

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Fighting Corruption in the Public Sector by Implementation of Effective Internal Audit Function

Aminath Reema Rasheed

Finance Scholar, University of the West of England, UK

Manoj Suranga Jothimuni

Lecturer, Partner College of University of the West of England, UK

Abstract:

This research is focused on fighting corruption through effective internal audit in the public sector of Maldives. Corruption is a global challenge faced around the world, detrimental for the public sector institutes to efficiently deliver their obligations and safeguard public resources. Mitigating corrupt practices require establishment of good governance, transparency and accountability at all levels in public sector institutes. Internal audit is a control mechanism to infuse ethical values, good governance, strengthen internal control system and risk management processes, a fundamental feature in the fight against corruption. However, effective IAF remains deficient in the country. This study uses exploratory method to gain in-depth insight to reach a deeper understanding on the challenges and reasons for lack of effective IAF, role of IAF to mitigate public sector corruption, adequacy of existing internal control system, risk management processes and governance mechanism to provide recommendations to strengthen IAF and enhance transparency and accountability in the public sector. The study indicates weaknesses in the governance structure, inadequacy of controls and poor risk management strategies resulting in significant corruption in the public sector. Limitations in the regulatory framework, insufficient competent internal auditors, political and bureaucratic constraints are denoted as primary challenges to implement IAF in the country. Strengthening the role of IAF in the public sector requires regulatory reform to provide internal auditors an environment to perform their responsibilities with integrity and independence, competence building of internal auditors and establishing a good governance framework promoting transparency and accountability. The study provides a significant contribution to existing literature on the role of IAF in mitigating public sector corruption and challenges to implement effective IAF in the country. Further, the outcome of the study can be applied as a guide for policy makers and internal audit practitioners to enhance the effectiveness of the function and strengthen the role of IAF in mitigating public sector corruption in the Maldives.

Keywords: Public sector corruption, effective internal audit, good governance, internal controls, risk management, transparency, accountability

1. Introduction

As countries embark on a road to a resilient and inclusive economy, global scandals on corruption have escalated in an unprecedented scale in every continent, from Asia to Africa, Europe and America. The size, magnitude and complexity of operations has increased to a high level, with state administrations observing new methodologies to identify ambiguities and entry points for activities of corruption (The World Bank, 2020). Countries around the world has embarked on numerous forms of reform endeavors such as enhancing financial controls, financial reporting, transparency, accountability and governance in the quest to fight corruption in the public sector. A central component in the reform course is focused on monitoring and control of resources through audit and regulatory disclosures (Paterson, Changwony, & Miller, 2019). Internal audit (IA) is an essential feature in the reform process creating an ethical environment with solid governance controls to mitigate public sector corruption, a long-standing scourge on nation development. This research is focused on the role of effective internal audit function (IAF) in mitigating public sector corruption, challenges and reasons for lack of IAF, adequacy of existing internal control system, risk management processes and governance mechanism and providing recommendations to strengthen IAF in the public sector of Maldives.

The public sector of Maldives comprises of 17 ministries and 32 State Owned Entities (SOEs) as of 2021 (Ministry of Finance, 2021; The Presidents Office, 2021). Further, city councils, atoll councils and island level councils are elected to facilitate provision of basic necessities and essential services required by all citizens in the nation. This raises significance of public sector integrity and transparency, good governance mechanism and operating effectiveness to mitigate fraud, malpractices and corruption of public funds and resources.

The eminence of internal audit has elevated in the world due to increased number of corporate collapses and financial scandals. International Professional Practices Framework (IPPF) of Institute of Internal Auditors (IIA) defines internal audit as an independent and objective consulting activity which add value to an organization and strengthen internal control system, effectiveness of risk management processes, and governance mechanism through a systematic and

disciplined approach (The Institute of Internal Auditors, 2020). Ammar (2019) describes internal audit function as a function that improves effectiveness of internal control system as a layer of protection against fraud. Norman, Rose, & Rose (2010) further emphasises that internal auditors play a significant role in prevention and detection of fraudulent activities and reduces financial losses arising due to fraud.

Although Maldives is a small country with approximately half a million people, the public sector lacks sound financial and operational management with increased corruption and financial scandals (The Heritage Foundation, 2021). IAF assists to instill good governance practices and improve internal control system; however, the role of IAF is very limited in the public sector. According to the Annual Report of Anti-Corruption Commission (ACC) of Maldives for the year 2020, 938 cases of corruption were registered to the commission in 2020, and further to the investigation process, cases of embezzlement amounting to MVR 29million (\$1.9million) was sent to the judiciary to recover back to the state. Further, the report highlights island councils, SOEs, and ministries including Ministry of Education, Ministry of Health and independent commissions among the top five recipients among the public sector institutes for the registered cases in 2020 (Anti-Corruption Commission, 2020). The numerous cases of corruption, embezzlement of funds and money laundering being reported in the country, makes establishment of IAF crucial to strengthen internal control system, improve risk management and establish good governance mechanism to enhance transparency and accountability, thus mitigate corruption. Marinković & Šestović (2015) states that the financial markets and global economies are highly distressed due to extensive financial scandals which has raised importance for legal and regulatory reform to promote and strengthen good governance practices in private and public sector, however, there has not been adequate research carried out resulting in declined role of IAF and its independence.

A module on IA was integrated into the Public Finance Regulation of the country during February 2017, resulting in formation of State Internal Audit Committee (SIAC) in February 2019. SIAC, formed 2 years after the regulation was passed, has been charged with fostering an ethical culture of transparency and accountability through formation of independent IAF and risk management strategies in the public sector of Maldives (State Internal Audit Committee, 2021). However, with several challenges such as lack of authority and independence provided to the committee through Public Finance Act, effective IAF remains deficient in the public sector with increased risk of misuse of public funds and resources.

The objective of this study is to understand the reasons for lack of effective IAF in the public sector and the role of IAF to mitigate public sector corruption. The study aims to identify underlying factors and existing challenges to establish IAF in the public sector and how effective IAF could assist in mitigating public sector corruption in the Maldives. Further, it would assess the adequacy of existing internal control systems, risk management processes and governance mechanism in the public sector to provide recommendations to strengthen IAF and enhance transparency and accountability in the public sector of the country.

2. Literature Review

2.1. Effectiveness of Internal Audit

Chartered Institute of Internal Auditors (2020) states that internal auditors provide an independent assurance that risk management, governance and internal controls are efficient and effective through a combination of assurance and consulting activities. Barisic & Tusek (2016) signifies importance of IAF effectiveness and its constant improvement to strengthen efficiency of corporate governance to add value to the operation. Dzomira (2020) affirms that a key stakeholder of public sector is the general public, increasing the necessity of effective IAF to improve effectiveness and efficiency in resources deployment and provide management and governing bodies intuition and direction on governance, operation and risk management. Coetzee & Erasmus (2017) however argues that IAF effectiveness has been a topic of debate by several researchers, proving it to be ambiguous and challenging, as the existence of the function itself enables to prevent and detect fraudulent activities and evaluation of IAF effectiveness by management and audit committee raises conflicts as they are key stakeholders. Thus, measurement of potential drivers which influences IAF effectiveness is largely debatable.

With several factors that determine effectiveness of IAF, Marinković & Šestović (2015) identifies that IAF can be viewed as a vital component that protects financial interests of the public and government, and a strong relation with top management is crucial to attain effectiveness and ensure prompt implementation of corrective actions reported by the function. Arel, Beaudoin, & Cianci (2012) claims that effective monitoring mechanism will not be available through a weak IAF, resulting in less effort to establish a check and balance system unlike a strong IAF that encourage ethical values from the management. Dibia (2016) suggests several factors which impact IAF effectiveness, such as quality, support from management, organisation hierarchy and auditee attributes which could restrict effectiveness owing to lack of competence, inadequate planning, impractical recommendations, and limitations to the scope of audit.

