustainability are tarnished by vices such as poor CG practices, incompetent leadership coupled with the failure to enforce the existing laws and regulations and also adhere to international best practices. The media is contributing to knowledge enhancement by the provision of timely information either by informing corporate stakeholders about activities or exposing irregularities in the system thereby shaping the corporate performance and informing the stakeholders about the economic activities of their organisations (See Section 2.2.16). Media reports have contributed to exposing many fraudulent activities in the SOE sector in the country (See p.2). This view is supported by Akkenapelli *(nd*:12), who noted that the media creates awareness of CG practices and must continue to act as watchdogs to ensuring accountability and transparency in the corporate sector of the country.

Equally important is the role of business schools in various universities. Business schools, as custodians of knowledge, should inculcate into students an understanding of governance challenges and business ethics by including CG practices in their curricula so that graduates from such institutions can undoubtedly influence the activities of businesses when they become future corporate leaders.

7.4.2 Public-Private Partnership (PPP)

Given that privatisation of the SOEs is not a desirable option in the near future due to the negative sentiments expressed against it (see Figure 6.6), there is a need to create a space for public and private sector participation in the growth and development of the economy. Both sectors need each other. Private capital (human and monetary) can be attracted through PPP. It is indeed on record that countries which allow such participation have been able to grow their economies better. An important theme that emerged out of the study after the rejection of the concept of privatisation was PPP. The participants considered it as a better option to enhance SOE sustainability. Interestingly, further analysis of the debate indicated that both opposing parties to the privatisation debate found solace in the PPP as a better strategic option and suggested that SOEs must partner with the private sector organisations, which have better management control systems and high level of supervision capabilities. According to them, SOEs, who embraced the PPP option in the country such as NamPort and the NWR, have experienced positive outcomes. They, however, advised against the reckless implementation of privatisation because those who did that ended up destroying their economies. Further, they also noted that total privatisation is impossible to achieve and advised policymakers to keep PPP as a better option to encourage public and private sector participation in the economic development of the country. This finding is supported by Koppenjan (2008) quoted in Leigland (2018:122) who noted that the learning curve associated with PPP projects is the most successful as such projects enjoy economies-of-scale and of scope, which the private or public sector organisations do not have by operating alone. The researcher, therefore echoes a sentiment expressed by Wang (2007) who suggested that a further research concerning alternative strategies to privatisation in SOE reforms could be a worthwhile exercise.

7.4.3 State-owned enterprises performance and sustainability

"SOE performance and sustainability" was one of the critical themes that emerged as an outcome of this study. Although this theme does not address any of the research objectives directly, all the objectives hinge on it. The Namibian government considers the SOE sector as necessary in its economic development imperatives as highlighted in the outcome of the study. Therefore, the performance and sustainability of the sector are essential to the country. Rightly so, the SOEs are contributing to the socio-economic development in the areas of employment creation, narrowing the income disparity gap and providing goods and services at affordable prices to the majority of the populace who can otherwise not afford them.

On the contrary, the SOEs are noted to be struggling organisations besieged by underperforming leadership (the boards and executives), which impacts negatively on their sustainability (see Section 6.5.3 and Table 6.7). This view is quite evident and supported by empirical evidence from contemporary literature (e.g. Nellis, 1986:39; Weylandt, 2016; Motinga, 2004:3; Obadan, 2008:1; & Chang, 2007:18) which has confirmed that SOEs are indeed struggling organisations. The participants, therefore, overwhelmingly suggested the need to create a space for public and private sector participation in the economy as a better strategic move for the survival of the SOEs.

Thus, the challenges of the sector are well documented (See Section 2.5.4: p.67) and that the right way to overcome these limiting factors, according to the findings, is to improve the quality of leadership entrusted with the management and control of the organisations. Appointment of board members and CEOs must be based on qualifications, experience and skills of individuals capable of steering the affairs of the SOEs. The study, further postulates that inefficiencies must be curbed and defaulters punished. Performance should be enhanced by demanding accountability and transparency, and the regulatory authorities should insist on adherence and implementation of policies and regulations. Importantly, both the quantitative and qualitative outcomes supported the adoption of IAF as a better way of improving the governance systems in the sector.

7.4.4 Political interference

The study concludes that one of the critical causes of SOE challenges in Namibia is political interference. Some eminent participants (CEOs) argued that there is nothing wrong with the government exerting its influence by attempting to correct lapses in a sector it owns and enacting laws to improve their performance. However, the study also cautioned the government to refrain from undue political interference of SOE activities such as appointments and operations and concentrate on positive contributions that will enhance SOE performance as in the case of Ethiopia. The Ethiopian government's role in demanding accountability and transparency has contributed to the mandatory adoption of effective IA systems in that country. State intervention is, therefore, necessary to prevent unscrupulous behaviour of some board and executive members, ensure even distribution of goods and services and prevent misuse of resources. Thus, if SOEs are to remain important instrument for national value creation in Namibia, then the government must have a space in the right context in the operations of the SOEs to ensure that unscrupulous behaviour of executives are curtailed, industries, services and goods are directed to areas of priority, and resources optimally utilised for the benefit of the whole economy. That will strengthen the SOE sector, improve their performance and sustainability. Again, a further research into the role of the state in SOE growth and development is suggested. That will, to some extent, untangle the debate on political interference that has clamoured literature on SOE operations for many years (See Jauch, 2012:7; Sherbourne, 2013-2014:392; Mwaura, 2007:49; Weylandt, 2016:14; Azaban & Gwilliam, 2014:82)

7.5 Addressing the gaps in literature vis-a-vis findings

Further, this research agenda has attempted to address some of the recommendations and gaps indicated in the literature to strengthen the SOE sustainability issues in Namibia and therefore appropriate. Research in CG in developing countries, particularly in Africa is very scarce (Okeahalam, 2004:366). Also, there is inadequate research on IA contribution to SOE sustainability in the public sector (Radasi & Barac (2015:103). This study, again, confirms the laxity of research especially in Namibia and comes at an opportune time to contribute to the knowledge gap created in the past studies. On the differences between the economies of developed and developing countries, Okpara et al. (2011:25) and Armstrong (2009:36) suggested the need for developing countries to develop their own codes of governance, which are unique to their situations. Many African countries have taken a cue from this and intensifying the development of their codes. Namibia's code of Governance, the NamCode (2014), was in response to that call. The issue of lack of sensitivity regarding the role of IA effectiveness on SOEs, which has resulted in their failure to adhere to existing policies and regulations, has been attributed to inadequate research in an attempt to sensitise them about the critical role that IAs could contribute to their sustainability. According to Jauch (2012:8) and Diescho (2015) poor governance is the reason for the SOEs dismal performance and sustainability in Namibia, a view confirmed by one of the themes of this study, "SOE performance and sustainability", which confirms the problem and suggest measures to enrich and improve the governance practices in place.

Further, an excellent blend of literature has been provided on IA and CG globally notably Gramling et al. (2004:200), Subramaniam (2010:345). Their findings were mostly foreign based on either the Western or Asian experience. This study, therefore, comes at an opportune time to bring Africa and Namibia in particular into the equation. Importantly, extant studies combining IA effectiveness, CG practices and their impact on SOE performance and sustainability have never been done, and that makes this study a ground-breaking adventure contributing to knowledge development globally and Namibian researchers in the field.

This study has further unearthed that IA is yet to gain proper recognition in Namibia. Unlike Ethiopia where IA has already gained recognition by the government and encouraged its adoption in the public sector (Mihret, 2010:191), IA in Namibia is still struggling for recognition by the Namibian public-sector organisations despite the convincing recommendations supporting adoption by the King Reports, the NamCode and the OECD guidelines. Thus, even though the function is relatively well developed in various forms in the private sector organisations, banking and insurance companies, the SOEs still display little adoption. Hopefully, up and coming researchers in Namibia and on the continent will take up the mantle to probe further to add to the knowledge in the field.

7.6 Contributions of the study

This study is a ground-breaking research being the first in Namibia. It attempts to bring to the fore the effect of IAF on CG practices of EPSOEs. Bearing in mind that Namibia is a very young nation (30 years after independence), the concepts of IA and CG systems as part of the national development agenda are also still in their infancy. This study, despite the need to take into consideration, the limitations (See Section 7.8 p.243) and validation of the results with similar studies under different settings, offers useful contributions and, therefore, has implications for practice, policy and research as articulated below.

7.6.1 Contributions to practice

The lack of professional standards in Namibia has resulted in organisations setting up their guidelines on how to engage with IAF. As a result of the paucity of research on IA in Namibia, this study will contribute to enhancing practitioners understanding of the function and possibly, the establishment of a local chapter of the IIA to promote their activities and also sensitise the public and private sector organisations about their profession. This study is undoubtedly from a developing country perspective where the technical, environmental factors differ significantly from those of the developed economies and would, therefore, inform and enhance the understanding of the IA profession globally and individually in the country.

Further, the study provides useful contributions to consultants, professionals, and investors who stand to benefit by comprehending the intricacies of CG practices and IA issues adequately in the sub-Saharan region and Namibia in particular. It will provide useful information to such people to enable them to have the right mindset to offer advice or consultancy when they are engaged to do so. The business arena today has become dynamic globally, and international institutions who provide funding to developing countries such as Namibia would be interested in a study like this that informs them about CG practices and IA effectiveness. Further, the outcome of this study will, to some extent, equip the board members, the executives and the government with enough strategies to implement the required controls, effect proper implementation mechanisms and employ the right leadership with the required qualifications, experience and skills to lead the SOE sector. In this sense, the researcher believes that this study is especially timely when media reports are besieged daily with adverse reports about the SOEs and the government desperately seeking solutions.

7.6.2 Contributions to policymakers

This study has important implications for policy. Specifically, it suggests several contributions to the policy regarding IA effectiveness and CG practices and SOE growth and development in the country.

- While the state is attempting to transform the sector, the study reminds policy-makers that the intended goal of SOE reforms is the ultimate success of the sector. The study, therefore, suggests policies directed towards the development of the CG infrastructure, including the promotion of IAF to salvage a sector (SOE) that has been badly mishandled. This study supports the views expressed by others regarding policies that will address the shortcomings of the SOE sector (e.g. AfDB, 2014 – 2018; Vision 2030, 2004; AfDB, 2009:9; Yakasai, 2001; IIA, 2002) to enable them perform better, be CG compliant and more accountable for economical utilisation of public resources.

- The Namibian CG code (NamCode, 2014) developed recently is laudable. The King Reports that have guided Namibian organisations since 1994 (King I) is still useful. However, it is also essential to recognise the dynamics of the socio-economic situation and the legal systems which guide businesses in the country. The existing reviewed document on the Governance Policy Framework for SOEs in Namibia is also encouraged and must have a space for the role of IAF, which is missing from this document. Nonetheless, it is also possible to improve as the effectiveness of the CG practices, IAF and SOE sustainability is still in doubt, and some organisations continuously keep violating established laws and regulations due to weak and ineffective enforcement mechanisms in place. Again, the need to enforce compliance with the existing legislation accompanied by penalties for non-compliance need not be overemphasised.

