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## Research Article

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### Exploring the Role of Internal Audit: A Qualitative Study of Institutions in the Philippines

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#### ABSTRACT

This qualitative study delved into the complex role of internal audit practices in various Philippine institutions. The research aimed to illuminate the qualitative aspects shaping internal audit's importance. Ten participants from governmental bodies, private corporations, non-profits, and financial institutions were interviewed, providing insights into their experiences and challenges. The findings emphasized internal audit's pivotal contribution to transparency, accountability, risk analysis, and overall organizational effectiveness. Despite its importance, institutions faced challenges such as limited resources, hierarchical barriers, and the need for continuous professional development of auditors. Key qualitative themes emerged, highlighting internal audit's role in promoting organizational integrity and effectiveness. The study acknowledged its limitations but underscored the importance of strategic investments to overcome challenges. It suggested reorienting internal audit as a strategic asset integrated into decision-making processes. Recommendations included adequate resource allocation, fostering collaborative cultures, strategic risk analysis, continuous professional development, incorporating audit insights into decisions, and aligning practices with institutional culture. This study provided a nuanced understanding of internal audit's evolving role in the Philippine context. Its insights offer valuable guidance for enhancing internal audit practices across diverse institutions, bridging theoretical concepts with practical applications.

**Keywords:** Internal audit

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#### Introduction

Within the dynamic landscape of the Philippines, institutions ranging from governmental bodies to private corporations are facing an

increasing need for robust governance, accountability, and efficient risk management. This demand has elevated the role of internal audit from a conventional financial control

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function to a multifaceted strategic asset that encompasses the qualitative evaluation of an organization's internal mechanisms. This comprehensive qualitative study (Section 1) embarks on an exploration that transcends the surface, delving into the qualitative dimensions that define the significance of internal audit across diverse institutions (Section 1.1).

The Philippines, a nation known for its economic vibrancy and cultural diversity, hosts a complex array of institutions that play pivotal roles in driving economic growth and societal progress. However, these institutions are not immune to the qualitative challenges that arise from a rapidly changing economic landscape, diverse stakeholder expectations, and an evolving regulatory environment. In this context, the qualitative exploration of internal audit's role assumes paramount importance, as it goes beyond the quantitative metrics to unearth the qualitative dynamics that drive institutional success and resilience.

## **Literature Review**

Informed by the rich repository of literature (Section 1.2), this qualitative synthesis (Section 1.2) delves beyond the superficial to uncover the qualitative threads that weave the tapestry of internal audit's benefits. In an era where organizations operate in an increasingly complex and interconnected manner, internal audit has evolved into a qualitative assurance mechanism that spans financial and non-financial realms. This qualitative journey is guided by the "International Standards for the Professional Practice of Internal Auditing" set forth by the Institute of Internal Auditors (IIA), which underlines the significance of internal audit in evaluating and enhancing the efficiency and effectiveness of organizational operations (IIA, 2017). In this qualitative light, internal audit becomes an integral component of an institution's qualitative endeavor to achieve its mission, ensure compliance, and manage risks in a qualitative and strategic manner.

### ***Local and Global Insights:***

Across the globe, academic and practitioner research has unearthed the qualitative intricacies of internal audit's significance.

Alzeban and Sawan (2015) probed the qualitative role of internal audit within the context of the public sector in Saudi Arabia, revealing its qualitative contributions to governance and risk management. In Italy, Arena and Azzone (2009) delved into organizational drivers impacting internal audit effectiveness, identifying qualitative elements that shape its success. Similarly, Cohen and Sayag (2010) provided insight into the effectiveness of internal auditing in Israeli organizations, offering a nuanced view of its qualitative determinants.

### ***The Philippine Landscape:***

The Philippines, a dynamic player in the global economic arena, presents a compelling qualitative backdrop to examine internal audit's multifaceted role. With the nation's remarkable economic strides and development initiatives garnering attention from institutions like the World Bank, the qualitative imperative of effective governance and financial management stands out (World Bank, 2020; CIA, 2020). The CIA World Factbook underscores the diverse socio-economic fabric and qualitative challenges that institutions encounter within this landscape. Amid these qualitative complexities, research specific to the Philippines contributes rich qualitative insights.

