

**ACCEPTABILITY OF INTERNAL AUDIT FUNCTION, SOCIAL CAPITAL,
ORGANISATIONAL CITIZENSHIP BEHAVIOURS, AUDIT INDEPENDENCE
AND RISK MANAGEMENT**

THE CASE OF KYAMBOGO UNIVERSITY, MAKERERE UNIVERSITY, NATIONAL
WATER AND SEWERAGE CORPORATION AND NATIONAL SOCIAL SECURITY
FUND

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DECLARATION

I, Babirye Mary, declare that this dissertation is truly my original work and has never been submitted at any one time for award of any academic qualification to any University. The material that is not my original work, due acknowledgement has been made.

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APPROVAL

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DEDICATION

This work is dedicated to my late grandmother Solome Tibasuulwa Mulyanga (Mrs) and my children
Ronald,
Salvatore and Michael.

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LIST OF ACRONYMS

ANAO:	Australian National Audit Officer
CEO:	Chief Executive Officer
COSO:	Committee of the Sponsoring Organizations of the Tread way Commission
ECIIA:	European Confederation of Institute of Internal Auditors
ICA:	Institute of Chartered Accountants
CIPFA:	Chattered Institute of Public Finance and Accounting
IIA:	Institute of Internal Auditors
ITEK:	Institute of Teachers Education Kyambogo
KYU:	Kyambogo University
MUK:	Makerere University Kampala
NSSF:	National Social Security Fund
NWSC:	National Water and Sewerage Corporation
OCB:	Organizational Citizenship Behaviors
UPK:	Uganda Polytechnic Kyambogo
UNISE:	Uganda National Institute of Special Education
WHO:	World Health Organization

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Appendix 1: Questionnaires

ABSTRACT

The purpose of the study was to establish the relationship between behavioral aspects of employees and the environment in which internal audit operates in managing risks. Specifically, the study focused on social capital, OCB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit and risk management. A cross section survey design was adopted. Data using questionnaires was gathered from 233 purposively selected respondents from four government owned organizations. Supervisors evaluated their subordinates on OCB while respondents gave their perceptions on the other variables. This data was used and tested using cross tabulation, factor analysis, regression and correlation analysis.

The results revealed significant and positive relationships for all the objectives, that is, between social capital and OCB; social capital and management and staff commitment and support to internal audit function; and OCB and management and staff commitment and staff support to internal audit function. Further, significant and positive relationships were also found between acceptability of internal audit function and management and staff support to internal audit function; social capital and independence of internal audit; management and staff commitment and support to internal audit function and risk management; and independence of internal audit and risk management. Finally, the results confirmed a significant and positive relationship between, acceptability of internal audit function, social capital, OCB, management and staff commitment and support to internal audit function, independence of internal audit and risk management, as guided by the study objectives.

From the study, it is recommended that for achievement of organizational objectives, risks have to be effectively managed with the assistance of an effective internal audit function. In order to have an effective internal audit function, the study recommends that organizations have to nurture the occurrence of OCB, develop social capital, create an environment that will promote acceptability of internal audit function; management and staff commitment to internal audit function and permit prevalence of internal audit independence.

CHAPTER ONE

1.0 Introduction

1.1 Background to the Study

Risk is anything that can jeopardize the achievement of organizational goals and can be controlled or mitigated by the internal audit function in an organization. Risk management is the process of controlling risks, the severity and likelihood of adverse events in order to improve performance (Mainelli, 2001). Internal audit is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operation (Institute of Internal Auditors (IIA), 2000). Prevalence of social capital and Organizational Citizenship Behaviors (OCB) in an organization facilitates the internal audit function in risk management. Social capital refers to the features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit (Putman, 1995, Cohen and Prusak, 2001). OCB is individual behavior that is discretionary and not directly or explicitly recognized by the formal reward system, which in aggregate promotes the effective functioning of an organization (Organ, 1990).

Kyambogo is a Public University established by the Universities and other Tertiary Institutions instrument of 2003. It resulted from a merger of the Institute of Teacher Education (ITEK), Uganda Polytechnic Kyambogo (UPK) and Uganda National Institute of Special Education (UNISE). Makerere University (MUK) is a Public University that was established in 1922 as a Technical Institute. It gradually changed status and size overtime up to 1970 when it was declared a National University (www.makerere.ac.ug). National Social Security Fund (NSSF) was established in 1967 to provide social security benefits to the members in accordance with the law. In 1985, a new NSSF Act established it as a corporate body. National Water and Sewerage Corporation (NWSC) is a utility parastatal established in 1972 under decree nO.34 to operate and provide water and sewerage services. The corporation was re- established as NWSC in 1995 by the NWSC statute (www.nwsc.co.ug). These organizations, like any other organization worldwide, are looking for ways to better manage their corporate governance (Deloitte Touche Tohmatsu, 2003).

Changes in the way KYU carries out its activities from individual institutions' operation, expansion of business in MUK, NWSC and changes in the regulatory framework of NSSF can place enormous strain on their control mechanism and become a major source of risks. One of the causes of risk is the unanticipated outcome of human action. For example, in the former UPK, some officers were leaving their office premises open when leaving for their homes after duty, subjecting the institution's physical resources to risk (Memo, 2000), necessitating management to put some controls. In addition, a few individuals were removing furniture meant to be shared by all students and staff without returning it at the expense of other users (Memo, 1998). Similarly, an accounts clerk in Faculty of law (MUK), through irregular means, led the University into a financial loss of shs. 75 .2m (Auditor General's Report, 2001). Such risks and others are likely to be encountered by other organizations including NSSF and NWSC, which have undergone changes. There is need to ensure that those risks are adequately identified and internal control processes designed to manage them.

An effective internal audit function, which is instrumental in risk management, has prerequisites, which include independence and management and staff commitment and support. However in many organizations including Kyambogo University, MUK, NSSF and NWSC, these prerequisites are not adequate, rendering the internal audit function to be ineffective. In the former ITEK, the Internal auditor reports to the senior management yet they are expected to objectively review management's conduct and efficiency (Organizational structure). In addition, in the former UPK, the Internal Auditor was a member of management, which is charged with formulating policies and procedures (Memo, 1998). This is likely to negatively impact on the independence of the internal auditors.

There is need to build employee relations that will promote liking, trust and networks that will enable information and assistance to be transferred between departments so as to permit acceptability of internal audit function, without which the organization's resources will be faced with numerous risks which may lead to losses. For example, in the former UPK, internal audit had been obstructed from executing its duties by one of the sections of the institution. When it was accepted, after the intervention

of the Chief Executive, it was found that the institution had lost four of its air conditioners and some other items worth thousands of U.S dollars. (Memo, 1998)

The University administration puts internal controls in place, financial and otherwise, as the measures to cope with risks (Circular, 1995). However, these controls are not always observed by the community, leaving the administration in dilemma as to how these risks can be effectively managed (Memo, 1998).

Although the internal audit function instrumental in managing risks is in place, absence of social capital, *aCB* and acceptability of the internal audit function necessary for nurturing conditions such as independence, management and staff commitment and support will hinder effective risk management.

1.2 Statement of the Problem

Management of risks enables organizations to achieve their objectives. However, organizations tend to overlook the importance of nurturing social capital, OCB and acceptability of the internal audit function that are antecedents of conditions such as independence of internal auditors, management and staff commitment and support to the function. This renders the internal audit function to be ineffective in risk management, which may lead organizations into losses or corporate failure, as was the case with the former Greenland bank.

1.3 Purpose of the Study

To examine the relationship between organizational social capital, OCB, acceptance of internal audit function and independence of internal auditors, management and staff commitment and support to the audit function and their relationship with risk management.

1.4 Objectives of the Study

1. To establish the relationship between social capital and OCB

- i. To establish the relationship between social capital and management and staff commitment and support to internal audit function
- ii. To establish the relationship between OeB and management and staff commitment and support to internal audit function
- iii. To establish relationship between acceptability of internal audit function, and management and staff commitment and support to internal audit function
- iv. To establish the relationship between social capital and independence of internal audit
- v. To establish the relationship between management and staff commitment and support to internal audit function and risk management
- vi. To establish the relationship between independence of internal audit and risk management
- vii. To establish the relationship between social capital, OeB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit and risk management

1.5.1 **Research Questions.**

What is the relationship between social capital and OeB?

- i. What is the relationship between social capital and management and staff commitment and support to internal audit function?
- ii. What is the relationship between OeB and management and staff commitment and support to internal audit function?
- iii. What is the relationship between acceptability of internal audit function, and management and staff commitment and support to internal audit function?
- iv. What is the relationship between social capital and independence of internal audit?
- v. What is the relationship between management and staff commitment and support to internal audit function and risk management?

- vi. What is the relationship between independence of internal audit and risk management
- vii. What is the relationship between social capital, OCB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit and risk management

1.6 Significance of the Study

The findings of the study will help management of these organizations (KYU, MUK, NWSC and NSSF) review the issues that need to be addressed in order to improve on the effectiveness of internal audit function so as to minimize organizational risks that may impede the achievement of objectives. The findings will also be used as a basis for further research and policy making.

1.7 Scope of the Study

- Area Scope

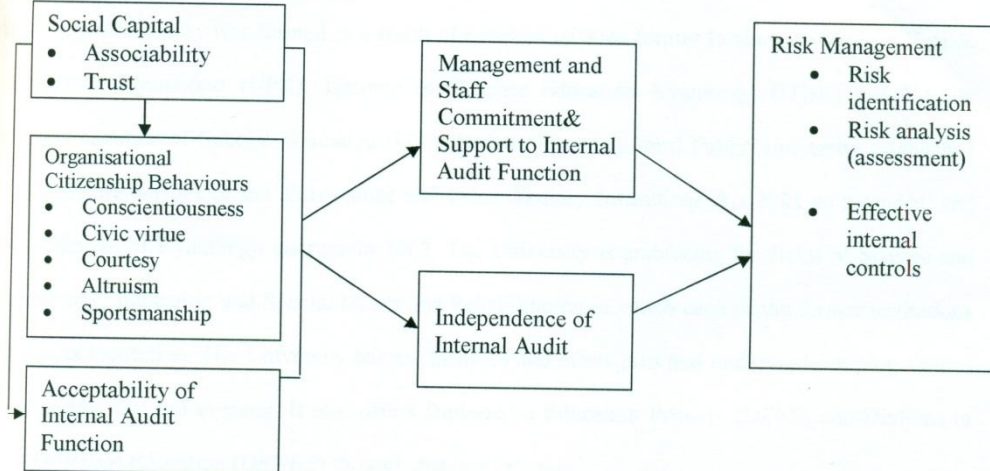
The study was carried out in Kyambogo University, National Social Security Fund (NSSF), Kampala area, Makerere University and National Water and Sewerage Corporation (NWSC), Kampala area all located in Kampala district.

- Subject Scope

The study focused on social capital, OCB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit as the independent variables and risk management as the dependent variable. The study derives its constructs from the following subjects; Organizational behaviors, internal auditing and corporate governance; however these will not be examined.

1.8 Conceptual Framework

Fig. 1: The Conceptual framework



Source: Developed from Literature Review based on the works of Putnam, 1993; Coleman, 1998; Organ, 1990; Barret, 2001; Institute of Internal Auditors, 2000; Spira and Page, 2003 and others

Description of the Model

The conceptual framework illustrates that prevalence of social capital, employees' willingness to exhibit extra role behaviours and acceptability of the internal audit function in organisations will promote management and staff commitment and support to the internal audit function and its independence. When these are in place, they will enhance the effectiveness of the internal audit function. This effectiveness will be achieved when organizational risks are effectively managed.

1.9 CASE STUDY KYU, MUK, NWSC AND NSSF

1.9.1 Kyambogo University (KYU)

Kyambogo University was formed as a result of a merger of three former Institutions namely; Uganda Polytechnic Kyambogo (UPK), Institute of Teacher Education Kyambogo (ITEK) and Uganda National Institute of Special Education (UNISE). It is Uganda's third Public University established within the framework of the Universities and Other Tertiary Institutions Act 2001 as amended, and establishment of Kyambogo instrument 2003. The University is embracing the fields of Science and Technology, Education and Special Needs and Rehabilitation in which each of the former institutions earned its reputation. The University has six faculties and offers post and undergraduate programmes both during day and evening. It also offers Diploma in Education Primary (DEPE) and Diploma in Special Needs Education (DSNEE) through distance learning.

The overall mission of KYU is to advance and promote knowledge and development of skills in science, technology and education, and in such other fields having regard to quality, equity and the transformation and progress of society. Its key objectives are; to equitably expand access to higher education; strengthen and expand vocational studies; produce highly and practically skilled manpower for service to society; spearhead applied research, initiate and promote innovation in education and technology.

Considering that the University arose out of merger, there is a challenge of merging the different cultures that are likely to increase risks yet it has to meet the challenges of the external environment and fulfill objectives. As such, if the University is to realize its goals and objectives, it has to stress the importance of having harmonious co- existence between management and staff who are ready to cooperate, trust and support one another. In a bid to empower KYU staff cope with the new challenge a number of activities are being carried out. In 2004, a two-day management retreat was organized aimed at enabling the staff from the different institutions interact, share experience, and learn from each other so that they build relationships in order to enhance institutional performance. In addition, the University was to undertake a restructuring programme to meet the requirements within the

framework of the Act. This generated fear, anxiety and uncertainty among staff resulting into loss of morale by some staff; tendencies of negligence of duty and acts of selfishness were observed. All these lead to increased risks to the resources of the University. For example, a motor vehicle belonging to the University taken for repair was abandoned in the garage for over a year, subjecting that asset to risks (Memo, 2002). In another event, it was noted that some members were claiming more hours of teaching load than what they were actually entitled to (Memo, 2005) subjecting the financial resources of the organization to risks. The internal audit is established as a monitoring tool and provides assurance that such risks are mitigated. Such problems, which may lead to failure of achievement of organizational objectives, leave questions on the effectiveness of internal audit.

