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Research paper

Preliminary insights : isomorphism and effectiveness of performance auditing issues follow-up

Sarimah Umor[*a], Zarina Zakaria[b], Nor Adwa Sulaiman[c] , Rasheed Mohamed Kutty[d]

[1] *PhD Candidate, University Malaya, Malaysia/ Faculty of Business and Accountancy*
[2]*Senior Lecturer, University Malaya, Malaysia /Faculty of Business and Accountancy*
[3]*Senior Lecturer, University Malaya, Malaysia /Faculty of Business and Accountancy*
[4]*Senior Lecturer, University Technology Malaysia /UTM Razak School of Engineering &Advanced Technology *Corresponding author*
**Corresponding author E-mail: sarimahumor@siswa.um.edu.my*

Abstract

Reality of current times of scarce public budgets drive the public administrations to achieve their goals in the most economical, efficient and effective manner as depicted in the key concepts of performance auditing. Performance auditing as one of the activity that the Supreme Audit Institution (SAI) uses to assure economy, efficient and effective use of public funds. Equally importance is the follow-up in which according to ISSAI 3000 is a part of every performance auditing activity. Follow-up is necessary for ensuring that audit recommendations are well addressed by identifying the sources of inefficiency. Consequently, appropriate action can be taken to improve public organization performance. Follow-up on performance auditing issues appear to be important to re-check on the responsiveness towards audit recommendation on various issues raised pertaining to improper use of public fund. In particular, the focus of this paper on follow-up brings about different type of institutional pressure which have not been well explored. Since audit recommendations are not fully implemented, repetitive issues are being disclosed to the public which at the end create public service performance dissatisfaction. Lack of follow-up may cause a problem to measure the real value and impact of performance audit. This paper highlights different types of pressure which can be explained by three forces of isomorphism namely coercive, mimetic and normative as a theoretical lens to explain its effect towards follow-up effectiveness.

Keywords: *Follow-up; Performance Auditing; Isomorphism*

1. Introduction

Performance auditing in the public sector these days become one of the most important responsibilities of auditors especially government auditors in Malaysia besides their traditional responsibilities with regards to financial audit. It is a process used to support government self-analysis and provide a basis for more informed and publicly defensible decision-making. Mainly performance auditing focuses on economy, efficiency and effectiveness (Vacca, 2014) of every public sector organization and should be maintained to ensure sustainable public sector performance (Osborne, 2015). Effectiveness and efficiency are synonym with auditing function poses by auditors and particularly government audit that most commonly contributes towards performance improvement and changes in the public sector (Pearson, 2014). However, one of the most significant current discussions in public sector performance auditing is by Reichborn-Kjennerud (2014) pertaining the reason and important of follow-up. The author point out that a follow-up action will be undertaken by Supreme Audit Institution (SAI) to investigate whether the corrective action has been taken up by the auditee. Previous study by Aikins (2012) has reported that follow-up on performance auditing issues are significantly related to client management's adoption of audit recommendations. Follow-up on performance auditing issues is part of the performance auditing activity. It is an important tool used to strengthen the impact of the audit and improve future audit work. The priority of follow-up should be assessed as part of the overall audit strategy of the SAI (ISSAI 3000. 5.5). INTOSAI Guidelines, ISSAI 3000- 3001 pointed out that "a follow-up process will facilitate the effective implementation of report recommendations and provide feedback to the SAI, the legislature and the government on performance audit effectiveness" (ISSAI 3000, 5.5).

On such a continuum, the aim of this study is to understand extent of follow-up initiative in public sector performance auditing activity. Performance auditing is a worldwide attention and focus (Raudla et al., 2015). Within the year 1980 to 2008 limited empirical studies on impact of Supreme Audit Institution (SAI) towards performance audit work (Van Loocke & Put, 2011, p.175) was reported, leading to Morin (2014, p. 4) recently affirmed that empirical studies of the AG's impact on administrations through performance audits are still very rare. The author revealed important points from his empirical results for further thought and arguments by suggesting an interesting possible area to be further explored is on issues concerning follow-up. However, public sector performance auditing in Malaysia besides facing a prolonged period of under research area, its usefulness, real values as well as impact indicates a gap to be further explore.