Shamsuddin (2014) highlights that several studies have been carried out by researchers on IAF effectiveness and his exploratory study in the context of Malaysia, using semi-structured interviews with 9 respondents signifies importance of IAF in the public sector. However, these studies demonstrate a repetition of challenges such as unavailability of competent auditors, absence of professional development, use of out-dated audit models, deprived support from management and participation of internal auditors to perform ad-hoc duties along with internal audits. Rudhani, Vokshi, & Hashani (2017) implies through a quantitative study in the context of Kosovo by means of 59 completed questionnaires to assess IAF effectiveness using quality, competence, independence and management support as independent variables and revealing that all these factors have a positive relationship with the dependent variable when tested through Pearson coefficient correlation and linear regression. Further correlation test signifies that competence and management support have a significant relationship with the dependent variable and competence and audit quality as variables that have

upmost impact on IA effectiveness through F-test. Study by Alzeban & Gwilliam (2014) in Saudi context using mixed method to analyse IA effectiveness using independent variables: competence, size of IAF, relation between internal and external auditors, independence and management support, recognizes all independent variables have a significant and positive correlation with the dependent variable and management support as a variable which has a significant positive association with other variables. Regression analysis further supports the analysis indicating a positive association between dependent and independent variables; with relation of coefficients competence, size and management support as statistically significant.

These studies by researchers using different methods and tests unveils similar factors associated with IA effectiveness; however, independence, management support and competence of internal auditors are proven to be statistically significant. It is essential to consider developments to IA frameworks in the context of public sector reflecting differences among countries, cultures and legislations to study further to comprehend other critical factors that could be associated with IA effectiveness.

2.2. Challenges to Implement Internal Audit

Roussy (2013) suggests that although IAF is proven to be essential to enhance good governance in the public sector, adequate regulatory frameworks are deficient to regulate independence of the function resulting in weak relation between internal auditors and audit committee members. Shamsuddin (2014) acknowledges that policies regarding professional standards, training, and resource allocation to administer IAF in the public sector have been developed in some countries, however the public sector administration is rigid with several laws and regulations that oversees IA activities, resulting in threats to independence and effectiveness of IAF. Dibia (2016) emphasises that implementation of IAF is challenging in public and private sector and although IAF may be a requirement of Stock Exchange to implement in the private sector, it is not straight forward in public sector due to absence of a mandatory requirement and differences between state legislations. Arena & Sarens (2015) agrees internal and external factors such as formation of regulations, recognition of the profession and its role by officials in authoritative positions and development of professional bodies to overcome challenges of organisational dynamics over practicing internal auditors, significantly influences the future of the IA profession.

Marinković & Šestović (2015) perceives potential differences in IAF from one institute to the other in the public sector based on complexity, size and services provided with additional challenges due to variances in accounting standards applied, competency of audit team and social compromises although IAF is vital particularly in developing countries. Obert & Munyunguma (2014) signifies existence of negative perception and misconceptions towards IAF due to fear of loss of jobs, lack of adequate knowledge and perception of public officials who gain personal benefits from institutes resources has discredit the auditing profession resulting in lost credibility on audit reports. Arena & Sarens (2015) emphasises that perception and expectation gap towards internal auditors exists among stakeholders: some stakeholders are uncertain of their expectation, some expect too much and others having rigid views towards the profession, influencing performance of internal auditors and effectiveness of the function. Thus, this raises significance of theoretical studies to fully comprehend the interaction and correlation between various stakeholders to gain legitimacy and improve IAF effectiveness and achieve the benefits of the function.

Dawuda, Aninanya, & Alnaa (2015) implies that 68.9% of auditors reveal that they are not provided access to documents limiting appropriate audit evidence due to management perception that internal auditors are faultfinders that do not add value to the institution; hence are given a low status in the organisation structure. Ma'ayan & Carmeli (2016) detects lack of adequate support from management as a challenge faced by internal auditors, since management tries to protect their image and status as they feel they are under examination, limiting support provided to internal auditors. The study signifies IAF as a crucial function and raises importance to provide support and resources to carry out quality and effective internal audits. Roussy & Rodrigue (2018) demonstrates a unique perspective through an exploratory study in the context of Quebec, Canada using data obtained through 17 semi-structured interviews with qualified internal auditors to assess success of IAF as a form of governance. The study disclosed a contradictory viewpoint which suggests internal auditors view themselves as part of the management and align their work with duties of the management resulting in objectivity and integrity threats and concerns over IAF as a monitoring mechanism. This further weakens performance of audit committees to attain reliable information to oversee effectiveness of the management leading to unethical decisions taken by the management as they feel less intensely monitored by internal auditors.

Effective IAF has been studied and agreed by numerous researchers as a fundamental tool to improve governance structure, however; it is essential to be backed by adequate regulatory frameworks to provide internal auditors an ethical environment to work with independence and integrity, sufficient resources, support from management with timely provision of required documents for audit and continuous training and professional development practices to improve competence of internal auditors to fully equip them with necessary knowledge and skills to carry out objective assessments to strengthen public sector administration, improve transparency and accountability and mitigate corrupt practices.

2.3. Independence of Internal Auditors

Popescu & Omran (2011) describes fundamental principles governing internal auditors as: independence, objectivity, professional competence, and Code of Ethics which includes integrity, trust, and credibility as ethical principles obligatory to be followed by practicing auditors. Mihret & Yismaw (2007) insists that IAF must be given a high status in the organisational structure to enhance independence and provide a proper communication line with senior management. George, Theofanis, & Konstantinos (2015) suggests that IAF will not provide a fresh perspective if it lacks independence

and is seen as part of the management. Kabuye, Nkundabanyanga, Opiso, & Nakabuye (2017) claims that organisation status provided to internal auditors constructs a mean for internal auditors to remain independent, produce objective judgements with their effectiveness being subject to management support and competence. Further, in-house IAF reporting directly to the management are alleged as lenders, which reduces their ability to protect against corruption than an in-house IAF which reports to the audit committee. Dibia (2016) criticises further that IAF plays a massive role in protecting resources from waste, fraud and inefficiency, although an in-house IAF may not literally be possible to have complete independence. However, an outsourced IAF may have an independent frame of mind which is crucial for internal auditors to state their opinions boldly and provide tough recommendations without bias or restrictions.

Hidalgo, Canello, & Lima-de-Oliveira (2016) raises concern through an analysis of existing empirical literature, cross-national comparisons, cross-sectional observations and audit reports of 10 years in the context of Brazil that role of auditors are closely associated to the relation between them and elected officials in the public sector where auditors survival to carry out audits are controlled by the officials, resulting in lack of or no independence of auditors. The study details that chief auditors are at times employed to serve in the best interests of the public sector officials resulting in deviations to policies and procedures and carrying out unlawful practices including corruption not being exposed by auditors. When the appointed auditors have strong ethical beliefs and are highly independent, the possibility of confronting such deviations and wrongdoings are much higher; however, standard delegative models suggest that threats to independence do not autonomously determine internal auditors capability to produce value adding information, but internal auditors behaviour are strongly aligned with the officials in the respective institutes who control their selection and persistence in the workplace. Liston-Heyes & Juillet (2020) emphasises on importance for internal auditors to sustain independence to efficiently carry out oversight, compliance and internal audit responsibilities, however management support is essential to provide advisory and risk management recommendations. This makes work of internal auditors highly fragile as they are expected to simultaneously be members of the team as well as independent with their social identity labelled as 'them' or 'us'. Neu, Everett, & Rahaman (2013) discloses through a qualitative study of a major corruption scandal in Quebec, Canada public sector, using documents gathered by investigations from a federal government commission and an interview with a key internal actor of the case, revealing accountants and auditors as virtuous actors in the fight against corruption and coexistence of politics and corruption due to lack of independence of internal auditors. The study extremely criticizes internal auditors working at the discretion of politicians and senior bureaucrats with their audit findings rewritten to minimize political consequences with their integrity threatened due to structural features of government hierarchy and chain of authority. Internal auditors are envisioned as professionals who guard against misapplication or leakages of funds and assets. However, existing challenges include influence on internal auditors professional judgement and independence based on how management perceives the function, poor control environment with absence of integrity and ethical values threatening independence of internal auditors and intervention of politicians and senior bureaucrats from discovering and reporting potential wrongdoings with their intention to limit internal auditors unbridled inspection powers to further restrict consequences that constrains their ability to exercise discretion and public criticism if deficiencies within public sector institutes are made visible. These interventions and mentality of politicians and senior bureaucrats in the public sector limit potential of internal auditors to exercise professional judgement with independence to enhance accountability, transparency and provide value for money services while protecting public funds and resources; thus, mitigate public sector fraud and corruption.