1.9.2 Makerere University (MUK)

Makerere University was established in 1922, as a technical school, offering carpentry, building and mechanics. It expanded over the years, and by year 1970, it had become an independent University of the Republic of Uganda. MUK is the major Public University with a record of academic excellence, offering undergraduate and postgraduate courses in various disciplines. Following an increase in demand for University education, MUK expanded its services to cater for both government and privately sponsored students to meet the challenge. Currently, the University has twenty-two faculties *institute* /school, offering day, evening and external study programmes. The overall mission of MUK is to provide quality teaching, carry out research and offer professional service to meet the changing needs of society by utilizing world wide and internally generated human resources, information and technology to enhance the University's leading position in Uganda and beyond. Among its specific objectives are continual improvement of academic standards in order to remain competitive and improve the effectiveness and efficiency of overall performance of the organization. Like any other organization, as the University expands its services, it is bound to increase risks to its resources; financial, physical as well as human which may prevent it from achieving its objectives. For example, in an effort to improve service delivery, some services including financial management were decentralized causing another problem of accountability and possible mismanagement despite the existence of controls. Arising out of this, in 2002, the faculty of Arts was faced with financial crisis leaving lecturers without pay for some time (Duku, 2004). Without proper accountability, transparency is impaired leading to loss of trust in the officers in charge,

which in turn causes loss of morale in lecturers thus negatively impacting on achievement of the objective of improved quality education.

1.9.3 National Social Security Fund (NSSF)

NSSF was established by an Act of parliament in 1967. It served as a compulsory worker's saving scheme that covers all employees in the private sector including non-government organizations and parastatals not covered by the government's pension scheme. In 1985, a new NSSF Act was passed establishing it as a body corporate to provide for its a membership, the payment of contributions to, and the benefits out of the fund and for other purposes connected therewith. The fund operates sixteen area offices through out the country with its headquarters based at Workers House in Kampala. The overall mission of NSSF is to provide social security benefits as prescribed by law, through the efficient and effective management of the fund by; ensuring compliance with the contribution obligations of employers, employees and the self employed, sound investment of funds, making prompt and accurate payment of benefits entitlement in a "customer friendly" manner, keeping contributors and current potential beneficiaries informed of their obligation and benefits and ensuring that government is informed on all matters relating to the management of the fund. In a bid to fulfill the Fund's objectives, it is observed that some members of staff exhibit some acts of negligence that may lead to impairment of achieving those objectives. For example, some members of staff leave their offices unlocked, computers not shut down and leave lights on, as they retire from their places of work thus subjecting organizational resources to risks (Memo, 2005). In another event, in pursuing one of the key functions of managing and investing members' contribution, NSSF identified a housing project at simbe, which was carried out as a joint venture, with a view of generating profits for its members. It was however later found that a number of irregularities were carried out leading NSSF into huge financial losses of about Shs.4b (The New Vision 2004 and 2005).

1.9.4 National Water and Sewerage Corporation (NWSC)

National Water and Sewerage Corporation is a utility parastatal owned 100% by government. It was established in 1972 under decree no.34 on recommendation by WHO with a primary objective of providing piped water and sewerage services in towns of Kampala, Entebbe and Jinja. Like most organizations, its services deteriorated with turmoil but saw a revival from 1987. In 1995, a new NWSC statute was enacted which mandated the corporation to operate and provide water and sewerage services in areas entrusted to it on a sound, viable and commercial basis. To date, NWSC has extended its services to various towns of Uganda covering up to fifteen towns including; Kampala, Entebbe, Jinja, Mbale, Tororo, Masaka, Mbarara, Kasese, Fortportal, Kabale, Gulu, Bushenyi, Soroti, Lira and Arua.

In the process of fulfilling its mISSION, the corporation sets strategic goals it intends to achieve periodically. For example, for period *2004/2005* to *2005/2006*, among the strategic goals adopted are; reducing the level of unaccounted for water from 39% to not more than 35% of water produced, increasing revenue from 37.6b to 42.8b and promoting NWSC image (www.nwsc.co.ug). While such goals are set and intended to improve on organizational performance, some employees have not been cooperative and effective. For example, an employee by omission or negligence failed to follow up a case of an illegal connection by a customer who had been disconnected causing loss of revenue to the corporation for a period of over fifteen 15 months (Memo and Minutes, 2005). In a related event, an employee of the corporation through fraudulent means would understate the water consumption units on meter readings on a customer's account for personal gains leading to an increase in unaccounted for water and subsequent loss of revenue as well as endangering the image of the corporation (Minutes and Memo, 2005). Such acts and others hinder the achievement of organizational objectives necessitating measures to be put in place to have such risks mitigated if the corporation is to achieve its objectives.

1.10 Organization of the Dissertation

This dissertation is organized into five chapters. Chapter one introduces the study by providing the background information and in particular, statement of the problem, purpose of the study, objectives of the study, and research questions, scope of the study, significance of the study, conceptual framework and the case for Kyambogo University, Makerere University, National Water and Sewerage and National Social Security Fund. Chapter two provides a review of the relevant literature on the related topic while chapter three outlines the methodology and tools used in the study. Chapter four provides the interpretation and analysis of findings, chapter five provides the discussion conclusions, and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on social capital, organizational citizenship behaviours (OCB), acceptability of the internal audit function, management and staff commitment and support to internal audit function and independence of internal auditors, which are all important aspects for the effectiveness of the internal audit function in risk management. It also reviews literature on risk management followed by the relationships of the study variables.

2.2 Social Capital

Researchers have interested themselves in the structure and strength of interpersonal relationship in social systems (Fukuyama, 1995; Putnam, 1993; Coleman, 1988) extending it to organizations. The concept of social capital has been developed in the organizational field because organizations can be considered as social agents (Tsai and Ghoshal, 1988). Its emergence in this area arises from the abuse of creative accounting (Lainez, 1999) visible in falsification of financial information, the bad practices of several agents in the global markets and others, thus defining a new strategic and social corporate governance (Bueno and Salmador, 2004). Organizations are made up of individuals but are successful to the extent that the collective action of these individuals is greater than the sum of the parts (Cunningham, 2002). Social capital comprises networks, the relationship within and between them, trust, social norms, social support, cooperation and reciprocity, social understandings, social ties, the creation of synergies and partnerships, and facilitation of coordinated efforts which enable communities to work together in a unitary manner to achieve set goals (Putnam, 1993; Narayan, 1997; Temple, 2000; Schuller, 2002; Jargensen, 2004). All these elements of social capital are relevant to an effective risk management process without which organizational objectives may not be achieved.

The essence of social capital is the good will and its main effects on social agents expressed by flows of information, influence and solidarity useful for the parts involved (Adler and Kwon, 2002). It is the social interactions and relationships at work that form the invisible glue that makes it possible to get work done (Cohen and Prusak, 2001). It is posited that relations and networks have the ability to help societies function better by binding citizens into aligned behavior and creating institutions that facilitate progress (Landmann, 2004). Such relationships and interactions are essential in organizations if internal auditors are to play an effective role in risk management. An important form of social capital is the potential for information that inheres in social relations (Coleman, 1988). Coleman further asserts that an individual can get information that would facilitate his action by interacting with colleagues that can act as a source of that information. Internal auditors review work and activities done by other functional departments, necessitating them to interact with colleagues in those functional departments who act as the sources of information. Studies show that members can gain access to information and opportunities through weak ties and networks (Nahapiet and Ghoshal, 1998). Weak ties are those relationships that reach outside one's social clique such as interdepartmental relations.

Munene, Schwartz and Kibanja (2005) consider social capital to be a behavioral manifestation of underlying values. It is argued that social capital will be created in a society where there is value complementarity and congruence. In addition, Champlin (1999) asserts that social capital will manifest itself where individuals are willing to cooperate for the common good. It is posited that when people cooperate they can overcome problems related to risk, information and skills (Wilson, 1999; Kawuma, 2004).

According to Nahapiet and Ghoshal (1998), social capital has three dimensions; structural, relational and cognitive. Structural dimensions refer to formation of informal networks that enable individuals to identify others with potential resources. Relational dimensions concern the nature of connections between individuals in an organization, focusing on particular relations people have such as respect, liking, trust, friendship that influence their behaviours. Cognitive dimensions concern the extent to which employees within a social network share a common perspective or understanding. The increased

interaction of internal auditors with other line functions which demands their cooperation requires that all these dimensions are in place to enable them perform their duties effectively.

Unlike other forms of capital, social capital cannot be traded on an open market, rather, it is a form of capital that can change overtime, the supply of which increases with its use (Putnam, 1993), and disappears when relationships cease to exist. Therefore, like other economic assets, social capital requires investment and can be done through human beings in organizations (Wilson, 1999; Kawuma, 2004).

Social capital has been thought to facilitate effective functioning of an organization (Leana and Burren, 1999; Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998) and has been believed to be an important factor of organizational behaviours associated with organizational performance. Further to that, social capital is believed to provide organizations with values and attitudes such as confidence, solidarity, cooperation, loyalty, transparency, honesty, responsibility, ethics, sincerity and compromises especially when interactions fix patterns of obligations based on rules of reciprocity and equality (Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998). These values enhance internal auditors' competence that may lead to acceptability of the function, which in turn promotes management and staff commitment and support to the internal audit function necessary for effective risk management in organizations.

Like other forms of capital, social capital is productive making possible the achievement of certain ends that would not be attainable in its absence (Coleman, 1988). It is believed that organizations with high levels of social capital benefit from better knowledge sharing due to established trust relationships, common frames of reference, shared goals, lower transaction costs due to high levels of trust and cooperative spirit. In addition, organizations experience lower turn over reducing severance, hiring and training costs, maintain valuable knowledge and greater coherence of action due to organizational stability and shared understanding (Timberlake, 2005; Cohen and Prusak, 2001) all important aspects in promoting achievement of organizational objectives. Cohen and Prusak (2001) assert that organizations high in social capital are characterized by trust, understanding, connections and a sense of membership

while those with low social capital are characterized by suspicion, rivalry, chaos and rapid turn over which increases risks in organizations. It is posited that without social capital, innovation, sharing of knowledge and productivity can be drastically reduced (Bueno and Salmador, 2004). Organizations therefore need to nurture social capital for their effective functioning. Two major components of social capital in organizations have been presented, that is, associability and trust (Leana and Burren, 1999).

2.2.1 Associability

Associability refers to the willingness and ability of participants to subordinate individual goals and actions to collective goals and actions. Munene (1999) compares associability to the concept of collectivism, which is characterized by cooperation among members and emphasis on the welfare of the group/organization, which is essential if organizational objectives are to be achieved through risk management. Lack of associational capital directly breeds mistrust, hostility, suspicion and hate, and encourages costly and prolonged conflict.

2.2.2 Trust

Theories and research support the belief that social capital is the capability that arises from the prevalence of trust in society. Trust is claimed to be an antecedent for cooperation and leads to constructive behaviour vital for relationships (Fukuyama, 1995; Leana and Burren, 1999; Coleman, 1988a) and it builds with each successful interaction. It is also argued that trust ends in a win- win situation for all parties concerned including internal auditors and their customers (Gimeji, 2003). He further asserts that living without some measure of trust would consign us to perpetual fears, paranoia, inefficiency and inaction, which may endanger acceptability of the internal audit function in organizations.

Interpersonal trust arises from a belief in the good intentions, openness, competence and reliability of another party to meet our expectations of them (Mishra, 1996; Munene, 1995). According to Fukuyama (1995), the most effective groups and organizations are those with high levels of trust or social capital. He further argues that high trust among citizens accounts for the superior performance of all institutions

in society including firms. Consistent with this notion, Coleman (1988) argues that a group where there is extensive trustworthiness and extensive trust is able to accomplish more than a comparable group in which they do not exist. An organization lacking trust and social capital requires formal controls and rules to be installed usually through negotiations and litigation and maintained through a mechanism of enforcement (Timberlake, 2005) generating costs to the organization.

2.3 Organizational Citizenship Behaviours (OCB)

OCB of employees have a generalized value and significance that are applicable to different jobs and work organizations, witnessing an increase in their interest (Ladebo, 2004). These behaviours have been described as spontaneous, cooperative and protective of the organization and enhance organizational image (Graham and Verna, 1991; Katongole, 2004).

OCB derive their practical importance from the premise that they represent contributions that do not inhere in formal obligations (Cohen and Kol, 2004). Following Organ's (1988) works, these behaviours are internally motivated arising from and sustained by an individual's sense of achievement, competence, belonging or affiliation. It is posited that it is individuals who are satisfied with their jobs and committed to their organizations that are most likely to perform citizenship behaviours (Koys, 2001; Organ, 1990). Thus the employee performs certain activities on behalf of the organization to which he/she is committed without being formally required to do so arising from feelings of "citizenship". Conversely, lack of willingness to exhibit citizenship behaviours may be a clear indication of withdrawal from the organization.

OCB are essential in an organization, in that an organization cannot anticipate achieving goals only through behaviours necessary for performing formally stated job descriptions (Katongole, 2004), more so if risks are to be managed. Organ contends that these behaviours help bring in new resources including other intangibles such as goodwill and reputation of the organization, a component of risks that organizations have to manage. Incidentally, these behaviours cannot be demanded by managers but are appreciated, neither can their omission be generally understood as punishable (Organ, 1988). They

include gestures such as constructive statements about the department, expression of personal interest in the work of others, suggestions for improvement, training new people, and respect for house keeping rules, care for organizational property, punctuality and attendance well beyond standard or enforceable levels (Organ, 1990). Apart from the positive gestures and contributions, OCB also has a quality of forbearance, including those behaviours that one refrains from doing, even though one would have a right to do so. They may include, frequently finding fault with other employees, expressing resentment, complaining about insignificant matters and starting arguments with others.

According to Smith et al (1983), OCB is a product of organizational maintenance where employees look at their organization in much the same way as citizens of a country defend, secure and promote their country. Organizational members as "good citizens" are expected to carry out their assignments beyond what is expected of them and behave in a manner that contributes positively to the well being of the organization. In addition, they should endeavour to desist from performing those activities deemed unfit for the good of the organization (Munene, 1995), which assists in risk management. OCB permit maximum use of organizational resources by keeping the organization in good working order with a good climate for task, work and social relationship (Munene, 1995).

Theory and research supports the belief that these behaviours are correlated with indicators of effectiveness. It was found that the effective functioning of an organization depends on the employee efforts that extend beyond formal role requirement (Organ, 1988; Dawa, 2003). This was reaffirmed in a study carried out by Koys (2001) when he found a significant relationship between citizenship behaviours and organizational effectiveness. Five categories of OCB have been associated with effectiveness including; conscientiousness, civic virtue, courtesy, altruism and sportsmanship (Organ, 1988).

