

The changing roles of internal auditors in the Ukrainian central government

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auditors

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Abstract

Purpose – The purpose of this paper is to explore how internal auditors' (IAs) roles have changed because of the diffusion of neoliberal ideologies in the Ukrainian public sector.

Design/methodology/approach – A qualitative methodological approach was applied. Data were collected from 29 semi-structured interviews with public sector auditors in Ukraine's central government; secondary data analysis was also performed.

Findings – IAs' role in Ukraine's central government has changed significantly, with reforms attempting to move to performance auditing. Consequently, Ukrainian central government IAs appeared in the multi-expectation situation, due to the division of the role senders into two different areas. On one hand, IAs are expected to perform new roles set by the Ministry of Finance of Ukraine, while their traditional role as "watchdogs" is still expected by managers (heads of institutions). Diverging expectations resulted in the role conflict that impedes the change in IAs' role and performance auditing introduction in the Ukrainian central government. Moreover, we identify factors that motivate IAs to prioritise managers' expectations, while trying to cope with the existing role conflict in Ukraine's central government.

Originality/value – This study makes a threefold contribution by enriching the understanding of auditors' roles, role conflicts that public sector auditors may experience and factors that influence how auditors cope with such conflicts, through the lenses of role theory; exploring the change in roles with the

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Keywords Public audit, Performance auditing, Internal auditor, Role theory, Role conflict, Ukraine

Paper type Research paper

1. Introduction

The diffusion of neoliberal ideologies (Lapsley and Miller, 2019), together with the introduction of new public management (NPM), led to a number of public sector changes, including the changes in auditing (Hood, 1995) to uphold the concept of liberty (Ferry and Midgley, 2021). As a result, performance auditing gained increasing prominence worldwide, causing changes in auditors' role (Pollitt, 2003; Barzelay, 1997; Pollitt and Summa, 1996). Besides affecting and contributing to the public sector's effectiveness and efficiency, auditors were now able to look beyond finances to assess government's performance against its own objectives (Pierre *et al.*, 2018). Previous studies showed that auditors possess knowledge and power to promote reforms and help other actors to improve government bodies (Gendron *et al.*, 2001, 2007; Reichborn-Kjennerud and Johnsen, 2018; Morin, 2001).

Performance auditing was widely discussed in academia in connection with NPM (Parker *et al.*, 2018), quality of political and democratic processes (Tillema and ter Bogt, 2010; Morin, 2001), measurement of government performance (Gendron *et al.*, 2007), implementation in different organisations (Barzelay, 1997; Reichborn-Kjennerud and Johnsen, 2018), etc. However, literature on the emerging roles of auditors (Roussy, 2013; Morin and Hazgui, 2016), who were previously perceived as inspectors or "watchdogs" and received a wider spectrum of roles due to the introduction of performance auditing (Roussy, 2013; Morin and Hazgui, 2016), is scarce. Studies on internal auditors' (IAs) role have mainly focused on independence issues (Betti and Sarens, 2021; Ahmad and Taylor, 2009) and IAs' role in good governance development (Roussy, 2013; Barasa, 2015; Ferry *et al.*, 2017). Moreover, possible tensions between IAs' traditional and new roles seem to be overlooked.

The paper aims to fill this research gap by analysing role senders and their expectations, possible role conflicts arising from IAs' changing role in Ukraine's central government and factors which may influence IAs' response to role conflicts. To achieve the research aim, we mobilise role theory (Kahn *et al.*, 1964; Katz and Kahn, 1978) and frame our study around the following research questions:

RQ1. How do heterogeneous role senders' expectations impede IAs' changing role in Ukraine's central government?

RQ2. How does different factors influence the way IAs cope with role conflicts?

The motivation for choosing Ukraine as a research context is conditioned by its transitional institutional context, with several public sector auditing reforms guided by international auditing standards and organisations. The paper focuses on public auditing at the central government level. Methodologically, it is a qualitative case study, for which data was collected from semi-structured interviews with public sector auditors from Ukraine's central government and official documents.

We find that diffusion of neoliberal ideologies and the adoption of NPM instruments in the Ukrainian public sector stimulated the change in IAs' role from that of previously existing revisors or "watchdogs." However, such change created two groups of role senders, divided by their contradictory expectations. On one hand, IAs are expected to perform the new roles set by the Ministry of Finance of Ukraine (MoF), while their traditional role as "watchdogs" is still expected by managers. Consequently, IAs in Ukraine's central government existed in an inter-

sender role conflict, which impedes their role change. The study also identified several factors which impact IAs' response to the identified role conflict. We show how those factors on three different levels (IAs' experience and knowledge, independence and working environment) influence the way IAs cope with the existing role conflict and motivate them to prioritise the expectations of the second group of role senders (managers).

The remainder of the paper is structured as follows. Section 2 presents a literature overview of the evolution of IAs' roles. Then, role theory is proposed, to deepen the understanding of IAs' roles. Next, the methodological section is outlined, followed by a brief overview of the research context. Further, the empirical section presents the main findings to answer this study's research questions. A discussion on the changing role of IAs in the Ukrainian central government follows, together with conclusions and suggestions for further research.

2. Roles of public sector auditors

For purposes of this research, we reviewed public sector auditing literature to collect the existing knowledge on the auditors' role. We present the evolution in role of public sector auditors in general and IAs in particular, underlying causes and consequences of such role change.

Initially, the audit and the "auditor-auditee" interaction did not allow auditors to promote reform, best practice or institutional learning. Auditors' traditional role involves the expression of a definite opinion, through compliance audits or financial statement audits, associated with the "watchdog" role (Roussy, 2013). IAs, likewise, are also traditionally perceived as being confined, to ensure an organisation's records are properly maintained, an assets management system is in place and policies and procedures are properly complied with (Asare, 2008).

Growing interest in performance auditing, as well as the evolution in the roles of public sector auditors in general and IAs in particular, was motivated by the spread of performance measurement and management as part of NPM reform (Romzek, 2000). Auditing started to be used not to ensure prudent spending but, rather, to find a new way of setting the government's administrative priorities and strategies, as well as, ultimately, a new type of government objectives (Power, 1994). According to Power (1994, pp. 4–5), the audit:

[. . .] is not just a series of (rather uninteresting) technical practices, it must also be understood as an idea [. . .] that is internal to the ways in which practitioners and policy-makers make sense of what they are doing.

