

# Effect of Internal Audit Practices on Operational Performance of Rwanda Development Board, Rwanda

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## ABSTRACT

This research study highlights effect of internal audit practices on operational performance of Rwanda Development Board, 2019- 2021. The general objective of this research study was to analyze the effect of internal audit practices on operational performance of Rwanda Development Board, Rwanda. The specific objectives were to determine the relationship between auditor's independence and the operational performance of Rwanda Development Board; To examine the relationship between staffing & resources and the operational performance of Rwanda Development Board; to establish the relationship between management support and the performance of Rwanda Development Board; to assess the relationship between due professional care & experience on the operational performance of Rwanda Development Board. The study reviews the existing literature in relation to the variables of this research study. The study adopted survey research design. During the whole research process primary has been used. Primary data were directly obtained from responses provided by the 62 employees of RDB selected from 85 populations. To attain the purpose of the study through the questionnaires. Findings revealed that more that 80% of the respondents are on positive side agreed that the internal audit practices have an impact on operational performance of RDB. Findings showed that there is indeed a strong positive relationship between internal audit and operational performance as a Pearson correlation coefficient of  $r = 1$  and  $p = 1.48$ . Since  $r > 0.1$ , this implies that internal audit affects performance by 80% and 20% by other factors. From the discussion of findings, we can conclude that the quality of audit work has a significant positive effect on operational performance of RDB. The recommendations was that the board of directors and the management should ensure that recommendations given by auditors are implemented to achieve the set goals and for auditors to ensure that they issued the implementable recommendations.

## INTRODUCTION

As organizations and the world they operate in become more complex, so internal audit is gaining a steadily higher profile in the public, private and not-for-profit sectors for the evaluations they provide about how well risks are being managed within the organization (IIA12). Internal Audit is subject to many problems that affect internal auditors' effectiveness in different corporate governance (Cohen & Sayag, 2010). In the literature of Asia Pacific it is found that the function of internal audit has changed from a financially-oriented role to one that focuses on internal control and risk assessment. Although internal auditing is highly supported by management there exists little conclusive consensus of the role of internal audit. Furthermore, there is confusion regarding the independence of internal auditors as they are expected to take both a consulting and an assurance role (Cooper et al, 2006).

The change of activities performed by internal auditors is recognized by Hass et al (2006), who also stress that the role of internal auditors must be clearly defined to ensure that they do not participate in setting risk appetite, imposing risk management processes, or making decisions about risk responses.

According to the Institute of Chartered Accountants of India in She Wamene Hailemariam (2014) describes internal audit as "the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management's objective of insuring, as far as possible, the orderly and

efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and timely preparation of reliable financial information.

The performance of the public sectors is varied by their function and purposes, but in most cases, they are designed in order to enable the public sectors to achieve their goals. The public sector provide services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from those services provided (Mihret & Yismaw, 2007).

Mostly, the efficiency and effectiveness of the management operations in public sector are ensured by the effectiveness of its employees. Internal auditors which are the focus of this study and also the key employee of public offices, are expected to work independently and objectively to enhance high quality of public services, achieve good internal control system, avoid corruption, ensure good corporate governance system, promote accountability and greater transparency (Coram & Moroney , 2008).

In economies like Nigeria, studying internal audit's role in firm performance could provide concrete understanding of internal audit function hence providing support to the country's economy, as developing nations have a strong need to perform similar studies to assist in increased general perspective about the significance of internal audit.

The need financial compliance service has created the demand for internal audit function in developed economies for the purpose of providing a number of value added services. It is suggested that there is the need to explore the role of internal audit in Libya; most previous studies in Nigeria have focused on external audit. Hence, the goal of this study is to investigate the role of internal audit function on performance of Nigerian financial organizations.

In Rwanda, the internal audit function in the public sectors is regulated by the Ministry of Finance and Economic Planning (MINECOFIN). An Internal Audit Charter describing the purpose, authority, and responsibility of internal audit function in Government of Rwanda has been established to this effect. The Charter serves as a guide to the Internal Audit Units and Government Internal Auditors in Ministries, Districts and other Government Agencies (MDA)

in the performance of their duties. In addition, the Charter defines the relationship between Internal Audit, Audit Committees and Management; and provides a basis for Board of Directors, District Councils and Top Management to evaluate the operations of the internal Audit Units (MINECOFIN, 2011).

