

FACTORS THAT DETERMINE THE EFFECTIVENESS OF INTERNAL AUDIT FUNCTIONS IN THE MALAYSIAN PUBLIC SECTORS

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ABSTRACT

The internal audit profession has undergone tremendous changes since the 1997 – 1998 Asian financial crises. With the latest global economic meltdown and the increasing fraud cases, the internal audit functions are becoming vital in both private and public sectors. With respect to public sectors, the core objective of internal auditing is to aid the public sector to achieve its objective through an orderly and disciplined approach. This can be achieved by improving the effectiveness of control and governance process. This study examines the factors that influence the effectiveness of the internal auditors' functions in public sectors in Malaysia. Data were collected through semi-structured face-to-face interviews conducted on eight internal auditors from three government ministries as well as an auditor from the Auditor General (AG) office. The findings from this paper suggesting that internal auditors in public sector are facing difficulties in carrying out their functions effectively due to lack of independence since they have to audit their own "boss", lack of competency since they were not only performing their auditing functions but also other duties as required by the boss. Since the IA worked at the ministry was normally sent by the AG office, the relationship with the external auditors (their peers - auditors who are stationed in the AG office) is also an issue. This paper could contribute on the policy development on the functions and responsibilities of internal auditors in the Malaysian public sector. The reporting structure of the internal auditors in the public sectors also may be reviewed. The results, however, have to be treated with cautions as the study was conducted only on three government ministries.

Keywords: Internal auditors, Public sector, Malaysia

1.0 INTRODUCTION

The internal audit profession has undergone tremendous changes since the 1997 – 1998 Asian financial crises. With the latest global economic meltdown and the increasing fraud cases, the internal audit functions are becoming vital in both private and public sectors. The management of public sector organizations is urged to maintain an effective system of internal control, and the roles of internal audit, therefore should be well implemented (Jones & Pendlebury, 2000).

In line with the definition of internal auditing as defined by the Institute of Internal Auditors (IIA), this study examined the roles and responsibilities of internal auditors in public sectors in Malaysia. With respect to public sectors, the core objective of internal auditing is to aid the public sector to achieve its objective through an orderly and disciplined approach. This can be achieved by improving the effectiveness of control and governance process (Hermanson et al. 2003).

In Malaysia, the scope of work of Internal Audit Unit in public sectors covers all Divisions/Branches in the Ministries/Departments and Federal Statutory Bodies (which does not have Internal Audit Unit) under the supervision of the Ministries in accordance with the regulatory requirements of General Circular No. 3 of 1998.

2.0 BACKGROUND OF STUDY

Internal audit's main objective is to assist the Government to achieve sound public financial and operational management through effective public spending, financial accountability and transparency. However, the internal audit has not achieved this objective as evidenced by the numerous frauds and scandals in the public sector. Examples of such cases are the Bank Negara Malaysia Forex Scandal (1992), Scorpene Submarine Scandal (2002) and the National Feedlot Corporation's Scandal (2014) (<http://malaysiafactbook.com/>).

Public sector scandals such as above raise questions on the effectiveness of the internal audit in the Malaysian public sector. Corruption, lack of transparency and accountability are all part and parcel of Malaysian life was made clear in an interview given by Tunku Abdul Aziz Tunku Ibrahim with the New Sunday Times (24 October 2004). All these problems hinder the economic development of Malaysia. It is therefore important that Internal Audit functions be an integral part of Public Financial Management Reforms in Ministries/Departments and counties to enable the country achieve the intended goals (Ali et al. 2007).

Malaysia, like many other developing countries, is suffering from serious shortcomings of Internal Audit with lack of staff, no support from management, inadequate training and development and many more. There are a high percentage of these organizations where the internal audit units or departments are not able to operate effectively as a result of the acute shortage of staff and of staff lacking in appropriate audit skills (Ali et al 2007). The National Audit Department (NAD), with their cynical exploitation of the internal audit units as simply training grounds for their staff requirements further undermines the effectiveness and credibility of the internal audit units in all government departments and agencies (Ali et al 2007).

A decisive study on the above issues while putting focus on the underlying factors in successful internal audit especially in public sector has been lacking. Therefore, this study was carried out to examine the factors affecting the internal audit effectiveness in the public sector in Malaysia.

