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INTERNAL AUDIT FUNCTION, MANAGEMENT SUPPORT AND CORPORATE GOVERNANCE IN PUBLIC SECTOR

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Abstract:

Having strong corporate governance (CG) in public sectors is very imperative. An effective CG may, to some extent, prevent mismanagement of public monies. Internal audit function might be a significant contributor to achieve this. However, little attention was given on the role of internal audit function within public sector's CG subject. As such, this paper presents a conceptual discussion on the potential effects of internal audit function attributes on the Malaysian public sector's CG, and the potential moderating effect of management support on this relationship. Institutional and agency theories were employed to synthesise relevant literature on internal audit function, management support, and CG in public sector setting. Subsequently, a conceptual framework was developed and ten propositions were established. The originality of this paper was in its comprehensive arguments on the possible association of internal audit function attributes on CG of the Malaysian public sector. Moreover, this paper attempted to examine the role of management support in this association. Additionally, the use of the institutional and agency theories offered essential insights pertaining to internal audit function attributes and management support subjects within the context of CG of the public sector. This study is timely in that it offers insights into how the internal audit function may improve the management of public financial resources.

Keywords:

Internal Audit Function, Management Support, Corporate Governance, Public Sector, Institutional Theory

Introduction

Internal audit (IA) was a governance mechanism both in the private and public sectors (PS) (Goodwin, 2004). In Malaysia, the Treasury Circular No. 9 (2004) required PS to set up IA department. Internal audit function (IAF) can assist the PS to achieve accountability and integrity, improve the implementation of government programs, develop confidence among citizens and stakeholders, and cater the risk of mismanagement of public fund (Yusof et al., 2016). This paper focuses on IAF in the Malaysian PS and was motivated by the increasing focus on the PS's governance as highlighted in the National Anti-Corruption Plan (NACP) 2019-2023 (GIACC, 2019). IA can be one mechanism to strengthen the PS's corporate governance (CG). CG in the PS refers to how an organisation was governed and performed, as well as who or what processes were in place to oversee management. The CG issue escalates the crucial role of IAF in the Malaysian PS.

In 2017, the Institute of Internal Auditor Malaysia (IIAM) underlined ten attributes of an effective IAF. Nonetheless, while these attributes were recommended, issues on mismanagement of public monies were still reported in the Malaysian PS. As CG was an important mechanism that may deter fraud from occurring (Lo et al., 2010), this raises the concern of the possible lack of awareness that IAF could strengthen CG of the Malaysian PS. Also, this issue may prompt public to question about the governance of PS. Therefore, attention should be given to the possible impact of effective IAF on CG of the Malaysian PS. Additionally, it is very essential for the IAF to gain support from the PS's management. Sunnari et al. (2021) revealed that management support (MS) moderates the effect of competence, objectivity, independence on IA effectiveness.

This study was timely as effective CG may to some extent prevent mismanagement of public monies from occurring in the PS. Moreover, IAF effectiveness within the PS's CG received scant research attention. Analysing factors that contribute to effective IAF in the PS could help to set proper and more transparent governance of public financial resources (Rudhania et al., 2017). It was also expected that support from the PS' management on effective IAF would enhance the impact of an effective IAF on the strength of CG of the Malaysian PS. The objective of this paper is to offer a conceptual discussion regarding the effect of IIAM's ten attributes of effective IAF on the strength of CG of the Malaysian PS; and the moderating role of MS on the relationship between these attributes and strength of CG of the Malaysian PS.

Theoretical Perspectives

Institutional Theory

The institutional theory stipulated that people and institutions require legitimacy in order to rule and prove their effectiveness (Meyer & Rowan, 1977; Lenz, 2013). Hence, legitimacy was attained by demonstrating the IA effectiveness (e.g. Lenz, 2013). IA effectiveness was measured based on its relationships with managers as their achievement of the IA were dependent on the objectives set forth by management, which function as institutional pressures (Azzali & Mazza, 2018).

The institutional theory was relevant to this paper as it emphasised the need to comply with existing standards, such as the principles for effective IAF (IIAM, 2017), in order to promote strong CG (e.g. Endaya & Hanefah, 2013). This theory illustrated how IAF contributes to

strong CG of the PS to conform with the society's expectation regarding the role of PS in managing the public funds.