2.4. Public Sector Corruption

Enste & Christina (2017) identifies corruption could be of different forms: petty corruption such as small payments to low level officials in exchange for small favours like issuing a permit, or political or grand corruption through collaboration with high level officials or politicians to influence over decision making process with regard to major contracts, trafficking and embezzlement of assets. Such practices in the public sector is commonly hidden, making it difficult to measure absolute values while after-effects are extensive, resulting in reduced economic growth, failure to deliver appropriate quality services to the public and an obstacle to nation development. Popescu & Omran (2011) signifies having an effective IAF in the public sector is a crucial component of governance as it ensures ample administration of public revenue and expenditure. Marinković & Šestović (2015) affirms that effective IAF is essential to enhance transparency and accountability at all levels of public sector administration through their independence, methodology and standards.

Peerthum, Gunpath, & Luckho (2020) reveals through a mixed method study using 396 completed questionnaires and content analysis for corruption cases investigated and prosecuted to determine corruption typology reflecting the public sector of Mauritius, that corruption level in the country has increased in comparison to previous years with high pessimism on the capability and willingness of the government to fight corruption. The study implies 97% respondents believe that corruption is a huge issue in the country with 98% respondents agreeing that it is present in the public sector, and 65% perceive that corruption will increase in the future. The study further indicates 62% citizens perceive the National Anti-Corruption Agency is politically motivated and cases reviewed demonstrates bribery and misconduct in office such as abuse of power, conflict of interest and violation of laws as most common types of corruption carried out. Porter & Graycar (2016) evaluates most common types of corruption carried out by public sector officials through analysis of 72 corruption cases in the context of New York and identifies bribery, coercion, embezzlement, self-dealing, patronage, exploitation of power, creating or misusing conflict of interest, nepotism, clientelism and favouritism as common types of public sector corruption, carried out mainly through employing personnel, procurement, carrying out programmes or services, handling disasters, construction, controlling activities such as issuing of permits and justice administration. The study further interprets politicians and high level officials to be most vulnerable to high-level financial

corruption owing to their position of political influence and although these cases were not significant in number, the financial damage and impact on public confidence is immense. Further, the highest number of cases relate to procurement and overseeing contracts with low value bribes such as overlooking regulations having a significant impact on the public. Moldogaziev PhD & Liu PhD (2021) studies the impact of public sector corruption on performance of the government using data obtained through surveys with 28 countries and reveals through analysis of statistical models that corruption among government officials are significantly higher than local officials with statistically significant evidence suggesting a negative association with corruption and performance of local and central government level. The outcome further agrees with existing researches suggesting reduced acceptability and trust towards public institutes.

Several studies signifies the high level of corruption in the public sector, increasing the necessity to establish effective IAF as a supporting and collaborative device to take preventive measures and fight against corruption through their role to strengthen internal control system, reduce wastage of resources and risk management practices to improve integrity and professionalism of public officials to restore public confidence. Enhancing efficiency of independent bodies charged with investigation of corruption cases, justice administration to prosecute cases of corruption timely and adequate practices to recover embezzled funds to the state is crucial to deliver quality services to the public. Moreover, these essential measures would enhance transparency of motive and decisions and accountability of public sector officials who evade their responsibilities through buck-passing attitude and overriding their duty to serve with diligence; thus mitigate public sector corruption.

2.5. Fight against Corruption through Internal Audit

Rensburg & Coetzee (2016) underlines transparency as a central requirement by citizens from public officials in addition to quality services. This increases eminence of accountability, effectiveness, and efficiency of public sector institutes raising prominence of effective IAF to instil good governance and accountability structures. Roussy (2013) supports that public sector administrations lack adequate control mechanism and transparency, proven by financial scandals in the past and signifies the role of IAF to deliver these procedures and establish safety of public funds and resources ensuring provision of disciplined, diligent, and quality services. Dzomira (2020) stresses on importance to strengthen controls and governance to establish an ethical environment and culture in public sector institutes to ensure managers are provided with the adequate resources to deliver quality services and concurrently are held accountable on behalf of taxpayers and public for deviations. Thus, effective IAF is an essential component of the governance framework to enhance transparency and accountability to safeguard public funds and resources and deliver quality services to cater critical needs of all stakeholders.

Baharud-din, Shokiyah, & Ibrahim (2014) implies that irregularities which occur in the public sector such as violation of financial management guidelines, project completion delays resulting in cost overrun, procurement processed not in accordance with policies and procedures and payments processed to goods and services not received suggests that public sector administration lacks proper internal controls. Internal audit aids to review these compliance inconsistencies and improve controls to prevent financial losses and provides assurance that public funds and resources are spent diligently. Alqudah, Amran, & Hassan (2019) stresses that it is crucial to establish an effective IAF to support management to tackle fraud and irregularities, improve accountability, strengthen controls and risk management processes, which is indispensable in the public sector due to the complex and wide objectives and diverse audience with multiple expectations to ensure consistency of services and safety of public resources. Cross sectional and correlational study by Kabuye, Nkundabanyanga, Opiso, & Nakabuye (2017) in the context of Kampala, Uganda using 108 completed questionnaires reveals through correlation coefficient analysis that a significant positive relationship exists between independent variables: status of IA in the institute, IA competence and IA activities with the dependent variable fraud management, implying that the independent variables significantly increases the possibility of detecting fraud and assist in fraud management. Hierarchical regression analysis confirms that IA status in the institute as the greatest and most significant variable to manage fraud, followed by IA competence as a significant variable and IA activities as a variable with least potential to manage fraud, suggesting that proper status and competent internal auditors increase the likelihood that adequate activities will be performed to mitigate fraud. Gustavson & Sundström (2018) emphasises on how good auditing portrayed by independence and professionalism of IAF and recognition of people as principal aid to reduce public sector corruption through an empirical study with cross-sectional design focused on 159 countries globally, with degree of corruption in the public sector as the dependent variable and three principles of good auditing as independent variables for the study. The empirical analysis and assessment of 1,294 completed questionnaires demonstrates that countries with good auditing index have a low degree of corruption and results from regression analysis supports the outcome illustrating a strong association between the 3 dimensions with public sector corruption. Further, the full regression model outlines the 3 dimensions tested having a definite and significant impact on public sector corruption at a level of 99%.

Several studies confirms the sensitivity of internal auditors to factors that threaten their independence, competence and management support, and alleviation of these challenges enables internal auditors to design specific tests to identify loopholes within the control environment and procedures to timely prevent, detect and mitigate fraud. Further, with enhanced independence by positioning IAF with proper status and reporting lines and a competent team of internal auditors equipped with necessary knowledge, skills and experience will enable them to implement effective controls, improve risk management and instill good governance mechanism to promote transparency and accountability in public sector administration to counter fraud, corruption and malpractices to ensure safety of public funds and resources.

3. Methodology

An exploratory study with support of qualitative research method was used to gain insight and comprehend a deep understanding on the underlying reasons for lack of effective IAF and its role in mitigating public sector corruption, identify challenges in implementation of IAF and how IAF could assist to mitigate corruption, evaluate the adequacy of controls, risk management and governance in the public sector to provide suggestions on how existing IAF could be strengthened in the public sector of Maldives. Exploratory research aids to investigate an issue to gain in-depth insights through richness of information attained to reach a deep understanding of the underlying nature of the study problem (McNabb, 2015). Tracy (2019) approves that qualitative research provides comprehensive understanding that may be not be achieved through structured methods, which aids to improve clarity of what actually happens instead of what is said to happen. The study used inductive reasoning with no pre-determined hypothesis developed as the study is purely qualitative, which allowed flexibility and support context to generate new theory. McNabb (2015) emphasizes that qualitative studies are more open ended and follows an inductive approach which would eventually create a final design evolved through the research itself. Flick, Kardorff and Steinke (2014) signifies those qualitative studies are theory driven observations which rejects hypothesis formulated in advance to evade being fixed by the hypothesis; thus, increase openness to information obtained through interviews as knowledge influences observations.