- The findings further suggest policies that could support the empowerment of the SOEs to form partnerships with private sector organisations (PPP). The Public-Private Partnership Act 4 of 2017 (Government of Namibia, 2017) is a clearly defined policy regulation that is supposed to form the basis for supporting innovative smart partnerships between SOEs and the private sector. However, the lack of political acumen to implement this excellent policy is putting impediments in the way of this strategy. Further, the study has stressed that any debate between privatisation and non-privatisation of SOE in Namibia must, however, consider the environmental factors and the government developmental imperatives, and a move towards PPP could be a better alternative.

- The findings acknowledged the availability of enough laws, rules and regulations, which are supposedly meant to regulate the activities of the SOEs, but the missing link in their implementation. Non-compliance with the essential requirements and execution of policies (intentional or unintentional) is severe and must not go without ramifications. For instance, CEOs should not be allowed to fail to produce annual reports while receiving their monthly salaries. The board cannot fail to submit their reports to the concern ministers, and the minister to the cabinet, respectively. Ignoring directives from shareholders is unpardonable and unacceptable and amounts to lack of accountability, which should attract consequences. The study has, therefore, urged policy-makers to enforce the existing laws and insist on their implementation as no amount of CG mechanism, IA effectiveness and leadership will succeed without abiding by the laws that govern their operations.

- It was vigorously discussed in the findings that Namibians do not appreciate the role of IAF. The CEOs do not have an appreciation for CG practices, nor do they understand the standard codes that apply to their operations. The study proposes the institutionalisation of the codes to ensure that ill-prepared individuals do not occupy leadership positions. Such people must either be removed or trained to ensure that the SOEs epitomise ideal organisations on which the nation could pride itself.

- Having highlighted the challenges facing SOEs, which include the impediments to CG practices and IAF, this study will motivate policy-makers to outline critical priorities needed to overcome those vices and come up with the specific strategies to advance the performance and sustainability of the SOEs.

Hopefully, the findings of this research will contribute to the existing body of literature, practice and policy regarding IA effectiveness, CG practices and SOE performance and sustainability from developing countries' perspective. The outcome has also complemented previous empirical studies in evaluating CG practices and IA effectiveness in the developing world. Further, it has offered practical contributions and hopes that policymakers will be inspired to put the right policies in place to augment the suggestions advanced in this study for the growth and development of the SOE sector in Namibia.

7.6.3 Recommendations for future research

This section addresses recommendations for future research. Based on the innovative journey of the study, this thesis has provided insightful observations on the impact of IA effectiveness and corporate governance practices on the performance and sustainability of the EPSOEs in Namibia. The researcher is now in a position to make recommendations to contribute to future research and also improve the results.

- To expand IA research, this study could contribute towards IA and CG research in other countries and contexts. This study has been conducted in a country where IA and CG development are in their infancy. It will therefore, be interesting to replicate it in other situations where IA and governance are well-developed.

- An interesting and strongly unanticipated outcome of the study was PPP as a better alternative to privatisation in the SOE sector in Namibia. Empirical evidence on the impact of privatisation suggests that it curbs inefficiencies and improves the performance of SOEs. This study recommends that public and private sector organisations could cooperate and work together for the betterment of the economy. More investigation into the dichotomy between privatisation and PPP as possible options to SOEs could be explored.

- The researcher anticipated that cooperation between IA and EA is good for the health of any organisation since EA reliance on IA work cuts the amount of time they spend in the organisation and therefore costs which was validated in the study. It would be interesting to delve deeper into this issue through further research either in different sectors in the country or beyond the borders of Namibia.

- Paucity of research in IA effectiveness is a concern expressed by the findings. Contributing to the scarce knowledge in IA effectiveness is therefore one of the recommendations of this thesis, which would challenge researchers in accounting and its related disciplines to extend their studies into IA.

- Comparative analysis of CG practices of the entire population of SOEs (72) and the private sector using national sample and also in the region would be interesting to investigate.

- Unlike the Western countries where organisational culture is entrenched in their corporate systems, this is not the case in Namibia where the impact of organisational culture on

SOEs is not researched. This could be another interesting arena to research for future scholars, so that, further research is bolstered to explore the influence of culture on IA performance and generally in the corporate system.

- The positive interventionist stance of the Ethiopian government is what is required of the state to revamp the laws and regulations and, their implementation, which should be accompanied by punitive consequences for defaulters. Subsidising underperforming SOEs is not in the interest of the economy. Such SOEs should be sold lock, stock and barrel or run them in partnership with the private sector. Appointment of competent board members and executives should be extended to foreign nationals with the necessary industrial, financial and legal acumen as done in many countries such as India, China and the USA to boost the leadership deficiency in the sector and improve proper management of resources. Proper governance depends on directors' integrity, capability and experience and therefore, education and training are not negotiable. Their performance and consciousness about the positions they occupy, will be enhanced and enable them to perform better at the level required.

- Mandatory adoption of IAF will support the CG practices, improve accountability, transparency and sustainability. Depending on the size of the organisation, IAF could either be a separate unit within the SOE if that is affordable. Alternatively, it should be subcontracted to cut costs. But not having it is unacceptable. Top management acceptance and support for IAF is critical for it to thrive and support organisational performance. Credence must be given to IA recommendations and their implementation. Internal auditors on their part must maintain a good relationship with management without compromising their independence. Moreover, they must be professionally qualified by continuously improving their educational levels and acquiring the required certifications such as CIA and CIIA. Thus, technical competence and continuous training are the core foundations of IA effectiveness.

- Restricting board membership on different SOE boards should be confined to two at any given time. This will compel board members to devote more attention to their responsibilities. It is also prudent for the government (MPE) to come up with a common reporting standard to guide reporting and curb the reporting lapses that are overwhelmingly troubling the sector.

7.7 Limitations of the study

The limitations of a research study are those limiting factors that impacted or influenced the interpretation of the findings of the research, the generalisability and the applications to practice and serve as a prospect to make suggestions for further research (Price & Murnan, 2004:66). This study, therefore, contains several limitations that must be considered when interpreting and generalising the results of IA effectiveness and CG practices of EPSOEs to those outside the boundaries of Namibia. The following factors constitute the limitations of the study.

7.7.1 Sample size

The size of the sample population and response rate are pertinent for the researcher as they impact on the validity and reliability of the study findings. This study generated a 60.3% response rate, which fulfils Fincham's (2008:43) recommended a threshold of 60% and above as a target for researchers. Thus, this response rate is comparatively acceptable relative to similar studies in IA and CG. The researcher, however, encountered some practical challenges, which also influenced the size of the sample. Availability of interviewees such as getting access to CEOs, senior government officials and politicians whose participation was necessary for a study involving SOEs, was a daunting exercise which contributed to the relatively small number of participants and respondents. The researcher attempted to overcome this challenge by seeking the help of the Permanent Secretary of SOEGCS[18], some potential participants still did not respond. A research of this nature attempting to address a national challenge such as this should be encouraged and supported by MPE which should get the cooperation of the boards and executives of the SOEs to participate in such research activities. The researcher believes that a more significant number of participants would have produced a higher degree of variability in the responses.

7.7.2 Theoretical framework of the study

The classical agency theory is very realistic and has been used to explain research in accounting, finance and auditing for several years (See Chapter 3: Section 3.4). However, it still suffers from several criticisms as documented in the literature (See Mihret, 2014; Eisenhardt, 1989); Shleifer & Vishny 1997; Daily et al., 2003). The theory is said to be based on an advanced economic set up with a perfect market and large volume of transactions

[18] SOE governance council secretariat - the body which was then in charge of the SOE operations.

(Mihret, 2010; Asechemie, 1997), and therefore, not applicable to the developing world. Again, the contracts supporting the agency relationships are saddled with conflicts and power asymmetries. The assumption of a competitive market by the theory undermines IA research because the demand for IAF is not market-driven. These limitations make the agency theory for IA study utterly inadequate, especially in a developing country where the economy is neither advanced nor the markets perfect. Prior studies that used the agency theory also sounded this caution as part of their limitations (See Abdullah, 2014; Panda & Leepsa, 2017). The researcher, therefore, circumvented these challenges by combining the agency theory with the stewardship theory which brought in a humanistic view to counteract the ills of the agency theory, which regards management as untrustworthy agents who are ready to rip-off their principals at will.

7.7.3 Sensitivity of the Study

The SOE sector is noted to be generally a non-performing sector in the Namibian economy, and this could have been the reason for its failure to provide annual reports to the state; and as one participant put it "*who will be willing to report failure*?" The Minister of MPE is of late noted to have expressed his frustrations regarding his inability to get information from the SOEs as they continuously fail to produce their annual reports. Researchers attempting to solicit information from the SOEs for their research work also fall into this trap whereby they are often confronted with excuses from potential interview participants under the guise of sensitivity. Despite the assurance of confidentiality offered by the researcher in the survey instrument, it is still possible that the participants might have been unwilling to open up and provide information on some regions of IA and CG systems either deliberately or fear of repercussions.

The study results need to take into consideration the limitations elaborated above when any attempt is made to interpret given these limitations inherent in the findings and calls for further research to increase the available body of knowledge.

7.8 Summary conclusions

This research study has appropriately met the research objective, which was meant to examine the impact of IA effectiveness and CG practices on EPSOE performance and sustainability. It has also bridged the exiting gap to contribute and strengthen the literature to promote the growth of the SOE sector in Namibia. The outcomes emerged as a consequence of triangulation of the review of the extant literature, methodology, analysis and discussions of the findings. This process enabled the researcher to posit that the challenges facing the

EPSOEs could be improved to augment their performance and sustainability in Namibia. It, however, noted that it would require the concerted efforts of the government, oversight and regulatory authorities to change the culture of the SOEs to embrace good CG practices and IA effectiveness.

The journey started by employing survey questionnaires, in-depth interviews, content analysis of various relevant documents, journals and books on CG, IA, SOEs and their related areas. By analysing the documents with the help of SPSS and Atlas.ti, the researcher was capacitated to discuss the findings. The findings confirmed that the reason for the futility of the SOE sector is due to poor governance practices, which need to be revamped to improve the whole governance system. Thus, the implementation of proper CG mechanisms is a better alternative reform to augment the efficiency of the SOEs. Therefore, advocacy for improved CG practices, IA effectiveness, PPP and implementation of IA control systems are the notable ingredients that have been suggested as a means of engaging the SOE sector in a worthwhile pursuit of effective performance and sustainability. Additionally, the appointment of credible leadership with requisite qualifications, experience and skills to the board and executive positions, the adoption of the existing codes of governance (King Report IV and NamCode), setting up IAF in all SOEs regardless of their size (within or sub-contracted) are some of the likely boosters to the issue at hand. Also, the review of the governance policy framework for SOEs, adherence to the relevant laws and legislation and their enforcement are essential suggestions.