Agency Theory

“An agency relationship was defined as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf” (Jensen & Meckling, 1976, pp. 308). In PS, agency relationship occurred between people (principal) and government (agent). Agency problem arose when the government act for their own interest neglecting the people's interest. Therefore, IAF played a role as a monitoring mechanism to minimise the agency problem (Setyaningrum & Kuntadi, 2019).

Agency theory established the existence and desired characteristics of the IAF (Adams, 1994). Therefore, PS's managements were encouraged to demonstrate more reliance on the IAF in helping them meet governance accountabilities and improve governance (Christopher, 2015). In this regard, this theory was appropriate to explain the moderating role of MS in the relationship between the effective IAF attributes and strength of CG of the Malaysian PS.

Research Method

Online research was utilised by this study in collecting articles related to corporate governance in public sector, internal audit function and management support. Google scholar served as the main search platform using key words “corporate governance and public sector”, “internal audit function” and “management support”. This study focused on articles published from 2015 to 2021. However, any article published prior to this period was still considered whenever relevant to the scope of this study.

Literature Review And Propositions

Corporate Governance In Public Sector

CG is important to improve the PS's efficiency, effectiveness, accountability and reputation (Koma, 2009). Good governance leads to good management, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users (Asaolu et al., 2016). Studies on CG within PS were scarce and in Malaysia, past research found several good governance dimensions such as leadership, stakeholder relationship, risk management, accountability and strategic management and monitoring enhance CG practices (e.g. Khalid et al., 2016; Saidin et al. 2019).

IIAM'S Guidance For An Effective Internal Audit Function

The IIAM's Guidance for an Effective Internal Audit Function (GIAF) (2017) underlined ten attributes of effective IAF: (i) Integrity; (ii) Competence; (iii) Objective; (iv) Aligns with the strategies, objectives, and risks of the organization; (v) Appropriately positioned and adequately resourced; (vi) Quality and improvement; (vii) Communicates effectively; (viii) Provides risk-based assurance; (ix) Insightful, proactive, and future-focused; and (x) Promotes organisational improvement. The aim of this paper was to discuss the potential influence of the GIAF attributes of effective IAF in enhancing good CG in the Malaysian PS. The discussion of the individual attribute was presented in the later sections.

Internal Audit Function Effectiveness In Public Sector

Past studies employed various indicators of IAF effectiveness in PS which can be categorised as individual and organisation attributes. The individual attributes include attributes of the internal auditors (IntAuds) such as competency (e.g. Kukuiah, 2019), independence (Shio, 2019), objectivity (e.g. Jachi & Mandongwe, 2019), and communication (Nadirisyah et al., 2018). The organisation attributes, include IA department independence (e.g. MacRae & van Gils, 2014), MS (FadlKarrar, 2018), program development and quality control (Nadirisyah et al., 2018), audit quality (e.g. Demeke et al., 2020), information technology tools (e.g. Siyaya et al., 2021). Overall, many of these indicators showed positive influence on the IAF effectiveness in PS.

Research found that IAF of the Malaysian PS was deprived by understaffing, lack of MS and appropriate auditing techniques knowledge and training among the auditors (Ahmad et al., 2009; Shamsuddin et al., 2014). Baharud-din et al. (2014) demonstrated that auditor competency, auditors' independence and objectivity and MS positively affect the effectiveness of IA.

Internal Audit Function And Corporate Governance In Public Sector

IA was a topic that has received little attention in the context of CG in PS. IAF was established to ensure that financial regulations, procedures, policies, and plans were followed (Badara, 2012). As such, the IAF was critical in supporting good governance (e.g. Birhane, 2019) and in reducing opportunities for accounting fraud and irregularities in PS (Asaolu et al., 2016). In international settings, Rahmatika (2014) showed that IAF effectiveness has significant effect on good governance of the Indonesian PS. Ayagre (2015) demonstrated that technical and professional skills set, low motivation, limited spending on IA, low MS and low independence affect good governance of the Ghanaian PS. Meanwhile, Asaolu et al. (2016) revealed that IAF had positive effect on the Nigerian PS's quality of service delivery and management of resources. Mbiha (2019) and Mulenga (2019) demonstrated that IA affect the effectiveness of CG of the Tanzanian PS. While there have been considerable studies on the role of IAF in strengthening the CG in the private sector, scarce work was done in the context of PS, particularly in Malaysia.