## **LITERATURE REVIEW**

### **Conceptual Review**

#### **Operational performance**

Refers to the measuring of the extent at which a company makes use of its available resources in the normal course of the business in achieving its targets. Management needed some means of evaluating not only the operational performance of work performed for the business but also the honesty of its employees. Around the turn of the 20<sup>th</sup> century, the establishment of a formal internal audit function to which these responsibilities could be delegated was seen as the logical answer (Mahdi & Mahmoud, 2012).

### **Internal audit practices**

Refers to the practices applied by organizations to appraise the effectiveness of the developed control systems and actions that are taken by the management. According to Paul (1990) internal audit function is identified as a factor in the control environment because it is one means management may use to monitor the accounting system and relating control procedures. An internal audit function is an individual, group or department within a company that acts as a separate higher level of control to determine that the internal control structure is functioning effectively.

### **Auditor's independence**

The Institute of Internal Auditors (IIA) defines Independence as: "The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner." This definition, however, applies to all kinds of audit and not just internal auditing. There are two types of audit independence: (1) Independence in Fact, and (2) Independence in Appearance.

The first type refers to the factual circumstances surrounding an audit environment. Think, "How free are you to conduct this audit?" For an auditor to be independent, he must be able to perform his duties freely, and not be subjected to scope limitations, or restrictions to access records and client personnel.

The second type of independence refers to the auditor's projection of his independence. I must say that this is where auditors should be extra careful. The acts of accepting gifts, or going out with client personnel for drinks outside the scope of work may be taken by the public as a sign of close association with the auditees and may decrease the trust value of the audit engagement. (Anderson, M. & Sohal, A, 1999).

### **Staffing and resources**

Staffing can be defined as one of the most important functions of management. It involves the process of filling the vacant position of the right personnel at the right job, at right time. Hence, everything will occur in the right manner. It is a truth that human resource is one of the greatest for every organization because in any organization all other resources like- money, material, machine etc. can be utilized effectively and efficiently by the positive efforts of human resource. (Sarbones, O, 2002). Therefore it is very important that each and every person should get right position in the organization so as to get the right job, according to their ability, talent, aptitude, and specializations so that it will help the organization to achieve the pre-set goals in the proper way by the 100% contribution of manpower

### **Management support**

To realize the effectiveness of internal audit in performing its functions cannot be separated from aspects of management support both in the public sector organizations and private sector Albrecht et al, (1988). Management support is an important factor that cannot be underestimated in determining the success of a project (Schwartz et al., 2005; Alzeban and Gwilliam, 2014). Internal supervisors try to obtain greater support from management but at the same time try to distance themselves from the influence of management.

### **Due professional care & experience**

Due professional care is to be exercised in the planning and performance of the audit and the preparation of the report. The statement in the preceding paragraph requires the independent auditor to plan and perform his or her work with due professional care. Due professional care imposes a responsibility upon each professional within an independent auditor's organization to observe the standards of field work and reporting. Cooley on Torts, a legal treatise, describes the obligation for due care as follows: Every man who offers his services to another and is employed assumes the duty to exercise in the employment such skill as

he possesses with reasonable care and diligence.

## **Empirical Review**

### **Auditor's independence and operational performance**

Habimana (2008) assessed the effectiveness of internal audit services unit in safeguarding public resources in local government in Rwanda using Kirehe District Council as a case study. A sample of 21 respondents was used to provide research data. The study revealed that Internal Auditor's reports lack of sound internal control over the council's resources as a result of management laxity over instituting, supporting and supervising the internal control is place. The study also revealed that Internal Audit Unit lack independence in carrying out audit functions in terms of reporting mechanism and programme of work.

H01: Auditor's independence has no significant effect on the operational performance of RDB?

### **Staffing &resources and operational performance**

Kunze (2010) examined the impact of organization structure on internal audit functions. The study revealed that organizational structure to be a stumbling block to internal audit functions. The further points out problems related to reporting system and urge for changes to enhance internal audit capacities in terms of autonomy and resources. The study also noted reluctance 27 of the management to establish strong internal audit department, mainly due to their low perception on Internal Auditors whom they regard as enemies. Mulinda (2010) examined the role of internal audit in operational performance and revealed that most of internal audit personnel lacked basic Information Technology (IT) skills; quality assurance machinery was lacking, and monitoring and evaluation mechanisms were absent.

