Corporate Governance and Internal Audit in State-Owned Enterprises in Zimbabwe: An Institutional Perspective

Dr. Jenfan Muswere[1], Dr. Henry Mukono[2], Dr. Fainos Chinjova[3], Prof. Zenzo Lusaba Dube[4]

[1,2] Independent Researcher

[3]National University of Science and Technology, Graduate School of Business

[4]National University of Science and Technology, Institute of Development Studies

DOI: https://doi.org/10.47772/IJRISS.2026.101000300

Received: 14 October 2026; Accepted: 19 October 2026; Published: 02 November 2026

ABSTRACT

This study examines the relationship between corporate governance frameworks and the effectiveness of the internal audit function in State-Owned Enterprises (SOEs) in Zimbabwe through the lens of institutional theory. Despite the existence of relatively comprehensive governance frameworks aligned with international standards, Zimbabwean SOEs continue to experience recurring governance failures, weak accountability systems, and financial underperformance. Adopting a qualitative, multiple-case study research design, data were gathered through semi-structured interviews with 17 key informants—including board members, internal auditors, and audit committee members—across 24 SOEs. The data were analysed using inductive thematic analysis to identify the institutional pressures dictating audit outcomes. The findings reveal that formal regulatory compliance alone does not substantively enhance the effectiveness of internal auditing. Instead, normative pressures (such as professionalisation, continuous training, and an ethical organisational culture) and coercive institutional mechanisms (such as robust oversight enforcement and political independence) serve as the primary predictors of internal audit quality. These findings highlight a critical need to strengthen enforcement mechanisms, depoliticise board appointments, and enhance professional capacity within internal auditing units across Zimbabwean public enterprises.

Keywords: state-owned enterprises, audit effectiveness, institutional theory, accountability mechanisms, public sector governance

INTRODUCTION

State-Owned Enterprises (SOEs) play a central role in the development of the Zimbabwean economy by providing essential public services in strategic sectors such as energy, transport, telecommunications, agriculture, and financial services. They act as vital instruments for national development and economic sovereignty. However, despite their strategic importance, public enterprises in Zimbabwe have faced persistent governance challenges characterised by financial mismanagement, weak internal controls, political interference, and structural deficits. Auditor-General reports consistently highlight recurring issues, including public procurement irregularities, ineffective board oversight, and poorly resourced internal audit systems across several public entities.

Corporate governance reforms in Zimbabwe have sought to address these systemic deficiencies. Most notably, the enactment of the **Public Entities Corporate Governance Act [Chapter 10:31] (2018)** introduced a stronger, uniform regulatory framework intended to enhance transparency, board accountability, and internal control systems across public entities. Additionally, the voluntary adoption of international governance codes and auditing standards reflects deliberate attempts to align domestic administrative practices with global norms. Nevertheless, high-profile governance failures persist, raising

fundamental questions regarding the practical operational efficacy of internal audit functions within these state entities.

Internal auditing is globally recognised as a critical governance mechanism that strengthens organizational accountability, risk management, and internal control systems. In public sector organizations, the internal audit function provides essential objective assurance to boards and audit committees while directly supporting compliance and performance oversight. However, in many developing economies, the operational effectiveness of internal auditing is heavily undermined by limited organizational independence, insufficient resource allocation, and direct political interference.

This study addresses the following primary research question:

How do institutional pressures influence corporate governance frameworks and the practical effectiveness of internal auditing within State-Owned Enterprises in Zimbabwe?

LITERATURE REVIEW

Institutional Theory

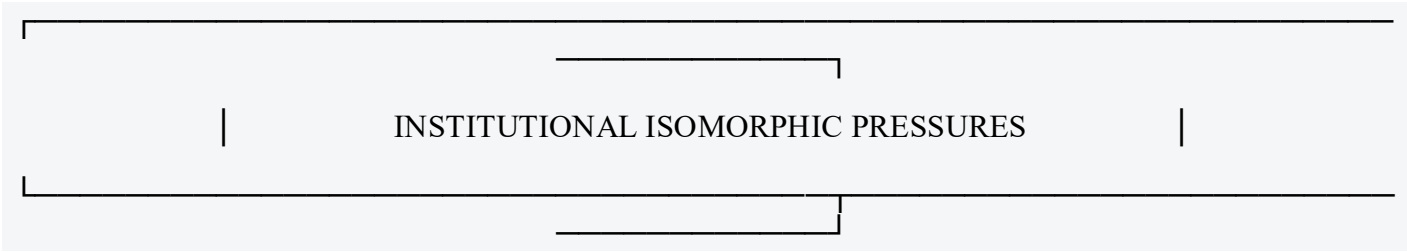
This study is theoretically grounded in institutional theory, which posits that organizations conform to societal expectations, professional norms, and regulatory pressures primarily to secure social legitimacy rather than purely to maximize operational efficiency. DiMaggio and Powell (1983) isolate three distinct mechanisms through which institutional isomorphism occurs:

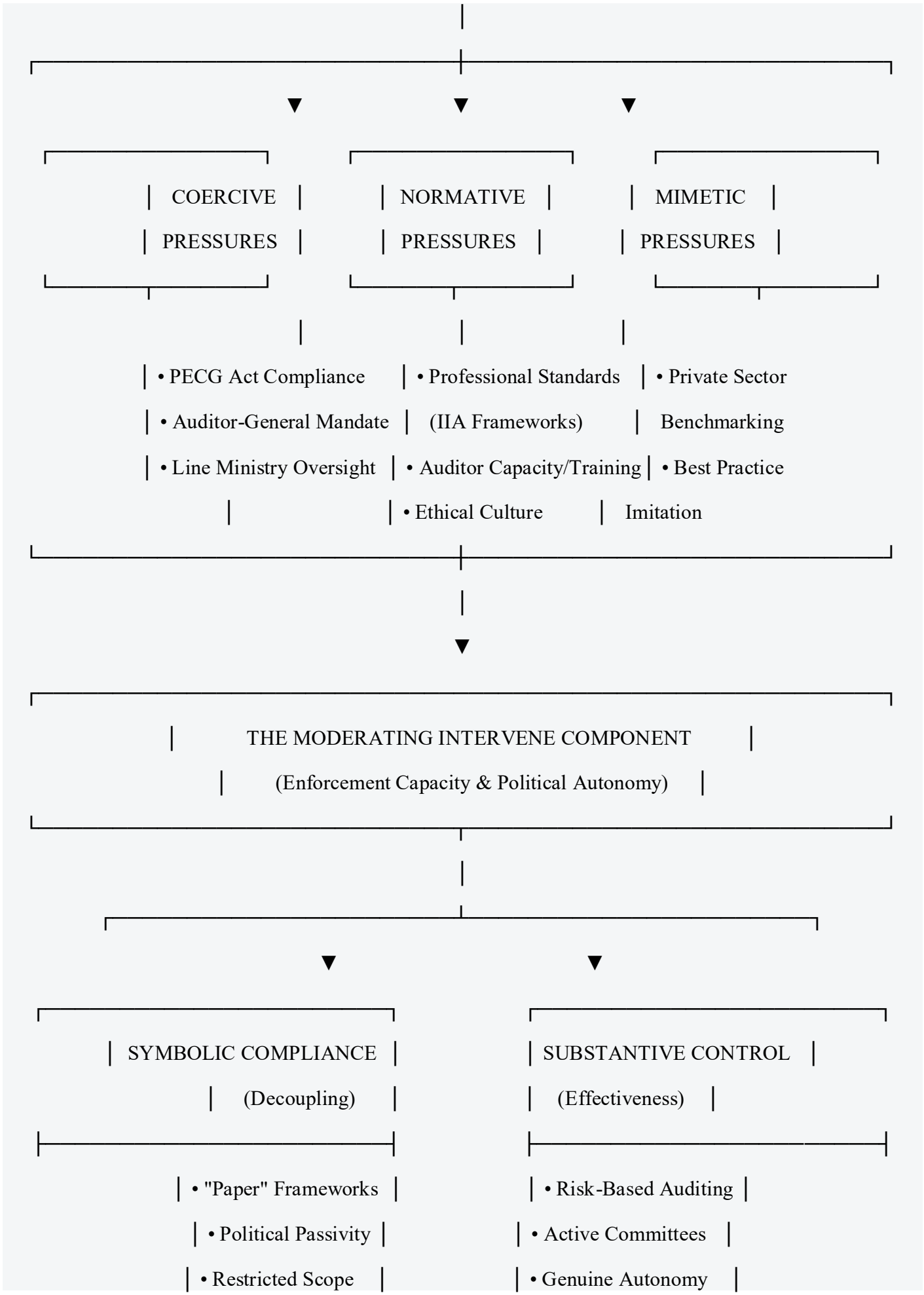
- **Coercive Pressures:** Derived from formal and informal pressures exerted on organizations by other institutions upon which they are dependent, such as statutory mandates and government legal frameworks.
- **Normative Pressures:** Driven by professionalization, collective expectations of professional bodies, and established educational standards.
- **Mimetic Pressures:** Triggered by environmental uncertainty, prompting organizations to imitate or benchmark the structures of successful peer entities.