Agito and Badayos-Jover (2014) embarked on a qualitative exploration of internal audit effectiveness within the Philippine public sector, unearthing the qualitative facets that influence its impact. Almario et al. (2014) harnessed structural equation modeling to unveil factors that impact internal audit effectiveness in the Philippine banking sector, providing qualitative insights into industry-specific challenges and opportunities. Bautista, Dacanay III, and Co (2017) delved into the influence of internal audit function quality on audit delay, revealing qualitative connections between internal audit efficiency and audit timelines. Dacanay III, Bautista, and Co (2016) extended this qualitative exploration by investigating the linkage of internal audit function quality to financial reporting within the Philippine and Indonesian banking sectors, particularly during the global financial crisis.

### **Synthesis of Qualitative Insights:**

These studies collectively underline the qualitative richness inherent in internal audit's role across diverse Philippine institutions. They unveil the qualitative factors that contribute to its effectiveness, highlighting its role in nurturing transparency, accountability, and informed decision-making. Additionally, they delve into the qualitative challenges institutions confront when implementing robust internal audit practices, encompassing resource limitations, cultural dynamics, and the imperative for continuous professional development.

### **Bridging Theory and Practice:**

Incorporating theoretical paradigms such as Institutional Theory and Organizational Culture Theory enhances the qualitative comprehension of internal audit's impact. These theoretical frameworks qualitatively elucidate how institutional pressures and cultural dynamics qualitatively shape internal audit practices, offering a nuanced understanding of its role within the qualitative tapestry of organizations.

In sum, the reviewed literature qualitatively paints a comprehensive portrait of internal audit as an integral and evolving element within diverse Philippine institutions. The qualitative threads woven through these studies collectively foster a deep and informed qualitative understanding of internal audit's multifaceted role, the qualitative challenges it navigates, and its qualitative potential for enhancing organizational effectiveness. This qualitative exploration sets the stage for a comprehensive study that seeks to qualitatively explore and contribute to the qualitative dimensions of internal audit's significance across diverse institutions in the Philippines.

### **Theoretical**

The rich theoretical framework, a blend of Institutional Theory and Organizational Culture Theory, serves as a qualitative compass, guiding the exploration. It deftly illuminates the qualitative forces that shape internal audit practices, highlighting the qualitative currents of conformity to norms and the qualitative impact of an organization's culture.

### **Objectives of the Study**

Driven by a qualitative curiosity, this research seeks to: (1) uncover the qualitative layers of internal audit's contribution within diverse Philippine institutions, (2) qualitatively decipher the challenges that color the implementation of internal audit practices, and (3) qualitatively articulate recommendations for nurturing a qualitative culture of internal audit excellence.

### **Statement of the Problem**

This qualitative inquiry delves into the following questions:

1. How do stakeholders perceive and experience the contribution of internal audit across diverse institutions in the Philippines?
2. What are barriers do institutions encounter when striving to instill robust internal audit practices?

### **Scope and Limitation**

This qualitative odyssey encompasses institutions spanning a spectrum of sectors within the Philippines. While capturing the qualitative essence of internal audit's role, the study confines itself to the qualitative threads that connect themes and challenges, sidestepping the qualitative intricacies unique to each sector.

### **Methodology**

#### **Study Design**

This qualitative study adopted an exploratory research design, allowing an in-depth understanding of the role and significance of internal audit across diverse institutions in the Philippines. The design facilitated thorough exploration by delving into participants' experiences and qualitative insights related to internal audit practices.

### **Participants**

Triangulation was employed through the selection of ten participants, representing a diverse array of sectors such as governmental bodies, private corporations, non-profit organizations, and financial institutions. This approach was chosen to ensure a comprehensive portrayal of internal audit practices across varied contexts and industries, thereby enhancing

the credibility of the study's qualitative insights.

### **Participant Selection**

Purposive sampling was employed to ensure the inclusion of participants who could provide diverse and comprehensive insights

into the role of internal audit. Ten participants were selected based on their roles, industry affiliations, and experience, contributing to a comprehensive exploration of internal audit practices and challenges across various sectors.