With these public sector reforms, performance auditing, which previously had a narrow scope, primarily focusing on the efficiency of governmental entities, has also changed, gaining a more direct and active role in administrative reform (Barzelay, 1997; Pollitt and Summa, 1996; Pierre *et al.*, 2018). Consequently, auditors underwent a paradigm shift from their traditional practices to performance (value-added) auditing (Aghghaleh *et al.*, 2014; Gørrissen, 2020). As Power (2005) stated, it was largely unthinkable that auditors of the 1960s and 1970s could become agents of change for public sector reform. Today, researchers claim that auditors' much wider new role can contribute significantly to good governance development (Bunn *et al.*, 2018; Morin and Hazgui, 2016; Reichborn-Kjennerud and Johnsen, 2018). Currently, public managers adopt systems and techniques considered to be legitimate, based on their interactions with auditors (Yang, 2021). Auditors possess both performance accountability and facilitation roles, as they move towards at least partial engagement as a stakeholder network collaborator (Pierre and de Fine Licht, 2019; Parker *et al.*, 2021). Consequently, auditors should no longer be perceived as "watchdogs" but, rather, as "agents of change" (Gendron *et al.*, 2001, p. 27), appraisers and modernisers (Ferry and Ahrens, 2021).

As major financial crises have shown that bookkeeping is not enough (ACCA, 2014; Schillemans *et al.*, 2018, p. 531), the usefulness of internal auditing has yet to be demonstrated (Archambeault *et al.*, 2008). The shift in IAs' roles is also driven by recent disturbances in the internal audit landscape. In a changing business environment, IAs are expected to develop a mindset more oriented towards consultancy or advisory roles, to guide organisations regarding strategic changes (Betti and Sarens, 2021). As skilled advisors, IAs can provide decision-makers with valuable information on how to make decisions (Pearson, 2014). Thus, IAs are, in a sense, a "tool of management" (Schillemans *et al.*, 2018, p. 531) and can also play a crucial role in the accomplishment of one of the most pervasive effects of NPM – the alteration of public servants' ways of thinking, talking and acting (Gendron *et al.*, 2007; Kurunmaki, 1999). In this respect, Nerantzidis *et al.* (2020) highlight the number of studies on IAs' role in supporting public governance (Roussy, 2013; Barasa, 2015; Ferry *et al.*, 2017) and the relationship of this value of auditing with corporate governance theory (Hay and Cordery, 2018). Therefore, IAs' role has also changed from being a "watchdog" for corporate management to providing a more value-adding strategic service (Deloitte, 2018). IAs now contribute to improving organisational performance by providing support to managers in three ways: by conducting performance audits, through strategic consulting and by taking part in organisational management committees. IAs have clearly "chosen their camp" and operate as members of the management team, rather than the monitoring and oversight team (Roussy, 2013).

To summarise, the development of performance auditing expanded the role of public sector auditors from those of the historically limited "watchdog" or "bookkeeper" into institutional assistants and advisors (Roussy, 2013; Morin and Hazgui, 2016). Therefore, IAs now have a dual focus: taking account of and responding to government priorities and preferences, and the growing concerns with actual outcomes and assessments of effectiveness being exhibited by other groups (Parker *et al.*, 2018). However, such change brings a number of concerns. According to Pollitt (2003) and Morin (2003), multiple auditor roles may not be perfectly correlated with one another. IAs' role in providing audit oversights to their organisation, together with consulting services to management, can cause ongoing role conflict (Ahmad and Taylor, 2009). Consequently, studies demonstrate that auditors struggle to achieve a suitable balance between maintaining independence and objectivity in generating added value by providing advisory and consulting services (Betti and Sarens, 2021; Ahmad and Taylor, 2009; Yang, 2021; Ferry and Ahrens, 2021). IAs were also found to neither address the key risks nor deliver value for the organisations they work for; in other words, normative and practical expectations from IAs may be contradicting each other (Kotb *et al.*, 2020; Christopher, 2019).

Clarity regarding IAs' role is imperative in ensuring their effectiveness (Archambeault *et al.*, 2008). The shift in their roles raises a question not only on IAs' current role but also on the simultaneous existence of multiple roles and possible conflicts that this may cause (Ahmad and Taylor, 2009; Pollitt, 2003; Morin, 2003). Despite significant development in auditing research over the last 20 years (Hay and Cordery, 2021), internal audit function (IAF) in the literature gives an impression of a "jack of all trades, master of none" (Roussy and Perron, 2018). Studies on IAs' role have mainly focused on issues of their independence (Betti and Sarens, 2021; Ahmad and Taylor, 2009) and their part in good governance development (Roussy, 2013; Barasa, 2015; Ferry *et al.*, 2017). However, literature lacks a theoretical explanation of the change in IAs' roles (Roussy, 2013; Morin and Hazgui, 2016), the possible conflicts that this may cause (Van Peurseem, 2005; Ahmad and Taylor, 2009; Roussy, 2013; Roussy, 2015) and IAs' response to such conflicts, to clearly capture the role of IAs. Moreover, there is very unbalanced coverage of the range of countries and types of

auditing included in the research (Hay and Cordery, 2021), and there is a need for evidence on IAs from standalone markets, such as Ukraine (Nerantzidis *et al.*, 2020; Mattei *et al.*, 2021). This research, based on role theory (Kahn *et al.*, 1964; Katz and Kahn, 1978) in Ukraine’s central government, will contribute to this gap in the literature with theoretically grounded knowledge on IAs’ changing roles.

3. Insights from role theory

Role theory is a well-recognised and widely adopted theoretical approach with numerous streams, i.e. functional, symbolic interactionist, structural, organisational and cognitive (Biddle, 1986). For this paper, organisational role theory (Kahn *et al.*, 1964; Katz and Kahn, 1978) is used as a relevant basis for empirical studies on the behaviour of individuals (i.e. auditors), aimed at defining their roles in a specific context (Fondas and Stewart, 1994). As IAs operate in a complex and dynamic environment, Katz and Kahn’s (1978) role theory might provide novel insights into their roles.