Management Support

MS was crucial in the implementation of effective IA (Mihret & Yismaw, 2007). The support includes resources, commitment, and response towards audit planning and audit recommendations. Mihret and Yismaw (2007) found that MS has significant effect on IA effectiveness in PS. Omolaye and Jacob (2017) recommended that management should support IAF in terms of staffing, training and compensation for effectiveness. Furthermore, management shows an important interaction in shaping the IAF attributes and practices (Jiang et al., 2017). In Malaysia, Ahmad et al. (2009) revealed that understaffing and inadequate encouragement from top management exist in the IAF of the PS. Meanwhile, past studies documented MS moderated the relationship between IntAuds' characteristics and IA effectiveness (Endaya & Hanefah, 2016; Bello et al., 2018). For instance, Sunnari et al. (2021) found that MS moderated the relationship between IAF competence, independence and objectivity with the IA effectiveness. Overall, prior studies offer evidences that MS was imperative to accomplish the implementation of effective IAF in PS.

Propositions Of The Study

Internal Auditors' Integrity And Corporate Governance Of The Public Sector

The first GIAF attribute is integrity, where the IntAuds must perform the tasks honestly, diligently, and responsibly. Unethical behaviour of IntAuds may cause ineffective IAF which would then affect the strength of CG in PS (Njunwa, 2013; Alias et al., 2019). The relationship between IntAuds' integrity and strength of CG of the PS, nonetheless, depended on MS. Specifically, if management provided support to the needs to have high level of integrity among IntAuds, the impact of IntAuds' integrity on CG of the PS would be stronger.

In summary, consistent with the institutional theory arguments, possessing high level of integrity by the IntAuds, would contribute to effective IAF and promote stronger CG of the PS. This ultimately would conform with the society's expectation pertaining to the PS's role in managing the public funds and rendering efficient services. Additionally, in line with the agency theory arguments, management as the agent was expected to support high level of objectivity among IntAuds to ensure the IAF was effective and subsequently enhance the strength of the PS's CG. Such support was essential for the PS's management in fulfilling their governance accountabilities to the principal, the public. Based on the above discussion, the following propositions were suggested:

- P1a: IAF that has IntAuds with high level of integrity would exhibit strong CG of the PS.
P1b: MS on the need for IntAuds to possess high level of integrity would enhance the positive contribution of IAF that has IntAud with high level of integrity to strong CG of the PS.

Internal Auditors' Competency And Corporate Governance Of The Public Sector

The second GIAF attribute was competence and due professional care where the IntAud must possess necessary skills through experience, training, and continuing professional education. Competent IA staff can positively affect the IA effectiveness of the PS, which subsequently influences the strength of CG of PS and performance (Kimaro, 2019). For example, IntAuds' competency significantly affects the PS's IA quality (Sumito & Setiyawati, 2019), IA performance (Lumasei & Muturi, 2019), and transparency and accountability (Jachi & Yona, 2019). Furthermore, Sunnari et al. (2021) discovered that MS moderated the relationship between IntAuds' competence and IA effectiveness.

The relationship between IntAuds' competency and strength of PS's CG, however, depended on MS. If management offered support to the needs to have high level of competency by the IntAuds, the influence of IntAuds' competency on CG of the PS would be stronger.

Essentially, according to the institutional theory arguments, IntAuds with a high degree of expertise would enhance IAF effectiveness and uphold strong CG of the PS. As such, this would eventually accord to the society's expectation concerning the PS's responsibility in dealing with the public funds and executing efficient services. Furthermore, consistent with the agency theory arguments, the management as the agent was anticipated to support high level of competency among IntAuds to ensure the IAF effectiveness and ultimately strengthen CG of the PS. This support was crucial for management in accomplishing their governance accountabilities to the principal, the public. Proceeding from the above discussion, the next propositions were suggested:

- P2a: IAF that has IntAuds with high level of competency would exhibit strong CG of the PS.
- P2b: MS on the need for IntAuds to possess high level of competency would enhance the positive contribution of IAF that has IntAuds' with high level of competency to strong CG of the PS.