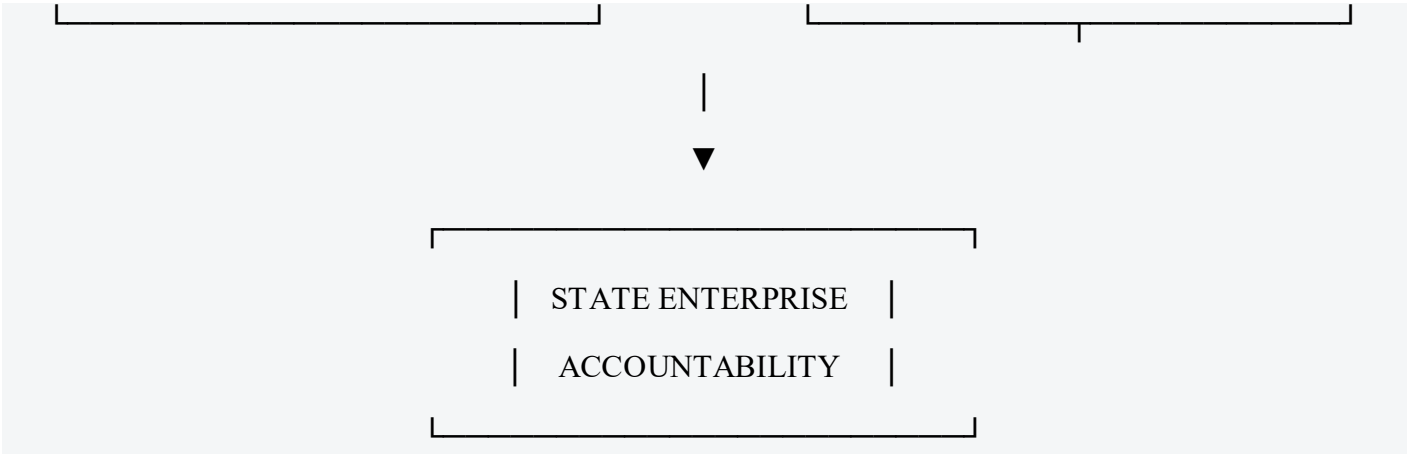
In the context of state enterprises in Zimbabwe, coercive pressures arise directly from mandatory statutory frameworks such as the Public Entities Corporate Governance Act (2018). Normative pressures stem from the professional expectations of global and local bodies, such as the Institute of Internal Auditors (IIA) and regional accounting associations. Mimetic pressures occur when SOEs mirror advanced governance models deployed in private sector corporations or international benchmarks. Prior literature suggests that compliance-driven public sector reforms frequently prioritize symbolic adoption over substantive accountability. This creates a decoupling effect, explaining why comprehensive governance frameworks may exist on paper while the operational effectiveness of the internal audit remains severely constrained.

CONCEPTUAL FRAMEWORK

The conceptual framework is grounded in **Institutional Isomorphism Theory** (DiMaggio & Powell, 1983). It illustrates how external institutional pressures dictate the transition of internal audit from symbolic compliance (**decoupling**) into an active mechanism of organizational accountability.