H02: Staffing and resources has no significant effect on the operational performance of RDB?

### **Management support and operational performance**

This study aims to examine and analyze the influence of management support on the internal audit work. Jusbair Baheri and team (2017) indicated that the achievement of the internal audit effectiveness is a form of application principles of accountability and transparency on the use of public funds by higher education institutions in Indonesia. Management support is measured using the dimensions of the response to the findings and recommendations and commitment to strengthen the internal audit department. The unit of analysis of this study is an internal auditor at public universities in Malang who participated in the internal audit process. The type of data is primary data. Questionnaire are used as a tool to measure the variables tested. Total population in this study are 37 respondents. This study uses a saturation sampling (census). The results of research proves that the management support are not significant effect on the internal audit effectiveness.

Ho3: Management support has no significant effect on the operational performance of RDB?

### **Due professional care& experience and the operational performance**

Other challenges included lack of knowledge and experience on the use of computers and computer aided audit programs, lack of progressive career structure, and lack of conducive working environment of audit staff, inadequate staff remunerations, lack of accountability and lack of professional office holders as critical challenges facing audit department in the public sector in Kano state. (Dittenhofer, M., 2001).

H04: Due professional care and experience has no significant effect on the operational performance of RDB?

## METHODOLOGY

According to Christen (1991), the research methodology refers to a set of methods and principles that are used when studying a particular subject of doing a particular work. This chapter deals with the research design, methodology approach, area of study, population, sample size, sampling strategies or techniques, data collection methods, data collection instruments, data collection procedures, data processing and data analysis procedures. In other words, this part focused on the methods and techniques the researcher used in collecting, analyzing, and interpreting the data for the study entitled: “effect of internal audit practices on operational performance of Rwanda Development Board”.

Under this research, all the public institutions in Rwanda would be the population under the study but due to the financial constraints and limited time; Rwanda Development Board has been chosen as a case study.

### Target Population

Schuman (1974), the target population means all members of a specified group to which the study relates. In this research, the target population will be 85 staff from different departments having accounting and internal audit their responsibilities within Rwanda Development Board (RDB).

### Sample Size

Because the study population is small, no need to sample. Hence, sample size was 85.

### Sources of Data

During this research study, the researcher used one source of data namely primary data.

### Data analysis

#### Descriptive statistics:

Descriptive statistics are brief informational coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability include standard deviation, variance, minimum and maximum variables.

#### Inferential statistics

Inferential statistics is a branch of statistics that makes the use of various analytical tools to draw inferences about the population data from sample data. Apart from inferential statistics, descriptive statistics forms another branch of statistics. Inferential statistics help to draw conclusions about the population while descriptive statistics summarizes the features of the data set. There are two main types of inferential statistics – hypothesis testing and regression analysis. The samples chosen in inferential statistics need to be representative of the entire population.

#### Regression model

$$Y=B_0+B_1X_1+B_2X_2+B_3X_3+B_4X_4+e$$

Where

Y= Operational performance

X1=Auditor’s independence

X2= Staffing &Resource

X3=Management Support

X4=Due professional care & experience

B0=Constant

e: error term

B1-B4=Coefficient of estimates

## DATA ANALYSIS, INTERPRETATION AND DISCUSSION

### Descriptive statistics relating to study variables

#### Operational performance

Under this research entitled effect of internal audit on operational performance of RDB, the dependent variable was organizational performance of RDB due to the existence of the internal audit function. The table 1 shows that that the respondents’ views about the relationship between internal audit and performance of RDB where 84% of respondents agreed that internal audit recommend improvement and changes in the system of operation. According to the respondents and the auditees in Rwanda Development Board, the internal audit helps the institution (RDB) to safeguard its assets from misuse, to assist the management to run efficiently and in orderly manner its activities, it acts as consultant department to other departments to improve the performance, it detects and prevent errors early, it helps the institution to maintain the strong internal controls, to keep updated books of accounts and timely preparation of final reports. Further, the internal audit helps in safeguarded of assets and ensuring that entries have been made in accordance with accounting principle. This result indicated that internal audit and organizational performance are significantly related. This associated to the fact that an effective internal audit service can, in particular, help to identify ways to improve efficiency and maximize exposure to possible deficit from inadequately safeguarded company assets all of which can have a significant effect on the performance of an organization (Alzeban, 2015).