Finally, being cognisant of the dangers that a prolongation of the current SOE lapses is likely to agonise the economy, it is indeed imperative that adherence to the findings, discussions and suggestions advanced by this study, could create an excellent opportunity for the government to turn around the situation to enable the SOEs to experience the improvements in performance and sustainability needed to contribute to the economic imperatives of the country. Thus, the outcomes of this study have augmented our thoughtfulness regarding the significant role of the internal audit function and its impact on corporate governance practices and therefore, convincingly answered the research question *"To what extent does IA effectiveness influence CG practices of EPSOE in Namibia?"* The conclusions have also exhibited real value and flagged the way for future research.

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APPENDICES

***Appendix A**: Letter to Prof Mihret seeking for his permission to adapt his questionnaire and response.*

1. ***Letter**:*

KOFI BOAMAH

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EMAIL

+264812706658 (M);
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+264 61 257531(H)

TELEPHONE

15TH AUGUST 2018.

PROF. MIHRET, SCHOOL OF ACCOUNTING, ECONOMICS AND FINANCE. DEAKIN UNIVERSITY, MELBOURNE, AUSTRALIA.

Dear Prof. Mihret,

I am a member of the Faculty of Management Sciences of the Namibia University of Science and Technology (NUST) in Namibia. I am currently pursuing my PhD with the Cape Peninsula University of Technology (CPUT) in South Africa. I am working on the topic ***"Impact of internal audit and corporate governance practices on SOE performance in Namibia"***, and your research work has been an inspiration to me as they have guided my study in several ways.

I have reached the methodology section of the study and intend adapting some of your questionnaire survey used in your PhD thesis (2010) especially ***"Instrument Set A: Questionnaire for internal audit directors and staff.*** I am, therefore, seeking for your permission to do so.

I assure you that by permitting me to adapt the questionnaire, you'll enable me to carry out the investigation and the outcome will contribute to the scanty work on internal audit research output on the continent.

Sincerely,

Kofi Boamah

2. Response by email

Dessalegn Mihret <d.mihret@deakin.edu.au>

Dear Boamah,

Thank you for the email.

I am happy to grant you permission to use and adapt the questionnaires as appropriate.

Best wishes,

Dessalegn

***Appendix B**: Survey questionnaire*

Evaluation of internal audit function (IAF) completed by Audit Committee Chairpersons or their nominees, current and former CEOs, auditees (Management) & internal auditors

Dear Sir/Madam

The enclosed questionnaire is designed to gather information about internal audit function (IAF) in the Economic and Productive SOEs (EP-SOEs) in Namibia. With the permission of the Ministry of Public Enterprises, the questionnaire has been sent to all the EP-SOEs in the country.

The information you provide in response to the items in the questionnaire will be used as part of the data needed for the research. The results of the study are expected to contribute to the understanding of internal audit's role and its contribution to SOE sustainability in the country. The questionnaire is anonymous and does not require you to disclose your identity in completing the questions. Also, be assured that the information you provide will be strictly treated as confidential. The conclusions of the study will be drawn in aggregate terms, without any reference to any particular organisation or individual respondents.

Further, I would like to advise that the survey is electronic and will lead you step by step through the process. In the end, you will be prompted to submit. When you click that button, your responses will come to me directly and that completes the process.
I appreciate your participation and thank you for the same.
K. Boamah (0812706658; email: kbboamah8@gmail.com)

<u>SECTION I:</u>

The following statements pertain to IA in your organization. Please indicate whether or not you agree with each statement by ticking (√) the appropriate one from the options ranging from '**Strongly Agree', to 'Strongly Disagree'.**

5)Strongly Agree	4) Agree	3) Do not Know	2) Disagree	1) Strongly Disagree

		5	4	3	2	1
	A. **Organizational policy authorising Internal Auditors (IA)**					
1	The purpose of IA is clearly defined in your organisation					
2	The terms of reference of Internal Auditors are approved by the board					
3	The terms of reference of Internal auditors are sufficiently visible to everyone in the organisation					
4	The objectives of IA are in accordance with the standards set by the Institute of Internal Auditors (IIA)					
	B. Cooperation between IA and Auditees					
5	There is effective cooperation between Internal auditors and auditees leading to avoidance of undue disruption to normal activities					
6	The Internal auditors operate without any restrictions and have full access to all records and information					
7	Internal auditors always discuss with management about their major areas of audit and their approach					
8	IA always provide early identification and advice on contentious issues, problem areas and delays					
9	Management regard IA as a service adding value					
10	Reports generated by internal auditors are detailed to enable effective management action					
	C. IA Independence & Objectivity					
11	The IA function is independent of the activities being audited and everyday internal processes					
12	Internal auditors perform their activities on their own initiative in all departments of the organisation.					
13	Internal auditors feel free to report their findings and appraisals without interference from auditees					
14	Internal auditors submit their reports to Audit Committee					
15	The head of the internal auditors has clear authority to communicate directly with Audit Committee without interference					
	D. IA and Risk Management					
16	Internal auditors understand the organisation and its risk environment					
17	Internal Controls in the organisation are generally acceptable					
18	Internal auditors have sufficient expertise to effectively carry out their duties					
19	Internal auditors always sufficiently pre-plan and coordinate with management before each phase of audit					
20	Internal auditors frequently communicate to management risks that may have organisational impact					
	E. Internal & External Audit Relationship					
21	External auditors rely on the work of Internal auditors when auditing the organisation					
22	External auditors' perception of the IA function in the organisation is generally good					
23	Work done by Internal auditors ensures less resource spent on External Auditors in terms of time and money					

24	External auditors consider the relevant experience and educational level of Internal auditors when relying on their work					
25	The communication between the Internal Auditors & External Auditors is effective					
F. Internal Audit Effectiveness						
26	Internal auditors have sufficient educational qualifications and professional experience to effectively carry out their functions					
27	The IA unit is adequately staffed to conduct their activities					
28	Internal auditors undertake continuous professional development (CPD) activities (such as attendance of workshops, seminars and conferences).					
29	The work and activities of Internal auditors meet the expectations of the organisation					
30	Internal auditors are aware of and sensitive to the organisation's needs and operate accordingly.					
31	Evaluation of Internal auditors reports by management is positive.					
32	Evaluation of IA reports by the Audit Committee is positive					
33	Internal Auditors are reliable and behave with integrity.					
G. Scope of IA work						
34	Internal auditors check the adequacy of the auditees' record keeping at least once a month					
35	Internal auditors review the systems to safeguard asset monthly					
36	Internal auditors evaluate the internal control systems fortnightly					
37	Internal auditors determine compliance with organisational policies and procedures to ascertain consistency with organisational goals					
38	Internal auditors check the organisation's compliance with contracts with other parties/organisations					
39	Internal auditors check the operating objectives to ascertain consistency with organisational goals					
H. Others (Comprising Planning, Reporting & Follow ups)						
40	Internal auditors consult with management for their input when setting internal audit priorities					
41	Internal auditors review audit working papers before commencing an audit					
42	Internal auditors discuss with auditees audit findings before issuing a report					
43	Internal auditors follow up with management to ascertain whether implementation of corrective actions relating to audit findings have been done					
44	Internal auditors agree with management corrective action plan before the report is issued					
45	Management acts timeously on IA recommendations					

SECTION II: In your own words, please answer the following questions in the space provided. *(You may add extra sheets of paper if the space provided is inadequate)*

46. How does IA add value to your organisation and improve its efficiency?

………

47. To what extent would you prefer to have Internal Audit unit within the organisation or subcontract it to an outside agent?

………

48. What would you miss most if there was no Internal Audit Function?

………..

49. In what way do you want to see Internal Audit improve its function?

……

50. To what extent do you consider communication between the IA and management effective?

Section III: Demographic Details

1) Enter the name of your company/organisation …………………………………………………………..

2) Enter the main business of the company ……………………………………………………………. ...

For questions 3 to 7, please put a cross at the appropriate response

3) Your gender: [M] [F]

4) Your position in the company

Audit Committee – Chairperson or member	
Management – Executive	
Chief/Principal Internal Auditor	
Internal Auditor	
Any other (Please specify: …………………………………………………………………………………	

5) Please indicate your highest qualification by putting a cross against the appropriate column

Certificate	
Diploma	
Bachelors' Degree	
Masters' Degree	
PhD	
Professional (Specify):………………………………..	

6) Your age in years?

Below 30	31 to 40	41 to 50	51 to 60	Above 60

7) Number of years working for this company

Less than 5	6 – 10	11 – 15	16 - 20	21 and above

…………………… **Thank you**……………………

Appendix C*: Interview questions on corporate governance & SOEs' sustainability in Namibia*

(Completed by current & former CEOs & stakeholders[19])

i) General questions

1. What are the governance challenges facing SOEs in Namibia?
2. Should board members be allowed to serve on more than one other SOE boards in Namibia? and what are the possible implications of that arrangement?
3. Many fraud & corrupt practices have been reported in the local media. Are there appropriate mechanisms in place in dealing with such malpractices?
4. Researchers, in general, have reported political interference is contributing to SOE challenges. How far is this true in Namibia?
5. How can the regulators ensure that the SOEs comply with existing Codes of Governance in Namibia (E.g. King III Report, the NamCode, OECD Recommended standards, etc.?
6. According to reports, submission of Annual Reports is a problem among many of the SOEs. What could be the possible reasons?
7. Are there any measures in place to compel non-complying SOEs to meet this requirement?
8. Several researchers have confirmed that efficient use of resources, industry regulations, and government pressure on performance positively impact on SOE sustainability. Are these not happening in the country? If so, why are there so many challenges?
9. What is your view on having Internal Audit function in all the SOEs? And how can Internal Audit Function (IAF) contribute to improving SOE performance in the country?
10. What interventions can be put in place to improve the performance of SOEs in the country?
11. The Namibia government seems not interested in the privatisation of the SOEs in spite of the challenges in the sector – What is your view on this?
12. Are there any other issues that you would like to raise generally in connection with corporate governance or SOE sustainability in Namibia?

ii) Demographic information

- Name of your company/organisation ....
- The main business of the company ....

- Your gender Male ☐ Female ☐
- What is your position in the company? ....
- What is your highest qualification? ....
- What is your age in the range of … ?

Below 30	31 to 40	41 to 50	51 to 60	Above 60

[19] Board members, a parliamentarian and a permanent secretary.

……………………………………. THANK YOU ……………………………….

Appendix D: *Letter of introduction to the EPSOEs by the Ministry of Public Enterprises.*

REPUBLIC OF NAMIBIA
OFFICE OF THE PRESIDENCY

MINISTRY OF PUBLIC ENTERPRISES

Telephone : 264 61 202 3600
Facsimile: 264 61 259218

P.O. Box 4821
5th Floor, Frans Indongo Gardens
WINDHOEK

Enquiries: **Mr Frans Tsheehama**

Our REF.................... Your REF....................