Internal Auditors' Objectivity/Independence And Corporate Governance Of The Public Sector

The third GIAF attribute was objective and independent. Studies found objectivity was important to enhance IA effectiveness (e.g. Ahmad et al., 2009). In Malaysia, Kertali and Tahajuddin (2018) revealed that IntAuds' objectivity was impacted by level of their involvement in organisations' enterprise risk management (ERM) process, while Alias et al. (2019) revealed that most IntAuds had high level of objectivity when faced with unethical behaviour. Concerning independence, Nadirsyah et al. (2018) indicated that it was a situation where the IntAud was not bound to or intervened by any party during work. Mihret et al. (2010), however, noted the difficulties to maintain independence because IntAuds were employees within the organisation that they were audited. Sunnari et al. (2021) discovered moderating effect of MS on the relationship between IntAuds' objectivity and independence on the effectiveness of IA. Particularly, if management supported the requirement for IntAuds to have a high level of objectivity and independence, the effect of IntAuds' objectivity and independence on the strength of CG of PS would be higher.

In line with the institutional theory arguments, holding high level of objectivity and independence among IntAuds, would contribute to effective IAF and increase the strength of CG of the PS, which finally would correspond to the society's expectation relating to the PS's role in handling the public funds and providing efficient services. Moreover, in agreement with the agency theory arguments, the management, as the agent, was expected to support high level of objectivity and independence among IntAuds in ensuring the IAF was effective and consequently enhance the strength of PS's CG. Such support was vital for management in satisfying their governance accountabilities to the principal, the public. Following were the next propositions based on the preceding discussion:

- P3a-b: IAF that has IntAuds with high level of objectivity (independence) would exhibit strong CG of the PS.
- P3c-d: MS on the need for IntAuds to possess high level of objectivity (independence) would enhance the positive contribution of IAF that has IntAuds with high level of objectivity (independence) to strong CG of the PS.

Risk-Based Audit Plan And Corporate Governance Of The Public Sector

The fourth GIAF attribute was risk-based audit plan, which should be aligned with the organisation's strategies, objectives, and risks. The plan must be developed in consultation with the management. Additionally, the plan was anticipated to warrant that the IA scope sufficiently examined areas with the greatest exposure to the key risks which could affect the organisation's ability to achieve its objectives. Accordingly, the risk-based plan must be reviewed and revised, when deemed necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls (IIAM, 2017). Mbiha (2019) advocated that optimising the value of ERM and enhanced business continuity plan assessments may influence the effectiveness of IAF. He found that an inadequate MS is a challenge that constrains IA. The relationship between risk-based audit plan that was aligned with the organisation's strategies, objectives, and risks and the strength of PS's CG,

nonetheless depended on MS. Specifically, if management provided support to ensure that the risk-based audit plan was aligned with the organisation's strategies, objectives, and risks, the impact of such plan on the strength CG of PS would be higher.

Overall, consistent with the institutional theory arguments, the management is expected to support risk-based audit plan that was aligned with the organisation's strategies, objectives and risks to ensure the IAF is effective and eventually strengthen CG of the PS. Therefore, this would ultimately conform to the society's expectation about the PS's responsibility in managing the public funds and rendering efficient services. Besides, in line with the agency theory arguments, the management, as the agent, was expected to support risk-based audit plan that was aligned with the organisation's strategies, objectives and risks to ensure the IAF was effective and eventually enhance the strength of the PS's CG. This support is crucial for management in accomplishing their governance accountabilities to the principal, the public.

Based on the preceding discussion, the next propositions are:

- P4a: IAF that aligns the risk-based audit plan to the organisation's strategies, objectives, and risks would exhibit strong CG of the PS.
- P4b: MS in ensuring that the risk-based audit plan was aligned to the organisation's strategies, objectives, and risks would enhance the positive contribution of IAF that has this risk-based audit plan to strong CG of the PS.

Internal Audit Resources And Corporate Governance Of The Public Sector

The fifth GIAF attribute was IA resources needed for effective IAF, including adequate manpower, supporting infrastructure, sufficient time; and IntAuds have the required qualifications, competence, and experience. Management should view IA unit as a strategic business unit that creates value and provides resources it requires to perform their functions in PS (e.g. Thomas, 2018). An effective IAF through adequate resources may uphold the CG practices in PS (Jachi & Yona, 2019). Lack of incentives for IA employees, inadequate budgets, communication issues with head office, scarce IA employees, and lack of proper professional preparation were some of the obstacles identified in the PS (e.g. Jachi & Yona, 2019). Manyama (2020) posited that lack of MS affects the IAF effectiveness of the PS. The relationship between IA resources, as an attribute of effective IAF, and the strength of PS's CG, however, depended on MS. The influence of IA resources on the strength of CG of the PS would be higher if management gave support by providing enough IA resources.