COERCIVE PRESSURES
NORMATIVE PRESSURES
MIMETIC PRESSURES
• PECG Act Compliance
• Auditor-General Mandate
• Line Ministry Oversight
• Professional Standards
(IIA Frameworks)
• Auditor Capacity/Training
• Ethical Culture
• Private Sector
Benchmarking
• Best Practice
Imitation
THE MODERATING INTERVENE COMPONENT
(Enforcement Capacity & Political Autonomy)
SYMBOLIC COMPLIANCE
(Decoupling)
• "Paper" Frameworks
• Political Passivity
• Restricted Scope
SUBSTANTIVE CONTROL
(Effectiveness)
• Risk-Based Auditing
• Active Committees
• Genuine Autonomy



Corporate Governance in State-Owned Enterprises

Corporate governance encompasses the structures, processes, and institutional mechanisms through which organizations are directed, administered, and controlled. In public sector enterprises, governance assumes a heightened degree of complexity due to overlapping public ownership structures, competing political objectives, and distinct social mandates. Effective public governance relies heavily upon independent boards of directors, functional audit committees, transparent financial reporting, and rigorous internal control environments. Empirical studies in emerging economies demonstrate that state enterprises face unique institutional constraints. Political appointments to boards frequently compromise professional independence and strategic oversight. In Zimbabwe, frequent board instability, political interference, and executive dominance have been documented as persistent governance vulnerabilities. Furthermore, internal accountability mechanisms are routinely weakened by overlapping regulatory mandates and limited institutional capacity for enforcement.

Although public sector governance frameworks formally align with international best practices, severe implementation gaps remain prevalent. This mismatch reflects institutional isomorphism, wherein organizations adopt external structural forms to project legitimacy to international financiers or citizens without committing to substantive operational changes.

Internal Auditing as a Corporate Governance Tool

The internal audit function enhances corporate governance by providing objective, risk-based assurance regarding organizational compliance and control effectiveness. To achieve maximum efficacy, an internal audit function must possess organizational independence, professional competence, adequate budgetary resources, and direct, uninhibited reporting lines to the board's audit committee. Extensive empirical research indicates that an effective internal audit reduces fraud risks and significantly elevates the qualitative standard of financial reporting. Within the public sphere, it serves as a vital safeguard for performance auditing, value-for-money initiatives, and public service delivery accountability.

However, in developing socioeconomic contexts such as Zimbabwe, internal audit units often present distinct structural and resource weaknesses. Public sector units frequently suffer from inadequate specialized training, low technological capacity, and insufficient organizational autonomy. Political interference further deteriorates auditor objectivity, particularly when executive management teams are politically connected and capable of restricting audit scopes or altering reporting disclosures.

Interface Between Governance Frameworks and Internal Auditing

The empirical relationship between formal corporate governance and internal audit performance yields mixed outcomes in institutional literature. While a strong corporate governance environment generally enhances the baseline performance of internal auditors, the actual outcome is heavily moderated by institutional enforcement capacity. In weak institutional environments, the structural impact of formal governance codes is minimized. Previous research in Zimbabwe shows that while regulatory updates

successfully modernized formal reporting frameworks, unchecked political interference and lack of punitive enforcement continued to undermine actual audit independence.

Gap Analysis

While literature has separately detailed corporate governance challenges or public sector accounting deficits in Zimbabwe, there remains a distinct shortage of research that integrates the internal audit function with an institutional theoretical framework to evaluate why governance reforms fail to achieve true accountability. Institutional theory posits that public sector behaviours are shaped by a complex web of coercive, normative, and mimetic factors rather than purely rational, efficiency-driven motives.

Most existing studies within the Zimbabwean public sector rely on descriptive or purely conceptual evaluations without anchoring their findings in established organizational theories. Consequently, an empirical gap persists in understanding how localized institutional forces shape, constrain, or facilitate the internal audit function within state enterprises. This study addresses this gap through an in-depth qualitative evaluation of stakeholder experiences.

RESEARCH METHODOLOGY

This study adopted an **interpretivist philosophical paradigm**, which aligns directly with a qualitative research approach to explore the nuanced governance realities within state enterprises. Interpretivism emphasizes understanding social phenomena from the subjective perspectives of actors operating directly within the context. This paradigm is uniquely suited for investigating how board members, audit executives, and oversight managers perceive corporate governance dynamics. The study additionally embraces a **constructivist worldview**, recognizing that contextual knowledge is co-constructed through iterative dialogue between researchers and field participants. This approach ensures that findings remain contextually embedded within the complex socioeconomic realities of Zimbabwe. Given this interpretivist-constructivist foundation, an **inductive research approach** was deployed. This facilitated the discovery of patterns, institutional dynamics, and operational themes directly grounded in the lived experiences of participants, rather than imposing rigid, predefined quantitative hypotheses.