18 June 2015

To who it may concern

RE: LETTER OF INTRODUCTION FOR MR KOFI BOAMAH

The bearer of this letter is Mr Kofi Boamah, the Dean of the School of Management Sciences at the Polytechnic of Namibia. Mr Boamah is a registered PhD student of the Cape Peninsula University of Technology (CPUT) in South Africa. The topic of his thesis is **"Impact of Internal Audit and Corporate Governance processes on the Performance of SOEs in Namibia".** As part of the ethical requirements of the University, he is required to submit letters of support from at least five individual SOEs as proof of their commitment to grant him permission to carry out the study in their organisation.

It is my sincere belief that the outcome of a study of this nature which is tackling the impact of internal audit and corporate governance processes on performance of SOEs will identify the various challenges facing SOEs in the country and propose interventions on how effective system of internal audit can improve CG process which will in turn impact positively on the performance of SOEs in the country.

I am therefore requesting that you support his efforts by giving him the letter he requires to enable him carry out the study in your organisation. Mr Boamah has assured me that he is ready to share with your offices copies of the study to enable you tap into the findings, conclusions and recommendations, which I am confident, will be beneficial for your organisation.

Yours sincerely,

FRANS K. TSHEEHAMA
PERMANENT SECRETARY

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All official correspondences must be addressed to the Permanent Secretary

***Appendix E**: Code-Filter: All CODES*

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100% owned by government	**Fraud**	**outsourced IAF**
4 years ago, annual report	furtherance of own agenda	pertinent issues
400 excess employees	Gazette	pick up malpractices
6 months after year end	generate profit	ploughing back
75 principles of the NamCode	get things done	PM chairing SOEGC
80 % not qualified	Ghana embraced privatisation	PM is not asking
abdicating responsibility	global trend	policies & implementation
Absolutely nothing	good planning	political view
ACC	Governance of SOEs	political voice
activities interfered with	Government interference not always bad	political will
addressing developmental imperatives.	government intervene not interfere	politically amenable
adhered to	government needs cash	politically scared
adopted King Reports	government needs report	Politicians
advertise vacancies	government not to ask questions	pool of young managers
advisers are not performing	govt directives	Poor accounting records
Africa	govt get out of airline business	preparation of the annual report.
African Countries	group them	pressure can generate good consequences
African Development Bank	health of the company	Priority
Air Namibia faces competition	high cost	Private firm
Air Namibia faces stiff competition	high courts	Privatisation has painful consequences
airline	highest in Africa	Privatisation leads to retrenchment
airline not public good	History	problem of compliant
and why?	hold management accountable	problem of implementation
annual budget	human nature	process of appointing directors is fraud
annual reports	human resources	procurement
Appointments	IA act as board advisors & management consultants	promotion

appropriate groups	IA auditing	promotion must be based on productivity
are the rules followed?	IA help prevent losses by SOEs	promotion must be based on skills
area of power, water, education.	IA is not independent	proper alignment
artificial employment	IA is very important	properly inducted
attempting to direct matters is not interference	IA is very necessary	properly oversee operations
attempting to take over SOE activities	IA prevents losses by SOEs	protection of whistle blowers
attract funding	IAF, SOE performance & sustainability	provide reports
audit committee	IMF & WB imposed privatisation	PSs are not fired
audit committees	IMF & World bank	public sector
Auditing is misunderstood	IMF and the WB	push risk agenda
Auditor General is the problem	implementation is the problem	qualifications
authorities must enforce the regulation	implementation of findings	re-looked into
availability of directors	implementation of standards	ready to learn once appointed
availability of time	implementation of the laws & regulations	ready to take over
aviation	impose compliance	reality
awareness	improve performance	receive funding from the government.
benefits of organisation	improve structures in place	receive salaries
bigger ones go free	improve the situation	receiving allowances
blame the board	inability to generate income	recommendations
board	inadequate experience and skills	recycling same people
break-even	inadequate financing	reflect on changes
broader objectives	incompetence's impact on customers	regulations
Budgets	Incompetent board	Relationship
building a managerial	increase in prices	relationship development
building a managerial cadre	increases reputation	relevant supervisory bodies.
business	independent auditor	reliance on government
buy organisations	independent board	remain under control of government
cabinet	indicating priority	remedies
CAE must be part of EXCO	industrial policies	reports must be submitted
calibre of directors	ineffective in dealing with politicians	require expertise
calibre of leadership	influence economy	required to train ill-prepared board
cannot appoint board and yet make decisions	information	requirements
Capacity	Integrity	requires leadership
Capital	interest of every entity	resource allocation
capital supplied by owners	interest of the people	resource availability
capitalisation	interested in allowance they receive	responsibility
capitalisation is important	Interference is a reality	retrench
capitalisation is interesting	interference with rules	revamped

central procurement agency	International Accounting Standards	Risk
CEO & chairperson collusion	international agencies	risk in the organisation
CEOs are not fired	international sources	risk management
chairperson should be qualified	interventions	rules of operations
challenges	investigate	running business
charge lower costs	investments	sabotage
circumstances	irresponsibility	SADC level
Civil servants cannot run businesses	irresponsible reporting	safeguard assets
civil society	irresponsible reporting by the media	sale
clear demarcation	Is a necessity	same people serving on many boards
collusion	issues against ethics	save organisations costs
commercialisation	It is fraud	saving the organisation
Committees	IT is not right	scarcity of expertise
common format	It is serious	Segregation of enterprises
Companies Act	just to make money	sensational reporting
Company's Act	Kenya	serious challenge
Compare	King IV	serve as consultants
Compare MTC to TN mobile	King IV report	service delivery
compelled	King Report	service level agreement
competencies	King Reports & NamCode	Service rendering
Competition	Knowledge	shareholders
complement govt directives	Knowledgeable executives	shortage of expertise in the country
compliance	labour Act	should not go unpunished.
Comply	lack of accountability	side-lined
comply with standards	Lack of accountability.	significance
compounding	lack of clear guidance	significance of standards
comprehensive measures are in place	lack of commitment	size of the firm
concrete evidence	Lack of commitments	skill and experience
concretise positions	lack of enforcement	small crop of people
conflict between ministries	lack of experience	smaller fishes
conflict of interest	lack of funding	social sense
consequences	lack of knowledge	SOE compliance
consider privatisation	lack of leadership	SOE Governance Framework
consultants	lack of necessary skills & experience	SOE legal framework
contaminated views	lack of oversight	SOE performance & sustainability
contract with line ministry	lack of professional experience	SOEGC has no manpower
contradiction	lack of reading culture	SOEGC have no skills
contribute	lack of seriousness	SOEGC is not performing
contributes to failure	lack of skills	SOEGC says they do not have the expertise.
contribution	lack of training	SOEGC unable to oversee

contributions	Laws	sometimes they have to be taught
control activities	Leaders	spend less time
control of government	Leadership	sponsors
Controls	leadership must insist on compliance	stakeholders appoint board members
controls in place	leadership of the orgs is suffering.	standards of best practice
corruption	leads to corruption	start selling
corruption index	legal framework = too old	stock exchange
Cost	legislations in place	stock market
Countries	less time	strategic plans
Coy's Act	limited pool to recruit from	strategic positioning
create artificial employment	limited to party affiliates	strength to explain
creates income disparities	limited to two	strength
Creation of MPE = good thing	liquidation	strict regimes
creation of the MPE	loss of jobs	stronger boards that supports governance
Crime	loss of votes	structural adjustment
criminal activities	maintenance and acquisitions	structures in place
CSR	major problem	struggle
cultural issue	major requirements	struggling organisations
current annual report	make money	IAF is part of governance
custodian of codes	making a headway	such organisations must be sold.
dealing with transgressors	making good contribution	suffered the consequences
definition of roles	Management	supervisory bodies.
deliberate inculcation	management & controls	support outsourcing
delinquent SOE's	management adherence to codes	swim or drown
deliver social outcomes	management affairs	systems
demand accountability	management does not play its role	take control
depend on international funding	management recognition	tell the story
depend on sitting allowance	Mandate	testing of internal control
detrimental for the people	marginalised	The Act is clear
developing countries	matter of urgency	the board remains ignorant
development banks	maximum of three	The custodians are the boards
developmental imperatives	maximum of two	the minister must be proactive
DFIs to standardise their codes	measures & rules	The new legislation is calling...
did not auger well	measures in place	the right agenda,
differ substantially	mechanism of controls	There are some of the ministries.
different assessment criteria	mechanisms in place	there is a problem
different objectives	meetings called for flimsy reasons	there is also a problem
difficult to control	meetings with customers and employees	There must be checks and balances
Directives	members do not read	they need to make profit

Directors & CEO appointments	Merit	they should be accountable
dis-juncture	micro-managing	they should be explained
disagree with political view	micro-managing the organisation	think in economic terms
disciplinary code	minimum qualification	thinking properly
disjuncture between skills needed & qualifications	Minister	thrown on the deep end
disjuncture between skills needed and qualifications	minister can over-rule	thwarted efforts
display of nepotism	minister is not questioning	tied to rewards
display of tribalism	minister should ask the board	tighten regulatory framework
disposals	minister should report to cabinet	to be accountable
disregard codes	Ministers appointing unqualified people	trained
divestitures	ministers must be held accountable	transport sector
do better business,	ministers serving the same ministry for too long	tribalism
do business	misunderstood	trust
do not see the need to comply	misuse of resources	two is enough
does not make sense	modern organisations	unable to break-even
do not support privatisation	more than two = challenging	undue interference
dynamic regulators	multifaceted	unnecessary burden
economic inefficiency	multi-dimensional	upgrade resorts
Economies	must be trained	Use of resources
Economy	must have knowledge	useful guide
effective governance.	NamCode	vacancies must be advertised
effective IC	Namibia	very good standards
effective management.	Namibia can acquire expertise	very junior
eliminates prejudices	NamPort = effective	very qualified
embarrassment	nature of the organisation	we cannot afford not to comply
embrace PPP	necessary skills	What are the real issues?
employment	Need for international expertise	What happens if reports are not submitted?
encouraging	need international expertise	what is happening?
end of the year	need updating	what is happening?
engage private sector	needs of the organisation	what is the accounting officer doing?
ensure sustainability	Nepotism	where is the AR?
Enterprise risks	new ministry	Where is the report?
Entity	news media	which ones are not performing?
Environmental	Nigeria	which sectors are not performing?
establish by government	No accountability	which sectors are performing?
establishment	no clue of expectations	which sectors are performing?
Establishment of MPE	no consequences	whistle blowers
establishment of MPE	no control systems	Who is going to buy a struggling company?
Ethics	No guidance on how reports should be written	who is ready to report failure?