The target population for this research was considered 17 ministries and 32 SOEs in the public sector of Maldives and 10 interviews were conducted with top management, Audit Committee members, Chief Internal Auditors and relevant independent authorities responsible for audit and review of internal controls and investigations of corruption cases for a greater understanding of existing challenges, future plans and strategies to reinforce public sector governance. Upon review of the 10 interviews conducted, 8 most relevant interviews were selected and used to analyses the findings of the study. Samples for the study were chosen based on purposive sampling method evolved from the researcher's judgment with elevated focus on the qualities and attributes of participants that would best achieve the objectives and provide appropriate responses to gain an extensive understanding of the underlying research questions. Purposive sampling is an ideal method where interviewees are carefully chosen based on precise criteria to meet research objectives (Bakkalbasioglu, 2020). Setia (2016) highlights that purposive sampling is most appropriate where the study intends to gain a thorough understanding to a specific problem based on intended research questions. Further, the research involves acquiring critical and judgmental information and although some respondents had reservations in explaining in detail, this limitation was minimized with the researcher's expertise in the field and ensuring safety of respondent's personal information.

Primary data obtained through semi-structured interviews were used in this study. An interview guide was prepared to ensure uniformity in interviews further allowing the researcher to probe and tailor questions to meet the stated objectives. According to Wilson (2013) systematic information can be gathered through semi-structured interviews to allow enhanced exploration to reveal issues that were not known before to collect facts, attitudes and opinions. Information regarding the study and its purpose was communicated and interviews were recorded with prior consent obtained from all respondents. Limitations in the interview process was identified upon completion of the first interview, with necessary action taken to improve the interview guide to reduce any shortcomings in subsequent interviews ensuring reliability and validity of the study.

Content analysis technique was used to analyse the raw data obtained through the interview process. The interviews were transcribed and themes were developed based on the transcriptions to conceptualise the transcripts based on the themes to reach a positive outcome in achieving the research objectives. Drisko & Maschi (2015) states that content analysis is a technique which focuses on content and latent data analysis through identification of themes to reflect a constructivist epistemology to explore complicated communications.

A participant consent form was used to support willingness of respondents to take part in the study and respondents were permitted to withdraw at any requested time. This study required collection of sensitive and confidential information regarding the internal control system, governance mechanism, risk management processes and corruption and fraud in the public sector, which was maintained with due care throughout the study. Anonymity of personal details of respondents will thus be maintained, and will not be identified or identifiable in this study.

4. Analysis and Findings

In line with the research objectives and questions, the themes utilized for this study are reasons for lack of IAF, challenges to implement IAF, adequacy of internal control system, risk management and governance mechanism, level of corruption in the public sector, common types of corruption, role of IAF to mitigate corruption and recommendations to strengthen effectiveness of IAF in the public sector of Maldives. The analysis identifies the participants of this research as P1 to P8 to maintain anonymity of participants.

4.1. Reasons for Lack of Internal Audit Function

The public sector lacks proper mechanism to stimulate good governance practices despite increase in fraud, corruption and financial manipulations year by year. IAF is a pillar of defence against corruption and acts as a preventive tool to identify and alleviate loopholes in the processes which increases risk of potential corruption; however, significant importance has not been placed to establish IAF in public sector institutes. As such it was unanimously agreed by all participants that IAF exists in very few public sector institutes in the country.

We checked how many government offices actually have an internal audit mechanism and how they function. What we have seen is that Finance Ministry and Auditor General's Office they have from the beginning. But in other

government offices even in government ministries, they don't have an internal audit function and internal control mechanisms [P5].

The study revealed several reasons for lack of IAF with 63% of participants agreeing that lack of awareness and adequate resources including competent human resources and financial means are primary reasons for lack of IAF in the public sector. Although there are several professional accountants with qualification from IFAC approved bodies, there are very few internal audit practitioners with Certified or Chartered Internal Auditor qualifications. In addition, with less importance being placed on the role of IAF as a fundamental control mechanism, adequate financial resources are not allocated to facilitate establishment of the function in the public sector.

I think the biggest reason is availability of human capital in the Maldives at large. We don't have sufficient properly trained people in this area [P6].

Public sector institutes are required to adhere to several laws and regulations regarding different aspects of the state operation; nevertheless, clauses that govern establishment of IAF have been vague and unclear, leaving significant room for misinterpretations. This results in proponents of IAF identifying the function as mandatory to be implemented while opponents argue it as nonessential. Thus, 50% of participants agree that the current laws and regulations do not provide an adequate framework to establish IAF and operate the function with the right independence and objectivity.

When it comes to the public finance act, it is not so explicit and so clear on having an internal audit function. What I meant to say is, one can ask a question whether there is a requirement and whether it is mandatory to have an internal audit function [P1].

The attitude, commitment and cultural stigma further do not create an ethical environment that promotes good governance, transparency and accountability of public officials. Maldives, being a country with high wield of political and bureaucratic influence, senior state positions in ministries, Board of Directors and executive positions of SOEs are utilized by politicians. Further, with the parliament and elected councils, the governance system of the public sector is significantly politicised resulting in proper framework not being developed timely. The right structure and framework giving internal auditors the independence to report freely is thus perceived as a threat by politicians and senior public officials. The study reveals 38% of participants believe that the public sector including politicians and senior public officials lack the right attitude and will to establish a proper governance framework to enhance transparency and accountability, resulting in lack of IAF in the public sector.

The level of transparency and accountability in the public sector has been very poor. And the powers of internal audit functions are not so separate, the executive function also control the internal audit function. So there are vested interests [P2].

4.2. Challenges to Implement Internal Audit Function

Challenges to implement IAF have been a topic of discussion and has been researched in the context of different countries. The difficulties encountered by countries vary hinged on several factors including political situation, cultural aspects, resources and level of transparency of the governance framework of the public sector. While the public sector of the country is comprehensive of government ministries, SOEs, independent institutions and councils, the study reveals numerous challenges in implementing IAF in public sector institutes.

The CG code for SOEs identifies audit committees of SOEs responsible to facilitate implementation of IAF and oversee their performance in their respective institutes. Audit committees of SOEs are formed among the Board of Directors who are assigned mostly through political affiliations rather than on merit. A fundamental challenge agreed by 88% of participants of the study relates to the composition of Board of Directors in SOEs, who lack adequate knowledge on the role of internal auditors and how they could add value to the organisation performance.

There are more political people rather than professional people in these committees. People with different interests, like public interest, interest from environment angle, interest from social impact, rather than people with required financial knowledge. And more from the management or political affiliation in these committees, rather than professionals. Because it is an Advisory Committee to the management, the advice should not be political [P8].

The political and bureaucratic limitations in the country is a challenge that remains at large throughout every administration. Regulatory framework and government strategies are centered to comply with how the ruling parties see fit, rather than best practices and ethical considerations to protect public funds and resources. Although professional auditors working in private and public sector raises concern over the threats to independence of internal auditors in the public sector due to adequate rights not being provided, the challenge persists. The civil service commission charged with the responsibility to overlook government ministries, do not have an appropriate structure designed to accommodate IAF in the ministries. Further, the pay structure does not offer sufficient remuneration to retain auditors, lawyers and other professionals in the public sector. The study shows 75% of participants identify the regulatory framework, governance to promote accountability and answerability and the shortcomings in the civil service structure and remuneration policies as an elemental challenge to implement IAF in the public sector.

Under public finance regulation we have the State Internal Audit Committee. Members of the audit committee are appointed by the finance minister. And there is nothing mentioned in the Public Finance Act about the State Internal Audit Committee. And there are audit committees established at entity level who are supposed to report to the State Internal Audit Committee. But as I said State Internal Audit Committee is not recognized under the Act. Although they have the authority, they may not be fully independent if they are appointed by the finance minister [P6].

When it comes to ministries, the civil service structure has not fully accommodated the charter and I feel there is some resistance from the national pay commission and civil service commission in accommodating our salary structure [P1].

Public sector institutes responsible to deliver essential services to the public and safeguard public funds and resources, must abide by principles of transparency and answerability. Public officials who fail to discharge their responsibilities with integrity must be held accountable irrespective of their political affiliations and positions. Good governance system free from political domination is crucial to enhance these principles, improve stability and mitigate public sector corruption. While political philosophies impair the foundation of good governance, it is agreed by 63% of participants that lack of transparency, accountability and answerability is an obstacle to implement IAF in the public sector with 38% of participants backing politics as the key reason for this.

The biggest challenge is will from the political leaders. In the past, we have seen that people who should take responsibility is getting away with things and then the current politicians probably think that if they improve these things they can't get away from some of these things [P6].