2.3.1 Conscientiousness

Conscientiousness refers to an employee performing his assigned task in a manner above what is expected (Organ, 1988). Conscientiousness appears to capture an employee's internalization and acceptance of the organizational rules, regulations and procedures, which result in unscrupulous adherence to them even when no one observes or monitors compliance (Lutaaya, 2005), increasing the reliability of service. Ideally, members would be expected to follow these standards as stipulated. However, conscientious members will seek to do what is "right and proper" for the benefit of the organization rather than for the individual. For example, such members on regular basis report before time, and leave after time, attend to work for all working days and work beyond overtime requirements for no extra pay. A conscientious person desires order and is dedicated to completion of tasks (Comeau and Griffith, 2005).

2.3.2 Civic virtue

Civic virtue involves support for administrative functions of the organization (Organ, 1988). This category is exhibited by willingness to participate in organizational governance. As behaviors, civic virtue takes forms such as attending meetings, engage in policy debates, sharing ideas with others that function to keep workers informed of organizational strategies and to engage them in efforts to improve the organization even when it is at personal cost (Organ, 1988). Acts of civic virtue may also include offering suggestions for cost improvement or resource saving ideas, which may directly influence efficiency and thus risk control.

2.3.3 Courtesy

Courtesy includes behaviors directed at prevention of future problems. Courtesy is defined by those actions, which if not performed would affect the other party's planned programs, decisions and commitments. It entails gestures such as giving advance notice, reminders, consultation and briefing others or passing on information (Organ, 1988). Thus, courtesy can greatly impact on the flow of and scheduling of interdependent activities and preservation of emotional stamina. This form of behavior

would contribute to the effectiveness of internal auditors if prior information about possible occurrence of a hazard is passed on in advance permitting proactive action to be taken.

2.3.4 Altruism

Altruism refers to optional contributions that help a specific coworker with a particular task or problem and can also be extended to outsiders, such as, customers, clients, suppliers and others as long as it is of organizational relevance (Organ, 1988).

2.3.5 Sportsmanship

Sportsmanship concerns tolerating less than ideal circumstances without excessive complaining. This form of *aCB* stresses the positive aspects of the organization instead of the negative even when things do not go their way. "Good sports" are not offended when others do not follow their suggestions, are willing to sacrifice their personal interests for the good of the work group and do not take rejection of their ideas personally (Podsakoff et al, 2000) which are important for an effective risk management system.

When workers exhibit the various forms of OCB, coordination of activities as well as group performance amongst team members and across group organizations is improved (Podsakoff and Mackenzie, 1997; Organ, 1988) which is essential in risk management activities. Within the tasks executed by internal auditors, the frequency of day to day activities that span departmental or functional boundaries (e. g. team work, shared responsibilities and collective activities) is very high which needs exhibition of extra role behaviors. In principle, absence of OCB may be reflected by negligence of duty, poor attitude towards colleagues and customers, inadequate participation in organizational activities and lack of team spirit, reporting to work late and leaving before time all of which would directly or indirectly negatively impact on achievement of organizational objectives.

2.4 Acceptability of Internal Audit Function

Organizations have changed the way in which they conduct their business necessitating managers to call upon internal auditors whose role has been redefined, to assist them address these changes but the internal audit function has to be accepted in an organization. It is important to note that the societies in which we operate are built from social groups and it is these groups that determine the attitudes, beliefs, identities and values on which group members interact (Narayan, 1997) which are key determinants to the level of acceptability of the internal audit function ultimately determining its success. The internal auditors' continued day-to-day relationship both personal and official with organizational personnel results into an evaluative position enabling acceptance or rejection of their work, affecting the degree of dependence ascribed to them.

The key to successful auditing is trust. Trust, which breeds credibility, is based on reputation, which is acquired on the basis of observed behavior overtime. The stakeholders both internal and external must place trust in the internal audit function if it has to be successful. It is argued that the relevant competences are a necessary antecedent and base for trust in professional relationships of business context (Claybrook, 2003-2004). Further to that, it is posited that trust in internal auditors comes with the functional independence and objectivity that must be supported by demonstrated performance. This performance in turn depends on the skills and professionalism (ANAO report no.13 of 2000-2001). As such, Internal auditors require strong financial management and information technology skills to meet the needs of key internal stakeholders to enable them create a relationship established on credibility and trust (Barret, 2001). The competences of internal audit staff must take into account skills and knowledge base laid down by the profession including; personal qualities, standards of education, sound judgment, innovation and operational and auditing/evaluation experience (Barret, March, 2001). The perception held regarding an auditor's competence and goodwill manifested in their behaviours will impact on the nature and productivity of each and every assignment they undertake within an organizational setting (Claybrook, 2003-2004). In addition, internal audit needs a wide range of knowledge, insight and maturity in order to execute its activities well. Communication ability is also very important which

Internal auditors should regard as a tool to manage the relationship with their customer (Hung and Han, 2004).

Acceptability can also arise from satisfaction by virtue of conforming to approved standards.

Martins and Eloff (2001) consider acceptability to be associated with receptivity by others. They assert that receptivity comes with awareness. These two emphasize the importance of employees being aware of internal audit function and its importance. It is posited that receptivity depends on the extent to which the function is formalized. Formalization is the extent to which a clear definition of the function, role, including scope and standard of practice (Irvine et al. 2000) are made known and it is a responsibility of management through the "Audit Charter" (Cheung and Qiang, 1997).

According to Sarens and De Beelde (2004) acceptance and appreciation of the internal audit function would be reflected by the degree at which their opinions and recommendations are considered, the degree at which internal auditors are trusted and absence of negative connotation. Frequent and genuine acceptance of internal auditors' recommendation demonstrates the consonance and congruence of business thought between management and internal audit (Gimei, 2003). Acceptance will also be exhibited by the extent staff provide assistance to internal audit. This is likely to happen if internal auditors are not perceived as being threatening (Ridley and Chambers, 1995; Gimei, 2004).

2.5 Management and Staff Commitment and Support to Internal Audit Function

Commitment has been defined as the willingness of social actors to give their energy and loyalty to social systems, the attachment of personality systems to social relationships which are seen as self expressive (Dawa, 2004). According to Salancik (1977) and Swailes (2004), commitment refers to a state of being in which an individual becomes bound by his actions to beliefs that sustain his activities and his own involvement. Swailes (2004) asserts that, commitment is linked to positive behavioral intentions and actions under control of individuals and which are important components in achievement of organizational programmes. It is believed that an individual's commitment to a specific project, in this case the internal audit function, is likely to be related to his level of organizational commitment. However this depends on one's perception of the importance of the intervention (Marsh et al, 1998).

Internal audit derives its credibility and authority for its functions directly from its mandate and directly by virtue of its close relationship with the chief executive and other senior management of an organization (ANAO report, 1998). It is generally accepted that for internal audit to be effective it must have full support of the organization's senior management and involvement as well as support of line management (Barret, 2001). Organizational support can be described as the extent to which the organization values employees' contribution and cares about its well being Eisenberger and Huntington, 1986 (as cited in Sarens and De Beelde, 2004). Specifically, management support would refer to the extent at which management values the internal audit function's contribution and the effect of this valuation on internal audit practices. This would be demonstrated by the consideration given to and the use of its findings and ensuring that the administrators implement the recommendations made, which promotes its value and effectiveness (ASOSAI, 1982). Similarly, internal audit must respond by obtaining and maintaining constructive dialogue with its key stakeholders, align its audit efforts with key business risks of an organization in order to ensure management support. In a study by Sarens and De Beelde (2004), it was found that when internal audit got strong management support, it was in turn a strong support function to management manifested by internal audit mission and plan being aligned with management objectives and priorities.

Management commitment and support is accompanied by close visible involvement during implementation (Taylor, 1995). As long as management establishes the internal audit function, contributes the necessary time, allocates resources in terms of people, money, time, information and technology and has a positive attitude, the internal audit function will be successful (Marsh et al, 1998; Bakehouse and Doyle, 2003). The quality of resources applied to internal audit activities is key determinant to their effectiveness and usefulness to the organization. In addition, management needs to have an active search for internal audit support in strategically important activities, have higher frequency of meetings and a strong dialogue with internal audit (Sarens and De Beelde, 2004) as a sign of commitment.

When internal audit has strong management support and is considered as a strategic important function, more consulting activities will be performed Rittenberg and Covaleski, 1997 (as cited in Sarens and Beelde, 2004) The perception and attitude of management towards the internal audit can have significant influence on the employees' behavior (Barret, 2001) and how they will respond to its operations. It is argued that employees are more likely to follow through and internalize values if they trust that top management is truly committed to the same values (Buttler, 2001). These values are more enduring if management and staff own them. If management, for example, believes that control is important, others will sense that, and respond by conscientiously observing the policies and procedures established. Then, it follows that management's attitude towards the internal audit function can either hamper or strengthen its role. Kanungo, 1982, (as cited in Onyinyi, 2003) asserts that if employee perception concerning support is positive they will be more satisfied with their jobs and improve performance. Negative perceptions of organizational support breeds dissatisfaction and inhibit work morale. Thus, if internal auditors have negative perception about management and staff support, the low morale will undermine their effectiveness leading to ineffective risk management.

2.6 Independence of Internal Audit

Independence of internal auditors is regarded as a critical attribute to providing credibility to the auditor and to the effectiveness of internal audit function. Internal audit has to maintain a high degree of independence in order to achieve its objectives effectively and make an impact on organization's management (Cheung and Qiang, 1997).

Independence can be considered from the perspective of autonomy. Autonomy is defined as the feeling of freedom within one's job and the ability to make one's choice about things such as work schedules, work space, selection of methods to be used to perform tasks and others (Hackman and Oldham, 1975; Morgeson, Delaney- Killinger and Hemingway in Press). It is a state of mind that permits the provision of opinion without being affected by influences that compromise professional judgment (Namasiku, 2002). Internal auditors are said to be independent if they carry out their work freely and objectively without fear or having to subordinate their judgement to management or others on audit matters (Tarr,

2002). Consistent with this, the professional standards emphasize that the internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results (IIA, 2004).

awyer, 1988 and Vanasco 1996 considers independence of internal auditors from two perspectives; *practical independence* which is associated with the high reporting status in the organization to enable one maintain an objective attitude in forming opinions and preparing reports, and *professional Independence* which refers to the image that internal auditors bring to minds of people, a feeling of trust that evidence has been gathered without bias and opinions have been expressed freely. Vanasco (1996) affirms that although independence is a necessity, absolute independence may not be achievable. On the other hand, it is generally believed that independence of internal auditors is primarily obtained through organizational status and objectivity (Vinten, 1999).

The organizational status of the internal audit function should be sufficient to permit the accomplishment of its responsibilities. The head of internal audit function should therefore be responsible to an officer whose authority is sufficient to assure a broad range of audit coverage and adequate consideration of and effective action on the audit findings and recommendations (Chun, 1997). This will be achieved if the internal auditor administratively reports to the Chief Executive and functionally to the audit committee, where it exists, or to the Board (Tarr, 2002). The major responsibility of the audit committee is to monitor financial reporting procedure, control system, internal auditing and external auditing (Cook 1993; Hung and Han, 2004).

Objectivity is an unbiased mental attitude that requires an internal auditor to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made (IIA, 2004). It requires them to avoid conflict of interest, and not to subordinate their judgments on audit matters to others so as to enable one exercise his judgments, express his opinion and present recommendations with impartiality (Vinten, 1999; Vanasco, 1996). To ensure objectivity, internal auditors should not develop and install procedures, prepare records or engage in any

other activity that they would normally review or assess which could be construed to compromise their Independence (II A, 2000).

In addition, Cheung and Qiang (1997) assert that, in order to enhance independence and effectiveness of the internal audit function, the chief auditor and his representatives should have access to all company economic activities, agreements, records, property and personnel. Similarly, internal auditors should be independent of personnel directly responsible for the operations under review and all financial systems operating within an organization (Vinten, 1999). It is however argued that internal audit requires support from management and the board so that they can get cooperation from the auditees.

2.7 Risk Management

The evolution of technology, erasing of global barriers and customer sophistication has created many risks forcing organizations have a broader focus in their operations to include risk. Risk is the possibility that managers experience adverse consequences from decisions made in face of uncertainty interfering With achievement of objectives or not successfully exploit the opportunities that become available (Lmdolf1998; Dalgeisha and Cooper 2005; Wayne 2000). Risk is inherent in the decisions that organizations take to manage business and in the business processes established to assist in the achievement of objectives (ICA, 2000). Risk covers all aspects of organizational activities and is Included in all management levels. (Tchankova, 2002). Recent trends indicate that risk can be associated with unanticipated human action, and advancement in technology in an effort to protect against other risks. In instances where merger and acquisition activities exist, they bring in inevitable disruption as previously different cultures and systems consolidate into one entity, requiring establishment of risk management proposals to cope with risk amidst change (Carey, 2001). This argument can be extended to the merger of the three institutions that form KYU. All these have given rise to demands for effective risk management processes to deal with it at individual, organizational and societal levels (Spira and Page, 2003). For example, when staff morale is low more mistakes, accidentally or deliberately are likely to occur (Carey, 2001), which may hinder the achievement of objectives.

Risk management is a fundamental element of corporate governance which demands that boards respond to new challenges, by putting in place measures to systematically and thoroughly identify, analyze and control risks (Dalgeisha and Cooper, 2005). According to Barret, 2001, risk management is referred to as a process designed to reduce the risk of an event in terms of its likelihood of occurrence and/or its consequences to an acceptable level. It is a disciplined approach to the identification, analysis and mitigation of risks, which could prevent or inhibit an organization from achieving its objectives (ANAO Report no. 1, 1997). Risk management is a continuous process that depends directly on the changes in the external and internal environment of the organization. It involves management of potential opportunities and possible threats to achievement of objectives; however, this study is restricting itself to the negative aspect of risk.

According to Barret, (2001), risk management is a responsibility of the Chief Executive and the Board but requires active involvement of everyone in the organization. This calls for commitment from senior management to integrate the risk management framework into the business activities and in all functions under the jurisdiction and control of the other officers, clearly linking risks to the objectives (Parker 2002; Dalgeisha, 2005). This can be done by having effective communication of and reporting on an organization's risk management policies at all levels, development of risk training courses, involvement of staff in responding to early warning systems and establishing reporting channels for control breaches and creation of a positive risk management culture (Carey, 2001).