executives must understand the codes	No IA system in place	who is ready to report on failure.
executives	no mechanism	Who will be willing to expel 4000 employees?
exercise their mandate	no one ask “Where are the reports?	wide spread at board level
experience & skills	nominees are inexperienced and unqualified	willing to expel 400 people
experienced	non-Namibian CEOs	within organisation
expertise	non-conformance	within the law
Experts	not for malicious intent	without consideration
external auditors	not good enough	without sufficient capital
externalities	not happening	workers
Failure	not in education, water and power	workers point of view
failure of leadership	not listed	world bank
failure to report on yearly activities	no political affiliation	worrying
failure to submit annual report is criminal	NWR partnered with private sector	would not sell Nampower
Failure to submit annual reports	obvious reasons	would not sell NamWater
Fear of election	OECD standards	wrong decisions
fiduciary responsibilities	Ombudsman	
Finance	one of the highest in the world.	
financial statements.	only shortlisted candidates = interviewed	
Findings	operational activities	
flocking a dead horse	Organisations must be codes compliance	
Flow	Other additions	
foreseeable future	outcome is positive	

Appendix F:*Primary documents coded*

PD1/ Participant	**GOVERNANCE CHALLENGES FACING SOES IN NAMIBIA**
1	i. Challenge is the calibre of directors –their relevance to the particular SOEs in terms of skills and experience. It is important that in the board room, members should be able to contribute and understand the policies governing their functions. ii. Policies are not properly formulated and not relevant to some of the SOEs iii. The issue of integrity – although intangible but very crucial. Some members have all the qualities but instead of using their capabilities to contribute to the organisation, they sabotage it by trying to advance their own agenda by corrupting the organisation. There was an incidence of someone falsifying my signature to steal money from this organisation
2	i. Appointment of directors – directors should be independent and experienced & must have knowledge of the Organisations they are heading. ii. Political appointment - leading the appointees to tilt more to the politicians instead of the organisation they work for.
3	Multi-dimensional. Inadequate financing. SOEs are not adequately financed. They lack the capacity to generate adequate income for themselves. Competition is another problem facing the SOEs eg. Regional and international airlines such as KLM, Ethiopian Airways, SA airways – all competing against Air Namibia in a small country such as Namibia. Lack of capacity in terms of human resources are contributing to the challenges of SOEs in the country.
4	Board members are generally not competent. Stakeholder nomination (Communal Farmers, etc.) are not experience and not qualified for the positions they have been nominated for. Many of the board members do not have any source of income at all. They depend on board sitting allowances as their main source of income. The number of meetings called determines what they earn during the year. Therefore, board meetings are called for flimsy reasons. We are asked to train the board members but sometimes it is not possible to train someone who cannot read a balance sheet.
5	Political appointments to SOE board without the minimum qualifications, skills or experience
6	They are multifaceted. We are a growing nation. 26 years after independence, one cannot say that we are where we are supposed to be regarding governance in the country. It is the people that make governance work or not work. What type of calibre we bring into leadership positions counts in terms of their experience, qualifications, skills, etc. which they bring to these institutions? We have a limited pool where we draw these leaders from. Management is another issue. If you have CEO, management or directors who have little appreciation for governance, we have a problem.
7	Outdated policies. Most of the policies are not contemporary. We need current policies. There is also political interference which is hurting the SOE performance. Management sometimes are not allowed to make independent decisions. Their views are mostly contaminated. The board is also encroaching on operational activities of the organisation which is supposed to be left in the hands of executives/management.
8	i. So many and differ substantially in terms of nature and requirements. It makes sense to group them so that we are able to deal with them appropriately

	ii. Failure to appropriately group the SOEs in appropriate groups. iii. Operating on their own without consideration of the owners. Eg. Airport co. blatantly operated against government directives. iv. The commercial SOEs are the ones to be held accountable because they need to make profit. They should be accountable for monies given to them by the government. Air Namibia & TransNamib, NWR, etc. are good example of such SOEs – economic inefficiency. It is important that they generate profit. Service provision SOEs such as UNAM, NUST, etc. just need to account for what they did with the money given to them by the government.
9	Primarily 3 issues: 1. Finance: The firm is supposed to be a commercial enterprise. Capital needed come from the owners – Nam, Zim & SA. Unfortunately, Zim could not contribute its capital. We could always produce good business Plans, etc. ii. Interference from political stakeholders. Not aware of the situation right now, but at that time, the minister was not interested in having a non-Namibian as CEO. Iii. Lack of skills and professional experience. Many of the CEOs and top board members were not conversant with the details of CG. These are true to all the SOEs.
10	Starting with the legislation. Aware of the recent Act but I'm talking about the 2006 Act. What it failed to do was the definition of the roles of the board – E.g. The PM chairing the SOEGC and supported by ministers. i. The new Act also has a problem. It is separating the Commercial ones and the non-commercial ones. The governance architecture is faulty at operational level especially accountability. There are no consequences. If you are on a board, you should be accountable to the people who put you there. There are instances where monies deducted from employees for pension funds are not paid into the account. i. The ACC is supposed to be responsible but there is no one asking the relevant question.
11	Like SOEs globally, they are saddled with political influence. Obviously as the owner the gov. has some objectives that need to be met. And the firms have got their own objectives. This conflict of interest needs to be balanced to have things moving
12	Relationship between the structures of the SOEs - Definition and roles is missing. There is a need to defining the roles so that each party is clearer about its mandate. Political interference of issues that should be left in the hands of the SOEs is another serious challenge. The SOEs have been established for a purpose yet the politicians are always attempting to over-ride the mandates of the SOEs. Qualifications, skills and experience of the board and even some of the executives are not up to the standard of what is entrusted to them. Committees, especially Audit Committees do not provide the structures to look at governance issues. Risk: Enterprise risks and how to mitigate them. ICT is helping and should be encouraged.
13 & 14	*Directors have to make decision on behalf of the business but the problems are not the same. Political interference regarding the nature of our business*
15	Appointment of directors, executives and management is a serious challenge. Lack of funding is another challenge. Political inference, questionable policies and structures in place – these are all contributing to lack of clear guidelines to ensure SOE sustainability in the country
16	The challenges relate to accountability and resources sustainability of the SOEs. The architecture around accountability has been a problem. Again, the issue of the board composition which is restricted to 5 is another problem. Imagine how the 5 people will serve

	on the board subcommittees, e.g. AC, salary committee, recruitment committee, etc. means the same people being recycled over and over again.
17	Directives from shareholders are sometimes not clear and confusing at times. Senior politicians' interference in operational activities is a concern. Board interference is another concern where sometimes they exceed their mandate by infringing on managerial functions. Priority areas such as Budget, Finance, etc. are very important but sometimes relegated to lower position making executive function very difficult.
PD2	**NO OF BOARDS THAT MEMBERS SHOULD BE ALLOWED TO SERVE ON**
1	Serving on many boards makes one ineffective. It requires full attention of the individual. It is better to serve on 1 institution and where the person has certain qualities probably 2 may be ok. I think the process/approach of appointing directors is fraud. Sometimes you are appointed by cabinet and it is difficult to say no. It is more appropriate to advertise (go to the market) the position with full description of the qualities needed. It eliminates all sorts of prejudices in the system. We have done it previously and it worked well. It is useful to appoint people who are willing and have the necessary experience and skills to perform.
2	Support the idea of not more than 2.
3	It is humanly impossible to serve on several boards. All the board members are employees of other organisations. To be able to devote their time to their work and serve on many boards is impossible. I will support serving on not more than two boards.
4	Unfortunately, there are small crop of people serving on the various boards of the SOEs. It is the same 30 people serving on all the boards. It does not make proper governance & accountability. The new legislation is calling for advertisement for board appointment. I am glad that this trend is changing.
5	A maximum of 2 is enough
6	Probably 2 will do. Otherwise, it becomes very challenging.
7	They can serve on a number of boards but the problem is lack of commitment. Unfortunately, there are members who do not read – all their interest is the allowance they get by attending the meeting. The experience and skills of some of the board members is a serious issue. Some are very junior to the extent that they have no clue about what is expected of them as board members. Sometimes they have to be taught simple things that board members are supposed to know before they are appointed.
8	Serving on more than 1 other board = 2 is enough
9	Firstly, in terms of the framework it should not be happening. But previously you find 1 person serving on more than 5 boards leading to conflict of interest. Availability of time is another issue. It is however, possible that a person may have certain competencies that are required by different SOEs. Serving on 2 may do. It is also possible to attract qualified board members from other countries e.g. Retired CEO from Ethiopian Airlines could be co-opted to air Namibia to help.
10	Availability of directors, time on their side to prepare and be ready to contribute are a concern to grapple with. Unfortunately, some of the board members lack the necessary experience and skills to perform. They are just there to make money (sitting allowance) and not to contribute to anything. Some of these boards need international expertise with the necessary qualifications and experience to contribute effectively to the needs of the organisations.

11	2-3 should survive otherwise the purpose of their appointments will be diluted. I would have settled with only 1, but considering the shortage of expertise in the country, serving on 2-3 should do.
12	i. It should be limited to 1 or maximum of 2. The reason being that it can be lucrative sitting on the board gaining allowances. It is better to have smaller boards with skills and experience to contribute effectively. Where expertise is difficult to find, then 2 will do otherwise the quality of their work will be compromised – e.g. people with financial expertise. A dis-juncture between the skills required to properly oversee the operations as board members and the actual qualifications of the members. There are some of these industries which require expertise – air Namibia, NWR, etc. ii. Political interference in appointments is a serious issue in the country. Example of a non-performing PS is removed and sent to manage a national institution like NIPAM. That is a total misplacement of resource.
13 & 14	2 to 3 boards are ok. In view of the scarcity of expertise in the country. Serving on many boards prevents them from being active.
15	If the Board has an Audit Committee, its chair should be a qualified accountant or auditor. The chair could be on a maximum of three boards – it would then almost be a full-time job. But as stated above any appointment should be for the skills set the person brings to the Board and not a reward. The Board member must understand the responsibilities of the position – personally liable if entity trades recklessly, etc.
16	2-3 should surfice otherwise the purpose of their appointments will be diluted. I would have settled with only 1, but considering the shortage of expertise in the country, serving on 2-3 should do.
17	That is a concern. Should be limited to 2 at most

