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The Role of Internal Audit in Enhancing Performance: A Case Study of Mirwais Neeka Institute of Higher Education, Kandahar, Afghanistan

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ABSTRACT

The Internal Audit is a systematic process of analyzing risk, its likelihood and impact and taking necessary steps to avoid and control risks by its various control measures particularly in educational institutions. The prime objective of this research is to study and explore the specific impact of the internal audit function on the performance of Mirwais Neeka Institute of Higher Education in Kandahar. This study investigates how the internal audit function at Mirwais Neeka Institute contributes to the institution's overall performance by examining audit processes, stakeholder perceptions, and tangible outcomes. The population for this study consists of administrators, faculty, students, and relevant staff of Mirwais Neeka Institute of Higher Education involved in or affected by internal audit processes and purposive sampling technique has been used for selecting representative sample of 40 respondents from the population. The analysis employs descriptive statistics, correlations, and Ordinary Least Squares Regression to determine the relationships between internal audit functions and organizational performance. The study concludes that internal audit functions are crucial in enhancing risk mitigation, operational efficiency, and performance measurement, thus significantly impacting the performance of Mirwais Neeka Institute. The research provides valuable insights for administrators and policymakers, emphasizing the need for robust internal audit practices to improve institutional performance. Future research could explore additional factors influencing organizational performance and delve deeper into the specific components of internal audit functions driving performance improvements.

INTRODUCTION

The higher education sector plays a pivotal role in the socio-economic development of any country, providing the workforce and intellectual foundation necessary for innovation and growth. Within this sector, institutions of higher education must ensure not only academic excellence but also operational efficiency and accountability. One crucial element in achieving these goals is the implementation of robust internal audit systems. Internal audit functions serve as a vital component in the governance framework of educational institutions, helping to ensure that operations are conducted efficiently, risks are managed effectively, and financial reporting is accurate and reliable.

Despite the recognized importance of internal audit functions, there is limited empirical evidence on their specific impact within the context of higher education institutions in Afghanistan. The existing literature primarily focuses on corporate settings, leaving a gap in understanding how internal audit practices affect the performance of educational institutions. This research seeks to fill that gap by providing insights into the role of internal audit at Mirwais Neeka Institute of Higher Education and identifying areas where audit functions can enhance institutional performance.

Mirwais Neeka Institute of Higher Education, a significant player in the academic landscape of Afghanistan, has been striving to enhance its educational offerings and institutional performance. In the pursuit of

these objectives, the role of internal auditing has become increasingly prominent. This study aims to explore the impact of internal audit functions on the performance of Mirwais Neeka Institute of Higher Education, examining how these functions contribute to various aspects of institutional effectiveness, including governance, risk management, and financial integrity.

The role of internal audit in enhancing the performance of Organization has acquired substantial attention across various sectors. In the Field of higher education, the internal audit function serves as a Paramount mechanism for ensuring operational efficiency, regulatory compliance, and strategic alignment (Umair Khan, 2023). The primary objectives of this study are to assess the impact of internal audit functions on overall performance of Mirwais Neeka Institute of Higher Education, and to evaluate the perception of internal audit effectiveness among the institute's stakeholders This research is significant for several reasons. i.e., it provides a comprehensive analysis of the role of internal audit in a higher education context, contributing to the academic literature in this area and the findings will offer practical insights for administrators and policymakers at Mirwais Neeka Institute of Higher Education and other similar institutions, guiding them in enhancing their internal audit functions. Finally, the study will help in identifying best practices and potential improvements in internal audit processes, ultimately contributing to better governance and performance of higher education institutions.

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Research Hypothesis

The hypotheses for this research are originated based on the objectives and questions outlined in the introduction section of this research. These hypotheses aim to explore the relationship between internal audit functions and the performance of Mirwais Neeka Institute of Higher Education.

H0: There is no significant positive relationship between the effectiveness of internal audit functions and the overall performance of Mirwais Neeka Institute of Higher Education.

H1: There is a significant positive relationship between the effectiveness of internal audit functions and the overall performance of Mirwais Neeka Institute of Higher Education.

LITERATURE REVIEW

Internal audit functions play a crucial role in ensuring transparency, accountability, and efficiency within educational institutions. This literature review explores existing studies and research findings to understand how internal audit functions contribute to the overall performance of educational institutions.