The theory presents the interplay between the focal person (IAs in this study) and role senders (e.g. politicians, international organisations, managers, etc.). The term “role”, central to role theory, is defined as a group of tasks that the focal person agrees to perform (Michael, 2001; Liu *et al.*, 2014). Role is attached to institutional position and is part of the division of labour (Wildavsky, 1964). As Rodham (2000, p. 73) stated, it is necessary to look not only at “what they do” but, rather, “why and how do they do what they do.” Thus, it is not enough to be aware of IAs’ role behaviour; it is also necessary to be mindful of expectations and the way they were transferred to IAs; role senders; factors which may influence the emergence of the specific role of IAs; and possible role stress (in the form of role conflict or role ambiguity). All those are elements of the role set (illustrated in Figure 1) which defines the role of the IAs who received and accepted the specific role set from the role senders.

A key starting point of the role set is expectations. These are evaluative; they set limits and requirements for the focal person (Burkert *et al.*, 2011). Role expectations should not be considered fixed as they “are adjusted in the course of interaction in an evolving dynamic process” (Fondas and Stewart, 1994, p. 90; Taminiau and Heusinkveld, 2017). Expectations are sent to IAs by role senders: those giving orders in the role set (Roussy, 2013). IAs’ role is subject to the interactions of the normative expectations of the various interest groups in society with a direct or indirect relationship to the role position, possibly placing IAs in multi-role and multi-expectation situations (Davidson, 1975).

To understand how the specific role is enacted, factors affecting role senders’ attitude and IAs’ behaviour should also be considered (Lynch, 2007; Wickham and Parker, 2007; Katz and Kahn, 1978). According to role theory, role senders’ expectations can be changed

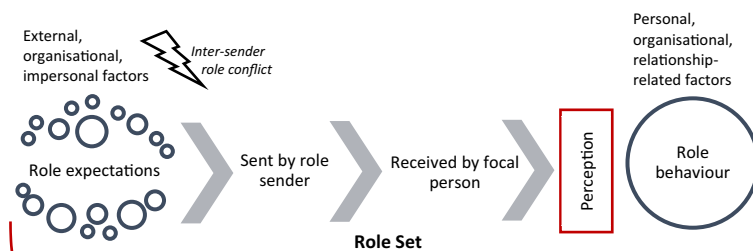


Figure 1.
A summary of role
theory

Source: Based on Kahn *et al.* (1964) and Katz and Kahn (1978)

dramatically by external, impersonal factors and organisational characteristics (Lynch, 2007; Wickham and Parker, 2007), while IAs' role might also be affected by personal, organisational and relationship-related factors. Roussy (2013) assumed that the legal and regulatory environment would also shape the roles of IAs. Factors also have a relationship with the role ambiguity or role conflict; for instance, IAs' role ambiguity may be decreased through training and changing the organisational structure (Aghghaleh *et al.*, 2014).

Therefore, according to role theory, IAs enact a role to manage a specific situation, as both situation and behaviour are governed by context-specific rules. IAs' perception of the role set, multiple external factors and expectations influence the enactment of the role and may result in role incompatibility between role senders and IAs (Ebimobowei and Kereotu, 2011). This may cause IAs to experience role stress, which can appear in the form of role conflict or role ambiguity.

Role conflict occurs when a focal person is required to perform conflicting roles within an organisation, in other words, receives inadequate needs and abilities from the role senders (Fischer, 2010). Faced with mutually exclusive expectations, the focal person experiences role conflict and cannot make proper judgements about which one to satisfy (Koo and Sim, 1999). When the focal person cannot satisfy all the responsibilities expected by the public, an "expectation gap" appears. There are four different types of role conflict:

- (1) intra-sender conflict (incompatible prescriptions and proscriptions from a single role sender);
- (2) inter-sender conflict (pressures from different role senders);
- (3) inter-role conflict (pressures from different groups of role senders are in conflict); and
- (4) person-role conflict (pressures violate the focal person's moral values) (Kahn *et al.*, 1964).

Role ambiguity refers to the discrepancy between the amount of information a person has and the amount required to perform the role adequately. In other words, role ambiguity occurs when there is a lack of information. It is also argued that, even if the focal person knows what to do, they do not always know how to do it (Kahn *et al.*, 1964). Both role conflict and role ambiguity were found to affect IAs' role and result in a decrease in their commitment (Rizzo *et al.*, 1970; Ahmad and Taylor, 2009; Roussy, 2013; Roussy, 2015).

According to Kahn *et al.* (1964), there are two responses to role stress: behavioural coping efforts and effective symptom formation. The focal person can pick one response or use them in conjunction. Behavioural coping efforts include the focal person's attempts to correspond with expectations or – if impossible – to modify demands. Effective symptom formation leads to highly emotional responses, which sometimes can end in the focal person's complete frustration and dysfunction (Merton, 1949).

The empirical evidence on the main elements of IAs' role set presented by role theory (Kahn *et al.*, 1964; Katz and Kahn, 1978) and illustrated by the authors in Figure 1 will provide us with understanding of the role performed by IAs because of the change in the expectations of role senders in Ukraine's central government. Moreover, role theory offers an explanation for the emergence of role conflicts and different factors that influence the way IAs cope with such conflicts.

4. Research context

For many years, Ukrainian public sector auditing was detached from global trends, as a result of the Soviet Union's prolonged influence. Starting from 1992, Ukraine became a

member-state of the International Monetary Fund (IMF) and a member of the World Bank (WB) and European Bank for Reconstruction and Development (EBRD). Under the influence of those international financial institutions, NPM instruments were introduced as a solution to poor processes, inefficiency and ineffective public services on the road towards political and administrative modernisation of Ukraine's public sector (Dan and Pollitt, 2015). Driven by neoliberal ideologies, accounting and auditing practices received a central role in operationalising the administrative ideas constituting NPM (Power, 1999).