The institutional theory suggests adequate IA resources, would contribute to IAF effectiveness and strengthen the CG of the PS. This eventually would accord to the society's expectation concerning the PS's role in handling the public funds and executing efficient services. Moreover, concurring with the agency theory arguments, the management, as the agent, was foreseen to support adequate resources for IA in ensuring the IAF was effective and subsequently reinforce the strength of the PS's CG. Such support was essential for management in satisfying their governance accountabilities to the principal, the public. Based on the above discussion, the following propositions were suggested:

- P5a: IAF that has adequate IA resources would exhibit strong CG of the PS.
- P5b: MS by providing adequate IA resources would enhance the positive contribution of IAF that has adequate IA resources to strong CG of the PS.

Internal Audit Quality And Corporate Governance Of The Public Sector

The sixth GIAF attribute was internal audit quality (IAQ). Many studies revealed positive relationship between the IAQ and IA effectiveness in PS (e.g. Temesgen & Estifanos, 2018). From the CG perspective, company with effective internal governance mechanism would demand high audit quality (Sarens et al., 2012). In contrast, Barac and Van Staden (2009) found no relationship between IAQ effectiveness and CG structure. Despite this, the relationship between IAQ, as an attribute of effective IAF, and good CG of PS was depended on MS. Generally, if management supports IAQ, the influence of IAQ on the strength of CG of the PS would be greater.

Essentially, in line to the institutional theory arguments, having IAQ, would enhance IAF effectiveness and promote strong CG of the PS. Therefore, this would ultimately conform to the society's expectation regarding the PS's responsibility in dealing the public funds and providing efficient services. Furthermore, consistent to the agency theory arguments, the management, as the agent, was expected to support IAQ to ensure the IAF was effective and ultimately enhance the strength of the PS's CG. This support was crucial for management in accomplishing their governance accountabilities to the principal, the public. For that, the following propositions were formulated:

P6a: IAF that has effective IAQ would exhibit strong CG of the PS.

P6b: MS on IAQ would enhance the positive contribution of IAF that possessed IAQ to strong CG of the PS.

Internal Audit Communication And Corporate Governance Of The Public Sector

The seventh GIAF attribute was IA communication, which must be accurate, objective, clear, concise, constructive, complete and timely (IIAM, 2017). According to Leung et al. (2011), good CG encouraged open communication and discussion, otherwise, it caused conflicts and lack of transparency. Consequently, IA findings and assurance engagement must be communicated with management and other stakeholders to improve governance, risk and control environment (Farkas et al., 2019). Additionally, Farkas et. al (2019) emphasised on the quality of the IA report. Moreover, Setyaningrum and Kuntad (2019) advocated that effective communication is considered as part of the IAQ that influence the IA effectiveness. The relationship between effective IA communication, as an attribute of effective IAF, and strong CG of PS, nevertheless depended on MS. Specifically, if management provided support to effective IA communication, the impact of such communication on the strength of CG of PS would be higher.

In sum, according to the institutional theory arguments, having effective IA communication, would contribute to effective IAF and enhance CG of the PS. This would eventually correspond to the society's expectation about the PS's role in managing the public funds and rendering efficient services. Furthermore, consistent to the agency theory arguments, the management, as the agent, was expected to support effective IA communication in ensuring effective IAF and eventually strengthen CG of the PS. This support was important for management in satisfying their governance accountabilities to the principal, the public. Therefore, the following proposition were presented:

P7a: IAF that has effective IA communication would exhibit strong CG of the PS.

P7b: MS on effective IA communication would enhance the positive contribution of IAF that possessed effective IA communication to strong CG of the PS.