PD3	FRAUD AND CORRUPT PRACTICES
1	There must be integrity. There must be checks and balances, governance framework must be thigh. Issues of procurement, finance, risk management and controls are paramount. Internal auditors in my organisation are my best friends. I always insist my CIA must sit in my EXCO. Bçus IA to me is very significant in an organisation such as this. Their reports are not meant to be shelved. They must be followed and findings implement. Unfortunately, they are marginalised in some orgns
2	There are laws, rules and regulations in place but the political will to implement them has been a serious challenge.
3	The act establishing the SOEs are quite clear on the requirements. The ACC, The Act, etc. all are quite clear on the necessary regulations. The problem is their implementation and the lack of governance, culture & ethics.
4	The policies are there. The problem is the manipulation of the system especially in the area of procurement.
5	SOEs are all subject to the Anti-Corruption Commission oversight and the 'auditor' has a responsibility of reporting to the Board all irregularities and the draft PAAB bill (currently under initial review) places a responsibility on the auditor to report to the PAAB before informing the Board and then has a timetable to adhere to.
6	The laws are there. ACC, the Act, etc. are there. In SOEs there are procurement rules that are specific. The question is whether they are followed or whether there are collusion or implementation issues. However, where Namibia stands in terms of Corruption Index, 57th out of 175, is not bad. What is lacking is enforcement of the existing laws.
7	i. Need a board that is independent capable of picking issues and not easily swayed. i. We have the ACC which should be equipped to deal with issues of that nature but unfortunately it is ineffective in dealing with politically motivated issues. Without mechanisms to deal with transgressions, CG fails and that is the issue facing Namibia SOEs.
8	Difficult to say due to the nature of our organisation. We have 16 years of clean audit. However, with regards to other organisations, where CEOs and chairperson are in collusion, it is difficult to control it. There are laws and regulations in place but implementation is always a problem. The AC is not performing either.
9	These are inherent in human nature. Especially where there are no control systems in place to ensure checks and balances. The ACC, Ombudsman, Coy's Act, and all the necessary controls are in place but the laxity in terms of accountability, lack of oversight and implementation, etc. has been a serious challenge in the whole system and needs to be revamped to curb these malpractices
10	Comparing Namibia with other countries, it is not all that endemic; however, it is still a serious problem. It is all due to lack of accountability and commitment on the part of overseers. It is rather unfortunate that many of the SOEs do not even have IA to help implement good CG practices and ICs in the systems. So that problematic issues could be controlled at the beginning and keep management on their toes.
11	There are legislations in place but lack of accountability is the issue. Responsible ministries are not following up pertinent issues, and yet no consequences. Probably, the

	civil society should take up the issue with the ACC to the high courts to demand accountability.
12	There is sensational reporting by the news media. There shd be internal procedures in place in the SOEs to deal with issues before they go out. There are issues which go against national ethics. Unnecessary and irresponsible reporting tarnishes the image of our country. It is important to suspend a suspect and investigate the issue and if found guilty then a press briefing is called to inform the nation and not the other way round. The ACC only catches the smaller fishes allowing the bigger ones to go escort free.
13 & 14	Yes. There are regulations in place to contain these practices but the problem is implementations of those laws and regulations. There are measures, rules etc. whistle blowers are protected; fraud awareness is place in this company but the implementation has been a burden.
15	There are mechanisms in place to check these practices. There are strict regimes in place but the adherence to those regulations that poses serious setbacks. Failure to follow those regimes is basically corruption. The failure of the IA practices who are supposed to see to it that controls are adhered to probably are not in place which is rather unfortunate. The media also have element of irresponsible reporting which plays into SOEs being viewed in a particular way. Sometimes reporting issues which are not usually true – eg. When the reality is different.
16	Mostly in the area of procurement and leadership level.
17	Yes. But would not want to comment. Because sometimes exaggerated by the media which is not well informed.
PD 4	**POLITICAL INTERFERENCE**
1	Yes. It may be there but sometimes not because of malicious intent but social necessities. If the governance structure is strong, there is no need regarding political voice as LAW. The board and the executives must have the strength to explain why we do not agree with the political view. Every owner would like to know what is happening in their business, therefore the government. attempting to ask question and attempting to direct matters is not always interference. However, there are instances where appointment to board position and executive positions are politicised which obviously is wrong – we should go to the market to give chance to everyone to compete.
2	No comment
3	Difficult one. By nature, the SOEs are established by the government to serve the broader objectives of the economy. It is the owner of the SOEs and if by asking questions is termed as undue interference then there is a problem. However, if the governments. intentions are extended to appointment of family and party members, nepotism, tribalism etc., then there is also a problem.
4	Yes. Appointment of people who are politically amenable to sing in the master's ears.
5	A term coined by some people with their own agenda. If the owner put rules in place to ensure that things go well in the organisation they regard that as political interference. There must be a clear demarcation between what is expected by the government, of the board and the executive. The government comes in only when there is problem. To me,

	government merely intervene and not interfere – which some people blow beyond proportion. In the case of appointment of directors and executives one would like to appoint someone s/he is sure will be able to contribute to the attainment of the objectives of the organisation. Whoever is appointed, however, must be ready to learn and tow the lines of the new office. Unfortunately, some of the appointees fail to fulfil this simple mandate.
6	SOEs are extended arm of the government. They are established by the government. It is therefore not possible to divorce it from the government. who established it. If the interference is for the furtherance of the benefit of the organisation then it is good. But if it is to the detriment then there is a problem. You cannot expect the government not to guide, ask questions regarding its own business. As regards appointment of board members and executives, the Act empowers the Minister to appoint these people with regard to their expertise, experience, etc. to assist and carry on their mandate. Bearing in mind that it is the shareholders who appoint the board and executives in the private sector, what prevents the government as the sole shareholder to appoint these people? This is supported by all governance codes, King IV, NamCode, etc. If the government appoints these people in accordance with the law, there is no reason to worry. Ones the appointments are within the requirements of the law, then, let it be. Thus compliance is the issue. But if politicians' step beyond what the law requires of them, then there is a problem.
7	The SOEs are established by the government and 100% owned by the government. I see nothing wrong with the government asking questions about the performance of its own businesses as in the case of the private sector. The government may need reports on how monies given to the organisations are used, how projects are being implemented, etc. To me, political interference may be limited to appointments reserved for party affiliates who are sometimes not qualified to hold such positions, or display of nepotism, tribalism, etc. in such appointments are the evils that sometimes clouds the system
8	It is becoming true day by day. Today government want to have more control over the SMEs going against the real reason why these organisations were created. Today the government has created a central procurement agency which makes it difficult for the SOEs to exercise their mandate. The conflict of different ministries regarding who should be in charge of a project is another serious problem with ramifications. There are some of the ministries who want to take over the activities of the SOEs for obvious reasons. Leading to the weakening of the SOEs and strengthening the problem of political interference.
9	Yes. Still appointments made by ministers – of people who are not necessarily qualified to occupy such positions. Probably due to lack of good governance.
10	Things are changing now. Otherwise previously appointments were purely based on political affiliation
11	Appointment of board members and executives. For example, the board may shortlist the candidates, but the minister can override whatever is recommended. Again, politician's encroachment on operational issues.
12	Political interference to some extent is good in terms of in the area of service delivery. For example, a directive that we have to expand a service to a particular area to improve the

	lives of the people but when it leads to corruption, nepotism, to accommodate comrades and the SOEs become an easy avenue to accommodate incompetency, then there is a problem.
13 & 14	There is. CEOs are told to get documents approved, etc. The pressure is sometimes there. Why shouldn't the owner be interested in the affairs of its business? Government interference is not bad per se. The only problem is interfering with the rules that they have put across to enable the SOE function. They are over-riding their own rules. We are funding so many politically connected people who feel they have right to whatever they are looking for without taking into considerations the rules governing our operations.
15	It is absolutely true. Interference to the extent of micro-managing the enterprises is a problem. The advisers are not performing or performing. The appointment of board members and CEOs appointments are always a problem. Ministers in the same ministry for too long and wrong decisions are compounded to the extent that some of them demand percentages of projects, which drains state monies.
16	I believe this is widespread at Board level – the board member has a responsibility to the entity and not to the appointing / nominating authority. If the skill set is improved and the board members are properly inducted, they will understand that confidentiality is important and board matters cannot be aired at a Ministry management level. Likewise, the Minister cannot appoint the Board and then want to make all the decisions.
17	To some extent. Politicians sometimes infiltrate in the area of appointments to board membership and even executive appointments. Such appointments are necessarily the best in terms of candidates, credentials: qualifications, experience and skills.
PD 5	**SOE COMPLIANCE WITH EXISTING CODES OF GOVERNANCE**
1	It could be lack of knowledge or the board is not properly inducted. Sometimes executives and board chairs make sure that the board remains ignorant so that they could have their way. Otherwise, Knowledge, enforcement, etc.
2	Nam is not serious about governance. Lack of training of board members, etc. The directors are not willing to live up to the expectations. There is always interference by the board in the management affairs of the SOEs. The CEO sort for legal opinion to remove the chairperson.
3	Although compliance of those codes is voluntary, but their compliance are the only means of survival and SOEs must think critically about compliance. The boards, executives must see to it that their members do understand and comply with these standards. We cannot ignore the good intents of the King Reports, NamCode, OECD standards and think we are in business as usual. It is serious.
4	Board members do not have reading culture to read CODES to apply in their respective firms. We have a mixed bag of members. Unfortunately, the educated ones do not even read to know and understand the codes to apply. However, some SOEs are operating under the CG rules especially our own.
5	The responsible Ministry must insist that each of the SOE Boards report annually, at least, on each of the 75 principles contained in the NamCode. A useful guide is now available in the King IV report on SOE's and local government.

6	My organisation does follow the codes. To us compliance is important. Laws, Gazette, regulations, directives, etc., must be complied with. But lack of compliance must have consequences. Unfortunately, some of the SOEs are not self-motivated. There are some of the board who do not understand some of these issues. And CEOs who are not motivated to be compliant, there is a problem. There are also some CEOs who enjoy the ignorance of the board and take advantage of that in furtherance of their own agendas. Simply stated, leadership must insist on compliance otherwise, there must be consequence.
7	Lack of training and lack of understanding and interpretation of the codes. At times people read them but fail or disregard what the codes stand for. The custodians are the board, but they ignore the requirements and interfere with the day to day running of the business. They start to have meetings with customers and employees. Some even want an office allocated to them in the business premises.
8	The government has recognized that leading to the establishment of MPE to take control and see to the implementation of some of these standards. International standards of best practice are necessary. King Reports, NamCode, OECD standards are free for adoption to improve the performance of SOEs. Hopefully, with time we will understand the significance of these standards; implement them to improve our situation. Some African countries are making a headway.
9	The regulators must be committed and know the codes themselves. Knowledgeable executives, board members with the necessary skills must be appointed. They must be trained and occasional retraining is a necessity. Appointment of untrainable board members cannot be of use. Because they will be unable to ensure compliance. There must be strategic plans articulate in performance management and tied to rewards, there will be seriousness in their activities.
10	Until the new Cos. Act of 2004 is amended. The new act and our own codes of governance. The NamCode is developed. The system is influenced by the SA Act 1973. CG is all about transparency and Why they are not conforming to the codes, they should be made to explain. There is no political will to compel them to. Unfortunately, the SOEs are not listed to comply as demanded by the stock market.
11	SOEs do not have one standard discipline code. The labour Act is the guideline to all and each org. develops. The codes are not applicable to SOEs. They are therefore not compelled to adhere to any code – and they are also not listed in any stock exchange to abide by their rules.
12	Compliance with these codes are very important, however, some of the SOEs are not compliant because the education level, skills and experience of some of the board members are not good enough to be able to understand these standards to implement them. There is total lack of oversight and some of the CEOs enjoy such situations as they tilt the misfortunes to their own interest to concretise their positions. The King Reports, OECD standards and now the NamCode are very good standards to guide all organisations ready to adopt them.