**Table 1: Operational performance of RDB due to the existence internal audit practices**

	N	Mean	Std. Deviation
The internal audit function affect the operational performance of RDB	62	3.9672	1.12498
There is importance of internal audit function on the operational performance of RDB	62	4.2258	1.09274
Internal audit facilitate the detection of misuse of RDB funds	62	4.1129	1.14670
<b>Valid N (listwise)</b>	<b>62</b>		
<b>Source: Field data, 2022</b>			

### Auditor’s independence on the operational performance

The results in table 2, indicates that internal audit’s independence is important to the work to be performed (Mean=4.283, SD= 1.133). However, a big part of respondents do not agree that failure to have independence by auditor cannot affect the work performed as Mean=5,3065 while standard deviation was higher than the mean for SD 6,48223. Therefore, there is case where independence of the internal auditor are affected as he/she is an employee of the organization and it is remunerated and assessed by the head of the institution.

**Table 2: Auditor’s independence on the operational performance**

	N	Mean	Std. Deviation
Internal audit independence is important to the work of internal audit	62	4.3065	1.18167
Failure to have auditors’ independence affect the work of internal auditor	62	5.3065	6.48223
It is necessary to have an auditor’s independence when auditing	62	4.5968	.79876
<b>Valid N (listwise)</b>	<b>62</b>		

Source: Field data, 2022

### Staffing and resources on the operational performance

The table 3 show the data gathered from respondents agreed at 92 percent that internal audit unit is properly staffed in term of numbers, grades, qualifications and experiences regard to its responsibilities and objectives. This is supported by a strong mean of 4.8, and homogeneous standard deviation of .96 which indicates the existence of the fact. This is shown in the sense that many audit reports were produced in various programs within the institution and the audit recommendations issued were taken into consideration by the board of directors and be implemented by the management to reduce the level of risk in the operational performance. As the absence of sufficient number and qualified staff can affect the quality of work performed by auditors and also the coverage of audit will be affected.

**Table 3: Staffing and resources on the operational performance**

	N	Mean	Std. Deviation
The absence of sufficient staff affect the audit coverage in RDB	62	4.1774	.96707
It is important to have qualified staff when auditing	62	3.8710	1.27374
Absence of motivation to the staff doing the audit affect the quality of work conducted	62	4.0000	1.10141
<b>Valid N (listwise)</b>	<b>62</b>		

Source: Field data, 2022

### Management support on the operational performance

The table 4 indicate that many respondents strongly agree at 95% that there is a management support when conducting the audit. This is presented with a strong mean of 3.9, and homogeneous standard deviation of 1.18. Whereby management adopt sound accounting policies and for establishing and maintaining internal control that will help auditors to do their work. This shows that the internal auditor produced various reports and evidences to help them to do the work.

**Table 4: Management support on the operational performance**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The management is aware of importance of internal audit department	62	3.9032	1.18335
There is an internal control system established by management to facilitate the work of internal audit	62	3.4516	1.25028
The recommendation issued by the internal auditor is appreciated by the management	62	3.8871	1.13231
<b>Valid N (listwise)</b>	<b>62</b>		

Source: Field data, 2022

### Due professional care & experience on the operational performance

The table 5 shows data gathered from respondents agreed at 92 percent that internal auditors are carrying out audit services with due care and diligence as justified by the strong mean= 4.08 and homogeneous standard deviation=1.26. Therefore, the internal auditor should possess relevant required skills, knowledge and experience in conducting professional audit services. These results were in conformity with research done by Wu et al. (2016) who said that, the competencies of internal audit staff must take into account the skills and knowledge base laid down by the profession. They added that, this includes personal qualities, standards of education, sound judgment, innovation and operational and auditing/evaluation experience. True professionalism requires growth.

**Table 5: Due professional care & experience on the operational performance**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
There is professionalism in audit conducted	62	3.4839	1.27706
The recommendation issued by the audit is implementable	62	4.0484	1.16545
The audit report produced help the organization in its daily activities to achieve its intended goals	62	4.0645	1.02223
<b>Valid N (listwise)</b>	<b>62</b>		

Source: Field data, 2022

### Inferential statistics

The following section presents the inferential statistics for the study (regression model and correlation analysis). The researcher performed a regression analysis to establish the association between the Internal Audit practices and the operational performance.