3.0 LITERATURE REVIEW

3.1 Public Sector Governance

The public sector consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services (Goodson, Mory, Lapointe, 2012) A public sector organization may exist at any of these four levels which include international, national, regional and local government. On the other hand, public sector governance encompasses the policies and procedures used to direct an organization's activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner (Karanja, 2010).

In Malaysia, various public sector reformation programs have been initiated with the focus of ensuring good governance and better accountability of public agencies. The overall objectives of the improvement programs are to ensure better service delivery and subsequently ensuring more transparent, accountable, and inclusive and participative decision-making processes of public agencies (Nabiha et al, 2013). However, the Malaysian public sector is still being criticized for poor governance. This is evidence through the speech made by the Auditor General of Malaysia:

"... year in and year out, the National Audit Department has highlighted weaknesses and irregularities in public procurement at all levels, be it at the Federal, State and Local government level as well as in Statutory Bodies. Some of these weaknesses and irregularities involve serious violations of established procurement guidelines and procedures." (Auditor General Speech, 2012).

Based on the above scenario, it is therefore imperative that the public sector governance and performance needs to be improved. In order to make that happen, the internal audit unit of the public sector must play an important role in ensuring the transparency and accountability of the public sector governance (Goodson et al. 2012).

3.2 Internal Audit Function in Public Sector

In public sector organizations, the internal audit function holds high potential for promoting accountability and improving government performance (Md Ali et al; 2007). In view of this development, several countries have developed policies aimed at reinforcing public sector internal audit functions to boost their capacity for contributing to these objectives. Establishment of internal audit units, professional standards for conducting audit work, training and resource allocations were some of the few steps taken by the government of certain countries to promote accountability in internal audit (Ali et al; 2007). However, the public sector operations are inflexible where there are more laws and regulation authorizes the activities of internal audit. Mihret et al (2007) argued that there are two types of audit that are applicable to the public sector: financial-related audits and performance audits. *Financial-related audits* are audits which contain ideas on financial statements or were based on the audit of financial statements. The objective of a financial statement audit is to decide whether the financial statements are fairly stated. *Performance audit* highlights on whether public assets are being used in a well manner, with an aim of recognizing and reducing wastage.

In Malaysia, public sector auditing has existed for over 100 years since the British Colonisation in the early 20th century. The public sector auditing is divided into two which is the internal auditing and external auditing (Ali et al, 2007). Both the internal and external auditors are actually employees of NAD who are placed in different ministries or government agencies for a period of time before which they are transferred to another department. According to Ali et al (2007), the main difference between the internal and external auditor in the public sector is that internal auditor's reporting head is the Secretary General of the Ministry which they are placed in whereas external auditor's reporting head is the Auditor General himself.

3.3 Researches on Internal Audit in Public Sector

The public sector internal audit has been looked into by various researchers across the world. It is not surprising that many countries are facing dilemmas in managing the internal audit in their country. It used to be that internal auditing in the public sector served as a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management. Based on Deloitte (2011), a combination of forces has led to a quiet revolution in the profession in recent years. Governments moving toward higher levels of transparency must demonstrate accountability in the use of public money and efficiency in the delivery of services. Larger and more complex operations demand greater competency and professionalism from internal auditors to minimize and manage risk (Deloitte, 2011).

Very few researchers have conducted studies on the internal audit in public sectors in Malaysia. In Malaysia, until Ali et al (2007), very little was known of the state of internal audit in the public sector (Ali et al 2012).

In 2007, a team of researchers led by A. Md Ali has conducted a research on the internal audit in the state and local government of Malaysia. The findings from in-depth interviews conducted with internal auditors from 35 State and Local Governmental Bodies (SLoGBs) located in Peninsular Malaysia in the third quarter of 2003 showed that the audit function faces numerous challenges. This is in addition to the fact that a mere 35 out of the then 202 SLoGBs had internal audit functions. The research also highlighted on inadequate number of staff, and skills and training shortages to premeditated obstruction by auditees, amongst others, of the auditors in their attempts to perform their duties (Ali et al, 2007).

Following the completion of the internal audit study in the state and local governments, another research was embarked upon by the team of researchers (Ali et al 2007). This time it concerned with internal audit in the federal government ministries, departments and statutory bodies. The findings from in-depth interviews conducted with internal auditors from a total of forty organizations revealed a number of serious shortcomings that far outweigh the few virtues identified (Ali et al, 2007). These shortcomings are that many internal audit units face staff shortages, and staff lacking in internal audit competence. In addition, a majority of the internal audit units, most of which operate in out-dated audit modes, have failed to get the right level of support and assistance from the Treasury and other parties. Worse, their effectiveness and efficiency are further threatened by the actions of the NAD which transfers its so-called cadre staff seemingly randomly in and out of the internal audit units (Ali et al (2007).