1. A study conducted (Christensen, 2022) regarding impact and quality of internal audit in educational institutions in May 2022. The study shows even internal audit is very important for internal control in educational institutions, however there is very little knowledge of their impact. This study explores to what extent and how internal audit function affects the internal control in educational institutions. The research concludes that the management letter process, including a step-by-step settlement of interactions leads to a joint problem solving, an acceptance of all internal audit function recommendations, and a value adding outcome improving the level of internal control in educational institutions

2. A study conducted (Budiandru, 2024) regarding impact of internal audit effectiveness, risk management practices, and organizational culture on performance of education sector in 2024. The primary objective of this research is to explore how these factors interact to influence the performance of the education sector. The research employs a qualitative methodology synthesizing findings from academic articles, case studies and industry reports to provide comprehensive understanding of the subject. The qualitative methodology involves systematically collecting and analyzing scholarly sources that discuss the roles of internal audit effectiveness, risk management practices, and organizational culture in enhancing performance. The study concludes that internal audit significantly influences the performance of the education sector through enhanced risk detection and control measures. Effective internal audits contribute to identifying and mitigating performance irregularities and operational in-efficiencies which directly impact the organization's health. According to the findings. Organizations with robust internal audit function reports higher performance due to early detection of potential

risks while implementing corrective actions.

3. A Study conducted (Amoh, 2017) regarding the effect of internal audit quality on performance of educational institutions in Nairobi. The main purpose of this study is to analyze the impact of Internal Audit on the performance of educational institutions in Nairobi- concentrated to government sector. The study concludes that internal audit functions have significant influence on performance of educational institutions in Nairobi-concentrated to Governmental sector, and is recommendations are given to the institutions in Nairobi to enhance and optimize the internal audit functions within in order to increase the quality, efficiency and effectiveness in their related perks.

MATERIALS AND METHOD

Research Design

It is a cross-sectional study, which analyze the relationship of Internal Audit functions on Performance of Mirwais Neeka Institute of Higher Education.

Population and Sampling

The population for this study consists of administrators, faculty, students, and relevant staff of Mirwais Neeka Institute of Higher Education involved in or affected by internal audit processes and purposive sampling technique has been used for selecting representative sample of 40 respondents from the population.

Data Collection

The Data utilized in this study has been collected from primary and secondary sources. Primary Data has been collected by a well-established Five Point Likert Scale Questionnaire and Secondary Data has been collected from Reports, Articles, Research, Books, Chapters, and reliable Internet websites.

Data Analysis Method

Demographic data collected from respondents were summarized using frequency distributions. For scale-type questionnaires, descriptive statistics, correlations, and Ordinary Least Squares Regression Analysis were employed to answer the research questions. Data analysis was conducted using IBM SPSS.

$$PE_i = \beta_0 + \beta_1 RM_i + \beta_2 OE_i + \beta_3 PM_i + \epsilon_i$$

RESULTS AND DISCUSSIONS

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.984	14

Cronbach's Alpha of 0.984 for 14 items indicates an excellent level of internal consistency, suggesting that the items are highly reliable in measuring the construct related to the internal audit function's impact on various factors. This means that the items are consistent and likely to yield similar results upon repeated administrations

Table 2: Correlations

		Risk Mitigation, Operational Efficiency and Performance Measurement affected by Internal Audit Function	Risk Mitigation	Operational Efficiency	Performance Measurement
Risk Mitigation, Operational Efficiency and Performance Measurement affected by Internal Audit Function	Pearson Correlation	1	.361*	.459**	.477**
	Sig(2-tailed)		.022	.003	.002
	N	40	40	40	40
Riskmitigation	Pearson Correlation	.361*	1	.936**	.925**
	Sig(2-tailed)	.022		.000	.000
	N	40	40	40	40
Operational efficiency	Pearson Correlation	.459**	.936**	1	.995**
	Sig(2-tailed)	.003	.000		.000
	N	40	40	40	40
Performance measurement	Pearson Correlation	.477**	.925**	.995**	1
	Sig(2-tailed)	.002	.000	.000	
	N	40	40	40	40

*. Correlation is significant at the 0.05 level (2-tailed).

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

The correlations indicate that risk mitigation, operational efficiency, and performance measurement are positively related to each other. Specifically:

- Risk mitigation is moderately correlated with both operational efficiency and performance measurement.
- Operational efficiency has a very strong correlation with performance measurement.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528a	.278	.218	.57988

a. Predictors: (Constant), Performance measurement, Riskmitigation, Operational efficiency

Table 4: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.670	3	1.557	4.629	.008b
	Residual	12.105	36	.336		
	Total	16.775	39			

a. Dependent Variable: Risk Mitigation, Operational Efficiency and Performance Measurement affected by Internal Audit Function

b. Predictors: (Constant), Performance measurement, Risk mitigation, Operational efficiency

These relationships are statistically significant, implying that these positive associations are unlikely due to random chance and reflect true interdependencies among these variables. This underscores the importance of internal audit functions in enhancing various aspects of organizational performance.

The model shows a moderate positive relationship between internal audit functions and organizational performance, explaining approximately 27.8% of the variance in performance. The adjusted R Square of 21.8% suggests that while the predictors have a significant impact, there are other factors influencing organizational performance that are not captured in this model.