Therefore, changes in Ukraine's public sector had already begun in the period 1991–1997 but were characterised by chaotic reform of both the socio-economic sphere and the state machinery. Considering Ukraine's increasing political instability, the success of such reforms or even their chance of being implemented during this period appeared limited (Bouckaert *et al.*, 2011). Later in 2006, an assessment of Ukrainian public administration was conducted as part of the Support for Improvement in Governance and Management project, with financial support from the United Kingdom Ministry of International Development and the Swedish International Development Agency and the consent of the European Commission (Centre for Adaptation of the Civil Service, 2019).

As a result of international cooperation, Ukraine took the next step towards a European system of public financial control, by developing and implementing the new Budget Code of Ukraine (Verkhovna Rada of Ukraine, 2010; Miedviedkova, 2016). This was adopted as the legal vehicle for the first phase of a public finance reform strategy, adopted in 2007 with the WB's support. Consequently, based on the updated Budget Code, it was expected to modernise budget regulation, develop mutually profitable relations with the IMF and improve the climate for foreign investments in Ukraine (Kraan *et al.*, 2013). Internal audit departments were created with the new wording of Article 26 of the new Budget Code of Ukraine and replaced the "Control-Revision Department" that had functioned in Ukraine since 2000 (Verkhovna Rada of Ukraine, 2010; Order No. 1001). Since 2008, Ukraine has cooperated with the Ministry of Finance of The Netherlands on the further development and improvement of the IAF in Ukraine's central government (MoF, 2019c).

Resulting from the 2014 Association Agreement between Ukraine and the European Union (EU), Ukraine took the next step, cooperating with the EU on the implementation of international standards and public sector improvements. Several key legal instruments concerning internal control and internal auditing in the government were developed during this period. Therefore, the current system is a result of significant changes in public sector policies undergone in Ukraine, due to the intention to join the EU.

Figure 2 visualises key actors in Ukraine's public sector auditing, which includes external and internal auditing, representing parliamentary and governmental financial control. External auditing is represented by the Accounting Chamber of Ukraine (ACU), while its internal counterpart is separated into centralised and decentralised areas. Centralised internal auditing is represented by the MoF, whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine. Decentralised internal auditing is the IAF in central government bodies, organised in Ukraine following the separation of internal control and internal audit departments (De Koning, 1999; Order No. 1001).

The Internal Audit Department interacts with the ACU, head of the institution (manager), audit committee and MoF (MoF, 2019a). According to Article 26, the manager of budget funds (who is head of the institution) forms an independent structural unit of internal audit, which is subordinated and accountable directly to the head of the institution (manager) (Verkhovna Rada of Ukraine, 2010). According to Order No. 1001 and the National Internal Audit Standards of Ukraine (UA Standards), the manager signs an internal audit declaration and approves provisions, programmes, regulatory documents,

assurance and quality improvement programmes, as well as the IA workload, strategic and operational plans, etc. (MoF, 2011). Audit committees are formed in government agencies to discuss management, control and audit issues (MoF, 2019a).

5. Research method and sources

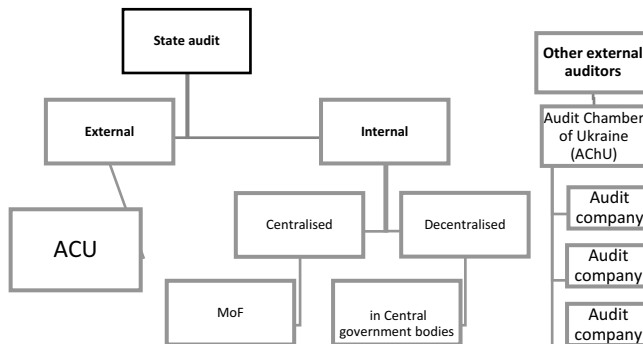
The evidential base is founded on qualitative analysis of primary and secondary data on public sector auditing in Ukraine. Data collection was conducted during February–April 2020 and July–August 2021. Primary data was collected through semi-structured interviews with public sector auditors; this type of interview is often referred to as a qualitative research interview (Saunders *et al.*, 2015). Semi-structured interviews were chosen, as they contain both structured and unstructured sections with standardised and open-type questions (Walliman, 2011), thus providing an opportunity to dive into the auditors’ “world” (Charmaz, 2014; Easterby-Smith *et al.*, 2015).

In total, 29 interviews were conducted (for interviewees’ background, see Appendix). To obtain a full picture of public sector auditing in Ukraine, both auditors at the ACU and IAs at the Ukrainian central government were interviewed. Self-selection and snowball sampling techniques were used in the search for respondents. Nineteen interviews were conducted during face-to-face meetings and recorded after receiving interviewees’ consent. The remaining interviews took place remotely during phone discussions.

We applied a bricolage of several data sources (Wibberley, 2017); therefore, the data collection and analysis were organised as a three-stage process (Vakulenko *et al.*, 2020). The first stage involved interviews with the ACU auditors, giving us a general understanding of public sector auditing in Ukraine. In the second stage, Ukrainian central government IAs provided information regarding their roles.

To complement the interviews, an analysis of secondary data was conducted during both stages. This included the following sources: official government documents, laws, statistics, central government regulatory documents and so on. The secondary data was analysed before and after the interviews (Saunders *et al.*, 2015), to compare the evidence provided by respondents with relevant documents. During interviews, additional references to the secondary data and copies of internal documents were provided by the interviewees, reinforcing the empirical findings.

In the final stage, the data from interviews was translated into English from Ukrainian, allocated in a coherent way with the interview questions’ topics and analysed based on the



Source: Based on materials provided by External auditor 1

Figure 2. Main actors of public sector audit in Ukraine and their interrelations

themes presented above. The interviews were also repeated at this stage, to clarify the correct understanding of the meaning of terms. Due to a feasible number of interviews, the collected data was manually accessed. To simplify the analytical process and ensure that no information was lost, one of the analytical aids (i.e. the interview matrix on the Excel file) was applied (Saldana, 2014).