The research design utilized a **qualitative multiple-case study approach** to explore the multi-dimensional administrative roles across enterprises. Case study designs allow for empirical inquiries into contemporary phenomena within real-life contexts where boundaries between the phenomenon and context are highly integrated.

Methodology Component	**Details and Alignment**
Research Philosophy	Interpretivist-Constructivist
Approach	Inductive
Research Design	Qualitative Multiple-Case Study
Sampling Technique	Purposive and Snowball Sampling
Sample Size	17 Key Informants across 24 State-Owned Enterprises
Data Analysis	Inductive Thematic Analysis

The study prioritized qualitative data depth over statistical breadth, utilizing **purposive sampling** as its primary selection strategy to target highly experienced professionals. Key informants included Chief Audit Executives (CAEs), Audit Committee Chairpersons, Board Members, and Senior Public Internal Auditors. Where access to certain high-level directors was restricted due to institutional bureaucracy, **snowball sampling** was used by leveraging initial participant referrals. While the study initially targeted a sample size of 20 to 25 participants, data collection ceased at **17 participants** due to the achievement of **data saturation**, the point at which subsequent interviews yielded no novel themes or analytical insights. All semi-structured interviews were transcribed and analysed using **inductive thematic analysis** to isolate recurring themes across the institutional pillars.

DISCUSSION OF FINDINGS

The empirical findings indicate that while formal corporate governance structures are positively associated with internal audit potential, basic regulatory compliance on its own is structurally insufficient to ensure audit effectiveness. The qualitative data reveal that **coercive and normative institutional pressures** serve as significantly stronger determinants of audit quality than mimetic pressures. Participants consistently indicated that formal codes are frequently adopted as a symbolic gesture to satisfy central government mandates. Substantive audit quality only improves when backed by coercive enforcement mechanisms (e.g., active oversight, clear penalties for non-compliance) and normative professionalization (e.g., continuous professional education, adherence to international IIA frameworks, and the cultivation of an ethical internal culture). These insights confirm core tenets of institutional theory: in developing governance landscapes, external coercive enforcement and internalized professional norms dictate organizational behaviours far more robustly than the symbolic imitation of private sector models.

Crucially, these findings diverge sharply from established literature based in developed market economies, where the mimetic adoption of cutting-edge corporate practices frequently translates into immediate performance improvements. Within the Zimbabwean public sector context, corporate imitation without localized structural adaptation fails to produce substantive accountability. Instead, it creates an institutional facade, leaving the core internal audit function underfunded, politically exposed, and functionally restricted.

CONCLUSION

This study evaluated the interface between corporate governance and internal audit effectiveness in State-Owned Enterprises in Zimbabwe through an institutional theory lens. The qualitative insights confirm that formal governance frameworks and institutional dynamics dictate the operational capacity of internal audit units, which in turn act as the gatekeeper for broader public accountability. Coercive legal enforcement and normative professional capacity play a significantly more defining role in shaping audit outcomes than mimetic practices. The policy and administrative implications of this study are clear: public sector reforms in Zimbabwe must look beyond formalistic compliance metrics. To achieve sustainable transparency and protect public resources, central authorities must focus on substantive institutional strengthening. This includes depoliticizing board selection practices, institutionalizing secure funding models for internal audit operations, and granting uninhibited operational autonomy to public sector auditors.

Policy Recommendations

To shift internal audit functions in Zimbabwean State-Owned Enterprises (SOEs) from symbolic compliance to substantive oversight, authorities must leverage **coercive and normative pillars**. The following policy interventions are aligned directly with the **Public Entities Corporate Governance Act [Chapter 10:31] (PECG Act)**:

Strengthen Coercive Enforcement via the Corporate Governance Unit (CGU)

- **Operationalise Penalties:** The Office of the President and Cabinet (OPC) must issue statutory penalties through the CGU for non-compliance with audit recommendations. Boards that repeatedly fail to act on internal audit findings must face financial sanctions or mandatory restructuring.