Internal Audit Risk Based-Assurance And Corporate Governance Of The Public Sector

The eight GIAF attribute was IA risk-based assurance. IIAM (2017) recommended the use of a risk-based approach in IA work where all risk areas be identified and prioritised to provide an independent assessment on the organisation's governance, risk management, and internal control processes. Risk assessment results should be filtered through management before they are reported to the audit committee (Norman et al., 2010). Likewise, IntAuds would enhance fraud risk assessments activities through audit plans when they involved in a self-assessment that were sensitive to management incentives (Asare et al., 2008). Pertaining to CG, the use of a risk-based audit plan improved the role of IAF in CG compared to the IAF without a risk-based audit plan (Sarens et al, 2012). An effective IA "is expected to review the major areas of risk to contribute to the achievement of company objectives by positively influencing CG" (Lenz & Hahn, 2015, pp. 7). Arena and Azzone (2009) discovered that level of IA involvement was positively associated with the implementation of control risk self-assessment techniques. Nonetheless, the relationship between IA risk-based-assurance as an attribute of effective IAF, and strength of CG of the PS relied on MS. If management encourages the use of IA risk-based-assurance, the influence of IA risk-based-assurance on the strength of CG of PS would be greater.

Consistent with the institutional theory arguments, the adoption of IA risk based-assurance, would enhance IAF effectiveness and strengthen CG of the PS. This would ultimately conform the society's expectation pertaining to the PS's responsibility in dealing the public funds and executing efficient services. Additionally, in line with the agency theory arguments, the management, as the agent, was expected to support the adoption of IA risk based-assurance to ensure the IAF was effective and subsequently enhance the strength of CG of the PS. Such support was essential for management in fulfilling their governance accountabilities to the principal, the public. Based on the above discussion, the following propositions were suggested:

P8a: IAF that adopted IA risk based-assurance would exhibit strong CG of the PS.

P8b: MS on the adoption of IA risk based-assurance would enhance the positive contribution of IAF that adopted IA risk based-assurance to strong CG of the PS.

Internal Audit Recommendations (Insightful And Future-Focused) And Corporate Governance Of The Public Sector

The ninth GIAF attribute required IA to provide insightful, future-focused and proactive recommendations. IntAuds should be proactive and their evaluations should identify root-causes of issues and exceptions, offer new insights, and consider future impact (IIAM, 2017). When IntAuds state the root cause of audit finding in the report, management recognised the report as reliable, useful and clear (Farkas et. al, 2019) to improve organisational performance. Accordingly, management decided the action based on the IntAuds' recommendation (eg. Farkas et al., 2019) that subsequently improve the quality of financial report and public services (Furqan et al., 2020). Nevertheless, the relationship between insightful, future-focused, and proactive IA recommendations, as an attribute of effective IAF, and strength of CG of the PS depended on MS. Particularly, the impact of such recommendations on the strength of CG of PS would be higher if management supported the need for analytical, future-focused, and proactive IA advice.

In essence, in line with the institutional theory arguments, producing insightful, future-focused and proactive IA recommendations, would contribute to effective IAF and strengthen CG of

the PS. Therefore, finally would accord with the society's expectation regarding the PS's role in handling the public funds and providing efficient services. Moreover, in agreement with the agency theory arguments, the management, as the agent, was anticipated to support IA recommendations that were insightful, future-focused in ensuring the IAF was effective and consequently strengthen CG of the PS. This support was crucial for management to meet its governance responsibilities to the principal, the public. Therefore, the above discussion leads to the following proposition:

- P9a: IAF that produced insightful, future-focused and proactive IA recommendations would exhibit strong CG of the PS.
- P9b: MS on insightful, future-focused and proactive IA recommendations enhanced the positive contribution of IAF that produced such IA recommendations to strong CG of the PS.

Organisational Improvement And Corporate Governance Of The Public Sector

The last GIAF attribute was IA should give appropriate recommendations to improve the organization performance. Prior studies found that IA was added value for its contribution to improve organisational performance (eg. Alzeban & Gwilliam, 2014) and its suggestion were reliable to be implemented (Bhatti & Awan, 2004). Particularly, IntAuds involved in the monitoring internal control, risk management and governance process (Arena & Azzone, 2009). In PS, this involvement could provide feedback and recommend solutions, thus, help managers to better achieve the organisational objective and promote strong governance and accountability (Asare, 2009). The IA should not only focus on program achievement, but should emphasise on the resulting value from improvement action (Elliott et al., 2007). According to Alic and Rusjan (2010), IA can be used to enhance quality management systems, including business improvements. Roussy et al. (2020) found that IA associated with organisational significance and IA effectiveness related to all building blocks to produce organisational learning and positive change. Additionally, the compliance with CG principles lead to better organisational performance. However, the relationship between IA recommendations that improve the organisation, as an attribute of effective IAF and strength of CG of the PS, relied on MS. If management supported the needs for IA recommendations that improve the organisation, the impact of such recommendations on the strength of CG of PS would be greater.