13 & 14	For us to attract funding from our sponsors such as the African Development Bank and other international agencies, we cannot afford not to be compliant with the codes. Unfortunately, the qualifications of some of the board members are questionable and as such do not understand some of these codes to comply with.
15	This is happening bcus there is no recourse for non-compliance.
16	In my organisation, we adopted all the King Reports (I, II, III & IV). Organisations that depends on international funding like ourselves and development banks, have no way out but to abide by those codes. At the SADC level, all the DFI are to standardise these codes and make sure that there are those standards that guide your operations. However, have those codes are not enough. The institutionalising of these standards is what is lacking in some instances. The management and leaders in those organisations are oriented in a way that they become a workable document. It is a question of awareness, management recognition and strategic positioning, because it is the interest of every entity to have that because it raises your reputation and you would be able to do better business, especially when you need to raise funding from local or international sources.
17	Boards must accept the fact that compliance with CG is the right way to go for modern organisations. Unfortunately, some board members do not understand the importance of these codes and either ignore them, or do not see the need to implement these good standards. I am happy to state that the NDC is compliant.
PD 6	**FAILURE TO SUBMIT ANNUAL REPORTS. WHAT COULD BE THE POSSIBLE REASONS?**
1	I will blame that on the board. One will expect weekly/monthly etc. report submitted to tell the story of what is happening. The board is expected to enforce this requirement. In fact, it is criminal not to submit the report while overseeing someone else business. It is fraud not to submit annual report. I was surprise to be given a 4 years ago annual report last week. “I need the current one” and I was told that is the latest. IT is not right. Why no reports? Lack of accountability and failure to ask question by the relevant supervisory bodies.
2	Yes. SOEs expected to submit the reports by 6 months to enable the minister to submit the report to the cabinet. But that is not happening. Why no one asking for the reports, is the question to be answered. Lack of accountability.
3	Lack of accountability. I blame the board for not performing their fiduciary responsibilities. You cannot fail to report on the year’s activities to the owners at the end of the year while the board gets its allowances and the executives their salaries monthly. The minister should ask the board, the board should ask management – where is the AR? I am wondering what the ministers tell the cabinet for failing to report on the SOEs they are responsible for.
4	The major problem is the AG. The law says the minister is to present the report to parliament 6 months after the year end. The AG says I have 1 year to report. This contradiction impacts the flow and preparation of the annual reports. Some of the SOEs are 4-5 years behind. So is the case of some of the ministries. What happens if reports are not produced? Absolutely nothing. No accountability and no one ask “Where are the reports?” Our law says 6 months after the end of the year, where

	is it. No one loses their jobs; they receive their salaries monthly – No consequences!!!!!!! – No one is warned and no one is punished for non-performance.
5	Poor accounting records and the work load of the Auditor General office – firstly an independent auditor if required to appointed must complete their audit and submit the audit report to the AG for review and issuance. As most have a March year end and need to report within 6 months it places and unnecessary burden on the profession which could be solved by staggering the year ends of the SOE's to suit their operations and not have the audit overlapping with the annual budget.
6	They have nothing to report on. It is also a compliance issue. All the laws direct that annual reports must be produced. This is a non-negotiable issue and must have consequences for non-compliance. It is also part of the performance management = some sort of performance contract starting with the minister and the board, the board and the executives, management and executives etc. There must be convincing reasons for not submitting reports.
7	True but it a problem of compliant. Annual reports must have a format with all the necessary ingredients. Annual reports are not just financial statements. They include operational activities. Lack of commitments and accountability on the part of the custodians. The AGMs are expected to take place at the end of the year
8	Management does not play its role. No one is asking them to be accountable. They receive funding from the gov't and yet the board is reluctant to provide the reports. SOEGC could not play that role for lack of skills and ability to properly oversee that activity on behalf of the gov't. The Act is quite clear about when to submit the annual reports but SOEs blatantly fail to submit their reports.
9	Who is ready to report "failure"? No one is proud to report failure? About 90% of the SOEs are failures. One would have expected reports stating e.g., we have failed because of the following reasons. There are not even monthly or quarterly reports not to wait until the end of the year.
10	Because there are no consequences. Nobody asks the ministers why there are no reports. The PM is not asking, the minister is not asking – simply there is no accountability. No one ask the simple question "Where is the report?" This irresponsibility is not the problem of SOEs only but cuts across the whole government system and no one is fired for failure to perform. The PS, Directors, etc. 14 years no report and what is the accounting officer doing? They are paid at the end of the month for doing nothing.
11	Because the there is no guidance to the reporting. Everyone therefore does their own things. One w0ould expect monthly report to management, then to the board and the board to the minister. Unfortunately, instead of the gov delegating responsibilities, it is abdicating responsibility. With the excuse that e.g. SOEGC says they do not have the manpower to play their supervisory and regulatory roles. The leadership of the orgs are suffering. SOEs cannot be run by politicians who capable of running business. This contributes to failure to generate convincing reports – who is ready to report on failure anyway. We need some international expertise to come and lead our SOEs for some time (be understudied) so that Namibia acquires the necessary expertise from them.
12	This is a major problem among many of the SOEs. Failure to submit an annual report by a CEO who receives his salary every month is criminal and should have consequences.

	The minister in charge of the SOE should ask the board, the board should ask the CEO, etc WHERE IS THE ANNUAL REPORT? Lack of accountability amounts to serious irresponsibility and should not go unpunished.
13 & 14	It is an issue of corruption, bad accounting and lack of accountability on the part of the SOEs. No one is making the management accountable. That is not acceptable. The minister is not asking the board, the board is not asking the executive, etc, where is the annual report?
15	Very worrying. But I think the authorities must enforce the submission of AR
16	That is a serious problem in many SOEs. When I took over my organisation, it was 2-3 years behind with annual reports. The problem is how the info management is executed and processed. The coordination and alignment between the technical processes and financial related information which is aided by IT for which you needed a package or system which should enable you do the reports timeously. However, my financials are always ready for auditing but for the lack of info – which before you get all the info from the different sectors of the organisation that delays. Before you get what you need you are already 1 year behind. The SOEs do not have the institutional infrastructure to produce the annual report. The Financials are always ready but without that no financial institution will grant you an overdraft.
17	Yes. It is true but the NDC cannot fail in such submissions else we will not be granted the funding we require to run our organisation.
PD7	**ARE THERE ANY MEASURES IN PLACE TO COMPEL THEM TO SUBMIT THE ARs?**
1	None
2	The minister and the board chairperson should be held accountable – yet that is not happening.
3	Yes. But all the good rules and regulations are ignored and no one held accountable for such lapses. PSs are not fired, CEOs are not fired, - for non-performance. Let see what the new ministry will do to rectify such lapses.
4	None
5	Each of the SOEs have a contract with the line ministry or the SOE Ministry and the service level agreement should / could / must contain remedies for delinquent SOE's.
6	That is another area for research. Which of the sectors of the economy are performing and which ones are not and why? What are the real issues? The transport sector, which I work in, is doing its best under the circumstances. In the road sector, it carries most of the goods, we maintain the roads and build infrastructures, planning, financing, etc. Thus, the transport sector in general has been contributing fairly to the economy. But it does not happen on its own. It requires leadership; good planning indicating priority areas to be focused on, etc. plans as to where do you want to see the transport sector in the next foreseeable future, etc., making good contribution in the economy. These may be true in the case of the rail sector as well.
7	None
8	None

9	The laws are there but lack of accountability and seriousness and no one cares to ask serious questions like "where are the reports?" No one cares. It is a cultural thing and lack of seriousness and failure of leadership.
10	None
11	None
12	The Act specifically states that 6 months after the year end an annual report should be submitted. The SOEGC, the overseer, which is supposed to enforce this requirement has not done it. The measures are in place but lack of enforcement machinery has thwarted all the efforts to bring them into fruition.
13 & 14	None
15	None
16	Yes. There are comprehensive measures in place but their enforceability is lacking and no one is fired for non-conformance.
17	Yes. The Government agencies in charge of compliance should do their work. For example, we cannot continue to be granting such organisations their budget requirements when they are not showing what they did with the previous advances? The minister should ask the board, the board should ask the executive – WHERE IS THE REPORT? Someone is not doing his or her work.
PD8	**DO EFFICIENT USE OF RESOURCES, INDUSTRY REGULATIONS, AND GOVERNMENT PRESSURE ON PERFORMANCE – ENHANCE SOE PERFORMANCE**
1	None
2	Why is the government not demanding performance? Fear of election results. Since the appointments are by the minister s/he would not want to be strict with the people they have appointed despite their inefficiencies. These are passed on to the poor consumers in situations if the SOE is a monopolist.
3	None
4	The pressure can have good consequences
5	The transfer of state employees to the SOE at formation perpetuates the poor service levels which necessitated the formation of the SOE in the first place. Another major problem is the procedure of promotion in the civil service, each promotion requires an advert of vacancy, in a newspaper friendly to the Government and distributed free of charge to Ministries; then a selection panel is formed by the Permanent Secretary of the Ministry; short listed candidates are interviewed and not always fairly (leaked questions and unrealistic marks awarded) and appointed on recommendation of the PS. Revert to promotion on skills and productivity not how well you interview and who you know.
6	None
7	None
8	Monies are given to the SOEs based on their budget submissions. The arrogance of some of the SOEs is embarrassing. And the government finds itself unable to reverse some of their decisions. The political will is not there to face some of the naked realities. As usual the incompetence of the Governance Council – The prime minister saddled with the affairs of the whole country was the chairperson. It was not possible for such a person to properly oversee the performance of the SOEs, which needed massive details.