- **Performance Contract Integration:** Mandate that compliance with internal audit programs serves as a key performance indicator (KPI) within the statutory **Performance Contracts** signed between line Ministers, Board Chairs, and CEOs under Part II of the PECG Act.
- **Standardised Escalation Channels:** Legislate an automated escalation path where unresolved, high-risk internal audit findings are automatically submitted to the CGU and the Auditor-General within 45 days of detection to bypass management suppression.

Depoliticise and Professionalise Board Appointments (Normative & Coercive Alignment)

- **Merit-Based Database Implementation:** Enforce the strict use of the CGU's skills database to select board members based on objective expertise rather than political affiliation. Every state board must contain at least one member holding an active, certified auditing or accounting credential (e.g., CIA, CA, ICSAZ).
- **Enforce Independent Tenure and Dismissal Rules:** Strictly monitor the asset-and-tenure provisions under Section 11 of the PECG Act. Line Ministers must issue public, written justifications to Parliament prior to dismissing any board or audit committee member to protect independent oversight from arbitrary political interference.

Institutionalise Financial and Operational Autonomy for Internal Audit Units

- **Independent Budgetary Windows:** Mandate a "fenced" budget allocation for the internal audit function, approved directly by the Audit Committee rather than executive management. This stops executives from choke-funding audit units when sensitive investigations occur.
- **Dual Reporting Mandate:** Enforce absolute compliance with international **Institute of Internal Auditors (IIA)** norms. Functionally, Chief Audit Executives (CAEs) must report exclusively to the non-executive Audit Committee. Administratively, they must interface with the CEO only for day-to-day logistics, ensuring complete protection against scope limitations.

Upskill and Professionalise Internal Audit Capacity (Normative Pressure)

- **Mandatory Professional Certification Fund:** Establish an internal training levy within SOEs earmarked for professional designations. Public sector internal auditors should be supported to achieve specialized international certifications, such as the Certified Internal Auditor (CIA) or Certified Fraud Examiner (CFE) tracks.
- **Transition to Continuous Digital Auditing:** Finance the acquisition of automated data-analytics tools (e.g., ACL, CaseWare) to shift audit units away from predictable, manual retrospective sampling. Digital systems allow for continuous transaction monitoring, minimizing public procurement irregularities before payments are completed.

REFERENCES

1. Alzeban, A. (2020). The impact of audit committee effectiveness on internal audit effectiveness. Managerial Auditing Journal, 35(3), 285–306.
2. Amran, A., & Haniffa, R. (2019). Institutional pressures and corporate governance. Journal of Business Ethics, 159(2), 555–570.
3. Chigudu, D. (2020). Corporate governance challenges in Zimbabwean public enterprises. Public Administration and Development, 40(4), 220–232.
4. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147–160.
5. Endaya, K., & Hanefah, M. (2018). Internal audit effectiveness. Asian Review of Accounting, 26(2), 251–269.
6. Eulerich, M., Kremin, J., & Wood, D. (2019). Factors influencing internal audit effectiveness. Accounting and Business Research, 49(3), 259–288.

7. Grossi, G., Papenfuß, U., & Tremblay, M. (2020). Corporate governance in state-owned enterprises. Public Money & Management, 40(5), 353–361.
8. Institute of Internal Auditors (IIA). (2020). International Professional Practices Framework (IPPF). IIA.
9. Lenz, R., & Hahn, U. (2019). A synthesis of empirical internal audit research. Journal of Accounting Literature, 42, 1–21.
10. Maseko, N., & Manyani, O. (2021). Board effectiveness in Zimbabwean SOEs. Corporate Governance: The International Journal of Business in Society, 21(7), 1453–1470.
11. Mawanza, W. (2020). Political interference and SOE performance. African Journal of Governance and Development, 9(1), 88–103.
12. Njanike, K. (2019). Public sector auditing reforms in Zimbabwe. International Journal of Public Sector Management, 32(6), 640–657.
13. OECD. (2020). OECD Guidelines on Corporate Governance of State-Owned Enterprises. OECD Publishing.
14. Scott, W. R. (2014). Institutions and Organizations: Ideas, Interests, and Identities (4th ed.). Sage.
15. Yin, R. K. (2014). Case Study Research: Design and Methods (5th ed.). Sage.
16. Yismaw, A., & Mihret, D. (2017). Internal audit effectiveness in public sector organizations. Managerial Auditing Journal, 32(7), 623–643.