According to Spira and Page (2003), risks are managed through accountability mechanization such as financial reporting, internal controls and audit. Ramamoorti, 2003 and Sarens De Beelde, 2004) assert that a properly conceived and implemented internal audit function can play a critical role in promoting and supporting effective organizational governance. It was also found that internal audit is important machinery for monitoring organizational risks (Stewart and Kent, 2006). Its main objective is to provide assurance to the Board that the organization is managing risks effectively (IIA, 2003) by reviewing all internal control processes, which mitigate all the most significant risks an organization faces (Hepworth,

2002). In accordance with this, a functional definition of internal audit has been presented as a process in which an organization gains assurance that the risk exposures it faces are understood and managed appropriately in dynamically changing contexts (Hutchinson, 2004;Leithhead, 1999). The CIPFA defines it as an assurance function that provides independent and objective opinion on the control environment comprising of risk management, control and governance by evaluating its effectiveness in achieving organizational objectives.

Risk management as an assurance tool can assist directors and the board to achieve their governance responsibilities as well as making informed decisions. Its main aim is to help all other management activities to attain the organizational objectives directly and efficiently in addition to protecting and enhancing shareholder value (Sobel, Kint and Reding, 2004). Therefore organizations have to manage risks for their financial health, the health of their workers and environment in which they operate (McDaniels, 2002) in order to achieve their objectives.

Risk management as a process, begins with establishing clearly defined objectives, then identify risks in achieving those objectives (Risk identification), prioritize how great a threat those risks pose (Risk analysis,) and then determine appropriate responses in form of developing internal controls (Risk control) (Carey, 2001).

2.7.1 Risk identification

Risk identification is the basic stage in risk management. It is a process that reveals and determines the possible risks facing the resources of an organization (Tchankova, 2002). Changes in the environment require that continuous attention to identification of risks be made for purposes of revealing new risks and designing controls for them. The risk identification process is characterized by identification of sources of risks, hazard factors, perils and resource exposures to risk. Sources of risk are elements of organizational environment that can bring negative outcomes, which may include physical, social, political, operational, economic, legal or cognitive environment (William et al, 1998 ;

Tchankova, 2002). Hazard is a condition or circumstance that increases chance of losses and their severity. Peril is

something that is close to risk and has negative non-profitable results. Exposures to risk are objects facing possible losses, and can be categorized as physical resources, human resources and financial resources. Other resources that can be exposed to risk are the intangibles such as goodwill and organizational image (McNamee, 1996). It is believed that correct risk identification ensures effective risk management.

2.7.2 Risk Analysis (Assessment)

Identifying potential risks does not necessarily mean that action is required to mitigate all of them; they have to be analyzed (assessed). Risk analysis is the effort to characterize the specific likelihood of and harm from a hazard (McDaniels, 2002). That is, assessing the likelihood of their occurrence and the extent of their impact; high likelihood and high impact suggesting high priority for action and deciding whether the existing precautions are adequate.

2.7.3 Internal Control (Risk control)

Risks that threaten success must be mitigated. According to McNamee (1996), risks are mitigated by controls. COSO (1992) defines internal control as a process effected by an entity's Board of directors, management and other personnel designed to provide reasonable assurance regarding achievement of effectiveness and efficiency of operations, reliability of financial reports and compliance with applicable laws and regulations (ECIIA, 2000). Controls are actions supported by policies and procedures that when carried out properly in a timely manner manage or reduce risks. They are used to safeguard corporate assets and resources, protect the reliability of organizational information and ensure compliance with laws and contracts. Controls can either be preventive or detective. Preventive controls help to prevent a loss, for example, segregation of duties, while detective controls attempt to detect an undesirable act, for example, reconciliation.

Although risks cannot be eliminated, it is believed that an effective system of internal controls will act as a deterrent to fraud and incompetence and be managed at a reasonable level (Spira and Page, 2003). They further contend that an organization's system of internal control has a key role in the management

Of risks that are significant to the fulfillment of objectives. McNamee (1996) asserts that the negative or positive consequences of risks are affected by the effectiveness of controls or internal control system. (050(1992) provided criteria against which effectiveness of internal controls can be assessed. Internal controls can be judged effective if management has reasonable assurance that the operational objectives are being achieved, published financial statements are being prepared reliably and applicable laws are being complied with. While internal control is a process, its effectiveness is a state or condition of the process at a point in time, accordingly, the effective functioning of the components of internal control provides the reasonable assurance regarding achievement of objectives (Gimei, 2004). The components that make up an internal control process include control environment, risk assessment, control activities, sound information and communication system and monitoring (Sarens and de Beeelde, 2004). *Control environment* provides an atmosphere in which people carry out their control responsibilities and serves as foundation for other components. Management *assesses risk* with this environment to the achievement of specific objectives. *Control activities* are implemented to ensure that management measures to control risks are carried out. Meanwhile relevant *information* is captured throughout the organization and the entire process is monitored and modified as conditions warrant.

The responsibility of establishment of an internal control framework lies with the management and the Board. In addition, management has to ensure implementation, monitoring and a constant review of their adequacy. The internal audit and the audit committee are fundamental to this exercise (Barret, 2001). Among the objectives of internal audit function is to ensure that there are appropriate controls, reliability of information systems, asset protection and efficient use of resources McAvoy, 1977 (as cited in Hung and Han 2004). Thus internal control system cannot function well without internal audit. Internal control depends on people; therefore, these people must know their responsibilities and limits of authority. Therefore linking internal controls with their duties and responsibilities and organizational objectives (ECIIA, 2000) is crucial. Controls can break down because of human action or technological failure, deliberate circumvention or plausible management override, necessitating constant monitoring of the controls

if objectives are to be attained.

2.8 Relationship of Variables

2.8.1 OeB and Social Capital

Although the impact of individual actions on the development of social capital has not been addressed organizational literature (Bolino, Turnley and Bloodgood, 2002), OCB are considered to be those set of behaviors that contribute to social and psychological context in which task performance of a job must function (Organ, 1997). Viewed from this context, OCB can be construed as the lubricant to the social machinery of the organization. Coleman (1990) and Putnam (1993) argue that individual behavior is critical for creation of social capital in communities and neighborhood. For example, according to (Bolino et al, 2002), social capital may result from the willingness of employees to exceed their job requirements in order to help each other to subordinate their individual interests for the good of the organization and to take interest in organizational activities and overall mission. Considering social capital as bonds of trust, mutual concern that arise through volunteering, socializing and taking part in organization (Koretz, July 2001), one would describe such community-centered behaviors as being analogous to citizenship behaviors. In short, an organization composed of "good citizens" is likely to accumulate higher levels of social capital.

Works from Bolino et al (2002) further suggest that citizenship behaviors enhance organizational functioning by contributing to the development of social capital in organizations. Specifically, citizenship behaviors contribute to the creation of structural, relational and cognitive dimensions of social capital. As the need for interaction for task completion increases, the situation tends itself to coordination and becomes more receptive to collective efforts of cooperation (Cameau and Griffith, 2005). Moreover, it is the cooperation, involvement and selflessness displayed by these individuals that contributes to the development of trust and shared understanding among them, all-important aspects of social capital (Putnam, 1993). In other words, just as "good citizens" within a community contribute to the development of social capital within that community; "good organizational citizens" are likely to be important in the creation of social capital within organizations (Bolino et al 2002). Putnam (1993) asserts that communities with high levels of social capital are characterized by high civic participation among their citizens

It is believed that Organizational citizenship performances are expressive of relationships, and all interactions symbolize the state of play between actors (Landen, 2001). Individuals that do exhibit extra role behaviors are likely to produce a workforce who like one another, trust one another and identify with one another, all aspects of social capital. Chien (2004) found that there was positive relationship between collectivism, propensity to trust and OCB. Given the relational nature of OCB, however, such behaviours are likely to be affected by social norms and values (Lin et al. 2004).

2.3.2 Social Capital and Management and Staff Commitment and Support to Internal Audit Function.

Social capital is based on assumption that group involvement and participation can be beneficial to individuals and groups (Portes, 1998). According to Putnam (1993), social capital is one key to effectiveness. Effectiveness refers to the accuracy and completeness, which specified users can achieve the specified goals in a particular environment (Dawa, 2004), which is desirous of internal audit. Social capital is said to consist of stocks of active connections among people; the trust, mutual understanding and shared values, and behaviours that bind members of human networks and communities and make cooperate action possible (Cohen and Prusak, 2001). Trust is indispensable in social relationships and is vital for cooperation in society. Ability to cooperate in a social group depends on trust (Fukuyama 1995), which in turn facilitates social resource exchange, increases communication and enhances cooperation between individuals (Putnam, 1993).

Today, enterprises are in partnership with internal audit without viewing it as an inhibitor (Lower, 1998). Brink (1998) and Chun (1997) posits that the internal auditor's major customer is management. In support, Sarens and De Beelde, (2004), contend that the "new" internal auditor is an indispensable management assistant that would be subjected to increased interaction with other line functions and outside groups. Accordingly, good-working relations and complementarity with management and staff being audited is crucial for their success, as they need their cooperation (Ridley and Chambers, 1998). Complementarity, according to Evans (1996) refers to mutual supportive relations between different

actors. This interdependence between management, staff and internal auditors provides an incentive for individuals to form and maintain social relations from which norms of reciprocity are developed and fostered (Coleman, 1994). It is argued that social relations and social connections are essential in achieving goals for individual, group, communities and firms (Cohen and Prusak, 2001), an indication that they must exist in organizations for achievement of objectives. According to Adler and Kwon (2002) social capital takes mutual commitment and cooperation of all parties without which each individual has an incentive to defect (Putnam, 1993). Mutual commitment is guided by supportive strategies, top management value commitment, staffing, investment in training and development and a climate of cooperation among others (Cochan and Dyer, 1993). Works from Timberlake (2005) indicate that social capital creates collaboration, commitment, sharing and trust while enhancing genuine participation in the organization which lead to greater success and effectiveness. As such, social capital has been accepted as an important asset for creating robust organization and vibrant civil societies (Coleman, 1988; Putnam, 1993).

2.8.3 OCB and Management and Staff Commitment and Support to Internal Audit Function

Managing risks requires cooperation of all individuals in an organization. OCB are believed to be countless acts of cooperation without which the system would break Katz and Khan, 1966 (as cited in Organ 1988). It is argued that cooperation is driven by the felt co dependency and responsibility of individual group members feel towards another in effecting the task (Comeau and Griffith, 2005). These extra role behaviours directed towards helping coworkers or the organization depict the commitment and support that would increase internal audit's effectiveness.

internal audit assists organizational members in effective discharge of their responsibilities (Bou-Raad, 2000) through appraisals and eventual recommendations concerning their activities. During the process, many of the valuable findings and recommendations are likely to be suggested to auditors by helpful forth-coming staff being audited (Gimei, 2004). This demonstrates the interdependence between the auditor and auditees accompanied by the cooperative acts. In such a situation when the job depends on individual acts of benevolence and duty, facets of OCB become necessary and these OCB may be in the

facilitative property of these behaviors. Studies support the notion that cooperation increases with the level of interdependence (Saavedra et al, 1993). It is argued that as tasks and goals of an individual work unit become interdependent, civility and cooperation become more evident resulting in an increase in OCB (Comeau and Griffith, 2004). Hence acts of cooperation (OCB) increase with the level of interdependence resulting in increased support to internal audit function. Therefore creating an environment that will harness extra role behaviors and commitment is crucial for the achievement of organizational objectives. Research indicates that effective organizational performance requires workers to perform their prescribed duties and also engage in behaviors that go beyond these formal obligations (Ladebo, 2004).

In addition, OCB is usually perceived as exerting good behaviors for the sake of the organization and Informally supporting its members (Chien, 2004). A perception of support from the organization is reciprocated with both commitment and behaviour valuable to the organization (Huang, Jin and Yang, 1001). A study by Eisenberger et al, 2001, showed that on the basis of reciprocity norm, perceived support should create a felt " obligation" to care about the organizational welfare by engaging in voluntary contributions that will benefit the organization beyond literal contractual obligations Gouldner, 1960 (as cited in Ladebo, 2004). A high level of management support, an active correlation with management and clear acceptance and appreciation of the internal audit function enhances organizational commitment (Saren and Beelde, 2004), an attitude that is strongly correlated with extra role behaviors (Lambert, 2000). In effect, the internal auditors would be expected to commit a large proportion of their time focusing on organizational priorities this may help in achievement of organizational objectives (Sarens De Beelde, 2004).

It is also argued that the quality of employee relationship with leaders has a strong influence on employees' willingness to engage in OCB. Leaders contingent reward behaviors such as expressing satisfaction or appreciation of good performance may influence OCB indirectly (Podsakoff et al 2000). Such acts of appreciation, if interpreted as management support by the internal auditors, can influence them to perform conscientiously positively impacting on their effectiveness. According to the social

exchange theory, people feel obliged to reciprocate when they benefit from some entity's action, offering OCB as the currency of reciprocity (Huang, Jin and Yang, 2001). Based on social exchange theory the LMX theory suggests that each part must offer what the other party sees as valuable and each party must see the exchange as reasonably as equitable (Graen and Scandur 1987; Kim and Taylor, 2001) The exchange may range from resources, information to even emotional support, which can be offered by management and staff so that internal auditors also offer a valuable service. Role clarity and role facilitation are positively related to OeB (Podsakoff et al, 2000). If management issues an Audit charter, employees would be clear of the role of internal auditor, thus enabling staff to support them in their activities by extending their cooperative acts, necessary for the improved performance.

2.8.4 Acceptance of Internal Audit Function and Management and Staff Commitment and Support to Internal Audit Function

One of the characteristics of internal audit is its heavy use of interpersonal relations. Internal auditors evaluate activities of these people making personal relations between auditees and auditor become necessary. It is positive relationships that result into acceptance and mutual assistance leading to success In execution of their responsibilities (Dittenhoffer, 1997). He further asserts that, if the auditee is motivated and gains acceptance of the internal audit, they would act in cooperation with audit staff in identifying problem areas, assist in investigatory work and develop corrective action which manifests support and commitment. Auditors believe that they can best accomplish the objective of assisting operating management in achieving organizational goals through gaining interest and assistance of the auditees. However, where internal auditors are considered with hostility and suspicion, it becomes difficult to get staff support resulting into failure to assist in business processes. It is believed that the degree of collaboration of internal auditors with managers in addressing problems and threats help in improving efficiency and effectiveness (Arena, Arnaboldi and Azzone, 2006). All this can only be possible if there is acceptance of the internal audit function

18.5 Social Capital and Independence of Internal Audit.

One indicator of internal audit's independence that enhances its effectiveness is having unlimited access Organizational resources, economic activities, agreements, records, property and personnel (Cheung and Qiang, 1997.) This comes with the accumulation of social capital through trust, social networks and relational values. Trust a key facet of social capital promotes voluntary, non-obligatory exchanges of assets and services among network members (Lai, Liu and Shaffer, 2004). Social resources embedded in networks provide benefits to members which include; better access to information and to financial and material resource, greater visibility, legitimacy or sponsorship to a social system (Burt, 1997) which enhances independence of internal audit.