The research process was carried out with regard for ethical considerations. Transparency was assured by sending the interviewees information about the research project. As briefly mentioned above, consent to conduct the interviews was obtained. The option of anonymity was offered twice to each interviewee, before and after interviews. To ensure anonymity, code names were used for each interviewee; however, information required to understand the analysis is disclosed. Before interviews, permission for audio-recording was requested. During interviews, each respondent could stop answering at any point if feeling unsure or uncomfortable. Furthermore, interviewees were able to comment on the transcribed interviews.

To ensure reliability, primary data was collected from interviews with IAs in the Ukrainian central government, interviews were further repeated with some of the respondents. Secondary data was analysed with the same caution as the primary data. The use of more than one data analysis method enabled data triangulation, thus increasing the results' credibility (Patton, 2002).

6. Findings

6.1 *Heterogeneous role senders and their expectations*

To answer *RQ1*, we have identified the main role senders (Kahn *et al.*, 1964; Katz and Kahn, 1978) in the Ukrainian central government. We divide them into two main groups by means of their contradicting expectations of IAs' roles:

- (1) politicians, international organisations, MoF; and
- (2) managers (i.e. heads of institutions).

Politicians in Ukraine (i.e. the legislative branch represented by Parliament and the Cabinet of Ministers of Ukraine) pass their expectations in the form of laws and regulations. As presented in the research context section above, with pressure from international organisations, the new Budget Code of Ukraine (Verkhovna Rada of Ukraine, 2010) has become the legal basis for introducing IAF into the Ukrainian central government, by separating it from the internal control system. The Cabinet of Ministers of Ukraine further adopted the key IAs' legal documents: Order No. 1001 and the National Internal Audit Standards of Ukraine (UA Standards):

In 2012, IA changed direction from revision to the audit. (IA10)

Before, it was not even called audit, it was control; we were making checks and revisions. (IA12)

Ukrainian politicians, therefore, place their expectation regarding IAs' role in Article 26 of the Budget Code of Ukraine:

[. . .] the IAF aims for improvement in governance, internal control, preventing the facts of illegal, ineffective and inefficient use of budget funds, the occurrence of errors or other shortcomings in the activities of the manager of budget funds and enterprises, institutions and organizations related to his management, and provides independent conclusions and recommendations (Verkhovna Rada of Ukraine, 2010).

The same provisions are assigned to IAs in the UA Standards “Internal audit [...] contributes to the improvement of governance, internal control and risk management by auditing independent and objective conclusions and recommendations” (UA Standard No. 5).

However, we find that the change in role was not visible until 2017, when the MoF’s so-called “Harmonisation Department” was assigned to report twice yearly to the Cabinet of Ministers of Ukraine on the state of IAF in Ukraine’s central government (Order No. 627):

IAF as such started to develop from 2017 when the MoF took over all the IAF. (IA11)

The MoF is responsible for the development of a model for reforming the system of audit activity in Ukraine in accordance with international standards and best practices. In cooperation with the Ministry of Finance of The Netherlands, the MoF developed new methodological guidelines for internal auditing in the Ukrainian public sector in 2019 (IA Guidelines). According to IA Guidelines, IAs are presented as “helpers” and “supporters” of managers and institutions, due to their independent and objective assessment. According to IA Guidelines, IAs are expected to provide recommendations on:

- improving the governance system and internal control, including risk management processes;
- improving policies and procedures to prevent illegal, inefficient and ineffective use of budget funds, the occurrence of errors or other shortcomings in the institution’s activities; and
- strengthening accountability and improving the effectiveness of the institution, etc. (MoF, 2019a).

The MoF set expectations regarding implementation of recommendations by the IA Guidelines in three main areas: governance, internal control and risk management. Moreover, IA Guidelines state that the IA’s role should not be limited to inspection activities aimed at identifying evidence of violations and providing written requirements to eliminate such (MoF, 2019a).

Therefore, we find that, in institutional and regulatory ways, Ukraine meets International Standards for the Professional Practice of Internal Auditing (IIA Standards) and claims a change in IAs’ role in Ukraine’s central government. However, from our interviews, it became clear that there is no real compliance between the legislature provisions and real IAF practices:

The way IAs’ role is now formed in the Budget Code is not present in practice. (IA2)

Unfortunately, I do not see the radical change that was expected with the introduction of the new legal basis; IAs remain “watchdogs”. (R6)

Here, we turn to the second group of role senders: managers (i.e. heads of institutions). According to the Budget Code of Ukraine, “to carry out IAF, the manager of budgetary funds forms an independent structural unit of IAs, which is subordinated and accountable directly to the manager” (Verkhovna Rada of Ukraine, 2010). According to the new legislation, managers sign an internal audit declaration, indicating the purpose (mission) and goals, as well as the independence and responsibilities, of the internal audit department. Managers’ expectations are formed in the internal documents of the organisation (e.g. internal audit provisions, programmes, strategic and operational plans, etc.).

We find that institutional and regulatory change did not lead to real change in IAs' role as expected by politicians and international organisations, firstly because managers only introduced IAF in Ukraine's central government to comply with the new legislation:

They took me to fill the vacant position, as they are now obliged to have at least one IA. (IA13)

The manager doesn't need this "new" function if it becomes more and more invisible [respondent means the tendency to reduce the number of IAs the institution employs]. (IA12)

Secondly, we find that, due to Ukraine's unstable political situation and the number of ongoing reforms, managers in Ukraine frequently change ["at some institutions, managers can change three to four times a year!" (MoF specialist)], and there is general unawareness about the role of IAs ["managers do not fully understand the role, abilities and importance of IAF" (MoF specialist)]:

They [managers] expect us to check the objects in which they are most interested. (IA16)

Due to the lack of understanding of IAs' role, the Methodological Guidelines for Internal Performance Audit (IPA Guidelines) state that "IAF is still often perceived by management as an inspection/control function aimed at detecting irregularities related to financial processes" (MoF, 2019b, p. 3):

As they perceive auditors as revisors, they expect us to search for mistakes and violations. (IA3)

Consequently, we find that heterogeneous role senders (politicians, international organisations, the MoF and managers) place IAs in multi-expectation situations, causing them to experience inter-sender conflict (Kahn *et al.*, 1964), which impedes change in their role in Ukraine's central government. It is difficult for IAs to develop in the direction of preventing shortcomings and improving the institution's activities (MoF, 2018, 26 June). Moreover, the risk-oriented approach is mostly formal and lacks a systematic risk analysis that should be performed by both management and the internal audit department (MoF, 2018, 26 June). IAs in the Ukrainian public sector have yet to reach the level of serving as internal guarantors and advisors for management (MoF, 2018, 26 June):

The current state of internal auditing is not as effective as it should be. (IA1)

Most informants perceive their roles *de facto* as those of revisors or inspectors who must search for and eliminate violations. Those findings complement the IAF review, which shows that IAs have not shaken off their inspection roots, in both perception (particularly by management) and approaches to work.

