

Knowledge, Experience, Expectation and Satisfaction of Operations Staff on Audit Services of a Microfinance NGO in Iloilo

Allen Dave C. Fuego¹ and Rowena M. Libo-on²

ABSTRACT

This research was conducted to determine the level of knowledge, the quality of experience, the extent of expectations and the level of satisfaction of operations staff on audit services of a Microfinance NGO in Iloilo. This study sought to confirm claims of lack of knowledge and unmet expectations of operations staff results to the dissatisfaction rating received by the internal audit department. In some studies, information satisfaction or knowledge about a product or service is an item contributing to disconfirmation or eventual dissatisfaction of a customer and is usually correlated to expectation formation as another satisfaction item in what all call Expectation-Disconfirmation (EDT) model. Through a survey and analysis of data gathered, this study revealed that knowledge has nothing to do with ones' level of satisfaction as it did not show any significant relationship. On the other hand, experience and expectation have proven to be the major satisfaction items for consideration with significant relationship to ones' level of satisfaction as what several studies have also shown.

Keywords: internal audit services, experience, expectation, satisfaction

INTRODUCTION

Rationale of the Study

The Institute of Internal Auditors North America (2019) recognizes that among many professions, internal audit profession does not enjoy an inherently universal understanding of its role and value. In Nigeria, Ihendinihu and Robert (2014) in their study believed that considerable evidence of a gap exists between the expectations of users of financial statements and the audit profession as to the definitive scope and usefulness of an audit function. This gap is largely suspected to be associated with ignorance and misconception of the public, and results in widespread misunderstanding and unreasonable expectations being imposed on the duties of auditors.

The Corporate Internal Audit of *Taytay Sa Kauswagan, Inc.* (TSKI) (A Microfinance NGO), functions as an independent department that assists the Board of Trustees and the organizations' management in the discharge of their oversight, management and operating responsibilities through independent audits designed to evaluate and promote the system of internal controls. This function is translated through the three (3) audit services such as the conduct of regular audit as

an assurance activity and the conduct of special audit and disposal verification as consulting activities. All these were aimed to bolster its services in a way that it conforms to the standards set by ISO 9001: 2015 for internal customers' satisfaction.

The department received a dissatisfaction rating on the 1st and 2nd quarter of 2018 from the operations staff which resulted to a non-conformance and thus required a corrective action under the ISO standards to prevent the recurrence of the dissatisfaction. In their root-cause analysis (TSKI, 2018), it was noted that the underlying reasons of the dissatisfaction include the lack of knowledge of audit function or services, the audits' role and the unmet expectations of the operation's staff. The unmet expectations result in dissatisfaction ratings and eventual regular non-conformance to the ISO standards. Recurring non-conformance (NC) as a result of customer dissatisfaction would have implications to the organizations' ISO certification.

Thus, this study was conducted to address the recurring dissatisfaction of internal audit customers or the operations staff by exploring satisfaction items such as staffs'

knowledge, experience and expectation on internal audit services of the subject organization.

Objectives

Generally, this study aimed to determine the level of knowledge, quality of experience, extent of expectations and level of satisfaction of operations staff on audit services of a Microfinance NGO in Iloilo.

Specifically, it aimed to:

1. Determine the level of knowledge of operations staff on audit concept, audit services and audit function.

2. Determine the quality of experience, extent of expectations and the level of satisfaction of operations staff on audit services in terms of audit role, responsibilities and independence.

3. Determine if there are significant differences on the level of knowledge, the quality of experience and the extent of expectations on audit services.

4. Determine if there are significant relationships between the level of knowledge, the quality of experience and the extent of expectations and to the level of satisfaction of operations staff on audit services.

Theoretical Framework

This study was anchored to the expectation theory (also commonly known as Expectancy-Disconfirmation Theory) which holds that satisfaction/dissatisfaction results from a customer's comparison of perceived performance (of a product or service) with predetermined standards of performance. According to the view, the predetermined standards are the customer's predictive expectations and the perceived performance is the customers' experience of a product or service.

Moreover, in a review of the Expectation-Disconfirmation Theory (EDT) Model, Spreng, MacKenzie & Olshavsky (1996) reexamined the determinants of consumer satisfaction and they indicated that information satisfaction is one of the customer's satisfaction items. According to this EDT model, satisfying the customers is not limited only to their expectation of products or services. Rather than these factors, satisfying the customers from perceived information is the first step that can attract the customer's trust over offered products and services by business.

Accordingly, the rational expectations theory of John F. Muth, posits that individuals base their decisions on three primary factors: their human rationality, the information available to them, and

their past experiences. One of the assumptions held by the theory is that individuals create expectations based on all available information which makes up their knowledge (Tardi, 2019).

Over-all, in this study, the concept of one's knowledge relates to expectation and satisfaction and as much as one's expectations and experience relates to one's level of satisfaction.

Conceptual Framework

In the framework of this study, under the independent variables, include one's level of knowledge covering audit concepts, services and functions will impact one's level of satisfaction; one's extent of expectation and level of experience in terms of audits' role, responsibilities and independence will impact ones' level of satisfaction of audit services. These independent variables, as several theories and studies have shown, were important factors in measuring one's level of satisfaction.

The dependent variable in this study is the respondents' level of satisfaction which would be the result of the combination of one's level of knowledge, extent of expectation and quality of experience of audit services. Further, the study looked to determine as to whether antecedent variables such the personal factors could cause

significant differences on respondents' level of knowledge, quality of experience, extent of expectations and level of satisfaction.