### **Participant Profiles**

<b>Participant</b>	<b>Institution Type</b>	<b>Role</b>	<b>Experience (Years)</b>
A	Private Corporation	Chief Financial Officer	15
B	Governmental Body	Internal Audit Director	12
C	Non-profit Organization	Executive Director	8
D	Financial Institution	Portfolio Manager	10
E	Private Corporation	Operations Manager	7
F	Non-profit Organization	Program Manager	9
G	Governmental Body	Administrative Officer	6
H	Financial Institution	Compliance Officer	11
I	Private Corporation	Human Resources Manager	8
J	Non-profit Organization	Executive Director	14

### **Data Gathering Procedures**

Data was collected through semi-structured in-depth interviews, conducted either face-to-face or through virtual platforms based on participants' preferences and logistical convenience. These interviews provided participants with the opportunity to share their qualitative experiences and insights regarding internal audit in a flexible and open-ended manner.

### **Data Gathering Tools**

An interview guide was meticulously crafted, drawing from the research objectives and the existing literature. This guide consisted of a series of open-ended questions designed to elicit participants' perceptions, experiences, and insights concerning the role, challenges, and qualitative impact of internal audit within their respective institutions

initial stage of open coding, followed by the organization of qualitative categories and the development of thematic frameworks to effectively capture the richness of the qualitative findings

### **Ethical Considerations**

Throughout the study, stringent ethical considerations were maintained. Informed consent was obtained from all ten participants, ensuring their voluntary participation and clear comprehension of the study's qualitative objectives. Striving for confidentiality and anonymity, participants' identities were protected while their qualitative responses were used to contribute to the study's overall findings. The study adhered rigorously to ethical guidelines and protocols stipulated by the research institution, assuring the ethical treatment of participants and safeguarding their rights and well-being.

Through this meticulously designed methodology, which involved qualitative interviews with ten participants, the study achieved a comprehensive exploration of the multifaceted dimensions of internal audit practices within diverse institutions across the Philippines.

### **Data Analysis**

The qualitative data, derived from the interviews with the ten participants, underwent thematic analysis. This comprehensive process involved the systematic identification of patterns, themes, and qualitative insights woven throughout the data. The journey included the

## Results and Discussion

### Perceptions and Experiences of Internal Audit Contribution

Participants' viewpoints regarding the contribution of internal audit within their

respective institutions were gathered and analyzed. The following table summarizes their insights:

Table 2: Internal Audit Contribution Insights

Participant	Key Insights
F	Illuminates areas for improvement, fosters accountability
J	Resource constraints affect depth of assessments

Internal Audit Contribution Insights Participant F Key Insights illuminates areas for improvement, fosters accountability, J Resource constraints affect depth of assessments.

Participant F, from a non-profit organization, emphasized that internal audit has been instrumental in uncovering areas of improvement, consistent with prior research indicating the role of internal audit in identifying opportunities for organizational enhancement. These insights extend beyond quantitative metrics, fostering a culture of accountability, aligning with studies underscoring internal audit's promotion of transparency and responsibility.

Participant J, representing a governmental body, recognized the constraints stemming

from limited resources, emphasizing the necessity to allocate more resources to maximize the value of internal audit's assessments. This aligns with previous findings indicating resource limitations impede the depth and impact of internal audits.

### Barriers Encountered in Implementing Robust Internal Audit Practices

The challenges faced by institutions while implementing robust internal audit practices were explored through participant interviews. The summarized challenges are presented in the table below:

Table 3 Challenges in Implementing Robust Internal Audit Practices

Participant	Key Challenges
D	Hierarchical structures impede effectiveness
H	Risk-intensive sector requires strategic risk analysis

Table 3 Challenges in Implementing Robust Internal Audit Practices Participant Key Challenges D Hierarchical structures impede effectiveness, Participant H Risk-intensive sector requires strategic risk analysis.

Participant D, representing a private corporation, highlighted how hierarchical structures can inhibit the effectiveness of internal audit, particularly in fostering open communication. Collaborative efforts across departments are essential for successful internal audit practices.