In promoting independence, internal auditors are meant to perform the professional duties free of control of undue influence in selection of audit matters and methodology (ANAO report no. 13 Oct, 1001). This arises from interpersonal trust. According to Mishira (1996), coworkers' trust involves workers in feeling that colleagues are competent and will act in a fair, reliable and ethical manner, which culminates into independence of internal audit. Where there is trust the need for pre specifying every possible outcome and of setting up mechanisms to prevent or correct opportunistic behaviors is diminished (MwanjeS, 2002).

1.8.6 Management and Staff Commitment and Support to Internal Audit Function and Risk

Management

Literature supports the notion that internal auditors contribute to the achievement of organizational objectives through risk management (Sarens and De Beelde 2006). Internal auditors often perform their own risk assessment but largely based on input from other functions, thus playing a kind of integration role. In a study carried out by Sarens and De Beelde (2006) it was found that when internal audit receives support and attention from management and the board it become a significant player in risk management. Organizational commitment to managing risks requires a development of risk based culture by management and board to which internal auditors provides support to ensure that the internal controls in place adequately monitor the identified risks (Stewart and Kent 2006).

2.8.7 Independence of Internal Audit and Risk Management

Internal auditors are potentially important providers of independent evaluations of the risk management and Internal Control system. However, if they are not independent and objective they are of little value to those that demand their services (Fadzil, Haror and Jantan, 2005). Fadzil et al (2005) argue that an effective internal audit function unequivocally correlates with organizational success in meeting its objectives. In confirmation, it was found that companies which had their internal auditors reporting to the CEO and audit committees, an indicator of independence, organizations were making more use of audit reports helping in improvement in managing risks in organizations (Arena, Anarboldi and Azzore 2006).

CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was employed by the researcher in the study to attain the research objectives. It specifies the research design used, survey population, sampling design, data collection methods, research instruments, research procedure, data quality control, measurement of variables, data processing and analysis and ends with citation of some limitations encountered during the execution of the study.

3.2 Research Design

The study employed a cross-sectional (one-shot) field survey design using a combination of descriptive and analytical research design. The design would help respondents to describe their beliefs, attitudes and behaviors regarding acceptability of internal audit function, social capital, OCB, management and staff commitment and support to internal audit function, independence of internal audit and risk management in their organizations, that is, KYU, MUK, NWSC and NSSF.

3.3 Survey Population

The survey population consisted of 7975, including staff in Kyambogo University (1330), NSSF- Kampala area (200), NWSC-Kampala area (445) and Makerere University (6,000) as per enrollment. However, the specifically targeted population was made up of only senior administrative staff (354), internal auditors (40) and academic staff (4606) from these organizations. Altogether they were 5000 and were considered key informants of the study.

3.4 Sampling Design and Sample Size

Purposive sampling was adopted to select respondents. This sampling technique was used because according to Meyer (1999), it enables the selection of only those respondents considered as key informants. It was therefore used to select only those respondents that were key and resourceful in

eliciting the required data. Targeted respondents included senior administrative staff, internal auditors and academic staff as already indicated. The total targeted sample was 357 although the actual was 233. The targeted sample size was established basing on Krejcie and Morgan's (1970) table for determining the sample size for any population of a definite size.

Table 3.1 Response Rates

Organization	Targeted Sample	Actual Sample	%age Turn up
KYU	130	111	85.4
NWSC	60	45	75
NSSF	60	41	68.3
MUK	107	36	33.6
Total	357	233	65.3

3.5 Data Collection Methods

3.5.1 Sources of Data

Primary data was collected from respondents using questionnaires.

3.5.2 Research Instruments

- **Questionnaires**

Two sets of self-administered questionnaires with structured questions were designed for collection of primary data. One set of questionnaire consisted of questions based on critical elements to measure social capital, acceptance of internal audit function, management and staff commitment and support to the function, independence of internal auditors and effective risk management. This was completed by the respondents. The second set of questionnaire was designed to measure organizational citizenship behaviours and was given to direct supervisors in the various organizations to rate their subordinates on a four point Likert scale ranging from "strongly agree" to "strongly disagree".

3.6 Measurement of Variables

Social Capital: Measurement of Social capital was based on developments from Bullen and Onxy (1999). A four point Likert scale was used ranging from "Strongly Agree" to "Strongly Disagree".

OCB: OCB was measured basing on developments from Kagga (2000) using a four point likert scale ranging from "Strongly Agree" to "Strongly Disagree" .

Management and Staff Commitment and Support to Internal Audit Function:

The questions for measuring management and staff commitment and support to the internal audit function were based on developments from Eisenberger(1996) and modified to suit the objectives using a four point likert scale ranging from "Strongly Agree" to "Strongly Disagree".

Independence of Internal Audit:

To measure the level of independence, developments from Hackman and Oldham(1980) and Spreitzers (1996) was used and modified to suit the objectives using a four point likert scale ranging from "Strongly Agree" to "Strongly Disagree".

Risk Management:

Risk management was measured using developments from Price Waterhouse Coopers, focusing on risk identification, risk analysis and internal controls. Questions asked to assess the effectiveness of internal controls focused on control environment, control activities and information flow using a four point Likert scale ranging from "Strongly Agree" to "Strongly Disagree".

Acceptability of Internal Audit Function:

Respondents were required to assess whether they fully understand the role of internal audit function, provide support, provide accessibility. In addition the respondents were also asked to assess the

credibility of internal audit staff in terms of competence and professionalism using a four point scale ranging from “Strongly Agree” to “Strongly Disagree”.

3.7 Data Quality Control

Reliability

The reliability of instruments was determined using cronbach’s alpha (α).

Table 3.2: Reliability Coefficients

Variable	Alpha
Management and Staff Commitment and Support to internal Audit Function	0.9082
Acceptability of Internal Audit Function	0.8889
Independence of Internal Audit	0.8212
Social Capital	0.8795
Organizational Citizenship Behaviours	0.9446
Risk Management	0.9475

From table 3.2, Cronbach’s alpha (α) coefficients for all the variables were above 0.5 indicating that the instruments used to measure the variables were consistent and reliable.

3.8 Administration Procedure

An introductory letter to organizations in which a study was to be carried out was obtained from Makerere University Business School, which enabled the researcher to proceed to the field. Permission was thereafter sought from the relevant authorities to carry out the study within the selected organizations. These letters were meant to enable the researcher explain the purpose of the study to respondents to whom the letters were presented alongside questionnaires after seeking their consent.

3.9 Data Processing and Analysis

Data collected was checked and edited for completeness and accuracy. The data was then analysed using the statistical package for social scientists (SPSS) version 11.0 for Windows. Descriptive and inferential statistics were used. Cross tabulation were used to describe sample statistics, Rotated component factor analysis was used to establish how items loaded on study variables, Pearson’s correlation matrix was used to seek relationships between study variables, Multiple Regression was

Used to find out the variable with most influence on the dependent variable and ANOVA were used to find differences in the respondents.

3.10 Limitations of the Study

Conduction of the study was constrained by reluctance of some respondents to complete the questionnaire causing delay in the whole process. Lack of benchmark data as there has not been much research on this particular subject was another constraint; however the researcher used the literature on internal auditing and risk management to counter this limitation. Other limitations included financial and time constraints. Despite those problems, the researcher conducted the study and was able to get meaningful results.

CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1. Introduction

This chapter presents the analysis and interpretation of findings. It includes both descriptive and inferential statistics. The presentations and analysis in this chapter show the results as tested according to the objectives of the study using the following tests; Cross Tabulation, Rotated Component Factor Analysis, Pearson's Product Moment Correlation, Multiple Regression and Analysis of Variance. The tests carried out were guided by the following objectives:

- i. To establish the relationship between social capital and OCB
- ii. To establish the relationship between social capital and management and staff commitment and support to internal audit function
- iii. To establish the relationship between OCB and management and staff commitment and support to internal audit function
- iv. To establish relationship between acceptability of internal audit, and management and staff commitment and support to internal audit function
- v. To establish the relationship between social capital and independence of internal audit
- vi. To establish the relationship between management and staff commitment and support to internal audit function and risk management
- vii. To establish the relationship between independence of internal audit and risk management
- viii. To establish the relationship between social capital, OCB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit and risk management

4.2 Descriptive Statistics

To show the demographic characteristics of the sample, cross tabulations and frequency distributions were used to indicate variations of respondents by sex, age group, duration in service and employment category. Demographic characteristics were accompanied by the Chi square test to show whether the differences were significant. The results from the cross tabulations are presented in Tables 4.1 – 4.4

4.2.1 Sex Composition

Table 4.1: Sex Composition of Respondents

Sex	Name of Organization				Total
	KYU	MUK	NWSC	NSSF	
Male	68	18	28	15	129
Row%	(52.7)	(14.0)	(21.7)	(11.6)	(100.0)
Column%	(61.3)	(50.0)	(62.2)	(36.6)	(55.4)
Total	(29.2)	(7.7)	(12.0)	(6.4)	(55.4)
Female	43	18	17	26	104
Row%	(41.3)	(17.3)	(16.3)	(25.0)	(100.0)
Column%	(38.7)	(50.0)	(37.8)	(63.4)	(44.6)
Total	(18.5)	(7.7)	(7.3)	(11.2)	(44.6)
Total	111	36	45	41	233
Row%	(47.6)	(15.5)	(19.3)	(17.6)	(100.0)
Column%	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Total	(47.6)	(15.5)	(19.3)	(17.6)	(100.0)
Chi-square-Value = 8.688 df = 3 p = .034					

Results in table 4.1 above indicate that there is a significant difference in sex composition of respondents from the different organizations. The majority of respondents from KYU (61%) and NWSC (62%) are male; MUK (50%) cuts across while the majority of respondents from NSSF (63%) are female.

4.2.2 Age Group

Table 4.2: Age Group Composition

Age Group	Name of Organization				Total
	KYU	MUK	NWSC	NSSF	
Below 35 yrs	34	18	33	26	111
Row%	(3.6)	(16.2)	(29.7)	(23.4)	(100.0)
Column%	(30.6)	(50.0)	(73.3)	(63.4)	(47.6)
Total	(14.6)	(7.7)	(14.2)	(11.2)	(47.6)
36-44 yrs	38	12	10	13	73
Row%	(52.1)	(16.4)	(13.7)	(17.8)	(100.0)
Column%	(34.2)	(33.3)	(22.2)	(31.7)	(31.3)
Total	(16.3)	(5.2)	(4.3)	(5.6)	(31.3)
45 and above	39	6	2	2	49
Row%	(79.6)	(12.2)	(4.1)	(4.1)	(100.0)
Column%	(35.1)	(16.7)	(4.4)	(4.9)	(21.0)
Total	(16.7)	(2.6)	(0.9)	(0.9)	(21.0)
Total	111	36	45	41	233
Row%	(47.6)	(5.5)	(19.3)	(17.6)	(100.0)
Column%	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Total	(47.6)	(15.5)	(19.3)	(17.6)	(100.0)
Chi-square-Value = 38.498 df = 6 p = .000					

Results in table 4.2 indicate that there is a significant difference in the age group of respondents in the different organizations. The majority of respondents from KYU (35%) were 45 years and above yet the majority of respondents from MUK (50%) NWSC (73%), and NSSF (63%) were below 35 years.

4.2.3 Duration in Service

Table 4.3: Duration in Service

Duration in Service	Name of Organization				Total
	KYU	MUK	NWSC	NSSF	
Less than 6 yrs	36	16	29	24	105
Row%	(34.3)	(15.2)	(27.6)	(22.9)	(100.0)
Column%	(32.4)	(44.4)	(64.4)	(58.5)	(44.9)
Total	(15.4)	(6.8)	(12.4)	10.3%	(44.9)
6- 10 yrs	30	6	6	10	52
Row%	(57.7)	(11.5)	(11.5)	(19.2)	(100.0)
Column%	(27.0)	(16.7)	(13.3)	(24.4)	(22.2)
Total	(12.8)	(2.6)	(2.6)	(4.3)	(22.2)
10yrs and above	45	14	10	7	76
Row%	(59.2)	(18.4)	(13.2)	(9.2)	(100.0)
Column%	(40.5)	(38.9)	(22.2)	(17.1)	(32.9)
Total	(19.7)	(6.0)	(4.3)	(3.0)	(32.9)
Total	111	36	45	41	233
Row%	(47.6)	(15.5)	(19.3)	(17.6)	(100.0)
Column%	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Total	(47.9)	(15.4)	(19.2)	(17.5)	(100.0)
Chi-square-Value = 20.175 df = 6 p = .003					

Results in table 4.3 above indicate that there is a significant difference in the duration in service of respondents in different organizations. The majority of respondents from KYU (41%) have worked for the organization for 10 years and above while the majority of respondents from MUK (44%), NWSC (64%) and NSSF (58%) have worked in these organizations for less than 6 years in those organizations.

4.2.4 Employment Category

Table 4.4: Employment Category

Employment Category	Name of Organization				Total
	KYU	MUK	NWSC	NSSF	
Academic staff	57	13			70
Row%	(81.9)	(18.6)			(100.0)
Column%	(51.4)	(36.1)			(30.0)
Total	(24.5)	(5.6)			(30.0)
Senior Staff	47	17	30	29	123
Row%	(38.2)	(13.8)	(24.4)	(23.6)	(100.0)
Column%	(42.3)	(47.2)	(66.7)	(70.7)	(52.8)
Total	(20.2)	(7.3)	(12.9)	(12.4)	(52.8)
Internal Audit	7	6	15	12	40
Row%	(17.5)	(15.0)	(37.5)	(30.0)	(100.0)
Column%	(6.3)	(16.7)	(33.3)	(29.3)	(17.2)
Total	(3.4)	(2.6)	(6.4)	(4.7)	(17.2)
Total	111	36	45	41	233
Row%	(48.1)	(15.5)	(19.3)	(17.2)	(100.0)
Column%	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Total	(48.1)	(15.5)	(19.3)	(17.2)	(100.0)
Chi square value 65.366 df =6 p = .000					

The results in table 4.4 above indicate that there is a significant difference in the employment category of respondents in the different organizations. The majority of respondents in KYU (50%) were academic staff whereas the majority of respondents from MUK (47%), NWSC (66%) and NSSF (72%) were senior staff. The lowest number of respondents was from internal audit in all organizations.