Essentially, according to the institutional theory arguments, producing IA recommendations that improve the organisation, would enhance IAF effectiveness and upsurge the strength of CG of the PS. Subsequently this would correspond the society's expectation pertaining to the PS's responsibility in managing the public funds and executing efficient services. Likewise, consistent with the agency theory arguments, the management, as the agent, was foreseen to support IA recommendations that improve the organisation to ensure the IAF was effective and eventually strengthen CG of the PS. Such support was important for management in fulfilling its governance responsibilities to the principal, the public. For that, the following propositions were established:

- P10a: IAF that produces IA recommendations that improve the organisation would exhibit strong CG of the PS.
- P10b: MS on IA recommendations that improve the organization would enhance the positive contribution of IAF that produced such IA recommendations to strong CG of the PS.

Discussion And Future Research

This paper proposed that the GIAF attributes of effective IAF were essential in strengthening CG of the Malaysian PS. Additionally, MS played a moderating role in enhancing the effective IAF, that complied with the recommended GIAF attributes, which would subsequently contribute to strong CG of the Malaysian PS. Review on the existing literature illustrated that: 1) while significant number of studies that focused on both effectiveness of IAF and CG, however, most of the studies were conducted from the perspective of private organisations. Scarce research was performed in the context of PS organisations, particularly in Malaysia, 2) although prior studies on IAF effectiveness had examined numerous factors, but none had explored all the ten GIAF attributes of effective IAF in a single study; and 3) limited research examined the moderating role of MS in the context of IAF effectiveness and CG particularly in the framework of PS. Therefore, this paper has established research propositions based on institutional theory and agency theory to explain potential relationships among relevant constructs. Specifically, the institutional theory was employed to explain the role of the GIAF's attributes of effective IAF in promoting strong CG of the PS. On the other hand, the agency theory was utilised to elucidate the role of management of the PS's organisation in supporting effective IAF and subsequently strengthening CG of the PS.

For that, this paper provided a conceptual framework as a basis for further empirical investigation to examine the attributes of effective IAF, as recommended by the GIAF, and MS on the strength of CG of the PS. As such, the propositions developed in this paper would be offered into testable research hypotheses and served as a basis to develop research questions followed by detailed inquiry that would subsequently render in-depth understanding regarding the proposed framework. The inquiries and explanation in the future study would be made in accordance to the arguments of the institutional theory and agency theory as proposed in this paper. In this regard, this paper was timely to offer direction for future research, theoretically and practically, pertaining to the development of IAF in the context of CG of the PS.

As discussed earlier, IAF effectiveness was crucial in promoting strong CG of the PS. Some studies (eg. Siyaya et al., 2021) evident the importance of this topic in various countries. Nevertheless, little attention was given to investigate this topic within the context of the Malaysian PS. Moreover, the potential contribution of effective IAF in promoting strong CG was expected to be determined by the extent the management rendered their support to effective IAF. The interference of management could lead to best practice of effective IAF which eventually strengthening CG of the PS. Therefore, this paper recommends empirical studies be performed to examine the association between IAF with CG of the PS and to consider MS on effective IAF attributes as a moderating variable. In this regard, the propositions developed in this paper could be used to develop and test the hypotheses in the future studies.

Conclusion

This paper has endeavoured to offer a conceptual framework based on prior literature for the study of IAF effectiveness, its impact on CG of the Malaysian PS, and the moderating role of MS in this association. The propositions developed in this paper were based on the arguments of institutional theory and agency theory to integrate the existing literature on the subject matters. Effective IAF in PS is essential as it provides assurance that public funds are not misused and or mismanaged (Ayagre, 2015). However, the effectiveness of IAF cannot be achieved if it suffers from lack of employees, management support, expertise and training (Ahmad et al., 2009). Studies in other countries such as Indonesia and several African countries

had shown that IAF effectiveness has significant impact on good governance of the PS (e.g. Rahmatika, 2014; Barac & Staden, 2014; Ayagre, 2015; Birhane, 2019) and in minimising PS's risk of accounting fraud and discrepancies (Asaolu et al., 2016). Therefore, the association between the IAF effectiveness with the CG of the PS requires further attention. It was also argued that support of management on an effective IAF would promote strong CG within the PS.

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