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2. Literature review

2.1 Background

Performance auditing exists all over the world with the aim and effort to accomplish operational economy, efficiency and effectiveness (3E's) (INTOSAI, 2010). The term 'new public management' (NPM) defines public sector reforms carried out in late 20th century in many countries which focus on performance improvement has triggered the emergence of performance auditing (O'Flynn, 2007). Performance auditing rooted from these reform as a product of public sector auditing process which concentrate on output of public administration activity (Rosa, Morote & Prowle, 2014). Since then, Performance auditing appeared mostly in the 1960's and 1970's in the developed countries, when the members of the parliament started to search for reliable data to help them establish if their governments fulfilled their programs (Suciu Gheorghe, 2012). Based on these notion, it is necessary here to further clarify exactly what is meant by performance audit as claimed by previous literatures. According to Pollitt & Summer (1997), performance audit was introduced in the 1960s to provide assurance over accountability concerns in the public sector. It is as an independent examination of the 3e's of government undertakings, programs or organizations (Reichborn-Kjennerud & Johnsen, 2011; ISSAI, 3000). Currently, Reichborn-kjennerud (2015) described performance auditing as one of the method that the Supreme Audit Institution (SAI) uses to assure efficient and effective use of public funds. This give an indication that performance auditing progression across the time seem important and inevitable.

2.2. Public Sector Audit

The attention on effectiveness and efficiency of the public sector is a part of every public sector transformation strategy in recent years (Siddiquee, 2014). The speed of change and transformation in the public sector creates numerous challenges and pressure. Emerging issues of public sector reform (O'Flynn & Mctaggart, 2015) are due to the evolution of public needs and demand resulted from the changes. Therefore, there is an ongoing duty and need to address realization of action as a result of follow-up on performance auditing issues (Eckersley et al., 2014; Funnell & Wade, 2012; Morin, 2011; Radcliffe, 2011, 2012; Tillema & Bogt, 2010) which gave rise of public sector audit (Free, Radcliffe, & White, 2013). Public sector audits are important tools on how public money is spent (Reichborn-Kjennerud & Johnsen, 2011; Reichborn-kjennerud, 2015). New Public Management (NPM) unfold the realty of under research public sector auditing field (Radcliffe, 2012, p. 41). As such, public sector audit is regarded as important tools on how public money is spent (Reichborn-Kjennerud & Johnsen, 2011; Reichborn-kjennerud, 2013, 2015), the perspective, features and goals of public sector grants a distinctive and fruitful ground to examine existing literature on public sector audit.

2.3. Performance Auditing

While, variety of definitions of the term performance auditing have been suggested, this paper will use the definition suggested by US Comptroller General (1994) as cited by Brooks (1996, p. 17) who saw it as an objective and systematic examination of evidence. Its purpose is to perform an independent assessment of the performance of a government organization, program, activity or function. It provides an information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. Whereas, according to the standard, performance audit is defined as the independent examination of the efficiency and effectiveness of government organizations, operations, or policies, with due regard to economy (ISSAI 3000). As further stipulated in the ISSAI 3000, performance audit examine and evaluate three important features namely economy, efficiency, and effectiveness in all government activities, which then may contribute to better government spending, better public services and better public accountability and management. In accordingly, continuous room for improvement pertaining to performance auditing (INTOSAI, 2013) in public sector are most likely the reason for the field been widely explored by previous literature. Based on that notion, International Organization of Supreme Audit (INTOSAI) (2013, p.2) reached a similar definition of performance auditing which is "an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness. As specified by OECD "performance auditing undertaken on the assumption that the audit body's reports are important in the oversight process, departments will become more performance-oriented if their programs and operations are subjected to Performance auditing. When these conditions are fulfilled, Performance auditing are said to have "impact" - and, as such, to further the goal of performance accountability in a significant way (p. 371)".

2.4. Follow-up on Performance Auditing Issues

Key stages of the performance audit process based on the auditee perspective drawn by Kells & Hodge (2011); Kells (2011); and Thynne & Goldring (1987) are the basic performance model applied for this study (Figure 1). This study divide the process into three common categories of Performance auditing process namely planning, implementation and monitoring. The first two related to planning of performance auditing. Next two are the main body of performance audit which involve undertaking the performance audit in the real setting to the extent of reporting the end result. Last two are the aim and focus of the current study which mostly left out in previous literature without further exploration on the arguments; debate; problem arise and particularly on the effectiveness. This is in line with Kells & Hodge (2011) arguments on the main problem faced by auditor pertaining this model was that they are not able to force or compel the auditee to act on the audit findings. More so to adopt the audit recommendations though follow-up audit could help to keep track of the use and effects of performance audits (Tillema & Bogt, 2010; Knaap, 2011).