In addition to the above significant challenges, participants recognized other hindrances such as remuneration of internal auditors, cost incurred to establish the function, retaining internal auditors in public sector institutes, awareness on the role of internal audit, perception of management, competency and commitment of internal auditors working in the public sector to efficiently pursue their responsibilities as other challenges to implement IAF in the public sector.

I think the other significant challenge is we are not really committed to our work. When it comes to public sector, we all see that if we get a public service job you can just relax and we do not really need to perform to the expectation of the management, we don't really discharge our responsibilities properly and it is partially because we have weak governance and weak accountability. In addition, there are also challenges like lower remuneration, lack of understanding and knowledge on good governance, internal controls and internal audit and lack of commitment of staff members [P1].

4.3. Adequacy of Internal Control System, Risk Management and Governance Mechanism

Strengthening the internal control system, risk management processes and governance mechanism are three essential components that underpins internal audit. A strong control system regularly reviewed and improved, adequate risk management strategies and procedures in place to deal with them and a proper governance mechanism to enhance transparency and accountability of public sector officials would assist immensely in the fight against corruption.

Risk management has not been an area of focus and public sector institutes lacks structured assessments of risks and plans to mitigate them. Risk management frameworks are not established in most public sector institutes resulting in failure to have an updated inventory of potential risks these institutes are exposed to. It is agreed unanimously by all participants of this study that the public sector do not have an adequate framework to identify, mitigate and address risks of public sector institutes.

No public institution as a holistic risk management function or a risk management policy. But I must caution you there are risk management policies at some institutes but it is not implemented fully. So, risk management, I would say is virtually non-existent at public institutions. Except maybe one or two, but in fact, if the institute have a risk management function you will find that it is not performing as it should [P1].

Transparency, accountability and answerability are cornerstones of governance which have been discussed throughout this study. Public sector institutes are provided with a mandate and failure to deliver these mandates and inability to deliver due to increased corrupt practices in these institutes are subject to consequences. Although there are laws, regulations and good governance requirements by the corporate governance code, cases of deviation are not timely investigated with proper action taken to hold responsible officials accountable. It is agreed by 100% of participants of this study that this cycle repeats and the existing governance framework of the public sector is weak and inconsistent.

In terms of governance, since Maldives is hugely politicized there are a lot of conflicts if we observe, because it is a very volatile political environment where we have elections after elections and power keeps on changing, and a lot of senior positions in the government are repeatedly changed. So, when we look at the governance structure, it is very inconsistent [P3].

Strong internal control systems are crucial to mitigate corruption and fraudulent practices. Although there are regulations, policies and procedures that govern the activities in most public sector institutes, implementation of these regulations is weak and working around the policies and procedures are common in public sector institutes. The outcome of this study reflects 63% participants agree that internal control systems of public sector institutes are inadequate and implementation of existing regulations, policies and procedures remain deficient in the public sector institutes.

In some companies even the basic level of internal control systems are lacking. Partly because they don't even know and if you look at their accounting systems it is really pathetic, they don't have the experience to operate and design their accounting systems. So I can't say that it is good since these companies are using public money and it has to be managed properly, but they can't even produce monthly financial statements at some big organization [P2].

It is definitely not adequate. Some of the internal control systems have been in place for a long time, and I don't think it has been revised that much or has been modernised in another sense. And these controls should be assessed regularly and also has to be reported and changed. Regarding risk management and governance, I think these are even less existing mechanisms [P8].

The weakest areas of internal controls identified in the study includes lack of controls over financial reporting process, administrative and inventory records, physical controls, check and balance system, segregation of duties, procurement kickbacks and violation of regulation or policies deliberately or due to lack of awareness.

Financial reporting process is very weak, especially at council level. If we look at the local councils, the financial system is quite weak. In the ministry level, yes, financial system is based on SAP, so the transactions are

reported properly. But again, I think there are a lot of errors and mistakes in the financial reporting practice and month end reconciliation is one issue which is lacking [P6].

4.4. Level of Corruption in the Public Sector

Public sector corruption undermines the credibility of the public sector resulting in lack of public trust on state institutes, impact of integrity and reputation and creates a culture of self-perpetuating corruption. Corruption has a huge impact on the growth of the country, investments and economy at large. The adverse consequences of corruption are immense. It rises expenditure of the public sector, becomes a hindrance to provide quality service to the public, affects the most vulnerable people in the community and results in increased economic and social crime. The outcome of this study determines 75% of participants perceive that the level of corruption in the country is high while 25% of participants consider the level as moderate.

There is a high level of corruption in the public sector. But it is at different levels. And I think some can be clearly seen, but some cannot be so clearly seen. But again, in my opinion this is mainly due to impunity. Nobody faces consequences and there is no proper justice. And people who do their work or do the right thing sometimes faces threats or other consequences rather than the people who do the misdeed [P8].

If we look at the reports issued by the Anti-Corruption Commission, the corruption risk is significant in the SOEs. Most of the SOEs are considered at the top and there are certain ministries, two specific ministries in the top 10 as well. So, it is very much prevalent in the SOEs and some ministries. I would say it is quite high [P6].

The current practices do not facilitate sufficient action taken to mitigate practices of corruption or strengthen the loopholes in the control system; hence, corruption has become a norm in the society. Numerous cases of corruption get filed to the Anti-Corruption Commission each year, while few investigations are completed. And while these investigations are extremely delayed, the cases get further delayed at the prosecution stage, making it almost impossible to recover the embezzled funds to the state. Although it is a common topic of debate, the issue remains unchanged and the impact on the economy and citizens are immense.

We tend to ignore people when they are corrupt, and we have similar ideology. So we have cases popping up when government changes, cases being filed when government changes. This vicious cycle goes on and on and there is no more trust. For instance, MMPRC, so many people have been convicted, but where is all the money and what has really happened? The ventilator case is again a difficult case. But it was a showdown between two organizations, Prosecutor General's Office and Anti-Corruption Commission went for a showdown. It should be more a collaborative effort because this is not a competition [P4].

4.5. Common Types of Corruption

Corruption is carried out in different forms at different levels, petty corruption involving abuse of power by low-level public officials often through bribery, abuse of discretion or influence peddling and grand or large-scale corruption which involves politicians or top-level executives through misappropriation, embezzlement and exploitation of opportunities. Corruption is often carried out through collaborations between these officials and the public or through alliance between state institutes. The study reveals several types of corruption in the country, with 88% of participants revealing that the most significant and common type of corruption is carried out through procurement and project related activities. This statement aligns with international norms and previous researches, as procurement and projects are areas where a substantial amount of money is involved in countries around the globe.

Most common corruption is regarding the public procurement process. Normally almost 60% to 70% cases are from public procurement. In the ACC annual reports we can see these statistics. And even in the Auditor General's audit reports most of the cases are related to the public procurement. Other than public procurement, second I think is land issues and also regarding hiring and firing of public officials [P5].

The most common type of fraud definitely is in procurement area. But if we look into that even, I think the businesses are heavily vested and are heavily reliant on public funds in terms of getting public projects. I would pinpoint it on the project sides of the government, where most of these projects are being carried out, where the seekers or the businesses, they have a lot of connection, and they are driving or using their position to offer lucrative things to the public officials to get decisions in their favour. This is very common in Maldives [P3].

While the study confirms procurement as the most significant area of corrupt practices, there were several other types of corruption signified by participants. Abuse of power of senior public officials resulting in waste, misappropriation and embezzlement of funds, corruption due to bureaucracies and complex procedures, land related fraud and hiring and firing of public officials are other common types of corruption carried out in the public sector.

One common type is getting the job done, we still have bureaucratic issues and if we want to get something done, the procedures are very lengthy at times and we don't see the end result anytime soon. Even if we have all the relevant or appropriate documents we cannot expect to do things conveniently and we don't even know the outcome. So, people will try to find other ways to get things done or get the result they want [P7].

4.6. Role of Internal Audit Function to Mitigate Corruption

Internal auditors design their audit methodology to evaluate and understand the control environment, identify control weaknesses, and assess risk management and governance mechanisms in a holistic approach to add value to the institute's operation. Mitigating corruption is not the fundamental objective of an internal audit, however through their assessments and monitoring function, internal auditors identify loopholes in the control system and incorporate indicators of corruption to the control system which increases the likelihood to detect corruption timely and strengthen the control

system to avoid similar situations. All participants in this study agree unanimously that establishment of effective IAF in public sector institutes is an imperative element of good governance framework and their role in strengthening control mechanism and risk management system would assist immensely in the fight against corruption in public sector institutes. Further, internal audit being a monitoring mechanism, participants indicated that the presence of the function itself helps to mitigate public sector fraud, as it makes public sector officials hesitant to carry out fraudulent practices since there is a high possibility that internal auditors would identify these events.