4.3 Rotated Component Factor Analysis

A rotated factor analysis of the items in the questionnaire was carried out to establish how items loaded on the study variables; Management and staff commitment and support to Internal Audit function, Social Capital and Risk Management. A minimum of 0.3 was taken as the minimum absolute value to be interpreted. Only factors having greater than 1.0 were considered essential and retained. The factor analysis results are given in table 4.5 -4.7

Table 4.5: Rotated Component Matrix for Management and Staff Commitment and Support to Internal Audit Function

	Working relationship	Organizational support	Standardization of Procedure	Acceptability
Management views internal auditors as partners and not as inhibitors	0.757			
There is good working relationship between management and internal Audit	0.682			
Management uses internal audit reports and takes action on recommendation	0.594			
There is explicit cooperation from management with internal audit	0.591			
Management values internal audit contribution to the organization	0.584			
Management considers internal audit as their major clients	0.576			
Management responds to internal audit complaints about working environment	0.552			
Internal Audit function is adequately staffed		0.752		
Internal audit activities are adequately funded		0.682		
Management provides the best for Internal Audit to perform their job		0.617		
Management ensures that internal auditors receive adequate training		0.602		
Internal Auditors are free to access records, personnel and other resource necessary in performing their duties		0.469		
Management sticks to the controls they have themselves put in place			0.590	
Management has set up an enabling environment to ensure mitigation of risks			0.584	
Management ensures that policies set are known by the staff			0.580	
Management established an audit charter which communicates the role, scope, authority and importance of internal audit			0.541	
When internal audit makes effort to mitigate risks, the organization shows concern			0.421	
Audited department readily accept audit findings and suggestions				0.676
The staff are helpful and suggest valuable information to Internal auditors				0.669
There is an effective flow of information between internal audit and other staff				0.600
Employees care about the opinions of internal auditors				0.557
Eigen value	7.697	1.448	1.307	1.133
% of variance	34.985	6.582	5.940	5.152
Cumulative %	34.985	41.567	47.507	52.659

Source: Primary Data

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser Normalization
 Rotation converged in 8 iterations.

Results in table 4.5 above reveal that working relationship with an Eigen value of 7.697 is the major index for management and staff commitment and support to internal audit function. This index accounts for 34.985% of the percentage of variance in management and staff commitment and support to the internal audit function. This is followed by organizational support with an Eigen value of 1.448 accounting for a percentage of variance of 6.582%, then standardization of procedure with an Eigen value of 1.307 accounting for a percentage of variance of 5.940%, finally Acceptability with an Eigen value of 1.133 accounting for a percentage of variance of 5.152%. Overall, the indices make up a total cumulative percentage of 52.659% of the Management and Staff Commitment and Support to Internal Audit Function.

Table 4.6: Rotated Component Matrix for Social Capital

	Associability	Trust
Employees here are keen at protecting organizational property	0.773	
Employees here train or help others to perform their jobs	0.709	
Employees in this organization highly respect norms	0.679	
Employees here cooperate well with those around them	0.654	
Employees make positive statements about immediate supervisors	0.631	
Employees in this organization behave in a consistent manner	0.619	
Employees seek others' help when they need it	0.613	
Employees make constructive statements about the organization	0.599	
Employees exhibit dependability in carrying out their responsibilities	0.598	
I can freely interact and share my opinions with my fellow employees	0.561	
Employees make positive statements about their immediate bosses	0.553	
Employees in this organization perform their work competently	0.531	
I try to forego my own goals so as to achieve organizational goals that are beneficial to everybody	0.522	
Employees share information other than keeping it to themselves	0.504	
Employees in this organization are usually around when I need them	0.493	
Employees tell the one another the truth in this organization		0.670
When you tell secrets to employees in this organization they keep them		0.606
Employees in this organization readily take in each others' ideas		0.589
Employees in this organization tell what is on their minds		0.587
Employees in this organization treat fellow employees equally		0.587
If employees promise something to fellow employees they will stick to it		0.585
I can count on our fellow employees in this organization to be trustworthy		0.549
Employees here take personal interest in other employees		0.529
Employees here waste material or harm organizational property		0.389
Eigen value	8.173	1.971
% Variance	31.434	7.581
Cumulative %	31.434	39.015

Source: Primary Data

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser Normalization
 Rotation converged in 3 iterations

From table 4.6 above, findings indicate that associability with an Eigen value of 8.173 is the major index of Social Capital. This index accounts for 31.434% of the percentage variance followed by trust with an Eigen value of 1.971% and a percentage variance of 7.581%. The indices account for a cumulative percentage of 39.015% in social capital variable.

Table 4.7: Rotated Component Matrix for Risk Management

	Knowledge management	Records	Risk identification
Organizational procedures are well known and understood by staff	0.676		
Adequacy of organizational policies is reviewed regularly	0.668		
Effectiveness of policies is reviewed regularly	0.651		
There are controls to monitor accuracy of information	0.641		
The organization carries out a cost benefit analysis of addressing risks	0.577		
The staff has a constant communication of organizational policies and procedures	0.566		
The organization has the ability to assess risk in terms of occurrence of likelihood	0.558		
There is a two way flow of information between the organization and its stakeholders	0.551		
Effectiveness is evaluated by the organizations	0.549		
The staff know the importance of policies and procedures	0.543		
When exceptions to policies occur they are approved and documented	0.541		
There are controls to monitor completeness of information as well as authorization	0.524		
The organization has the ability to prioritize the risks it faces	0.516		
The organization has a risk communication strategy	0.505		
The organization has the ability to assess risk in terms of potential impact	0.501		
Performance reviews of specific functions and activities are made focusing on compliance	0.385		
Management's view of key business risks facing the organization is known by internal auditors	0.354		
Organizational inventory is periodically counted		0.755	
Organizational inventory including cash is physically secured periodically counted and compared with amounts shown in records		0.706	
Organizational records are properly filed		0.684	
Organizational inventory periodically counted is compared with amounts shown in records		0.680	
A record of organizational assets is maintained		0.602	
Key personnel/supervisors are knowledgeable		0.599	
Existence of assets is always verified		0.572	
Management holds people responsible for results		0.547	
There is segregation of duties (i.e separation of responsibilities for authorization, recording them and handling assets)		0.539	
Management monitors performance against objectives and budget performance		0.479	
The organization has measures to safeguard assets from fire, water etc		0.461	
There is concern for compliance to laws and regulations		0.322	
The organization identifies risks in terms of what can happen			0.772
The organization identifies risk in terms of sources of risk			0.733
The organization identifies risk in terms of how and why risk arises			0.729
The organization identifies risk in terms of consequences			0.640
Operational risk (financial, compliance, human technological) are considered by the organization when identifying risk			0.594
The organization identifies risk in terms of reputation impact			0.557
The organization identifies risk in terms of achievement of objective			0.458
Eigen value	13.066	2.536	1.690
% Variance	34.383	6.673	4.447
Cumulative %	34.383	41.056	45.503

Source: Primary Data

Extraction Method: Principal component Analysis

Rotation Method: Varimax with Kaiser Normalization

Rotation converged in 7 iterations

Results in table 4.7 indicate that knowledge management is the major index for Risk Management with an Eigen value of 13.066 and percentage variance of 34.383% followed by Records with an Eigen value of 2.536 and a percentage variance of 6.673% and finally Risk identification with an Eigen value of 1.690 and variance percentage of 4.447%. Overall the indices account for a cumulative percentage of 45.503% in Risk Management variable.

4.4 Pearson's Correlation

Pearson's correlation test was used to establish the direction and strength of relationship between the following study variables basing on the objectives of the study: Acceptability of internal audit function, social capital, Organizational citizenship behaviours, management and staff commitment and support to internal audit function, independence of internal audit and risk management. The results are presented in table 4.8 below and are interpreted in the subsections that follow.

Table 4.8: A Correlation Analysis for the Main Study Variables

	1	2	3	4	5	6
1.Management and staff commitment and support to Internal Audit Function	1.00					
2.Acceptability of Internal Audit Function	.628**	1.00				
3.Independence of Internal Audit	.623**	.609**	1.00			
4.Social Capital	.439**	.526**	.412**	1.00		
5.Organizational citizenship behaviours	.412**	.418**	.384**	.370**	1.00	
6.Risk Management	.635**	.663**	.642**	.521**	.597**	1.00

Source: Primary Data

** Correlation is significant at the 0.01 level (2 tailed)

Objective One: Relationship between social capital and organizational citizenship behaviors

Results in table 4.8 indicate that there is a significant positive relationship between social capital and organizational behaviors ($r = .370$ $P \leq .05$). This means that the more social capital there is, the more organizational citizenship behaviors will be exhibited.

Objective Two: Relationship between social capital and management and staff commitment and support to internal audit function

Results in table 4.8 indicate that there is a significant positive relationship between social capital and management and staff commitment and support to internal audit function ($r = .439$ $p \leq .05$). This implies that the more social capital prevails in an organization, the more management and staff commitment and support to internal audit function will be.

Objective Three: Relationship between organizational citizenship behaviors and management and staff commitment and support to internal audit function

Results in table 4.8 indicate that there is a significant positive relationship between organizational citizenship behaviors and management and staff commitment and support to internal audit function ($r = .412$ $P \leq .05$). This implies that the more the organizational citizenship behaviors prevail, the more management and staff commitment and support to internal audit function will be.

Objective Four: Relationship between acceptability of internal audit function and management and staff commitment and support to internal audit function

Results in table 4.8 indicate that there is a significant positive relationship between acceptability of internal audit function and management and staff commitment and support to internal audit function ($r = .628$ $p \sim .05$). This implies that the higher the level of acceptability of internal audit function in organizations, the more commitment and support it will receive from management and staff.

Objective Five: Relationship between social capital and independence of internal audit

Results in table 4.8 indicate that there is a significant positive relationship between social capital and independence of internal audit ($r = .412$ $p < .05$). This implies that the more social capital there is in an organization, the more independence will internal audit be.

Objective Six: Relationship between management and staff commitment and support to internal audit function and risk management

Results in table 4.8 indicate that there is a significant positive relationship between management and staff commitment and support to internal audit function and risk management ($r = .635$ $p < .05$). This implies that the more management and staff commitment and support to internal audit function is, the more effective will risk management be.

Objective Seven: Relationship between independence of internal audit and risk management

Results in table 4.8 indicate that there is a significant positive relationship between independence of internal audit and risk management ($r = .642$ $p < .05$). This implies that the more independent internal audit is, the more effective will risk management be.

4.5 Multiple Regression Analysis

Multiple regression analysis was used to study the influence of the independent variables on the dependent variable. The independent variables include, Social Capital, Acceptability of Internal Audit Function, OCB, Management and Staff Commitment and Support to Internal Audit Function, Independence of Internal Audit. The dependent variable is Risk management. The results are given in table 4.9 below

Table 4.9: Multiple Regression Analysis of the Main Variables of the Study

Model	Unstandardized Coefficients		Standardized coefficients	t	Sig. (p)
	B	Std Error	Beta		
Constant	.344	.139		2.471	.0144
Management and staff commitment and support to Internal Auditors	.185	.055	.191	3.370	.001
Acceptability of Internal Audit Function	.232	.064	.213	3.624	.000
Independence of Internal Audit	.213	.050	.234	4.235	.000
Organizational Citizenship Behaviours	.366	.058	.293	6.353	.000
Social Capital	.146	.058	.123	2.532	.012
R square== 0.651				R adj.=0.643	
F= 80.716				p = 0.000	

Dependent Variable: Risk Management

Results in table 4.9 indicate that the independent variables have an influence of 64.3 % on the dependent variable, which is Risk Management. Each of these variables has a significant prediction on the dependent variable.

4.6 Other Findings (ANOVA)

Besides the research objectives, this research considered other findings. This test was used to look for differences between groups in their perception on the study variables in terms of age group, duration in service, sex and organization. Since the groups were more than two ANOVA was the most appropriate test. The results are presented in tables 4.10-4.13

4.6.1 Age Groups

Table 4.10: Anova for Age Groups

Age		Management & staff commitment & support	Acceptability of Internal Audit Function	Independence of Internal Audit	Social Capital	Organizational Citizenship Behaviours	Risk Management
Below 35 yrs	Mean	2.1589	2.0698	2.2081	2.2831	2.2260	2.1012
	N	111	111	111	111	108	111
35-44 yrs	Mean	2.3483	2.2253	2.3603	2.3888	2.2754	2.2924
	N	73	73	73	73	68	73
45 yrs and above	Mean	2.3236	2.1510	2.2898	2.3878	2.3091	2.3781
	N	49	49	49	49	45	49
df		2	2	2	2	2	2
F		5.344	4.014	2.578	2.742	1.164	10.560
Sig. (p)		.005	.019	.078	.067	.314	.000

Results in table 4.10 indicate that there is a significant difference between respondents of the different age groups in their perceptions of Management and Staff commitment and Support to Internal Audit Function, Acceptability of Internal Audit Function and Risk Management. Respondents between 35-44 yrs have the highest perception of management and staff commitment and support, Acceptability of Internal Audit Function while those below 35 yrs have the lowest perception of those variables. On the other hand, respondents above 45 yrs had the highest perception of Risk Management and those below 35 yrs had the lowest.

4.6.2 Duration in Service

Table 4.11: Anova for Duration in Service

Duration in service		Management & staff commitment & support	Acceptability of Internal Audit Function	Independence of Internal Audit	Social Capital	Organizational Citizenship Behaviours	Risk Management
Less than 6 yrs	Mean	2.1531	2.0576	2.1733	2.2912	2.2405	2.1058
	N	105	105	105	105	105	105
6 -10 yrs	Mean	2.3764	2.1846	2.3442	2.4201	2.2897	2.2940
	N	52	52	52	52	52	52
Above 10 yrs	Mean	2.3080	2.2065	2.3662	2.3467	2.2614	2.3260
	N	77	77	77	77	77	77
df		2	2	2	2	2	2
F		5.909	4.300	5.014	2.500	0.390	8.265
Sig. (p)		.003	.015	.007	.084	.678	.000

Results in table 4.11 indicate that there is a significant difference between respondents of different duration in service in their perceptions of Management and staff commitment and support to Internal Audit Function, Acceptability of Internal audit Function, Independence of Internal Audit and Risk Management.