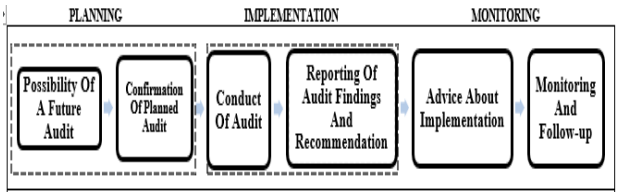


Figure 1: Kells (2011) and Kells & Hodge (2011**)**

"Follow-up" has to date, received little attention in the literature. It's important could be traced from the real value and impact from Performance auditing activity. Research on the impact as well as the real value of performance audit on public sector organization (Raudla, Taro, Agu & Douglas, 2015; Bawole & Ibrahim, 2015) has been one of the main field of inquiry in recent years. Whether Performance auditing have an impact in improving the auditee's entities (Yang, 2012); its usefulness in the eyes of auditees (Reichborn-Kjennerud, 2015); whether it brings changes in the audited organizations (Morin, 2014) and the contributing factors for those changes (Siddiquee, 2014) still merit for future research. Collectively, all these authors to some extent agree that performance auditing is important in public sector environment regardless the continuous debate surrounding the audit recommendation implementation. The real value of performance audit itself is means for service improvement (Raudla et al., 2015) within public

sector organization. Therefore, even though previous literature claimed of unnecessary cost (Kells, 2013) and evidence due to auditor wrong audit recommendation (Bawole & Ibrahim, 2015) in which has resulted in the implementation of audit recommendation by auditee which may not have any material bearing on real performance (Bawole & Ibrahim, 2015). The authors provide an example by citing Kells (2011) on a case of audit which led to new procedures that added lot of millions annually to the relevant agency's costs, yet the agency's controls were already found to be fully satisfactory (Kells, 2011, p.388). This undesirable scenario, could be overcome through effective follow-up as regulated in performance auditing activity.

2.5. Isomorphism: Institutional Theory

Institutional theory has been used to study the effects of internal and external influences on public sector audit context. For instances, previous literature that deploy institutional theory as theoretical lens mostly are from internal audit perspective (Arena & Azzone , 2007; Ali *et al*., 2007; Arena *et al*.,2006). The most recent being, Halimah Nasibah et al (2015), who combines institutional theory and resource based theory to study on the effectiveness of internal audit effectiveness. In similar vein, Mihret, Mula & James (2012) theorizes the development of internal audit practices from an institutional change perspective. In parallel, Al-Twaijry *et al* (2003) used institutional theory to examine the development and effectiveness of the IA function in the Saudi Arabian corporate sector. In the context of SAI audit organization, a study by Reichborn Kjennerud (2013) seem very pertinent where the author used institutional theory to verify empirically the usefulness and contribution of performance auditing to accountability. Similarly, Freitas & Guimarães (2007) used institutional theory to verify the nature of the relationship between the concept of legitimacy and the phenomenon of institutionalization of operational auditing at the Court of Auditors by applying institutional isomorphism as theoretical lens. The aforementioned perspectives demonstrate that institutional theory has been used widely in field of auditing studies across the time. Despite the extensive discussion in internal audit setting, theoretical and empirical research into the institutional aspects of public sector performance auditing focusing on the last stage of the process or after the wake up of Auditor General report which is follow-up, seem lacking but becoming increasingly important and highlighted as one of the potential area of future research (Morin, 2014; Reichborn-Kjennerud 2015; 2014; Irawan, 2014; Aikins, 2012).

Institutional theory suggests that the social environment such as role of social processes, norms and expectation in which organizations operate create an influences either internally or externally in explaining behavior of organizations (Meyer & Rowan 1977). This recently lead Stanger, Wilding, Hartmann, Yates, & Cotton (2013) highlight that institutional theory focuses on how external pressures influence organizations and their organizational practice. Without exception, government performance auditing that represent as an important institutional arrangement under the government governance structure (Hui, 2012) also faces various institutional pressures (Hillebrand, Nijholt, & Nijssen, 2011). Various external actors surrounding the Supreme Audit Institution (SAI) environment create a pressure towards the way auditors' conduct their work, social conformity and further this externalities exert pressure in the practice (DiMaggio & Powell 1983) behold by auditor in particular and SAI in general.