6.2 Internal auditors' response to role conflict

We find that IAs in Ukraine choose behavioural coping efforts (Merton, 1949) to face the clash in expectations due to inter-sender role conflict (Kahn *et al.*, 1964). However, their response depends on factors at three different levels: experience and knowledge as a personal factor at the micro-level, independence as a relationship-related factor at the meso-level and working environment as an organisational factor at the macro-level.

6.2.1 Experience and knowledge. The ability to see the existing role conflict and accept the specific role much depends on the experience and knowledge that IAs possess:

The problem is twofold – how managers understand IAs' role and how IAs understand their role. (SAS auditor 2)

Considering the specifics of the research context, IAs' experience has a direct impact on their perception of their role and their response to role conflict. Because of the history of the existence of the "Control-Revision Department," most IAs have previously worked as revisors or financial inspectors. Consequently, they prioritise managers' expectations and continue performing the same functions, as "they feel comfortable remaining watchdogs" (SAS auditor):

IAF is new for Ukraine, and we do not have people with experience in audits, not revisions. Most auditors have a revisor past – they are used to conducting checks of objects [...] it is better to take someone without a revisor past and teach from zero. But here we face another problem: new IAs are constantly coming who do not understand their role. (MoF specialist)

The IAF review presents a high staff turnover rate (up to 50% in small units); a lack of appropriate skills, competencies and knowledge; and insufficient training and resources for internal audit units (MoF, 2018, 26 June). IAs state that, to perform their new role, they need constant training and experience exchange, as it is impossible for someone with a revision and accounting background to start conducting performance audits:

There is a lack of qualified specialists who can effectively find weaknesses in the activity of the institution and provide high quality recommendations to ensure its optimal operation. (IA6)

We also find that, while making claims about the change in their role, some respondents were unaware of the specifics of their new role. IA5 connected IAs' role with the ability to ensure financial discipline at the institution, while IA14 claimed that IAs perform financial control. Both claims can be used to explain the traditional "watchdog" role, rather than the new role, therefore raising concerns about IAs' knowledge. The MoF places strong emphasis on learning activities for IAs, moreover, "working on national certification to improve the skills of IAs and planning to increase salaries by 30% to attract more qualified employees" (MoF specialist).

6.2.2 Independence. We find that IAs are facing challenges in fulfilling their new role, despite their wishes, because management requires other actions, namely, identifying violations:

While auditors try to give recommendations, managers expect them to limit their functions to identifying errors and violations. [...] Our managers do not consider IAs as consultants or assistants; they simply do not even understand how someone can give them advice and "manage" them. Therefore, they continue to consider them as – and force them to perform the role of – "watchdogs." (External auditor 1 about IAs)

The MoF (2018, 26 June) identified that the principles of the organisational and functional independence of internal audit units, defined by national legislation, are not always present in practice. We see that the existing system does not ensure the independence of IAs:

I think that IAs cannot be independent as they are now [...] IAs appeared to be tools for the manager's influence over the processes at the institution. (SAS auditor 2)

The idea of subordinating IAs directly to the manager is to make them free of any influence. (MoF specialist)

However, we see the situation in which managers appear to have the power to influence IAs' work, considering this strong direct link between managers and IAs. Consequently, we find that IAs who lack independence choose to prioritise managers' expectations, as they are fully dependent on the manager's will and understanding of their role:

IAs' role depends on how the manager generally perceives IAs; some see them as helpers and some as an "evil force that comes from Europe." (IA15)

We also find that, in rare cases where IAs are not influenced by the manager, it is possible for them to successfully modify managers' demands:

I have looked through the audit reports issued before I came, and I understood that there were only the audits of the subordinated object (only financial and compliance audits), but the activities of the institution itself were not analysed. I have changed this practice, with the manager's support. (IA10)

However, the system and legislation should guarantee IAs' independence, so that managers' will does not play a central part in framing IAs' role.

6.2.3 Working environment. The legal and regulatory environment reflects the general expectations of a role set in a given context, therefore shaping the role behaviour (Katz and Kahn, 1978; Roussy, 2013). We find that the legal and regulatory bases of IAF do not seem to account for many issues that IAs face.

According to the IAF review, IAF is never fully carried out, due to complete understaffing (40% of internal audit units had only one or two IAs). For example, one IA at the Ministry of Education and Science of Ukraine had 242 objects to audit in 2018. COVID-19 also had an impact, as now all departments lack employees (IA11). However, no legal documents were issued to increase the number of IAs:

We lack normative provisions to increase the number of IAs. (IA8)

The number of people employed as IAs is decided by the manager and depends on the funding (and we never have enough funding). (IA11)

Consequently, some IAs may prioritise managers' expectations because of the physical inability to perform their new role:

There should be at least a department to properly perform the new role, but I am the only IA in the whole ministry. (IA12)

Moreover, we find that, because of weak internal control mechanisms or even their absence in some institutions, IAs can be forced to perform traditional control and inspection functions instead:

No one performs the function of control [. . .] as a result, it is placed on us. (IA1)

They were separated, but internal audit function is really the same as control. (IA2)

[. . .] the weak link is the internal control system. (External auditor 1 about IAs)