Respondents whose duration in service is 6-10 yrs have the highest perception of Management and Staff Commitment and Support to Internal Audit Function while those whose duration in service is less than 6 years have the lowest. Respondents whose duration in service is above 10 years have the highest perception of Acceptability of Internal Audit function, Independence of Internal Audit and Risk Management while those who have served less than 6 years have the lowest perception of these variables.

4.6.4 Sex

Table 4.12 Anova for Sex

Sex		Management & staff commitment & support	Acceptability of Internal Audit Function	Independence of Internal Audit	Social Capital	Organizational Citizenship Behaviours	Risk Management
Male	Mean	2.2663	2.1163	2.2767	2.3268	2.2660	2.2621
	N	129	129	129	129	122	129
Female	Mean	2.2383	2.1572	2.2663	2.3528	2.2447	2.1549
	N	104	104	104	104	99	104
df		1	1	1	1	1	1
F		.245	.698	.031	.326	.233	4.344
Sig. (p)		.621	.404	.861	.568	.630	.038

Results in table 4.12 indicate that there is a significant difference in sex composition in respect of perception of risk management. Male respondents have a higher perception of risk management than female respondents.

4.6.4 Organization

Table 4.13 Anova for Organization

Organization		Management & staff commitment & support	Acceptability of Internal Audit Function	Independence of Internal Audit	Social Capital	Organizational Citizenship Behaviours	Risk Management
KYU	Mean	2.4458	2.2103	2.4661	2.4303	2.2908	2.3764
	N	112	112	112	112	103	112
MUK	Mean	2.213	2.1347	2.2333	2.4177	2.3636	2.206
	N	36	36	36	36	35	36
NWSC	Mean	1.9476	2.0100	1.9911	2.1103	1.9820	1.9462
	N	45	45	45	45	43	45
NSSF	Mean	2.1010	2.0659	2.1000	2.2664	2.3758	2.0584
	N	41	41	41	41	41	41
df		3	3	3	3	3	3
F		21.611	3.853	18.014	11.929	16.471	18.199
Sig. (p)		0.000	.010	.000	.000	.000	.000

Results from table 4.13 above indicate that there is a significant difference between respondents from different organizations in their perception of management and staff commitment and support to Internal Audit Function, Acceptability of Internal Audit Function, Independence of Internal Audit, Social Capital, OCB and Risk Management.

Respondents from KYU have the highest perception of management and staff commitment and support to the Internal audit function, Acceptability of Internal Audit function, Independence of Internal Audit, Social Capital and Risk Management while respondents from NWSC have the lowest on those variables. Respondents from NSSF have the highest Perception of Organization Citizenship Behaviours while respondents from NWSC have the lowest

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion of findings in chapter four in respect to the objectives of the study and reviewed literature. It is subdivided into three sections. The first section focuses on the discussion of the relationship between the study variables, that is social capital, OCB, acceptability of internal audit function, management and staff commitment and support to internal audit function, independence of internal audit and risk management. The second section constitutes the conclusion and recommendations respectively.

5.2 Objective One: Relationship between Social Capital and OCB

The correlation analysis reveals a significant and positive relationship between social capital and OCB. This means that the occurrence of citizenship behaviors increases creation of social capital in organizations. The findings confirm the assertion by Bolino et al (2000) that an organization composed of "good citizens" is likely to accumulate higher levels of social capital. They further argue that just as "good citizens" in a community contribute to the development of social capital within that community, "good organizational citizens" are likely to be important for the creation of social capital within their organizations. This concurs with the argument that individual behavior; is critical for creation of social capital in communities and neighborhood (Coleman 1990; Putnam, 1993). This social capital may result in the willingness of employees to exceed their job requirements in order to help each other to subordinate their individual interests for the good of the organization and take interest in organizational activities and overall mission, which is very vital in risk management processes. In addition, the revelation is in line with Bolino et al (2000) assertion that citizenship behaviors enhance organizational functioning by contributing to the development of social capital both of which are crucial for the effective functioning of internal audit.

5.3 Objective Two: Relationship between Social Capital and Management and Staff Commitment and Support to Internal Audit Function

The correlation analysis reveals a significant and positive relationship between social capital and management and staff commitment and support to internal audit function. This means that the more aspects of social capital prevail in an organization, the more will management and staff support internal audit as it executes its responsibilities. Results from the study indicate that through social capital more commitment and support to internal audit function will be realized from management and staff. As internal audit executes its responsibilities, there is need to have positive relationships with the auditees from whom it is likely to get support through collaboration and information sharing. As long as there are good relations amongst employees in organizations, it is expected that there will be information sharing through which internal, audit will access information relevant for performance of their responsibilities.

The findings are supported by Timberlake (2005) who stated that social capital enables collaboration, commitment, information sharing and trust while enhancing genuine participation in the organization, which leads to greater success and effectiveness. It is mainly through information sharing, trust and genuine participation by staff and management that internal audit will derive its effectiveness in risk management. By so doing they will have exhibited their commitment and support to internal audit function. In support, Adler and Kwon (2002) reiterates that social capital takes mutual commitment and cooperation of all parties and that mutual commitment is guided by supportive strategies, top value commitment, staffing, investment in training and development and a climate of cooperation of others.

Further, the findings are supported by Wilson (1999) who stated that when people cooperate they can overcome problems related to risk, information and skills. This means that if employees cooperate with internal audit it will be easy to manage or control risks in organizations. This shows that organizations with accumulation of social capital their employees are likely to have more support and commitment to internal audit function. Therefore, there is need for development of social capital in organizations, which is necessary for improving effectiveness of internal audit for effective risk management resulting in achievement of objectives.

5.4 Objective Three: Relationship between OCB, and Management and Staff Commitment and support to Internal Audit Function

The correlation analysis reveals a significant and positive relationship between OCB and management commitment and staff support to internal audit function. This means that the more, individuals are willing to exhibit extra-role behaviors in organizations, the more they will render support to internal audit function.

Individuals who are willing to exhibit extra-role behaviors for the good of the organization are prone to render support to internal audit function in their process of assisting organizations manage risks. This support will be manifested through those extra role behaviors. For example if information concerning a perpetrated fraud is passed on to internal audit well in advance, this fraud will be prevented from occurring. In this way the employee will have exhibited a form of OCB (Courtesy) and supported internal audit by rendering information, which contributes to risk management by way of preventing a loss from occurring, thus indirectly contributing to effectiveness of internal audit function. Further, the results confirm Organ's (1988) finding that effective functioning of the organization, in this case internal audit, depends on employee efforts that extend beyond formal role requirements.

In brief, this relationship can be explained by Organ (1988)' and Graham, (1989)'s explanation of these behaviors and Swailes (2004) explanation of commitment. Swailes considers commitment as being linked to positive behavioral intentions under control of individuals and are important components in achieving organizational programmes. On the other hand Graham (1989) explains OCB as being spontaneous and protective of the organization and enhance organizational image. This means that as more of the extra- role behaviors (OCB) occur as indicators of positive behavioral intentions geared towards achievement of organizational objectives more support to internal audit function will be realized which will ensure effective risk management, in turn, enabling achievement of objectives. It can then be argued that individuals will exhibit OCB to support internal audit because they are also committed to the function.

Extra-role behaviors' are necessary for efficient execution of internal auditors' tasks because they may required to anticipate and correct problems or offer suggestions for solutions to these problems Therefore their occurrence. This sometimes necessitates an input from other employees, which is not part of their job description, and expects no compensation. Due to the contribution OCB renders to organizational efficiency and effectiveness organizations need to create a conducive environment for flourishing of these behaviors.

5.5 Objective Four: Relationship between Acceptance of Internal Audit Function and Management and Staff Commitment and Support to Internal Audit Function

The correlation analysis reveals a significant and positive relationship between acceptance of internal audit function and management and staff commitment and support to internal audit function. This shows that as long as individuals have positive receptivity of internal audit function, they will be willing to render it support in the execution of their duties. This support increases as the level of acceptance increases. This concurs with Dittenhoffer's (1997) assertion that if auditees gain acceptance of internal audit, they would act in cooperation with the audit staff in identifying problem areas, assist in investigatory work and develop corrective action. This is reiterated by Rindley and Chambers (1995) that acceptance of Internal audit function would be exhibited by the extent the staff provide assistance to internal audit. This implies that the higher the level of acceptability of internal audit functions, the more support internal audit function will receive from management and staff. Therefore management needs to create an environment that will harness commitment and support to internal audit if it is to effectively perform its responsibility of giving assurance that organizational risks are effectively managed. This will only be possible if individuals within organizations are aware of the role and importance of internal audit function. Therefore organizations should ensure that they have an "Audit Charter" which clearly explains this. In addition sensitizing of staff about the role of internal audit is also necessary.

5.6 Objective Five: Relationship between Social Capital and Independence of Internal Audit

The correlation analysis confirms a positive and significant positive relationship between social capital and independence of internal audit. This relationship can be explained by Cheung and Qiang (1997) and

Granovelt 1973 assertions on independence and trust. According to Granovelt 1973; Burt 1997(as cited in Lai et al, 2004), trust (social capital) promotes voluntary, non-obligatory exchange of assets and services among network members, providing benefits such as access to information, financial and material resource. On the other hand Cheung and Qiang (1997) contend that unlimited access to all company economic activities and other resources enhance independence and effectiveness of internal audit. From the above, it can therefore be inferred that trust (Social capital) in internal auditors enhances independence of internal audit which in turn increases their effectiveness, and that the level of independence increases as trust increases. This independence will permit internal audit to render independent judgment and opinion the way risks are managed in an organization, leading to an improvement in risk management.

In addition, this trust arising out of established relationships will promote unlimited accessibility to organizational resources, which is an indication of independence. The findings are supported by Burt (1997) who stated that social resources embedded in networks provide benefits such as better access to information and to financial and material resource, greater visibility, legitimacy or sponsorship to a social system. As long as individuals have trust in internal audit and its operations the function will be free from interference regarding determining the scope of audit, methodology and communication of results, which is a sign of independence.

5.7 Objective Six: Relationship between Management and Staff Commitment and Support to

Internal Audit and Risk Management

The correlation analysis reveals a significant and positive relationship between management and staff commitment and support to internal audit function and risk management. The regression analysis shows that management and staff commitment and support to internal audit function has a predictive effect on risk management. These results confirm findings by Sarens and De Beelde (2006) when they found that when internal audit received support and attention from management and board, it became a significant player in risk management. This means that with the support from management and staff internal audit would ensure that internal controls in place adequately monitor identified risks and control of such risks

(Stewart and Kent, 2006). The findings show that, the more management and staff show their commitment and support to internal audit function, the higher the likelihood that internal audit will be more effective and in turn more risks will be effectively managed. Internal audit assists in management of risks by ensuring that the controls meant for controlling risks are appropriate, adequate and are observed. If staff adhere to these controls and avoid flouting them they will have shown their commitment to internal audit function.

5.8 Objective Seven: Relationship between Independence of Internal Audit and Risk Management

The correlation analysis reveals a significant and positive relationship between independence of internal audit and Risk management. The regression analysis shows that independence of internal audit has a predictive effect on risk management. Then it follows that the more independent internal audit is, the higher the likelihood that risks will be effectively managed. The findings confirm the finding by Arena et al (2006) who found that companies which had their internal audit reporting to CEO and audit committees, a characteristic of independence, audit reports were being utilized helping in improvement of risk management. Therefore organizations need to promote independence of internal audit in order for it to add value to the organization.

5.9 Objective Eight: Relationship between Social Capital, Acceptability of Internal Audit Function, OCB, Management and Staff Commitment and Support to Internal Audit Function, Independence of Internal Audit and Risk Management.

From the multiple regression analysis, the results provide an adj. R of 64.3%, meaning that the study variables explain 64.3% of the variance in risk management in these organizations; KYU, MUK, NWSC and NSSF. The remaining percentage of 35.7% is explained by other factors.

Further to this, results of multiple regression analysis indicate that OCB is most influential factor in ensuring effective risk management. This concurs with the assertion that OCB are essential in organization in that an organization cannot anticipate achieving goals only through behaviors' necessary for performing formally stated job description. Therefore whatever is done to increase

occurrence of OCB will help in managing risks in organizations. OCB is followed by independence of internal audit. This also confirms the assertion that independence of internal audit is a critical attribute to effectiveness of internal audit function if it is to achieve its objectives and make an impact on organization's management (Cheung and Qiang, 1997). The findings are also in agreement with Fadzil et al (2005) who argue that if internal audit is not independent they would be of little value to those that demand their services. These are followed by acceptability of internal audit function, management and staff commitment and support to internal audit function and social capital respectively.

Therefore for effective risk management, organizations should create an environment that nurtures flourishing of OCB, permits independence of internal audit, and promotes acceptability of internal audit function. In addition, there is need for management and staff to show commitment and support to internal audit function as well as development of social capital in order to enhance the effectiveness of internal audit so that organizational risks are effectively managed.

5.10 Conclusions

The purpose of the study was to establish the relationship between social capital, OCB, acceptability of internal audit and independence of internal audit, management and staff commitment and support to internal audit function and their relationship to risk management.

The study confirms a relationship between OCB and social capital. This means that adequate social capital is necessary in improving organizational citizenship behaviors'. In addition, the study confirms a significant relationship between social capital and management and staff commitment and support to internal audit function. This implies that commitment and support to internal audit function cannot be achieved without the existence of features of social capital such as relationships between them and other members in other functional departments, trust, cooperation and others.

The study further confirms a relationship between OCB and management and staff commitment and support to internal audit function. This means that management and staff commitment and support to internal audit function cannot be expected in a situation where individuals are expected to only exhibit behaviors' necessary for performing prescribed roles (in role) but there is need to perform non mandatory (extra role) behaviors' without expectation of receiving recognition or compensation.

A significant and positive relationship between acceptability of internal audit function and management and staff commitment and support to internal audit was also confirmed. Therefore creating a situation that will contribute to acceptability of internal audit function will be crucial for attainment of commitment and support from management and staff. In addition the study confirms a significant positive relationship between social capital and independence of internal audit. This shows that trust in internal audit is necessary for permitting unlimited access to information and other resources of the organization in addition to having no influence in decisions concerning performance of their responsibilities will enhance independence of internal audit

A significant and positive relationship between management commitment and support to internal audit function and risk management was also confirmed. This means there is need to have commitment and support to internal audit function from both management and staff without which risks may not be effectively managed negatively impacting on achievement of organizational objectives.