Since Ali et al (2007) focused on a mere five statutory bodies located at the federal government level, a third study which investigated the rest of the statutory bodies had to follow. Also, in order to provide a more complete picture of internal audit in the federal government, this latest study focuses on internal audit found not only in the statutory bodies but also in a selection of companies linked to the federal government. Specifically, as described in Ali et al (2009) and Ali et al (2007), the primary concern of this third study is to provide a catalogue of the forms of internal audit being practiced in the federal government statutory bodies and government-linked companies (GLCs). The study's secondary focus is to provide policy recommendations intended to strengthen the internal audit function.

Results for the primary concern of this research project show that the internal audit weaknesses found include staff shortages, lack of competency and operating in less than advanced audit mode in a significant number of the audit units. In short, these are mere repetitions of those situations found earlier for the internal audit function in the nation's state and local governmental bodies and federal government ministries, departments and agencies (Ali et al 2007). As for the few audit strengths, like in the case of audit independence and that of audit/top management interaction taking place in a majority of the audit units, they signify

that good things are still achievable in these organizations. All in all, though, there is still much to be desired for internal audit in a majority of the organizations.

4.0 RESEARCH METHODS

This study was using exploratory research in examining and understanding the problem. The reason for choosing the exploratory design is because not many researches were found that discussed the topic, particularly in the Malaysian public sector. Furthermore, other previous researches such as Ali et al (2007); Ali et al (2009) used this type of research in their studies.

Semi-structured face-to-face interviews were used for data collection as part of the research project concerned with evaluating the internal audit effectiveness. Prior to meeting with the respondents or interviewees, the study came up with a total of 9 open-ended semi-structured questions including demographic data. The open-ended questions have spaces for participants to express their (unstructured) comments. The interviews were recorded except for few interviews because it was felt that this would reduce their willingness to discuss sensitive issues. In addition, some of the interviewees requested the researchers not to record the conversation. However, notes were taken for these kinds of interviews.

The target population was internal auditors from NAD of Malaysia as they are the ones involved in the internal auditing in the public sector. The government hierarchy in Malaysia has three levels: federal, state and local. This includes 27 Federal Ministries and 86 Departments, 13 State Governments, 112 Federal Government Agencies, 139 State Government Agencies, 144 Local Authorities and 15 Islamic Religious Councils.

In this study, eight (8) internal auditors and one (1) external auditor were interviewed and hence they became the samples. These internal auditors came from three (3) different ministries. Meanwhile, the external auditor was placed in one of the ministries that were selected for this study.

For the purpose of this study, the main form of data collection was through face-to-face interviews with the internal auditors in the federal departments. Face-to-face interviews have a distinct advantage of enabling the researcher to establish rapport with potential respondents and therefore gain their cooperation (Aksel Skovgaard Clausen, 2012). They also allow the researcher to clarify ambiguous answers and when appropriate, seek follow-up information. Disadvantages include impractical when large samples are involved time consuming and expensive (Aksel Skovgaard Clausen, 2012).

This research is done through a qualitative analysis which consists of research questions and three research objectives. Data for this research was collected through semi-structured interview with above mentioned samples. The script of the said interview sessions were used as the main findings for this research.

The interview sessions were recorded, interpreted and analyzed based on the conversation of both interviewers and interviewees. Script of conversation was prepared for each sample that was interviewed. The samples were classified based on the three ministries and were named as Case A for ministry A, Case B for ministry B, and Case C for Ministry C. Subsequently, the findings from the interviews of each internal auditor from each ministry were then analysed through the methods or processes discussed earlier. The interviewees from ministry A (Case A) was denoted as A1 for internal auditor 1, A2 for internal auditor 2, and A3 for internal auditor 3.

It was done the same thing for the other two ministries (cases B and C). Finally, the results were formulated to answer the research objectives and objectives. These scripts were used to analysis three different objectives according to each ministry. The interview session is recorded, and then a script is prepared based on the recordings. These scripts were thoroughly analyzed and translated by a lawyer from Albar & Partners, one of the well-known legal firms in Malaysia.