### Correlation analysis

Correlation analysis in research is a statistical method used to measure the strength of the linear relationship between two variables and compute their association. Simply, correlation analysis calculates the level of change in one variable due to the change in the other. A high correlation points to a strong relationship between the two variables, while a low correlation means that the variables are weakly related. Results in Table 6, Pearson correlation revealed that there was a strong positive relationship between the internal audit practices and the performance of RDB as the coefficient of correlation on the dependent variable was 1



while the independent variables was higher than 90%. This means that there is a high relationship at 90% between internal audit practices and organizational performance. Correlation analysis measures the linear association between two variables. The decision rule states that a correlation coefficient ranging from -1 to +1 is used to establish the degree of association, where the sign of the coefficient indicates the direction of the relationship (positive or negative). The correlation coefficient  $r < 0.25$  indicates no correlation, the  $0.26 < r < 0.5$  indicates weak correlation, the  $0.5 < r < 0.75$  indicates moderate correlation,  $0.75 < r < 1.0$  indicates strong correlation, while  $r = 1.0$  or  $-1.0$  indicates perfect correlation. The results in table 4.11 indicates that the correlation results are respectively  $r = 1$  for the relationship between internal audit and operational performance which indicates that there is a correlation;  $r = .463$  for the relationship between independence of the auditor and operational performance which indicates weak correlation; and  $r = .977$  for the relationship between staff competency and operational performance which indicates a strong correlation. Considering the significance level (Sig.), the results in table 4.11 indicates that the relationship between management support and operational performance is significant since  $\text{Sig} = .000$  ( $\text{sig} < 0.05$ ). For the relationship between due professional care as well as experience and performance,  $\text{Sig} = 0.000$  ( $\text{sig} < 0.05$ ) is strong. This indicates that due professional & experience affect operational performance. Therefore, for both variables, the relationship exists in the sample as well as in the entire population.

**Table 6: Correlations matrix**

		Performance	Independence	Staffing and resource	Support	Experience
Operational Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Independence	Pearson Correlation	.463**	1			
	Sig. (2-tailed)	.000				
Staff resource	Pearson Correlation	.977**	.465**	1		
	Sig. (2-tailed)	.000	.000			
Support	Pearson Correlation	.956**	.484**	.969**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	62	62	62	62	
Experience	Pearson Correlation	.975**	.484**	.982**	.987**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
<b>**.</b> Correlation is significant at the 0.01 level (2-tailed).						

Source: Field data, 2022

The results in table 7 show that except auditor’s independence as  $\beta_0=.001$ , other independent variables (staffing, management support, due professional care and experience) were strongly correlate with the dependent variable (performance).

**H01: Auditor’s independence has no significant effect on the operational performance of RDB?**

The regression results presented in table 7 revealed that auditor’s independence variable was positive and significant as p was greater than 0.05 and beta was positive ( $\beta_1= 0.002$  and  $p>0.05$ ). Therefore, the null hypothesis was accepted, and the study concludes that the internal audit is statistically significant to the operational performance of RDB.

**H02: Staffing and resources has no significant effect on the operational performance of RDB?**

The regression results presented in table 7 revealed that staffing and resource variable he was positive and significant ( $\beta_2= 0.546$ ;  $p>0.05$ ). Therefore, the null hypothesis was rejected, and the study concludes that there is a positive relationship between staffing & resource and the operational performance of RDB.

**Ho3: Management support has no significant effect on the operational performance of RDB?**

The regression results presented in table 7 revealed that the management support was positive and significant ( $\beta_4= 0.225$ ;  $p>0.05$ ). Therefore, the null hypothesis was rejected, and the study concludes that the management support has a positive and statistically significant relationship with the operational performance.

**H04: Due professional care and experience has no significant effect on the operational performance of RDB?**

The regression results presented in table 7 revealed that the management support was positive and significant ( $\beta_4= 0.662$ ;  $p>0.05$ ). Therefore, the null hypothesis was rejected, and the study concludes that the audit conducted by qualified staff and experience staff has a positive and statistically significant relationship with the operational performance of RDB.