Implementation of internal audit function itself will help to minimise fraud and if the IAF is effective it will help to further minimise corruption, fraud and malpractices through the check and monitoring mechanism it provides [P7].

Internal audit aids to provide awareness and educate public sector officials on the regulations, policies and procedures and identify deviations from these policies. Due to lack of sufficient knowledge, there has been several circumstances where public officials violate these policies when they execute their responsibilities. Strong internal control system reduces the susceptibility to fraud. All participants in this study approve IAF would improve the control environment and control systems, subsequently mitigating corruption in public sector institutes.

There are control weaknesses and people do mistakes without knowing that they are violating the public finance regulation. Civil service employees who are involved in the finance and procurement process are sometimes not very much aware of public finance regulations and because of that, people who are smart enough can beat the system and once internal audit function is established, there is a clear message that the management is serious in looking into the control weaknesses and finding a solution for that and this would spread awareness to employees if there are violations to the regulations [P6].

Good governance is crucial to mitigate corruption. Where the country lacks principles of good governance, corruption thrives and vice versa. Internal audit being a systematic and disciplined approach, improves the governance framework, ethical principles and promotes transparency and accountability in the public sector. All participants in this study agree that establishment of IAF would assist to improve public sector governance; thus, mitigate public sector corruption.

If we see recent cases in the Maldives especially like, the corruption scandals of MMPRCor currently the ventilators case, the top layer of management or executives are passing the buck to the lower level employees, saying that we did not know what is happening. In some cases there have been changes made to internal controls, there were removal of internal controls, just to facilitate these things. And the people who are responsible are getting away in these institutions as they are passing the buck to the other person. So if there is an effective IAF, you cannot say these things because IAF will highlight these things and make the management aware on these things [P8].

The weak risk management framework or non-existence of this framework in the public sector has been discussed in this study. Internal audit assists to champion the risk management framework through guiding the management and creating awareness on the benefits and how to go ahead with establishing the framework. With the presence of this framework, internal auditors would be able to link their methodology to risk management methodology and carry out risk based internal auditing to ensure that key risks have been identified, controls have been put in place, effectiveness of the controls and this independent review enables the institute to timely address and manage risks. The participants in this study confirm that through enhancement of the risk management framework and independent monitoring mechanism, IAF would help to mitigate corruption in public sector institutes.

Internal audit obviously can make valuable contribution to managing risk since audit itself would normally categorise their findings and observations on risk based manner. And they have a very good understanding of the areas where internal controls are lacking and where there is susceptibility for fraud. Internal auditors have a good understanding of system weaknesses and high risk areas and can be value adding when the risk management unit or board or risk consultant designs the risk management system [P2].

4.7. Recommendations to Strengthen Effectiveness of Internal Audit Function

Importance of implementation and strengthening IAF effectiveness is crucial for the fight against corruption in the public sector. The regulatory weaknesses are a major challenge previously discussed to establish IAF and improve its efficiency in the country. It is agreed by 75% of participants that providing internal auditors the authority and independence through regulation is fundamental to strengthen the role of internal auditors in public sector institutes.

Regulatory framework is a bit complex. All the civil service staff are regulated under the civil service act, but we have to give them independence through public finance regulation. So I think there has to be some amendments to the civil service act to recognize independence of professionals. To give them protection for example, if they investigate an issue and they need to raise some issues related to senior people, sometimes actions are taken against the internal auditors rather than the people who are involved in fraud or corruption. They are not really protected under the civil service regulation and public finance regulation [P6].

Development of competent internal auditors with knowledge and skills are crucial to ascertain the effectiveness of the function. Strengthening IAF in the public sector requires growth of human capital in the field; internal auditors with professional qualification and continuous professional development was signified by 75% of participants as fundamental to improve their role in the public sector. Further, restructuring the civil service structure and remuneration of these professionals is essential to retain them in public sector institutes.

If we want to improve the level and performance of our internal auditors, we need more specialized people not just in terms of qualification, but also in the number of years of experience they had. If the government really wants highly qualified internal auditors practicing in the public sector, they need to invest and compensate these professionals.

And they need to be more appreciated, and their work need to be more safe and secure in terms of the changing political environment so that their work can be independent and objective [P3].

Awareness of politicians, top management and senior public officials is vital to strengthen effectiveness of IAF in the public sector. The role of internal auditors is perceived as watchdogs or fault-finders rather than the value addition role they provide. Improving public sector awareness on the benefits internal audit is agreed upon by 63% of participants, further elaborating on enhanced capability and expertise of Audit Committee members of SOEs on the role of internal auditors to improve effectiveness of IAF in public sector institutes.

It is very important to make the Audit Committee knowledgeable on internal audit, risk management and governance. Make them stronger for them to oversee the internal audit function and ensure that Audit Committee plays a very powerful role in implementing recommendations of internal auditors. And, more importantly, implementation of recommendation is not an option. If they are not implemented, then the party that has default must be made accountable [P1].

5. Discussion

Corruption is a phenomenon which has several faces. It infiltrates economic growth, macro financial stability, investment, human capital accumulation and virtually disrupts state functions. It further penetrates public distrust on the state so prevalent it leads to violence, civil controversy and distressing social consequences. The core principles in prevention of public sector corruption comprises of the legal and regulatory framework, public affairs management, integrity, transparency and accountability. Prabowo & Suherita (2018) signifies tone at the top as the behaviour standard that subordinates would follow and creating a strong leadership with high level of accountability and integrity would help reduce corruption in the public sector. These principles of good governance revolves around internal audit, as a mechanism to strengthen the underlying standards required to mitigate public sector corruption and enhance the reliability of the internal control system and risk management framework. The intention of this study was to determine reasons and challenges for lack of effective IAF, effectiveness of existing internal control system, risk management processes and governance mechanism, role of effective IAF to mitigate public sector corruption and provide recommendations to strengthen IAF to enhance transparency and accountability in the context of public sector of Maldives.

The study reveals level of corruption in the public sector as significantly high, with potential increase in its level in upcoming years due to the challenges in the regulatory framework and ineffectiveness of the independent institutes charged with the responsibility to timely investigate cases of corruption and take adequate action against these perpetrators. The political instability and influence overgovernance mechanism has become a hindrance to nation development and is seen as an extreme disease in the public sector, resulting in distrust and denunciation of citizens on the public sector administration. Janenova & Knox (2020) condemns that in several instances investigation of unethical behaviour demonstrates reluctance of political leadership as such cases are a risk to the political career and attraction of media creates political divergence; thus state bodies interferes with such investigations.

In an administration where the control environment and control activities are ineffective, cases of corruption can be seen of different forms and volumes. The study discloses the public sector contains acts of petty corruption mainly due to ineffective controls and grand corruptions by politicians, top management and senior public officials detrimental to the performance of the public sector. In line with global norms, public procurement and projects processes were identified as an area with significant control weaknesses and highest number of reported fraud cases, involving substantial amounts of money and resources. Graycar (2019) emphasizes that procurement and projects related corruption cases reduces productivity and quality of infrastructure as these cases are politically motivated on the potential opportunity for bribes and kickbacks presented through these projects rather than the intrinsic economic value delivered.

The role of IA as a monitoring mechanism is crucial to determine lapses in the control system, risk management and governance. The study identifies IAF as an essential feature to be implemented in public sector institutes to improve governance, transparency and accountability and establish a framework where control weaknesses susceptible to fraud is detected with timely execution of corrective measures to mitigate public sector corruption. With several challenges in implementation of IAF in the public sector revealed through the study, significant focus requires to be placed on reforming the existing legal framework to provide internal auditors with the independence to execute their responsibilities. Ammar (2019) approves that independence and objectivity of IAF correlates with contribution of internal auditors to detect fraud and irregularities, further improving integrity of their services to add value and reduce the likelihood and exposure to fraud risk. Considering importance of a competent team of auditors equipped with required expertise and skills with continuous professional development in place, proficient audit committees are vital to set up IAF in SOEs and produce robust internal audit reports. Othman, Aris, Mardiyah, Zaina, & Amin (2015) outlines instruments for prevention and detection of fraud including IA to monitor and strengthen internal controls, improved role of audit committees and fraud reporting policies, stressing on the gravity of internal auditors in the public sector.