Summary of Major Findings

1. The level of knowledge of operations staff is considered to be "low" to "moderate". They have a "low" level of knowledge in terms of audit functions specifically with regards to the function of the audit in assisting the Board and the senior management in the discharge of their oversight and operating responsibilities and they have "moderate" knowledge in terms of audit concept and audit services. However, staff have a specifically "very high" level of knowledge about how internal auditing provides assurance on the organization's governance, risk management, and control processes, and about internal auditors providing assessment on the organization's compliance with applicable laws, regulations, and contracts.

2. The quality of experience of operations staff on audit services is generally "fair" for all three aspects of audit role, responsibilities and independence. However, they have "poor" experience" with auditors helping to prevent the fraud in the operations and for auditors not taking over the collection and posting of payments when operations staff are

busy. On the other hand, they have “good” experience on the perceived responsibilities of auditors to ensure that all financial records are accurate and up-to-date, to establish and maintain the internal control system of the branch and to directly report to branch managers and be accountable to them.

3. The operations staff generally have “moderate” expectations on audit role, responsibilities and independence. They only have “high” expectations that the audit will prevent fraud from happening; that it is audits’ primary responsibility to ensure that all financial records are accurate and up-to-date; to establish and maintain the internal control system of the branch and to detect fraudulent transactions even outside of the audit activity. Further, they “highly” expect auditors to report directly to branch managers and are directly accountable to them. They have “low” expectations for auditors to collect payments and post payments in the system if the operations staff are busy.

4. Generally, the operations staff were “satisfied” with the audit services and were “highly” satisfied with audits’ role and only “satisfied” with audits’ responsibilities and independence. Specifically, staffs are “highly satisfied” with conduct of audit to help the organization achieve its strategic, operational, financial, and compliance

objectives, assisting the branch management in monitoring operations in the field through its audit activities, being an agent of improving organizations’ effectiveness and efficiency and in evaluating and improving the effectiveness of organizations’ governance. They are only least “satisfied” that the audit is reporting directly to the board and senior management.

5. Results also showed that overall, there are “no significant” differences on the level of satisfaction across the different personal factors and the same results were noted when analyzed in terms of different aspects such as audit role, audit responsibilities and independence.

6. Finally, results showed that there is “no significant” relationship between the variable of knowledge and satisfaction. For the relationship between the operations staffs’ quality of experience and their level of satisfaction, results showed that there is a “significant” relationship between the two. Lastly, the extent of expectations of operations staff and their level of satisfaction showed that there is a “significant” relationship between the two.

Conclusions

1. The no. of times they have been audited is relative to their age and length of service to the

organization, whereas the longer they have been in the organization, the more instances they have been included in or experienced the audit.

2. It is important for the internal audit department to come up with efforts or programs to improve the operations staffs' level knowledge and understanding of the different internal audit functions.

3. The staffs' quality of experience is generally based on their misconceptions about the role, responsibilities and independence of internal audit.

4. The expectations of operations staff as to their understanding of internal audit are misguided and therefore should be addressed as it plays a very important role in their satisfaction over audit services.

5. Operations staff are generally "satisfied" with the audit services and are highly satisfied with the way the audit assists the branch management in monitoring operations through its audit activities, in evaluating and improving the effectiveness of organizations' governance and being an agent on improving organizations effectiveness and efficiency.

6. One's perception of experience changes as one ages, as one being appointed to a different job position and as one experiences multiple audits.

7. Younger employees have higher expectations than older ones; supervisors and managers have lower expectations than those rank-in-file staffs; the longer one has been in the organization, the lower ones' expectations; and the more times one has been audited, the lower his/her expectations.

8. Personal factors such as gender, age, civil status, educational attainment, job position, length of service and no. of times have been audited have no significant impact to one's satisfaction.

9. There is no significant relationship between the operations staff level of knowledge and their level of satisfaction on audit services. Further, knowledge can still be an item for consideration in measuring satisfaction for other services but not with audit services.

10. There is a significant relationship between the operations staff quality of experience and extent of expectations to their level of satisfaction on audit services.

Recommendations

Based on the findings and conclusions, the following are the recommendations:

1. The senior management and the Board should ensure that the organizational independence of internal audit is confirmed, maintained

and communicated to the stakeholders of the organization so that there will be a one and clear understanding of the roles, responsibilities and independence of the internal audit function.

2. The senior management should provide avenue for the internal audit department to showcase and discuss its services in a forum such as Basic Orientation Training for newly hired employees and in the training or seminars of newly promoted supervisors and line managers.

3. Further, since there is dissatisfaction noted it is also recommended that they should also ensure that the internal audit has its Quality Assurance and Improvement Program (QAIP) in place to ensure that it functions in conformance with the International Standards in Professional Practice of Internal Auditing which would eventually reap fruits of satisfaction from its stakeholders.

4. It is recommended that the Chief Audit Executive (CAE) or Internal Audit Manager should consider the results of this study by creating an Internal Audit Awareness Program that would promote and create awareness among the employees of the organization most especially to field coordinators, in terms of audit services, about the internal audit profession, roles, responsibilities and independence.

5. It is also recommended for the head of the audit department to at least annually confirm the independence of its office and the internal audit function with the Board and the senior management.

6. It is recommended that there should be a review of the functions of the internal audit department and the responsibilities of the internal auditors to ensure that there would be no impairment on their objectivity and independence as they conduct regular and special audit engagements.

7. Internal audit associates should also conform to the standards on internal auditing in all their engagement activities. And in their personal capacity through their audit activities, they should try to educate their auditees about the internal audit profession, internal audit roles, function and responsibilities. By these, they are helping shape a culture where internal audit is regarded as a partner for improvement and encourage realistic expectations.

8. Future researchers may consider and use other personal factors apart from those used in this study to explore if what else could impact the knowledge, experience, expectations and satisfaction of employees on audit services of a Microfinance NGO.

9. Further, they may also consider not relating knowledge with

satisfaction especially when measuring satisfaction over audit services.

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