5.0 FINDINGS AND DISCUSSION

5.1 Independence of Internal Auditors

For both external and internal auditors, their independence from those whom they audit is crucial for the success of their function. For internal auditors, it is more difficult to achieve independence because they are actually “employees of the organization” they audit (Ali et al., 2007). In the ministries we interviewed, the Secretary General is the superior officer for all internal auditors. Therefore, reports made by the internal auditors will usually favour the Secretary General which disturbs the independency of internal auditors.

Discussion of findings

Findings from the interviews conducted on internal auditors from three government ministries shows that the independence level of internal auditors varies according to the ministries they work in. The independence of internal auditor affects the internal audit effectiveness as the auditors face dilemma on whether being independent and objective in doing their duty although they might face problems with the Secretary General and other employees of the ministry or produce a report that favours the ministry.

In a research done on Internal Audit in the Statutory Bodies and Government-linked Companies of Malaysia, the researcher had interviewed several internal auditors in regards to their opinion on the independence of internal auditors in the public sector. The results of the interview were shocking as the independence of internal auditing in public sector has many loopholes. The situation is quite serious where one of the auditors lamented that once during the two decade history of the audit operation, an audit head was demoted due to his or her "aggressive" reporting.

The researcher came up with this statement in his report explaining that the independence of internal auditor is still a dream. "There is perhaps no surprise why the independence of the audit unit is still such a long way from being achieved. As disclosed by the auditor, the audit committee which, even though it is around, is not that active! Indeed, when a body such as an audit committee, whose function among others is to work closely with the auditors, is around merely to look good on paper, what does one expect to take place on the ground? Miracles?" (Ali et al., 2011).

The internal auditor effectiveness is very much affected by the independence of internal auditors. If the internal auditors were not independent, the report they produce will be biased which in turn is useless in improving the accountability and transparency of the public sector as a whole. The objective and independent report produced by the internal auditor is one of the main keys to prevent scandals and frauds happening in the public sector. In fact, this is the main reason the internal audit function is set up in the ministry the first place.

Government auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders (AG Speech, 2007 National Conference on Internal Auditing).

5.2 Competency of Internal Auditors

Competency is the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills and behaviour. In order to achieve competency, various types of training and development should be provided to internal auditors. A competent internal auditor will have all the skill necessary to produce a good audit report.

Discussion of findings

Findings from the interviews conducted on internal auditors from three government ministries indicated that competency of internal auditor is very crucial in maintaining the effectiveness of public sector internal audit. Training and development and knowledge of internal auditors are the main key towards an effective audit committee. An auditor without sufficient knowledge cannot be trusted in producing a good audit report.

There are several external bodies providing courses to audit personnel. These include the public sector internal audit advisory unit known by its acronym BNPK at the Treasury, the NAD and government agencies INTAN and MAMPU. For certain federal departments, their internal audit course providers have also come from the internal audit units located within the ministries which they are under. Finally, auditors from a minority of the organizations have also undergone training programs organized by overseas and local entities including the MIA and IIA (Azham et al. 2012).

Despite the trainings provided by the government to improve the knowledge and skills of internal auditors, the competency level among the internal auditors are still low. One of the reasons we have identified in our research is the failure of BNPK in providing a good training ground. On the website of the Ministry of Finance (Treasury Malaysia 2004), it was stated that the Malaysian Treasury (BNPK) is the central authority in internal audit with the responsibility to monitor and coordinate the implementation of internal audit in the federal ministries, departments and statutory bodies.

“The BNPK needs to keep in touch regularly with internal auditors. But now what is happening is that the contact takes place only once per year. BNPK has failed to get to know about the problems faced by internal audit ... at the beginning of the year it asks for the audit plan; at the end of the year, it asks for the audit report – but there is no feedback whatsoever. I think there is a lot more which it can implement especially on training” (Azham et al. 2009).

In a research done by Zabedah et al. (2011), it is revealed that the training and development programs delivered by parties such as INTAN, NAD and the Office of the Accountant General have failed to provide much assistance. All the failures in providing good training and development to internal auditors are the main reason for lack for competency among internal auditor which in turn affects the internal audit effectiveness.