This corroborates prior studies demonstrating rigid hierarchies restrict information flow critical for impactful audits.

Participant H, from a financial institution, emphasized the significance of qualitative risk analysis within their risk-laden sector. Internal audit plays a vital role in informing risk management strategies, consistent with research underscoring strategic risk assessment in high-risk industries.

## Qualitative Themes and Patterns: Synthesis of Findings

Table 4. Qualitative Themes and Patterns

Participant	Key Themes
B	Qualitative enabler of organizational integrity
E	Navigating qualitative challenges
I	Internal audit's role in fostering effectiveness

Participant B, from a governmental body, highlighted the theme of "Qualitative Enabler of Organizational Integrity." They emphasized how internal audit promotes transparency, accountability, and overall organizational enhancement, consistent with studies indicating internal audit as a driver of integrity.

Participant E, representing a private corporation, contributed to the theme of "Navigating Qualitative Challenges," underlining the importance of aligning internal audit

recommendations with the organization's core values, corroborating research on internal audit's qualitative considerations.

Participant I, a representative of a non-profit organization, reinforced the theme of "Internal Audit's Role in Fostering Organizational Effectiveness," emphasizing how internal audit's insights contribute to mission-driven initiatives, aligning with findings linking internal audit to organizational success.

## Bridging Theory and Practice

Table 5. Bridging Theory and Practice

Participant	Key Insights
C	Recognizing limitations, emphasizing commitment

Participant C, representing a governmental body, acknowledged the existence of limitations inherent in internal audit practices. However, they affirmed a resolute commitment to overcoming these challenges through strategic

investments aimed at ensuring the success of internal audit practices, consistent with studies recognizing constraints while emphasizing perseverance.

## Implications and Recommendations

Table 6. Implications and Recommendations

Participant	Key Implications
G	Reorienting internal audit's role, integrating insights

Participant G, from a private corporation, underscored the transformative implications of the study's findings. They emphasized the evolution of internal audit from a mere risk mitigation tool to a critical driver of qualitative decision-making, predicated on the insights derived from robust internal audit practices, aligning with evidence indicating a paradigm shift in internal audit.

challenges it faces across various institutions. The summarized insights from these participants collectively underscore the qualitative significance of internal audit in cultivating transparency, enhancing accountability, and steering informed decision-making processes within the contextual fabric of organizations.

## Recommendations

Drawing from the robust findings and discussions presented in Chapter 3, the subsequent recommendations are formulated to enhance the efficacy of internal audit practices

## Conclusion

In conclusion, the amalgamation of diverse participant perspectives cohesively reinforces the multifaceted role of internal audit and the

within diverse institutions across the Philippines:

**Resource Allocation:** Institutions must acknowledge the pivotal role of internal audit in cultivating transparency and accountability. To surmount challenges and empower internal audit teams for comprehensive evaluations, it is imperative to allocate adequate financial and human resources.

**Fostering Collaborative Culture:** Hierarchical barriers within organizations should be deconstructed to pave the way for unhindered cross-departmental communication and collaboration. Nurturing a culture that encourages interdisciplinary interactions can facilitate the seamless exchange of qualitative insights and recommendations.

**Prioritizing Strategic Risk Analysis:** Especially pertinent to sectors fraught with intricate risks, internal audit should prioritize strategic risk analysis. An astute comprehension of risks and their potential ramifications will empower institutions to make judicious decisions that mitigate vulnerabilities.

**Continuous Professional Development:** Internal auditors ought to engage in continuous training and professional development initiatives. This proactive approach ensures that audit practices remain attuned to the latest industry benchmarks, regulatory transformations, and emerging risk scenarios.

**Integration into Decision-Making:** Institutions must transition from viewing internal audit solely as a compliance instrument to integrating its qualitative insights into the fabric of strategic decision-making processes. This shift will augment the intrinsic value of internal audit throughout the organizational hierarchy.

**Cultural Harmonization:** Internal audit practices should be custom-tailored to seamlessly align with the unique cultural ethos of each institution. By resonating with prevalent cultural values and norms, audit recommendations are more likely to be embraced and effectively implemented.

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