7. Discussion and conclusions

Through role theory lenses (Kahn *et al.*, 1964; Katz and Kahn, 1978), we developed a theoretical model of the process of IAs' role enactment (Figure 3). It enriches the understanding of auditors' roles; role conflict, which auditors may experience (Kahn *et al.*, 1964); role senders and their expectations; and how conflicting expectations place auditors into multi-expectation situations (Davidson, 1975). Moreover, we identified the personal, relationship-related and organisational factors which affect how IAs cope with role conflict (Lynch, 2007; Wickham and Parker, 2007; Katz and Kahn, 1978). The theoretical model can

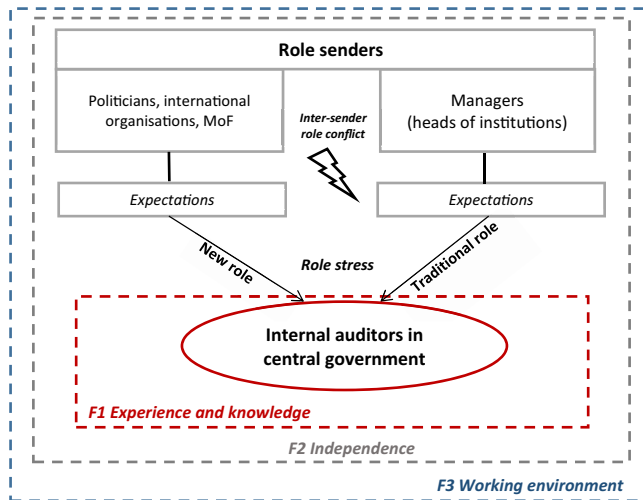


Figure 3.
Process of IAs' role enactment

be widely used in future studies on public sector auditing in different countries facing similar challenges.

This study contributes both empirically and theoretically to the performance audit literature, with an unexplored case of a post-Soviet country – Ukraine. We find that the roles IAs perform are not in perfect compliance with the current legal and regulatory framework supporting the study by Roussy (2013). We go further, arguing that such inconsistency appears because of the multi-expectation situation (Davidson, 1975) in which IAs find themselves, due to the division of the heterogeneous role senders into two different areas.

Change in IAs' roles in the Ukrainian central government created two groups of role senders, divided by their contradicting expectations of IAs' roles (see Figure 3). The expectations of the first group of role senders – politicians, international organisations and the MoF – converge and were found to be generally represented in the legal and regulatory framework (i.e. Budget Code of Ukraine, IIA Standards, UA Standards, IA Guidelines, IPA Guidelines). IAs are expected to improve governance and internal control; prevent illegal, ineffective and inefficient use of budget funds, as well as the occurrence of errors or other shortcomings in the activities of the manager and the enterprises, institutions and organisations related to his management; and provide independent conclusions and recommendations (Verkhovna Rada of Ukraine, 2010). Their expectations reflect the new approach regarding the role of IAs in the literature, arising with the introduction of performance auditing (Roussy, 2013; Morin and Hazgui, 2016; Deloitte, 2018). However, we find that politicians in Ukraine enacted new regulations to please international actors (i.e. IMF, WB and EBRD), but not to lay foundation for performance audit in Ukraine.

Consequently, we further evidence the absence of change in the expectations of the second group of role senders – public managers (heads of institutions), who still perceive IAs as traditional “watchdogs.” Managers introduce IAF to comply with new legislation; they face general problems understanding IAs' role and identify them as revisors, as IAs were before, expecting inspection and control activities, thus putting IAs in multi-expectation situations (Davidson, 1975).

In contrast with the study by Van Peursesem (2004), who found that most IAs did not recognise their dual role as a problem, we find that IAs in the Ukrainian central government

suffer role stress (Kahn *et al.*, 1964). Positioned between two groups of role senders with contradictory expectations, IAs experience inter-sender conflict (Kahn *et al.*, 1964), which impedes the change in their role. With those findings, we add to the prior research on role conflicts in internal auditing (Van Peursem, 2005; Ahmad and Taylor, 2009; Roussy, 2013; Roussy, 2015).

Faced with mutually exclusive expectations, IAs cannot make proper judgements about which one to satisfy (Koo and Sim, 1999). Moreover, the study identified the number of personal, organisational and relationship-related factors (Katz and Kahn, 1978) on three different levels which influence the way IAs cope with role conflict and choose to prioritise the traditional “watchdog” (control, inspection) of managers’ expectations (see Figure 3).

The first factor with a direct impact on IAs’ perception of their role and their response to role conflict is their experience. As most IAs have previously worked as revisors or financial inspectors, they may choose to follow managers’ expectations, as those are similar to the skills they possess. Moreover, the lack of IAs’ knowledge also has a direct impact and creates problems with the enactment of their new role. Documents issued in recent years (e.g. IA, IPA Guidelines) consist of well-defined and clarified expectations, as well as detailed guides for the role of IAs. However, we still find that role ambiguity (Kahn *et al.*, 1964) is present among IAs and managers regarding the new role of IAs. Role ambiguity may decrease with the training of IAs, as proposed by Aghghaleh *et al.* (2014); however, we also find that employees with different backgrounds and better resource allocation for internal audit units are needed.

The Ukrainian case also indicated independence as a relationship-related factor that affects IAs’ response to role conflict. As argued by Ahmad and Taylor (2009), the more internal role conflicts auditors experience, the less importance they place on independence. Several studies are concerned with how to ensure the independence of IAs with the change in their role, as they are now becoming managers’ advisors (Betti and Sarens, 2021; Ahmad and Taylor, 2009). We support those studies with the evidence from Ukraine’s central government and show that the new legislative framework, aimed at changing IAs’ role, failed to ensure their independence. Consequently, by appearing fully dependent on managers, IAs choose to prioritise their expectations and perform a traditional “watchdog” role instead. A separate study is required on the issue within the same context, to obtain a clear picture of the level of independence of IAs in the Ukrainian central government.

We also find that the existing organisational environment within the Ukrainian central government (weak internal control mechanisms or even their absence) impedes IAs from improving the internal systems, as they are forced to perform traditional control and inspection functions. The next organisational factor is the enormous workload due to the critical understaffing within the organisations IAs work for. Few IAs are not able to perform an in-depth assessment of the economy, efficiency and effectiveness of huge governmental institutions as expected with the introduction of performance auditing. By identifying those organisational factors, our findings contribute to the study by Ahmad and Taylor (2009) and suggest that changes are needed not only in IAs’ roles but also in the working environment surrounding IAs in the organisation.