9	3 Issues: Economies, CSR and Environmental. For SOE economic prosperity, CSR and environmental issues must be properly aligned. The creation of the MPE is now the right thing to do to guide the SOEs. Unfortunately, civil servants who have no clue of business are directing the affairs of business organisations are serious misalignment. Although resources are difficult to come by, but even those with the necessary resources are being misused. One will also expect SOEs ploughing back some of their profits into the society. Unfortunately, many are not even breaking-even, how do they fulfil their CSR to improve the economy.
10	None
11	None
12	Yes. These variables encapsulate the governance process of the SOEs and improve the performance of SOEs to some extent. If resources are effectively used, the outcome is always positive; so are industrial regulations. Positive regulations obviously guide and improve the operations of an entity. The government pressure on SOEs ensures that the state's investments deliver the societal outcomes desired.
13 &14	None
16	These are necessary for SOE sustainability.
17	These are necessary to ensure SOE performance. Budgets must be used for the purposes they are intended, industrial policies in place should complement government directives; and government pressure, if they are for the right reasons they are good for SOE sustainability. But are civil servants equipped to direct the affairs of businesses as they try to do?
PD 9	**NEED FOR IAF AND ITS CONTRIBUTION TO IMPROVING SOE PERFORMANCE**
1	Yes. Some of them do not have it at all. But it is a necessity. It could be either internal or sub-contracted. But not to have it is a misnomer.
2	IA is very important depending on the size of the firm. A firm could seek the services (subcontract IAF) of an audit firm for assistance to perform the IA function. It also dependents on the way the CEO view the IAF. It is also better to subcontract the function if the firm is not big enough to have a whole IA unit/department.
3	Internal Audit contributes to proper governance of organisations. An organisation without IAF is bound to fail because IA is supposed to be eyes and ears of the board and management. IA plays an advisory role to the board and serves as consultants to management. Fraud and petty corrupt practices in the system are picked up by Internal auditors before they are entrenched in the system. One therefore wonders how an organisation can operate without IAF.
4	We do not have IA function. However, bigger firms must have IAF either within the organisation or sub contracted.
5	Internal audit has many aspects – testing of internal control once established; review of accounting treatment of transaction; review of processes; review of results of operations; safeguarding of assets – disposals, maintenance and acquisitions. A centrally trained corps of internal auditors reporting to the Auditor General for performance and to the PS or Accounting Officer of SOE for operation matters would initially add to the labour force

	but the results will be recognised when the trained internal auditor is absorbed into the line function of the SOE – ie. Internal audit for 5 year and then into a supervisor position
6	In the private sector, it is one of the major requirements. This should also happen in the public sector, but it is not happening. You need to ensure checks and balances. It is indeed the approach to risk management. It is assessing the risk in the organisation. You need to use it to push the risk agenda. The executives and the board should embrace it and inculcate this issue among their members stressing on importance of IAF to the organisation.
7	IA is good and needed. Unfortunately, IA is not independent as expected. They are always influenced and their activities interfered with. The position of the manager of IA has been vacant for the last 4 years @ TransNamib. The function has therefore been subcontracted, which is not the best b'cus we would prefer it inside as part of our system.
8	IA is absolutely needed. The potential of IA to help save some of the losses being made by the SOEs. They can detect the losses early enough and prevent it from getting out of hands. The firms do not need to wait till external auditors come at the end of the year. There is a choice to be made and the government must make decisions no matter what the consequences may be.
9	The notion of auditing is misunderstood by many African Countries. There must be a deliberate inculcation of this profession to the African business organisations to understand it fully and what contributions they can make towards the improvement of the performance their organisations. There should be some concrete evidence of IA contributions.
10	If you talk about CG, you talk about IA. The system unfortunately is not demanding the function. We are saddled with EAs doing auditing at the end of the year at a very high cost. IA would have checked the ICs and done all the examinations in advance so that the EA could spend less time and charge lower costs.
11	It is the health of the company. It is a misnomer to depend on annual audit by external audit. Internal audit should be allowed to operate to help management and the board to be on their toes to be in control of all activities so that they do not get out of hand. Reporting channels? I am is in favour of IA reporting to the CEO and not the board.
12	Very useful in supporting the governance system. IA is a must have to support/advise the board and serve as consultants to management. With the IA, external audit spends less time with the client and thereby saving the organisation in terms of costs. Fraud and other criminal activities are discovered early enough before they get entrenched in the system.
13 & 14	The government. system has appointed very junior staff as internal auditors whose reports do not make it to the executive level. Otherwise IA is very important that an organisation shouldn't do without. Unfortunately, they are regarded as spies, police, etc. in some organisations. They are an essential part of governance system globally and the SOX has emphasised it so is the Kings Reports. The NamCode has replicated it. There is therefore no reason for not having it. It is a must have. It can be outsourced or as a unit within but it must be there. We support outsourcing to a chartered accounting firms because they are very qualified, and organisations take them seriously.
15	Very necessary. All SOEs must have it to ensure sustainability

16	IA is a very import function. Because EA depends on them for information because they go beyond the traditional financial audit. The probable reason of some of the SOEs not having IA is purely a cost issue, which is not tangible – not good enough. Without IA you struggle to get things done and it is not effective. The positive externalities that comes with IA is just so much that it is sometimes not quantifiable.
17	Very important. We do have it and sub-contracted due to cost of having a whole department
QUESTION 10	**INTERVENTIONS IN PLACE TO IMPROVE SOE PERFORMANCE IN THE COUNTRY**
1	None
2	The quality of the board and management in terms of qualifications, experience and skills must be attended to as a matter of urgency. There must be a way of building a managerial cadre in the system to ensure there is a pool of young managers trained and ready to take over when the need arise as in the case of SA. The SOE legal framework, 2001, is too old. It must be reviewed in line with changes taking place currently. Impose compliance with international accounting and financial standards; IAF must be entrenched in the system, impose compliance with CG Codes of governance, etc.
3	Appointment of CEOs and Board should be on merit and not by political affiliations. Such positions need people with experience, qualification and independent. The SOE Governance Framework 2001 – which has not been reviewed till to day – impact on the organisations when we have new, Companies Act ; Codes of governance, etc. The SOE Framework is outmoded.
4	Segregation of enterprises. They cannot be assessed with the same criteria. Service rendering, regulating enterprises should be separated from economic and productive units.
5	The formation of the SOE Ministry with a team of highly paid experts is a move in the right direction – provided that their results and recommendations are accepted and implemented.
6	Resource allocation and availability are important. There are some of the SOEs who must rely on government. to fund their operations. The issue of capitalisation is also important and interesting. Some of the SOEs are thrown on the deep end without sufficient capital to start to help them generate sufficient revenue to remain relevant. Leadership is also important to make sure that you have the right agenda, direct the affairs of the organisation etc. There is a need to bring the governance regulations, laws, framework, current.
7	Some SOEs are obviously doing well others are not. But there should be no interference.
8	None
9	None
10	i. Appointment of the boards – who we are appointing. 80% are not qualified for the work they are appointed to do. The appointment of executives falls in that category. Many of them are politically sourced. Unlike SA where nominations are public to ensure transparency, we are still dragging our feet. Happy that people are being sourced through advertisements these days. ii. The framework is too old and need updating our legislation in accordance with global trend.

11	You must swim or sink. Failure to induct the CEOs when they are appointed is a problem. They must be properly inducted to understand the office they are occupying. Politicians must not be side-lined when reporting. What is the vision of the minister?
12	Clearly define the roles of the SOEs and all the parties involved in their activities, Skills necessary to operate must improve in terms of the board and the executive recruitment, etc.
13 & 14	We need stronger boards, dynamic regulators. They must hold management accountable. They must appoint the right people with the right qualifications, skills and experience to drive the SOEs.
15	None
16	None
17	None
PD11	**PRIVATISATION**
1	It is a tricky one. But "Is privatisation the answer?" There is another way to privatisation and I will opt for PPP where if SOE does not have expertise in a certain area could engage the private sector to perform the function. But you do not give. NamPort is doing it effectively and NWR patterned with the private sector to upgrade some of their resorts.
2	It is not always the best option in a developing country such as this. I will suggest partnership with the private sector – to ensure effective management. I think the Inst of Pathology for instance should be privatised.
3	Privatisation is complex and must be looked at with a pinch of salt. Africa and the developing world experienced imposition of privatisation from IMF and the WB. This did not auger well for those countries who adopted them. Considering the income disparities in our country, privatisation will compound the problem. Instead of that I propose a PPP, commercialisation, contracting out and obviously in very slim cases consider privatisation or liquidation.
4	Air Namibia could be privatised. Institute of pathology, etc.
5	The Government needs the cash from the sale or partial sale of the operational SOE but politically scared of the loss of jobs (voters) and the embarrassment of what will be found and reported on if they do sell. Compare MTC to TN mobile
6	It is not done for the sake of it. It is influenced by economic and social sense and there must be good reason for that. History of privatisation indicates that there has been external push by IMF, WB, etc. Namibia has however not experienced that. There may be some which are ready for privatisation.
7	Privatisation leads to competition which is good.
8	It has been used as part of structural adjustment and therefore from the social and workers point of view is not good. I will suggest a PPP instead of full privatization. Why should a country spend money securing an airline which is not a public good to majority of the people? It is important to make the SOEs efficient to properly serve the purpose of their establishment and not to privatize them – that would not be in the interest of the populace.
9	Privatisation must be looked at with a pinch of salt. Privatisation must be a balanced strategy that should not be rushed into. There are some of the SOEs that should be

	privatised. But there are others that should remain under the control of the government for its developmental agenda. Private firm should not be allowed to buy such organisations, retrench, and increase prices at the detriment of the people.
10	Who is going to buy a struggling company? People do business to make money and not to lose. The Government should get out of the airline business. The question is: Why should we create artificial employment? 400 excess employees at NWR. Who will be willing to expel 400 people? We would not sell NamWater, NamPower, etc. for obvious reasons.
11	None
12	The government has established the SOEs for a purpose in addressing developmental imperatives of the country. One will therefore argue that it is not wise to overturn the reasons and start selling them. However, there are some of the SOEs which are not even breaking even; such organisations must be sold or bring in the private sector to participate in their management to improve their performance. I opt for a PPP to turn the struggling organisations around. The NamPort which I head has utilise many private companies through sub-contracting and the outcome is always encouraging.
13 & 14	Imposed on many countries by IMF, World bank, etc. Privatisation has been painful in many countries, leading to retrenchment, increase in prices, in countries who embraced it such as, Ghana, Nigeria, Kenya, etc. suffered from such consequences. Countries should instead embrace PPP, commercialisation, divestitures, etc. instead of fully privatisation. The income disparities in the country is the highest in Africa and the one of the highest in the world and cannot no afford compounding the problem by privatising state industries especially in power, water, education, etc.
15	Privatisation as a no-go area is not working and must be re-investigated. The organisations/government should consider, PPP, commercialisation, etc.
16	My involvement with structural adjustments, makes me not support open privatisations. We cannot also say that privatisation is a no-go area. That line of thinking means we are not thinking properly or reflecting on the changes going around us. I support partnership or privatisation in instances where the public sector is not doing well. If aviation is not doing well, if it is not positioned to deliver, then it does not make sense to keep it. If we do not do it, then the little resources that the country has is being wasted on a nonperforming entity. We must think in economic terms. If an entity is unable to make half of what it is getting, we are just flocking a dead horse, it must go
17	The government intend to hold on to the SOEs. To be effective government. should consider PPP. The Economic SOEs can function but must run like businesses and not as enterprises.
PD 12	**ANY ADDITIONS TO THE DISCUSSION?**
2	None
6	Capacity, skills, relationship development, trust, governance skills must be inculcated in the board and executives of these SOEs.
7	• Appointment of a minister for PE is a good move • There must be political will