Strong internal control system, risk management processes and governance mechanism are fundamental to establish best practices and mitigate corruption. As the study highlights, the weak controls and absence of a risk management framework in public sector institutes unlocks potential to corrupt practices at different levels in public sector institutes. Together with weak governance creates an environment which fulfils the components of the fraud triangle, leading to elevated risk of fraud. Rustiarini, Sutrisno, Nurkholis, & Andayani (2019) asserts three causes of fraud as: motivation, opportunity and rationalization. Existence of these causes creates pressure, possibility to cover up and avert punishment and a mindset with reasons to carry out acts of fraud.

Although the study demonstrates IAF as a core element in the fight against corruption, IAF remains deficient in the public sector of the country. The challenges of implementing IAF will not be mutated if politicians, top management and public sector workforce do not comprehend the role of IAF and how they add value to the institute's operation. Augmenting proper awareness, regulatory reform, fostering competent internal auditors with expertise and skills, remuneration framework to retain these professionals and mitigating bureaucracies are recognized as vital components to strengthen the role of IAF in the public sector. Pickett (2000) denotes importance of continuous professional development and up-to-date expertise on the competency framework of internal auditors to equip them with acumen skills to cater changing dynamics in the environment and audit procedures. With fraud, corruption, mismanagement and public sector ineptitude a growing concern in the world, elevates public pressure to get a grip as these inefficiencies are hindrances for the administration to deliver basic services to the citizens. Thus; mitigating corruption needs to be treated as a fundamental obligation rather than an option, and implementation of IAF is an essential tool to administer this change to build an ethical culture, promoting transparency and accountability in the public sector.

6. Limitation and Suggestion

This study executes an exploratory review to grasp a profound perspective on IAF and its role in mitigating public sector corruption. Although this method is ideal to gain in-depth insight, the notion of corruption provokes hesitance from the intended target population. As such, reluctance from audit committee members, internal auditors and independent authority charged with the investigative duty for cases of corruption in the Maldives, limits the ability to generalize the findings of the study. In addition, the researchers expertise in the internal audit field and familiarity of professionals poses as a constraint, however on the contrary it also assisted to acquire rich and informative interviews to expedite a comprehensive analysis of the study problem.

Despite the importance of studying the prevailing factors for lack of effective IAF in the public sector and its role in mitigating public sector corruption, the area has not been studied adequately considering the developments to internal audit practices in the public sector. In addition, contemplating weaknesses in the investigation and prosecution process, more research is crucial on this area to comprehend the reasons for these inefficiencies and identify reinforcement procedures to tackle public sector corruption. This research identifies deficiencies in the legal and regulatory framework in the country, increasing prominence to further study the regulatory framework in the context of other countries to have a comprehensive understanding on how the framework would assist in the fight against corruption. Moreover, significance of IAF in mitigating public sector corruption increases perspective for future research, to improve performance of IAF and understand unique stances to develop effective IAF in the public sector considering critical factors that affect IAF effectiveness such as competence, independence, culture and legislative consequences pertaining to different countries. Hence, findings of this study requires to be further tested statistically using a survey to generalize the outcome of the study and ascertain a comprehensive understanding of the study problem.

7. Conclusion

The study involves an extensive analysis on the challenges and grounds for lack of effective IAF and adequacy of existing internal control system, risk management processes and governance mechanism in the public sector of Maldives. It further assesses the practice of corruption in the public sector and comprehend the role of IAF in mitigating corruption to provide recommendations to strengthen governance, transparency and accountability in the public sector.

The increased fraud and corruption enhanced prominence of IA around the globe. IA practices has evolved over the years with increased focus on the developments in private and public sector ventures and complexities of processes. This modernization provides internal auditors with the ability to conclude elaborative assessments and deliver value adding outcome to strengthen the control environment and establish the right tone at the top in public sector institutes. It further assists to improve governance structure, strengthen internal control system and risk management processes, enhancing transparency and accountability in public sector institutes to mitigate public sector corruption. Regardless of high level of corruption in the public sector and contemplating the value addition internal audit provides, IAF remains deficient in the public sector of Maldives owing to the weaknesses in the regulatory framework, political instability, limitations in developing competent internal auditors, challenges to retain professionals due to remuneration policies, inefficiencies of board of directors and most importantly the weak governance structure and unethical environment in the public sector. Rensburg & Coetzee (2016) emphasises that internal audit adds value to minimise risks accompanying challenges such as lack of commitment from public officials, insufficient response to the needs of citizens, fraud, corruption and unethical leadership, non-compliance with legislation and guidelines and weak public sector accountability created by weak governance and control mechanisms in the public sector. Further, mere existence of IAF cultivates an ethical environment and culture, where public sector officials show more reluctance to commit fraud as their actions are being evaluated continuously.

Alleviating public sector corruption requires political will to implement strong and adequate regulations, policies and procedures which are followed by officials at all levels of public sector institutes, providing IAF the freedom to deliver unbiased opinion and valuable contribution to address public sector corruption. Janenova & Knox (2020) underlines political will as a key element to tackle corruption in the public sector and takes form as legal and regulatory framework, anti-corruption programmes and strategies to improve professionalism and ethical behaviour of politicians and civil servants. Nonetheless, sustainable mitigation of corruption requires robust governance mechanism with improved framework and capacity to timely detect, investigate and prosecute acts of fraud and corruption, and an enduring system to recover such embezzlement to the state. (Global Edge, 2021)