5.3 Relationship between Internal Auditor and External Auditor

It is very important for both Internal and External auditors to have a good professional relationship. Coordination and cooperation between internal and external auditors has major influence in producing a quality audit report. Examples of such coordination and cooperation include joint planning and exchange of information, opinions, and reports to facilitate higher-quality audits and prevent unnecessary duplication of work. In fact, it is stated in the International Standards for the Professional Practice of Internal Auditing (ISPPA), both these audit parties should establish a professional working relationship, share information and coordinate audit activities. Auditors from three different departments have shared their relationship level among each other.

Discussion of findings

Interviews conducted on the internal auditors from the three ministries depicted the different types of relationship each internal audit department have with their external auditor. The importance of a good relationship between internal and external auditor cannot be denied in maintaining an effective internal audit system in the public sector.

There are five types of relationship between internal auditor and external auditor. These are: information sharing; planning the whole of the audit program together; allocating specific tasks between NAD and internal audit unit; serving as assistant to the external auditors in preparing schedules; and, receiving training from the external auditor (Ali et.al, 2009). Other than that, informal communication is also important for a good relationship between the two parties.

The relationship between internal auditor and external auditor has not been much researched about by the previous researcher. In our study, we have identified through these cases of the importance of interaction between two parties. The internal auditor may face independence issue as they are the staff of the organization, however the external auditor from National Audit Department do not face these problems as they report directly to the Auditor General.

A good relationship will help internal auditors to solve the on-going mismanagement in the organization whereby they can suggest the external auditor to audit certain topic that needs attention. A Md Ali (2009) stated that over 80 percentage of internal audit unit have some sort of working relationship with external auditor and over half of the internal auditor from these audit units claims to have a close working relationship with external auditor.

5.4 Other Findings

5.4.1 Ad hoc Duties

In the public sector, there is so much for the internal auditors to cover in spite of the staff restraints however they also need to carry out the organisation's operational responsibilities alongside their internal audit duties, for example answering the audit observations and doing ad hoc works. In our interview, we have received different opinions on how the ad-hoc duties affect the effectiveness of internal auditing in the public sector.

The additional organizational task internal auditors have to perform seems to be another dilemma faced by internal auditors in the public sector. In the three audit units we interviewed, the internal auditors came up with different responses on this matter. Some of them have no problem with the ad hoc duties given to them while others admit that they are facing troubles due to these additional organizational tasks.

At the Internal Audit, Internal Control & Compliance Conference on 12th September 2011, Tan Sri Dato' Setia Ambrin Bin Buang Auditor General Of Malaysia stated in his speech that in the public sector, there is so much for the internal auditors to cover despite the staff constraints, therefore in certain cases, the independence of internal auditors seems to have been compromised by them being required to perform the organisation's operational tasks alongside their internal audit duties, for example replying the audit observations and doing ad hoc jobs. As a result, the quality of auditing is affected and it is not surprising therefore that what little audit they could conduct is just confined to the financial control assessment instead of mitigating potential fraud cases.

In the research conducted by A Md Ali (2009) on the internal audit in the state and local government of Malaysia, he has reported on the additional organizational task dilemma of the internal auditors. From his report, there was also one particular case where, in the closed-ended section of the interview session, the responses indicated that the internal audit personnel do not conduct operational activities for the organization. However, in the open-ended section of the interview, the responses clearly indicated that the head of the organization specifically assigned the audit head the task of preparing group account for the organization (Ali et al., 2007).

All in all, it can be said that the ad hoc duties internal auditors have to perform affects the quality of the auditing. This in turn affects the internal audit effectiveness in the public sector.

5.4.2 Interaction between Auditor and Auditee

It is significant that a good relationship exists between the auditors auditees in the organization. Without such connection, the auditors might as well not be around; and if they are still around, their job experience usually becomes quite a painful one.

The auditee's are typically all the other parties in an organization that the internal auditor audits. A good relationship between internal auditor and the other parties in an organization is important so that coordination and cooperation can be established which will ease the process of internal auditing.

However, what happens in the public sector is that the relationship between internal auditors and the auditee is not as smooth as we thought it would be. Based on the cases above, most of the auditors face difficulties in communicating to other parties in the organization. There is a lack of understanding regarding the role of internal auditor as independent examiner in the organization, and that there is also a lack of appreciation of the value and importance of the audit unit in the organization (Ali et al., 2012).

All the evidences above shows that majority of the internal audit function in the public sector have a negative relationship with the auditee in the public sector. Without a good support from the auditee, the internal auditors will have a hard time in completing the auditing process which definitely will affect the internal audit effectiveness.

