

CHAPTER FIVE

CONCLUSION

5.1 INTRODUCTION

The results of the empirical study were discussed in Chapter four. This chapter elaborates on the implications of the findings and provide recommendations and suggestions for future research.

5.2 SUMMARY AND CONCLUSION

Previous studies in Malaysia concentrate on the role and effectiveness of internal auditing in public listed companies. This study sought to investigate the scope of internal auditing and management perception towards the role of internal auditing in institutions of higher education. Additionally, internal auditors perception on their roles in institutions of higher education also were investigated in this study.

This study revealed that substantial numbers of private institutions of higher education do not have internal audit function in their organization. Some respondents indicated, in the absence of internal audit function, no one performs the function of internal audit. On the question why the institution does not have internal audit function, 70% of respondents stated that there is no regulation required them to establish internal audit department. Given the benefit of internal auditing in the organization, the regulators might consider requiring all educational institution to establish internal audit function.

On the question of whether, there is a difference in perception between management of public and private institutions of higher education on the important audit areas and the role of internal auditors, the results indicate that management of both type of institutions have similar perception on the role of internal auditors and important audit areas in institutions of higher education. Even though most of private institutions of higher education do not have internal

audit department, it seems that their management value the work of internal auditors. It is evidenced by the fact that 45.5% of respondents viewed the internal auditor as a consultant and 75.8% stated that internal audit is a valuable service in the organization.

This study also found that there is no significant difference between the perception of the internal auditors who work in public and private institutions of higher education on the role they perform in the organization. This is consistent with the study by Gordon And Fischer (1999) on "United States Internal Audit Department". The findings also indicate that there is no limitation imposed on the scope of internal auditing in both type of institutions. This shows that management of institutions of higher education are quite supportive on the role of internal auditing.

Interesting finding is both internal auditors and management of institutions of higher education viewed that internal auditors are not part of management team. This is evidenced by the fact that 60.6% of respondents stated that internal auditor are not part of management team while the internal auditors surveyed also not likely agree with the statement that internal auditors are part of management team (mean=3). This suggests that both parties believe that internal auditing should be independent function in the organization.

5.3 IMPLICATION OF THE STUDY

This study contributes to add to the existing literature in internal auditing in Malaysia. There is no prior study known to the author has been done on the area of internal auditing in institutions of higher education. It provides information on the scope of internal auditing and perception of management on the role of internal auditors and important audit areas in institutions of higher education.

Results show that management of both type of institutions believe that institutions of higher education should have internal audit function and majority of them regards internal auditing as a valuable service to the organization.

Even though management of private institutions of higher education view internal auditing as an important function in the governance structure of the organizations, without the mandatory regulations, there is no incentive for them to establish an internal audit department. It is supportive by the evidence that 81.63% of sampled institutions do not have internal audit function and 20% of the vice-chancellor/president of the private institutions surveyed indicated that there do not have future plan to establish the internal audit function in their institutions. The result of the study will be useful to the regulators especially to the Ministry of Education in formulating the policies in institutions of higher education.

5.4 LIMITATION AND RECOMMENDATIONS FOR FUTURE RESEARCH

The samples for the private higher learning institutions are limited to the institutions that hold universities status, branch of foreign universities and private institutions of higher education that approved by LAN to conduct 3+0 degree program.²Currently there are 10 private universities and 35 colleges approved by LAN and 4 branches campus of foreign universities.

This study provides useful insights on the role of internal auditing in institutions of higher education in Malaysia. However, this study only collects the perception of

management of institutions of higher education. Future study might extend the research to get the perception of other parties such as regulators and audit committee on the role of internal audit in institutions of higher education.

This study only examine whether the scope of internal audit in institutions of higher education cover the area mentions by Treasury Circular or IIA Guideline but it does not measure the extent of compliance to both of the guidelines. As such future research might examine the degree of compliance to the above guideline. Further, future research might also investigate whether there is significant difference in the role of internal auditing between the education institutions and other industries.

5.5 CONCLUSION

Nowadays, public institutions of higher education are not the sole providers of higher education in Malaysia. The demand for private higher education in Malaysia will continue to rise. This will be due to rising population of high school graduates, rising income of parents, and rising costs of providing public higher education. On the supply side, the government envisaged that there would be 120,000 places for degree and diploma courses offered by the private sector. Of these, 17,000 (14%) will be 'reserved' for foreign students. Lee (1999: 97) as quoted by Mahdzan, (2000) reports that, in 1998, there were already 11,733 foreign students studying in the 12 private universities in Malaysia, compared to only 5,635 in 1996. The numbers of students in private institutions of higher education are continue to rise and as at 31 May 2001, there are 232,608 number of student in private colleges and universities in Malaysia. With so many private colleges around, who undertakes the control over proper governance of private higher education in Malaysia?

Since the internal auditing is part of the governance structure in organizations, it can be a mechanism to help the management to provide better control to the

institutions resources and quality of education. Regulators should increase enforcement to the activity of internal audit in the organization to make sure it meets the objective of internal auditing in institutions of higher education. Government might consider revising the Treasury Circular Guideline to better reflect the changing external environment especially to give more emphasise on the risk management issue.

The fact that private institutions of higher education are becoming substantial providers of higher education in Malaysia, steps should be taken to strengthen its governance system and this study has given an input to the regulators by brought up the perception of the management of the institutions of higher education on the role of internal auditors. This study reveals the importance of internal auditing in institutions of higher education; hence, Ministry of Education might consider requiring the private institutions of higher education to establish an internal audit function in their institutions.