The study further confirms a significant and positive relationship between independence of internal audit and risk management. This means that if there is commitment to have risks managed, a situation that permits independence of internal audit, which is at the forefront, must be availed. In effect, the study confirms that relationships exist between social capital, acceptability of internal audit, OCB, independence of internal audit, management and staff commitment and support to internal audit function, and risk management.

Finally the study established that the most significant predictor of risk management is OCB followed by independence of internal audit function, acceptability of internal audit function, management and staff commitment and support to internal audit function and social capital respectively. Therefore in order to ensure effective management of risks in organizations an effective internal audit function must be in place. Its effectiveness will be enhanced by organizations concentrating on nurturing the occurrence of OCB and creation of an environment that will promote independence of internal audit, acceptability of internal audit function, management and staff commitment and support to internal audit function and development of social capital.

5.11 Recommendations

Given the above conclusions, the study recommended the following:

- 1) Considering that OCB was the most predicting variable for risk management, organizations should come up with policies that will result into job satisfaction such that OCB can flourish. This will lead to improvement in risk management.
- 2) Considering that there was a significant relationship between independence of internal audit and risk management, organizations should create an environment that promotes Independence of internal audit in order to increase its effectiveness in risk management.
- 3) Since there is a significant relationship between acceptance of internal audit function and management and staff commitment and support to internal audit function, management in these organizations should clearly inform the employees the role and importance of internal audit through the "Audit Charter" to promote acceptance of internal audit function.
- 4) There is need to establish measures that will encourage every individual to be committed to the achievement of organizational objectives. In this way they will be render their commitment and support to internal audit function.
- 5) Considering that there is a significant and positive relationship between social capital and management and staff commitment and support to internal audit function. Organizations should take on measures that will lead to development of social capital, for example introduction of social gatherings like annual parties that bring people into interaction.

Efforts should be made to sensitize the employees on the importance and benefits of managing risks and involving them in the process.

5.12 Areas for Further Study

The study considered some factors that contribute to the effectiveness of internal audit function in carrying out its objective of providing assurance that organizational risks are effectively managed. Research should be carried out to find out more factors that affect the effectiveness of internal audit.

The research mainly focused on how the behavioral factors and the environment within which internal audit operates affects their effectiveness in risk management. Research could be carried out to find out how the auditors themselves contribute to the effectiveness of internal audit function, for example factors such as competences, education status and others.

The study has indicated that the study variables explain 64.3% of the variance in risk management further study should be carried out to find out the other factors that explain the 35.7%.

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APPENDIX

QUESTIONNAIRES

This questionnaire is designed to help gain a clear understanding of how to develop and maintain an effective internal audit function in organizations to facilitate achievement of organizational objectives. You are considered as one of the resourceful person and as such you are kindly requested to spare sometime and respond to the questions/statements frankly and honestly. Your responses will be treated with utmost confidentiality and as such, you do not have to write your name on the questionnaire nor should you disclose your answers to other respondents. This research is intended for academic purposes.

Section A Demographic

(Tick the correct box)

1. Sex
Male Female
2. How old are you?
Below 25 25-34 35-44 45-54 55 and above
3. What is your highest level of education status?
Below secondary Secondary Tertiary University Other professional courses
4. What is your marital status?
Single Married Others
5. How many children do you have?
None 1-2 3-5 more than 5
6. Do you have other dependants?
Yes No
7. Which organization are you employed with?
KYU MUK NWSC NSSI
8. What is your employment category?
Top management Senior staff Academic staff Internal audit staff
9. How many years have you worked with this organization?
Less than 1 1-5 6-10 10 and above

SECTION B MANAGEMENT AND STAFF COMMITMENT AND SUPPORT TO INTERNAL AUDIT FUNCTION

To what extent do you agree/disagree with the following statements about your organization/management/employees? Strongly Agree (1) Agree (2) Disagree (3) Strongly Disagree (4) Please tick below the most appropriate response in the space provided on the side of each item.

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Management considers internal audit as their major client				
2	There is good working relationship between management and internal audit				
3	Management established an audit charter which communicates the role, scope, authority and importance of internal audit				
4	Management views internal auditors as partners and not as inhibitors				
5	Management values internal audit contribution to the organization				
6	Management uses internal audit reports and takes action on recommendations				
7	There is explicit cooperation from management with internal audit				
8	Management responds to internal audit complaints about working environment				
9	Internal audit is consulted to make an input in management decisions				
10	Internal audit activities are adequately funded				
11	Internal audit function is adequately staffed				
12	Management provides the best for the internal audit to perform their job				
13	Management has set up an enabling environment to ensure mitigation of risks				
14	Management sticks to the controls they have themselves put in place				
15	Management ensures that the policies and procedures set are known by the staff				
16	When internal audit makes efforts to mitigate risks the organization shows concern				
17	Employees care about the opinions of internal auditors				
18.	Audited departments readily accept audit findings and suggestions				
19.	There is an effective flow of information between internal audit and other staff				
20	Management ensures that internal auditors receive adequate training and education				
21	Internal auditors are free to access, records, personnel and other resources necessary in performing their duties				
22	The staff are helpful and suggest valuable information to internal auditors				
	SECTION C - ACCEPTABILITY OF INTERNAL AUDIT FUNCTION				
	To what level do you agree with the following statements about internal audit (ors)/ Management/Staff? Please tick below the appropriate response				
1	I am aware of the existence of an internal audit function				
2	Management clearly understands the role of internal audit				
3	Management and staff consider internal auditors as being approachable and friendly				
4	The staff are aware that internal audit plays an advisory role to management				
5	Internal auditors are given the resources they require to perform their duties				
6	Internal auditors exhibit teamwork				
7	Internal auditors have a vast experience in audit work				
8	Internal auditors possess competences in policy review				

		Strongly Agree	Agree	Disagree	Strongly disagree
9	Internal auditors possess competence in risk management				
10	Internal auditors possess competences in computer audit				
11	Internal auditors in this organization produce professional work				
12	Internal auditors are able to detect misstatements in the Accounts				
13	Internal auditors have the skill to detect instances that could lead to risks				
14	Internal audit reports always reflect honesty and fairness				
15	Internal auditors are continuously upgrading their skills				
16	There exists an audit manual to guide the staff				
17	There is more communication and balanced reporting by internal auditors				
18	Internal auditors always discuss their findings with audited departments				
19	Internal auditors understand human relations and maintain satisfactory relationship with auditees				
20	Internal auditors have good communication skills				
	SECTION D - INDEPENDENCE OF INTERNAL AUDITORS				
	To what extent do you agree with the following statements about Management/Internal Auditors? Please tick below the appropriate response.				
1	Management views internal auditors as members of the management team				
2	The organizational status of internal audit function is sufficient and permits the accomplishment of its responsibilities				
3	The head of internal audit reports directly to the chief executive				
4	The head of internal audit presents their reports directly to the Audit Committee/Board/Council				
5	The Board/Council or Audit Committee ensures that internal audit recommendations are enforced quickly				
6	Internal auditors regularly meet with the Audit Committee members				
7	Audit Committee members are outside Directors				
8	Internal auditors are free to plan their work without interference				
9	Internal auditors determine how they do their work				
10	Internal auditors have free access to information without limitation				
	SECTION E (A) RISK MANAGEMENT (Risk identification)				
	To what extent do you agree with the following statements about your organization/employer? Please tick below the appropriate response				
1	The organization carries out a comprehensive and systematic identification of its risks relating to each objective				
2	The organization considers sources of strategic risks (political risks, reputation risks, alliance risks etc) when identifying risks				
3	Operational risks (financial, compliance, human, technological) are considered by the organization when identifying risk				
4	The organization identifies risk in terms of what can happen				
5	The organization identifies risk in terms of how and why risk arises				
6	The organization identifies risk in terms of sources of risk				
7	The organization has a risk communication strategy				

		Strongly Agree	Agree	Disagree	Strongly disagree
8	The is a two way flow of information between the organization and its stakeholders				
	E (b) Risk analysis To what extent do you agree with the following statements about your organization / employer? Please tick below the appropriate response				
9	The organization analyses risks in terms of consequence				
10	The organization analyses risks in terms of reputation impact				
11	The organization analyses risks in terms of achievement of objectives				
12T	The organization has the ability to assess risks in terms of occurrence likelihood				
13	The organization has the ability to assess risk in terms of potential impact				
14	The organization has the ability to prioritize the risks it faces				
15	Effectiveness of controls is evaluated by the organization				
16	The organization carries out a cost benefit analysis of addressing risks				
	E (c) Internal Controls To what extent do you agree with the following statements about the organization/management/Staff? Please tick below the appropriate response				
17	Staff has a constant communication of organizational policies and procedures				
18	Organizational procedures are well known and understood by the staff				
19	The staff know the importance of the policies and procedures				
20	There is concern for compliance to laws and regulations				
21	When exceptions to policy occur they are approved and documented				
22	Adequacy of organizational policies is reviewed regularly				
23	Effectiveness of the policies is reviewed regularly				
24	Performance reviews of specific functions and activities are made focusing on compliance are				
25	There are controls to monitor accuracy of information				
26	There are controls to monitor completeness of information as well as authorization				
27	Management monitors performance against objectives and budget performance				
28	A record of organizational assets is maintained				
29	Organizational inventory including cash is physically secured periodically counted and compared with amounts shown in records				
30	Organizational inventory is periodically counted				
31	Organizational inventory periodically counted is compared with amounts shown in records				
32	Organizational records are properly filed				
33	There is segregation of duties (i.e. separation of responsibilities for authorization of transactions, recording them, and handling assets)				
34	Key personnel/Supervisors are knowledgeable				
35	Management holds people responsible for results				
36	The organization has measures to safe guard assets from fire, water etc				
38	Existence of assets is always verified				
39	Management's view of key business risk facing the organization is known by the internal auditors				
	SECTION F_ SOCIAL CAPITAL				

To what extent do you agree with the following statements about your employer/organization/Management? Please tick the appropriate response		Strongly Agree	Agree	Disagree	Strongly disagree
1	Your employer's intentions and motives are always good in meeting workers' point of view				
2	Your organization has a poor future unless it attracts better management				
3	I can expect my employer to treat me in a consistent and predictable manner				
4	Managers at work seem to do an efficient job				
5	I feel quite confident that the organization will try to treat me fairly				
6	Our management would be quite prepared to gain advantage by deceiving workers				
6	I am sure I trust my employer				
8	Management is open and upfront with me				
9	Management will punish if you tried to question the system				
10	Management here is a top down affair, status is very important and decisions are checked out through the entire chain of command				
11	I feel my energy is wasted trying to work for this organization and if I had a chance even with lower pay I would go				
12	I trust my fellow employees than my employer				
13	Management uses confidential information to take advantage of employees				
14	We always use independent sources to verify most of management assertions				
15	The organization always gives a fair deal				
16	Management is always around when we need it				
17	When I give confidential information to management it keeps it confidential				
18	Management will always tell the truth				
19	Management deals honestly with employees				
Below are some statements that describe how you might feel about fellow employees in this organization. Keep these employees in mind as you respond to the following items. To what extent do you agree with the following statements about your fellow employees? Please tick below the appropriate response.					
1	Employees in this organization are usually around when I need them				
2	Employees in this organization perform their work competently				
3	Employees in the s organization behave in a consistent manner				
4	Employees in this organization treat fellow employees equally				
5	When you tell secrets to employees in this organization they keep them				
6	Employees tell one another the truth in this organization				
7	Employees in this organization tell what is on their mind				
8	I can count on fellow employees in this organization to be trust worthy				
9	If employees promise something to fellow employees they will stick to it				
10	Employees in this organization readily take in each others idea				
11	Keeping a promise is a problem for most employees				
Associability					
1	I can freely interact and share my opinions about the organization with my fellow employees				
2	I try to forego my own goals so as to achieve organizational goals that are beneficial to everybody				
3	Employees in this organization highly respect norms				

		Strongly Agree	Agree	Disagree	Strongly disagree
4	Employees here take personal interest in other employees				
5	Employees here train or help others to perform their jobs				
6	Employees here cooperate well with those around them				
7	Employees here are keen at protecting organizational property				
8	Employees exhibit dependability in carrying out their responsibilities				
9	Employees seek others help when they need it				
10	Employees go out of their way to protect other employees				
11	Employees make positive statements about immediate supervisors				
12	Employees here waste materials or harm organizational property				
13	Employees make constructive statements about the organization				
14	Employees share information other than keeping it to themselves				
15	Employees make constructive statements about their immediate bosses				

I SINCERELY APPRECIATE YOUR TIME AND COOPERATION TOWARDS THIS RESEARCH. PLEASE CHECK TO ENSURE THAT NO QUESTION IS SKIPPED INADVERTENTLY. THANK YOU VERY MUCH.

SECTION G ORGANIZATIONAL CITIZENSHIP BEHAVIOURS

(To be filled by direct supervisors on each staff/worker). Please have some people in mind as you fill in each questionnaire but you do not have to write names. Rate each staff/worker by ticking below the appropriate response at the end of each statement

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	Seeks and accepts responsibility at all times				
2	Performs competently under pressure				
3	Gets a great deal done within a set timeframe				
4	Readily accepts more work				
5	Could be expected to be in a position to start at the appointed time				
6	Could be relied on to come on time every morning				
7	Could be expected to maintain the work he/she is required to do				
8	Does more than expected				
9	Could be expected to attend work regularly and punctually				
10	Does not take days off without previously asking for them				
11	Never deliberately works below his/her best even without supervision				
12	Anticipates problems and develops solutions in advance				
13	Makes innovative suggestions to improve the organization				
14	Helps others who have heavy workload				
15	Assists supervisor with his/her work				
16	Willing to work extra hours even without incentives				
17	Does only what is required of him/her and never volunteers for extra work				
18	Gives advance notice if unable to come to work				
19	He/she attends functions that are not required of him /her but are helpful to the organization				
20	The employee keeps up with any new developments in the organization				
21	The employee talks favourably about the organization to other people				
22	When need arise the employee will help other workmates to complete tasks without having to be told by management				

I SINCERELY APPRECIATE YOUR TIME AND COOPERATION TOWARDS THIS RESEARCH. PLEASE CHECK TO ENSURE THAT YOU HAVE NOT SKIPPED ANY QUESTION INADVERTENTLY. THANK YOU VERY MUCH.