**Table 7: Model coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.508	.346		1.468	.148
Auditor’s Independence	.001	.013	.002	.058	.094
Staff and resource	.549	.139	.546	3.954	.000
Support	.212	.150	.225	1.414	.043
Experience	.653	.210	.662	3.112	.003
<b>a. Dependent Variable: Operational Performance</b>					

Source: Field data, 2022

**Model summary**

The model summary outlined in table 8 shows the results of R- squared, also called coefficient of determination, which is a statistical calculation that measures the degree of interrelation and dependence between two variables. The model determines how much a variable’s behavior can explain the behavior of

another variable. The decision rule states that R-squared < 0.3 indicates none or very weak effect, R-squared value 0.3 < r < 0.5 indicates a weak or low effect size, R-squared value 0.5 < r < 0.7 indicates a moderate effect, whereas R-squared value r > 0.7 indicates strong effect. The results indicated by the table 8 showed that the coefficient of determination R-squared value for this study is 0.963 (r<sup>2</sup> 0.7) indicating a strong effect. These results indicated that 96.3% of variation in the operational performance of RDB come from the internal audit practices (independence, staffing & resource, management support and due professional care & experience); other remaining 4.7% come from other factors.

**Table 8: Model Summary of internal audit practices on the operational performance of RDB**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981 <sup>a</sup>	.963	.961	.65497

**a. Predictors: (Constant), Experience, Independence, staffing and resource, Support**

Source: Field data, 2022

### ANOVA

**Table 4.14 ANOVA<sup>a</sup>**

The Analysis of Variance (ANOVA) is a statistical technique that is used to test the model fitness. Table 9. F value of the model produces a p-value of 0.015 which is significantly different from zero. A p-value of 0.000 is less than the set level of significance of 0.05 (0.000 < 0.05) for a normally distributed data. This means that the model is significant in explaining operational performance and the model is fit to predict the study variables.

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	628.239	6	157.060	366.119	.000 <sup>b</sup>
	Residual	24.023	56	.429		
	<b>Total</b>	<b>652.262</b>	<b>62</b>			

**a. Dependent Variable: Operational Performance**  
**b. Predictors: (Constant), Experience, Independence, staffing and resources, Support**

Source: Field data, 2022.

### Summary of Hypotheses Testing Results

The results presented in Table below 10 show the summary of linear regression model. Thus, the table shows (R<sup>2</sup>), the main effects as well as the choice on the formulated hypothesis.

**Table 10: Summary of Hypotheses**

Hypothesis	p-value	R <sup>2</sup>	Conclusion
H01: Auditor's independence has no significant effect on the operational performance of RDB?	.094	0.963	Accepted
H02: Staffing and resources has no significant effect on the operational performance of RDB?	.000		Rejected
H03: Management support has no significant effect on the operational performance of RDB?	.043		Rejected
H04: Due professional care and experience has no significant effect on the operational performance of RDB?	.003		Rejected

Source: Field data (2022).

## SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

### Summary of major findings

To determine the effect of internal audit practices on operational performance of Rwanda Development Board. The study effect of internal audit practices on operational performance of Rwanda Development Board was conducted to 62 staff where the specific objectives were: To determine the effect of auditor's independence on the operational performance of Rwanda Development Board.; secondly, to examine the effect of staffing & resources on the operational performance of Rwanda Development Board.; thirdly, To establish the effect of management support on the operational performance of Rwanda Development Board, fourthly, To assess the effect of due professional care & experience on the performance of Rwanda Development Board. The study was conducted to establish the effects of the internal audit practices on the operational performance of Rwanda Development Board with the objective of examining the degree to which the internal audit practices influences the organizational performance.

### To determine the effect of auditor's independence on the operational performance of Rwanda Development Board

The finding regarding the internal auditor independence vis a vis to the performance of RDB, the study shows that there is strong relationship between the auditor's independence and the operational performance as the mean=4.3 while the standard deviation was 1.18 (table 4.7). The auditor independence is characterized by integrity and requires the auditor to carry out his or her work freely and in an objective manner.

Hypothesis number 1 was auditor's independence has no significant effect on the operational performance of RDB. This study concluded that the internal audit is statistically significant to the operational performance of RDB and the null hypothesis was accepted as p was greater than 0.05 and beta was positive.