The degree of stress experienced by IAs because of role conflict might be reduced if managers were more aware of the characteristics of the organisational climate related to conflict. In other words, various forms of managerial support are needed in the fulfilment of a specific role (Taminiau and Heusinkveld, 2017). The creation of a strong internal control system would place the control role on the right actors at the institution, giving IAs the ability to perform their new roles in the three areas of governance, internal control and risk

management. With the support from politicians, the assurance of IAs' independence, the resources for attracting more qualified employees and development of educational and training programmes would ensure IAs' new roles are performed properly. IAs in the Ukrainian central government attempt to modify demands in response to stress (Merton, 1949; Kahn *et al.*, 1964). However, we find that their experience and knowledge, independence and the specifics of the working environment make them prioritise manager's expectations. Consequently, we claim that more attention should be paid to mitigate the impact of the analysed factors to ensure IAs' ability to enact and communicate their new role to managers.

Future studies might continue to improve knowledge on performance auditing and IAs' role, by focusing on role senders, expectations and the role conflicts that IAs may experience, through the use of the proposed theoretical model of the process of IAs' role enactment (Figure 3). Comparative analyses of IAs' roles in other post-Soviet countries and other emerging countries may enrich the debate with interesting findings on performance auditing and its impact in the public sector (Nerantzidis *et al.*, 2020; Mattei *et al.*, 2021), as well as widening role theory. The relations between IAs and other governance mechanisms, particularly the audit committee, the board of directors, top management team and external auditors (Roussy, 2013), should also be studied. Moreover, the issue of IAs' independence in the public sector and their role in fighting and preventing fraud and corruption requires further research (Gustavson and Sundström, 2018; Cesário *et al.*, 2020). Additionally, little research exists on the role of international organizations (such as the International Organisation of Supreme Audit Institutions' Development Initiative) in emerging countries in enhancing the capacity and performance on public sector auditors (Gørrissen, 2020).

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Appendix

**Changing roles
of internal
auditors**

#	Interviewee code	Position	Institution	Form/duration
<i>February–April 2020</i>				
1.	ACU auditor 1	Deputy Director of the Department for the Use of the State Budget in the Regions	The Accounting Chamber	Meeting/1 h
2.	ACU auditor 2	Head of the Department for Adaptation and Implementation of International Standards for International Cooperation		Meeting/40 min
3.	ACU auditor 3	Anonymous		Phone call/25 min
4.	ACU auditor 4	Anonymous		Phone call/30 min
5.	SAS auditor	North Office, Head of Department	The State Audit Service of Ukraine	Meeting/55 min
6.	External auditor 1	Director of the Centre for Advanced Studies of National University of Kyiv	External Auditor	Meeting/1.5 h
7.	External auditor 2	Board member of the Audit Chamber of Ukraine	External Auditor	Phone call/25 min
8.	External auditor 3	Chairman of the Federation Council	Federation of Auditors, Accountants and Financiers of AIC of Ukraine	Phone call/30 min
9.	IA1	Head of Department Internal Auditor	Ministry of Culture, Youth and Sports of Ukraine	Meeting/50 min
10.	IA2	Internal Auditor	State Service of Ukraine on Drugs Control	Phone call/30 min
11.	IA3	Head of Internal Audit Department	State Service of Ukraine on Food Safety and Consumers' Protection (SSFSCP)	Phone call/35 min
12.	IA4	Internal Auditor	Anonymous	Phone call/25 min
13.	IA5	Chief Specialist of the Internal Audit Sector	Ministry of Development of Communities and Territories of Ukraine	Phone call/30 min
14.	IA6	Chief Specialist of the Audit Department of the Budgeting Institutions of the Internal Control and Audit Department	Kyiv City Council	Phone call/20 min
15.	IA7	Chief Specialist of the Audit Department of the Budgeting Institutions of the Internal Control and Audit Department	Kyiv City Council	Phone call/40 min

(continued)

Table A1.
Interviewees'
background

#	Interviewee code	Position	Institution	Form/duration
<i>July–August 2021</i>				
16.	IA8	Head of the Department of Planning, Budget Execution, Accounting and Human Resources	State Financial Monitoring Service of Ukraine	Meeting/40 min
17.	IA9	Head of the IA sector	Ukrainian State Film Agency	Meeting/1.5 h
18.	IA10	Head of Internal Audit Department	Ministry of Ecology and Natural Resources of Ukraine	Meeting/40 min
19.	IA2 (repeated)	Former Internal Auditor	State Service of Ukraine on Drugs Control	Meeting/1 h
20.	IA11	Head of the Internal Audit Department	State Service of Maritime and River Transport	Meeting/30 min
21.	SAS auditor (repeated)	North Office, Head of Department	The State Audit Service of Ukraine	Meeting/50 min
22.	SAS auditor 2	Head of the Department for Handling Complaints	The State Audit Service of Ukraine	Meeting/20 min
23.	IA12	Head of Internal Audit Department	Ministry of Youth and Sports	Meeting/1 h
24.	IA13	Head of the IA sector	Ukrainian Marine and River Inspection	Meeting/40 min
25.	IA14	Head of the IA sector	State Service of Ukraine on Drugs Control	Meeting/30 min
26.	IA15	Head of the IA sector	The State Service of Geology and Mineral Resources of Ukraine	Meeting/40 min
27.	IA16	Head of Internal Audit Department	State Service of Ukraine on Food Safety and Consumers' Protection (SSFSCP)	Meeting/1.5 h
28.	IA17	Head of the IA sector	State Service for Ethnic Policy and Freedom of Conscience	Meeting/1 h
29.	MoF specialist	Specialist in the formation of internal audit policy	Ministry of Finance	Meeting/1 h

Table A1.**About the authors**

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Giuseppe Grossi is Research Professor in accounting at Nord University, Norway, Kristianstad University, Sweden, and Kozminski University, Poland. He is also visiting professor at Tampere University, Finland. His recent publications concern hybrid organisations, smart cities,

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