8. References

- i. Alqudah, H. M., Amran, N. A., & Hassan, H. (2019). Factors affecting the internal auditors' effectiveness in the Jordanian public sector. *EuroMed Journal of Business*, 14(3), 251-273. Retrieved April 20, 2021
- ii. Alzeban, A., & Gwilliam, D. (2014). Factors affecting the internal audit effectiveness: A survey of the Saudi public sector. *Journal of International Accounting, Auditing and Taxation*, 23, 74-86. Retrieved April 20, 2021
- iii. Ammar, S. (2019). Internal auditors' perceptions of the function's ability to investigate fraud. *Journal of Applied Accounting Research*, 20(2), 134-153. Retrieved November 11, 2020
- iv. Anti-Corruption Commission. (2020). Annual Report 2020. Male' City: Anti-Corruption Commission.
- v. Arel, B., Beaudoin, C., & Cianci, A. (2012). The Impact of Ethical Leadership, the Internal Audit Function, and Moral Intensity on a Financial Reporting Decision. *J Bus Ethics*, 109, 351-366. Retrieved November 16, 2020
- vi. Arena, M., & Sarens, G. (2015). Editorial: Internal Auditing: Creating Stepping Stones for the Future. *International Journal of Auditing*, 19, 131-133. Retrieved April 19, 2021
- vii. Baharud-din, Z., Shokiyah, A., & Ibrahim, M. S. (2014). Factors that Contribute to the Effectiveness of Internal Audit in Public Sector. *IPEDR*, 70(24), 126-132. Retrieved April 17, 2021
- viii. Bakkalbasioglu, E. (2020). How to Access Elites When Textbook Methods Fail: Challenges of Purposive Sampling and Advantages of Using Interviewees as 'Fixers. *The Qualitative Report*, 25(3), 688-699. Retrieved December 27, 2020
- ix. Barisic, I., & Tusek, B. (2016). The importance of the supportive control environment for internal audit effectiveness – the case of Croatian companies. *Economic Research*, 29(1), 1021-1037. Retrieved April 14, 2021
- x. Chartered Institute of Internal Auditors. (2020). Chartered Institute of Internal Auditors. Retrieved November 11, 2020, from Chartered Institute of Internal Auditors: <https://www.iaa.org.uk/about-us/what-is-internal-audit/>
- xi. Coetzee, P., & Erasmus, L. (2017). What drives and measures public sector internal audit effectiveness? Dependent and independent variables. *Int J Audit*, 21, 237-248. Retrieved April 15, 2021
- xii. Dawuda, A., Aninanya, G. O., & Alnaa, S. E. (2015). THE ORGANIZATIONAL INDEPENDENCE OF INTERNAL AUDITORS IN GHANA: EMPIRICAL EVIDENCE FROM LOCAL GOVERNMENT. *Asian Journal of Economic Modelling*, 3(2), 33-45. Retrieved May 1, 2021
- xiii. Dibia, N. (2016). PERSPECTIVES ON THE INTERNAL AUDIT FUNCTION. *Igbinedion University Journal of Accounting*, 1, 76-86. Retrieved November 17, 2020
- xiv. Drisko, J., & Maschi, T. (2015). Content Analysis. Oxford University Press.
- xv. Dzomira, S. (2020). Corporate Governance and Performance of Audit Committee and Internal Audit Functions in an Emerging Economy's Public Sector. *Indian Journal of Corporate Governance*, 13(1), 85-98. Retrieved April 16, 2021
- xvi. Enste, D., & Christina, H. (2017). Causes and consequences of corruption: An overview of empirical results. Cologne Institute for Economic Research. EconStor.
- xvii. George, D., Theofanis, K., & Konstantinos, A. (2015). Factors associated with Internal Audit Effectiveness: Evidence from Greece. *Journal of Accounting and Taxation*, 7(7), 113-122. Retrieved November 17, 2020
- xviii. Graycar, A. (2019). Mapping corruption in procurement. *Journal of Financial Crime*, 162-178.
- xix. Gustavson, M., & Sundström, A. (2018). Organizing the Audit Society: Does Good Auditing Generate Less Public Sector Corruption? *Administration & Society*, 1508-1532.
- xx. Hidalgo, F., Canello, J., & Lima-de-Oliveira, R. (2016). Can Politicians Police Themselves? Natural Experimental Evidence From Brazil's Audit Courts. *Comparative Political Studies*, 1739-1773.
- xxi. Janenova, S., & Knox, C. (2020). SPECIAL ISSUE ARTICLE Combating corruption in Kazakhstan: A role for ethics commissioners? *Public Admin Dev.*, 186-195.
- xxii. Kabuye, F., Nkundabanyanga, S. K., Opiso, J., & Nakabuye, Z. (2017). Internal audit organisational status, competencies, activities and fraud management in the financial services sector. *Managerial Auditing Journal*, 924-944.
- xxiii. Liston-Heyes, C., & Juillet, L. (2020). Burdens of transparency: An analysis of public sector internal auditing. *Public Administration*, 659-674.
- xxiv. Ma'ayan, Y., & Carmeli, A. (2016). Internal Audits as a Source of Ethical Behavior, Efficiency, and Effectiveness in Work Units. *J Bus Ethics*, 137, 347-363. Retrieved May 3, 2021
- xxv. Marinković, E., & Šestović, M. (2015). THE CHALLENGES OF INTERNAL AUDIT IN CONTEMPORARY FINANCIAL MANAGEMENT. *Singidunum University International Scientific Conference* (pp. 73-77). Belgrade: Singidunum University.
- xxvi. McNabb, D. (2015). *Research Methods for Political Science: Quantitative and Qualitative Approaches* (2 ed.). New York: Routledge.
- xxvii. Mihret, D. G., & Yismaw, A. W. (2007). Internal audit effectiveness: an Ethiopian public sector case study. *Managerial Auditing Journal*, 22(5), 470-484. Retrieved November 16, 2020
- xxviii. Ministry of Finance. (2021, June 3). Public Enterprises. Retrieved from Ministry of Finance: <https://www.finance.gov.mv/public-enterprises>
- xxix. Moldogaziev PhD, T., & Liu PhD, C. (2021). Public sector corruption and perceived government performance in transition. *Governance*, 475-504.
- xxx. Neu, D., Everett, J., & Rahaman, A. S. (2013). Internal Auditing and Corruption within Government: The Case of the Canadian Sponsorship Program. *Contemporary Accounting Research*, 1223-1250.

- xxxi. Norman, C. S., Rose, A., & Rose, J. (2010). Internal audit reporting lines, fraud risk decomposition, and assessments of fraud risk. *Accounting, Organizations and Society*, 35, 546–557. Retrieved November 11, 2020
- xxxii. Obert, S., & Munyunguma, I. N. (2014). Internal audit perceptions and their impact on performance of the internal audit function. *IOSR Journal of Business and Management*, 16(5), 81-85. Retrieved November 17, 2020
- xxxiii. Othman, R., Aris, N. A., Mardziah, A., Zaina, N., & Amin, N. M. (2015). Fraud Detection and Prevention Methods in the Malaysian Public Sector: Accountants' and Internal Auditors' Perceptions. *Procedia Economics and Finance*, 59-67.
- xxxiv. Paterson, A., Changwony, F., & Miller, P. (2019). Accounting control, governance and anti-corruption initiatives in public sector organisations. *The British Accounting Review*, 1-6.
- xxxv. Peerthum, S., Gunputh, R. P., & Luckho, T. (2020). Assessing the effectiveness of the fight against public-sector corruption in Mauritius: Perception v reality. *International Journal of Law, Crime and Justice*, 1-15.
- xxxvi. Pickett, S. (2000). Developing internal audit competencies. *Managerial Auditing Journal*, 265-278.
- xxxvii. Popescu, S., & Omran, A. (2011). MANAGING RISK AND INTERNAL AUDITING. *IJRRAS*, 9(1), 150-158. Retrieved November 17, 2020
- xxxviii. Porter, L., & Graycar, A. (2016). Hotspots of corruption: Applying a problem-oriented policing approach to preventing corruption in the public sector. *Security Journal*, 423-441.
- xxxix. Prabowo, H. Y., & Suhernita, S. (2018). Be like water: developing a fluid corruption prevention strategy. *Journal of Financial Crime*, 997-1023.
- xl. Rensburg, J. O., & Coetzee, P. (2016). Internal audit public sector capability: a case study. *Journal of Public Affairs*, 16(2), 181-191. Retrieved April 15, 2021
- xli. Roussy, M. (2013). Internal auditors' roles: From watchdogs to helpers and protectors of the top manager. *Critical Perspectives on Accounting*, 24, 550-571. Retrieved April 16, 2021
- xl. Roussy, M., & Rodrigue, M. (2018). Internal Audit: Is the 'Third Line of Defense' Effective as a Form of Governance? An Exploratory Study of the Impression Management Techniques Chief Audit Executives Use in Their Annual Accountability to the Audit Committee. *J Bus Ethics*, 151, 853–869. Retrieved May 4, 2021
- xlii. Rudhani, H. L., Vokshi, N. B., & Hashani, S. (2017). Factors Contributing to the Effectiveness of Internal Audit: Case Study of Internal Audit in the Public Sector in Kosovo. *Journal of Accounting, Finance and Auditing Studies*, 3(4), 91-108. Retrieved April 20, 2021
- xliv. Rustiarini, N. W., Sutrisno, S., Nurkholis, N., & Andayani, W. (2019). Fraud triangle in public procurement: evidence from Indonesia. *Journal of Financial Crime*, 951-968.
- xl. Shamsuddin, A. (2014). Factors that Determine the Effectiveness of Internal Audit Function in the Malaysian Public Sectors. *International Journal of Business, Economics and Law*, 5(1), 9-17. Retrieved April 18, 2021
- xlvi. State Internal Audit Committee. (2021, June 3). Internal Audit Committee. Retrieved November 11, 2020, from Ministry of Finance: <https://www.finance.gov.mv/internal-audit-committee>
- xl. The Heritage Foundation. (2021, June 3). 2021 Index of Economic Freedom. Retrieved from The Heritage Foundation: <https://www.heritage.org/index/country/maldives>
- xl. The Institute of Internal Auditors. (2020, November 11). The Institute of Internal Auditors. Retrieved November 11, 2020, from The Institute of Internal Auditors: <https://global.theiia.org/about/about-internal-auditing/pages/about-internal-auditing.aspx>
- xl. The Presidents Office. (2021, June 3). The Cabinet. Retrieved from The Presidents Office: <https://www.presidencymaldives.gov.mv/Government/Cabinet/16>
- l. The World Bank. (2020, June 6). The World Bank. Retrieved from World Bank Group: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/235541600116631094/enhancing-government-effectiveness-and-transparency-the-fight-against-corruption?cid=gov_tt_gov_en_ext
- li. Wilson, C. (2013). Interview Techniques for UX Practitioners. Massachusetts: Morgan Kaufmann.