The ANOVA results indicate that the regression model, which includes Performance Measurement, Risk Mitigation, and Operational Efficiency as predictors, significantly explains the variation in organizational performance. The F-statistic of 4.629 with a p-value

of 0.008 demonstrates that the internal audit functions have a significant impact on the performance of Mirwais Neeka Institute of Higher Education. This supports the conclusion that internal audit functions are crucial for enhancing organizational performance.

Table 5: Descriptive Statistics

	N Statistic	Range Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std Deviation Statistic	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Internal Audit Plays Crucial Role in Risk Avoiding	40	4.00	1.00	5.00	1.6500	.83359	2.151	.374	6.673	.733
Internal Audit Plays Crucial Role in Risk Shifting	40	2.00	1.00	3.00	1.5500	.55238	.274	.374	-1.003	.733
Internal Audit Plays Crucial Role in Risk Absorption	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Plays Crucial Role in Operational Efficiency	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Plays Crucial Role in Activities Timeliness	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Plays Crucial Role in Operational Effectiveness	40	3.00	1.00	4.00	1.5750	.63599	1.278	.374	3.575	.733
Internal Audit Plays Crucial Role in Optimum Utilization of Resources	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Smoothens Adherence to Organizational Policies	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Plays Crucial Role on Output Level Indicators	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Internal Audit Plays Crucial Role on Outcome Level Indicators	40	1.00	1.00	2.00	1.5250	.50574	-.104	.374	-2.097	.733
Valid N (listwise)	40									

Across all statements, the mean values are clustered around 1.525 to 1.65, indicating slight agreement with the statements. The standard deviations are relatively low, suggesting consistent responses among participants.

Most statements have near-symmetric distributions (skewness close to 0), and several have negative kurtosis, indicating flatter distributions compared to a normal distribution. However, a few statements show significant

positive skewness and kurtosis, indicating more extreme responses.

Discussions

Internal Consistency and Reliability

The high Cronbach's Alpha (0.984) indicates that the items used to measure the impact of the internal audit function are highly reliable and consistent. This high level of internal consistency suggests that the responses are dependable and the survey instrument is well-designed.

Interrelationships Among Variables

The correlation analysis reveals significant positive relationships among risk mitigation, operational efficiency, and performance measurement. Specifically:

- Risk Mitigation has moderate positive correlations with both Operational Efficiency and Performance Measurement.
- Operational Efficiency has a very strong positive correlation with Performance Measurement.
- These findings indicate that enhancements in one area (e.g., operational efficiency) are likely to be associated with improvements in other areas (e.g., performance measurement). This interconnectedness highlights the comprehensive role of internal audit functions in improving various aspects of organizational performance.

Impact of Internal Audit Functions

- The regression analysis shows that internal audit functions have a moderate relationship with organizational performance ($R = 0.528$) and explain 28% of the variance in performance ($R^2 = 0.278$). This indicates that while internal audit functions significantly contribute to performance, other factors also play a role.
- The ANOVA results confirm that the impact of internal audit functions on performance is statistically significant, leading to the rejection of the null hypothesis and acceptance of the alternative hypothesis that internal audit functions positively impact performance.

Descriptive Statistics

- The mean values for the items are clustered around 1.525 to 1.65, indicating slight agreement with the statements regarding the roles of internal audit. The low standard deviations suggest consistent responses, while the skewness and kurtosis values indicate mostly near-symmetric distributions, with some items showing significant positive skewness and kurtosis. This implies that while most respondents slightly agree on the positive impact of internal audit functions, there are some extreme responses.

CONCLUSION

The research concludes that internal audit functions have a significant and positive impact on the performance of Mirwais Neeka Institute of Higher Education (MNIHE). Specifically, internal audit functions are crucial in enhancing risk mitigation, operational efficiency, and

performance measurement. The high reliability of the survey instrument supports the validity of these findings.

The Key Findings are here

- Internal audit functions are highly reliable in measuring their impact on various organizational aspects.
- Significant positive correlations exist among risk mitigation, operational efficiency, and performance measurement, indicating their interrelated nature.
- Internal audit functions contribute significantly to explaining the variance in organizational performance, though other factors also play a role.

Practical Implications

- Organizations should leverage internal audit functions to improve risk mitigation, operational efficiency, and performance measurement.
- Improvements in internal audit functions can lead to comprehensive enhancements in organizational performance, highlighting the need for robust and well-implemented internal audit practices.

Future Research

- Further studies could explore additional factors that influence organizational performance to provide a more comprehensive understanding.
- A deeper investigation into the individual components of internal audit functions could yield insights into specific areas that drive performance improvements.

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