6.0 CONCLUSION AND RECOMMENDATION

For audit of any kind to be successful in achieving its potential, it needs to operate in an environment where transparency and public accountability are normal occurrences, Azham et al. (2012). In Malaysian public sector, transparency and accountability plays an important role in ensuring a good and successful audit. However, Malaysia is still far away from achieving transparency and accountability in its public sector management.

According to the Transparency International Corruption Perception Index 2014, Malaysia ranks 55th among 177 countries (<http://cpi.transparency.org/cpi2013/>). Though the index is not an assessment of actual corruption in any country, but is an appraisal of the extent of corruption perceived by businessmen and other groups, it may be deduced that such perception is

largely based on first hand experiences of many parties on the ground. Malaysia's score for the last decade has hovered around five, indicating a borderline serious corruption problem.

Malaysian Auditor General has lamented in his speech on the question that always arise on what really happen to those responsible for all the wastefulness, extravagance and fraud highlighted by audit be they high profile cases like Port Klang Free Trade Zone Scandal, National Feedlot Corporation, Tuna port project and Pampena or not so high profile cases (Speech by AG, 2014). How many people been taken to court, how many have disciplinary action taken against them? Some may even feel that there is no point for the AG to prepare his report when at the end of the day nothing happens!

At the end, all the problems reflect to the internal audit department of the public sector. The public began to question on the effectiveness of internal auditing in the public sector. In our research we have identified the main factor that affects the effectiveness of internal auditing in public sector and how this factors cause dilemmas does to the internal auditors. The findings are obtained from qualitative interview with the internal auditors in public sector. We also did readings on previous researches on internal auditing in the public sector.

RECOMMENDATION

“Internal auditors, as custodian of public trust, and being independent and professional, are in a good position to help the nation spend wisely. More so with the explicit Government encouragement of good governance, accountability and integrity in the public service.” (This is the statement by our Auditor General in his speech on Enhancing Accountability and Integrity in Malaysian Public Sector- Are we doing enough). From this statement, it can be seen that internal auditors plays an important role in public sector. However, the dilemmas internal auditors are facing must be solved to ensure effectiveness in public sector internal auditing.

The first recommendation is on the independence of internal auditor in the public sector. The internal auditor should have maximum independence from the ministry they work in. The internal audit activities must be positioned in such a way that it may obtain cooperation from ministry that being audited that have free, unrestricted access to all functions, records, property and personnel including those charged with governance In order to achieve this, they must report to the Auditor General and not to the Secretary General of the Ministry.

Management must ensure that the right controls are in place to monitor and measure business practices and behaviour, that the right management team is put together, and the culture includes an enterprise wide commitment to understanding and embracing corporate values. Good governance starts and ends in the boardroom and senior managers' offices. It does not start or end in a statute. The internal auditors should not be randomly moved in and out of the ministries but the movement should be based on their work performance and skills.

As for the competencies, the internal audit staffs need to collectively possess or develop their knowledge or skills through appropriate professional training and development program such as obtaining Chartered Internal Auditor (CIA) qualifications. Besides that, training and development program by the BNPK, INTAN and National Audit Department should be improved and be updated according to the latest development in internal auditing.

In order to improve the relationship between internal auditor and auditee, internal auditor should engage with auditee on a periodic basis from the beginning till the end of the audit process to discuss audit objectives, audit plan, audit findings and audit conclusions. The discussion should go beyond the audit process to discuss potential solutions to the business issues observed from an operational perspective as well as their impact on risk and compliance.

7.0 LIMITATIONS AND FUTURE RESEARCH

Throughout this research, there were some unavoidable and unfixable issues. Although this research is done to show the effectiveness of internal auditors in public sector, only three ministries involved in this research. The interview was conducted on few auditors (eight) only. Thus, this research will not be able to portray the whole public sector of Malaysia.

Besides that, there were also some restrictions in the interview sessions. Some of the interviewees did not allow their conversation to be recorded. There were also some interviewees who allowed their conversation to be partially recorded. Hence, interviewers faced difficulties to recap their good points.

The results of this research may seem to be biased as the majority of the interviewees were internal auditors. The number of external auditors and internal auditors interviewed were not equal. This research should serve as a reference for the future researches on internal auditing in public sector especially in the Malaysian public sector. An in-depth study should be conducted on the internal auditing in Malaysian public sector in order to fully identify the weaknesses of the internal auditing system in Malaysia.

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