### To examine the effect of staffing & resources on the operational performance of Rwanda Development Board

The table 4.8 show the data gathered from respondents agreed at 92 percent that internal audit unit is properly staffed in term of numbers, grades, qualifications and experiences regard to its responsibilities and objectives. This is supported by a strong mean of 4.8, and homogeneous standard deviation of .96 which indicates the existence of the fact. This is shown in the sense that many audit reports were produced in various programs within the institution and the audit recommendations issued were taken into consideration by the board of directors and be implemented by the management to reduce the level of risk in the operational performance. This is justified by the situation that for the period 2019 to 2021, due to the internal audit that covered all departments and recommendations from the internal auditor, the Rwanda Development Board has achieved a lot of things in different sectors such as investment and business registration, ICT, entrepreneurship program, etc.

Hypothesis number 2 was staffing and resources has no significant effect on the operational performance of RDB. Study concludes that there is a positive relationship between staffing & resource and the operational performance of RDB and the null hypothesis was rejected as  $p < 0.05$ .

## **To establish the effect of management support on the operational performance of Rwanda Development Board**

According to the respondents in this study, the ways by which the public institutions can use to strengthen the internal audit in order to achieve their goals include the support of the management by recruiting enough and qualified staff, procuring enough infrastructures such as software to use in reporting, computers, develop a strong internal controls, encouraging the use of performance contract and providing the trainings to the staff to improve their skills, providing all requested information during the audit. This was supported by a big percentage of respondent was responded favorably at the percentage of 95% and a strong mean of 3.9 (Refer to the table 4.9) that the management support to auditors impact on the work performed by them.

Hypothesis number 3 was management support has no significant effect on the operational performance of RDB. The study concludes that the management support has a positive and statistically significant relationship with the operational performance and the null hypothesis was rejected as  $p < 0.05$ .

## **To assess the effect of due professional care & experience on the operational performance of Rwanda Development Board**

Internal auditors must ensure that they demonstrate acts of professionalism. Internal auditors must exercise due care and diligence when carrying out auditing services. The work conducted the internal audit is done professionally and with objectivity as the audit issued the implemented recommendation. Therefore, the performance the institution will be achieved due to the audit conducted objectively and professionally. This was justified by more than 90% and the strong mean of 4.08 and homogenous standard deviation of 1.26 (table 4.10) of respondents agreed that there is relationship between the work performed by the internal audit with due professional due care and the operational performance of the institution.

Hypothesis number 4 was due professional care and experience has no significant effect on the operational performance of RDB. The study concludes that the audit conducted by qualified staff and experience staff has a positive and statistically significant relationship with the operational performance of RDB and the null hypothesis was rejected as  $p < 0.05$ .

## **Conclusion**

The main aim in this study is to examine the effect of internal audit on the operational performance of Rwanda Development Board. With the establishment of internal audit to enhance efficiency, accountability and transparency in the management of resources in the public sector, it is expected that Internal Audit units in public entities will enhance their effectiveness and performance. The results from this study indicate there exist effective Internal Audit units in RDB. The factors identified as ensuring IA effectiveness are existence of audit committee, expertise and experience of internal auditors, management support, staff & resource, professional auditing standard, competent leadership, independent, unrestricted access to records and implementation of audit recommendations. From the discussion of findings, we can conclude that the internal auditor practices has a significant effect on the operational performance of RDB.

## **Recommendations**

After watching the research findings and achieved results with regard to the main objective of this study to determine the effect of internal audit practices on the operational performance of Rwanda Development Board. The researcher suggested the following to different parties:

The finding of this research proved the work performed by internal auditors was statistically significant and positively correlated with operational performance. Thus, the RDB should support more the internal audit

activities and facilitate them, should give sufficient training and professional certification for the existing Internal Audit staff, and should recruit the sufficient number of IA.

Further, the management should give respond and take further action on the findings and recommendations given by the internal auditor. There is need for board of directors and management to ensure that the recommendations given were implemented to achieve the organization's goals.

### Arrears for further research

I propose to do the following research topics in the upcoming study:

- Our study limited to all activities of internal audit, there is need to focus on each activity and assess its impact on the organizational performance.
- This paper recommends future research on comparative analysis of the performance of the Internal Auditors in both private and public sector institutions in Rwanda.
- The effect of the external audit on the performance of public institutions.
- The effect of the performance audit in the management of public resources.

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