Institutional theory have been applied extensively in different disciplines that include public sector auditing and performance auditing (Reichborn-Kjennerud, 2013; Funnell & Wade, 2012; Holm & Zaman, 2012; Hui, 2012; Pedersen & Huniche, 2011; Reichborn-Kjennerud & Johnsen, 2011). The wide range of research using the institutional theory across different jurisdiction as well as multiple disciplines may support its integrity and usefulness in exploring the follow up audit pertaining public sector performance auditing in the Malaysian context. In this study, neo-institutional theory developed by DiMaggio and Powell (1983) is adopted to understand the key factors that influence the effectiveness of follow up audit. According to DiMaggio and Powell (1983), organisations must conform to institutional isomorphism if they intend to gain legitimacy within an organisational field. The term institutional isomorphism refers to the situation where organisations within an environment more towards similarity due to political, legitimacy or collective purposes. There are three types of institutional isomorphism identified namely coercive, mimetic and normative isomorphism.

DiMaggio and Powell (1983) introduced the concept of isomorphism, noting that, as organizational fields become more structured, organizations within them increasingly converge in structure and process. From the sociological point of view, institutions based on new institutionalism or neo-institutionalism is a theory enlighten by what means institution form the behavior of its actor (DiMaggio & Powell, 1983). Organizational actions and behaviours are conjointly influenced by extra-organizational factors and the extent to which they are legitimated in a given domain (Tolbert & Zucker, 1996; Dacin & Matear, 2010). Isomorphism has two forms: competitive and institutional. Competitive isomorphism assumes that there is an environment in which organizations compete freely and openly (DiMaggio & Powell 1983, p.150). In contrary, institutional isomorphism represented by three processes, coercive, mimetic or normative shape how organizations seek to maintain their legitimacy (p.150). Coercive occurs from influences exerted by those in powerful positions, in this case within the public sector Performance auditing is the ruling government. Normative drivers therefore exert influence because of a social obligation to comply, rooted in social necessity or what an organization or individual should be doing (March & Olsen, 1989). Mimetic isomorphic drivers occur when organization imitate the actions of successful competitors surrounding its environment, in an attempt to imitate the trail to success and gain legitimacy (Sarkis et al., 2011). It is important to restate here that coercive isomorphism associated to environment surrounding the organizational field. Whereas mimetic and normative processes are internal to the field and undergo stages like diffusion to eliminate those pressures by changing their practices. In particular, using the institutional isomorphism as theoretical lens of current study are mainly due to the theory capability in explaining organizational differences and organizational change (Greenwood & Hinings, 1996). On such a continuum, this study used DiMaggio & Powell (1983) idea as underlying theory. On such a continuum, in an attempt to uncover the follow-up on performance auditing issues as operationalised in the context of three isomorphism (coercive, mimetic, and normative) so to achieve its effectiveness, the following conceptual framework are shaped:

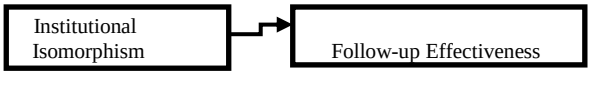


Figure 2: Conceptual framework

3. Methodology

A pilot study covering both practical and methodological are undertaken for two weeks during the month of October 2016. The main objective of this pilot study is to obtain a broader insight into current practice of performance auditing follow-up within public sector Performance auditing. This study follows qualitative research analysis, as a methodology that explores a current phenomenon in its real-life context. Given the present study, exploratory in nature, a qualitative research approach has been adopted for the purpose of this study. Qualitative research offers a means through

which a researcher able to judge the effectiveness of particular policies, practices, or innovations (Leedy & Ormrod 2005). Qualitative helps researcher understand the nature, context, and process of performance auditing follow-up from the point of view of the actors involved. Altogether eight informants were selected using purposive sampling (Creswell, 2013) and been interviewed. Interview duration and recording mostly lasted between 45 and 90 minutes and were recorded at the informant's workplace. These informants comprises of auditors, auditees and general public. But for the purpose of this paper only five interview finding being used for following result and discussion section. This five informants are the auditors whereas not included in this paper were the interview finding from two auditees and one general public. The reason for undertaking pilot study is to test and enhance the interview guide for the actual data collection stage. The researcher used the following methods to enhance the validity of the interview data. All fully transcribe interviews were sent back to those informant concern through email. The purpose of this step is to give sufficient time for the informant to go through the interview transcribed and seeking their agreement on opinion conveyed by them during interview. Brief on the informants list is as follow:

Table 1: List of informants

Informants	Service In SAI	Criteria Of Selection (Purposive Sampling)
Auditor1	>25 Years	Longstanding Auditors With Wide Experience In Performance Auditing
Auditor2	>15 Years	Experienced As A Coordinating Officer For Audit Report Follow-Up
Auditor3	>15 Years	Involved In The Early Discussion For The Formation Of Follow-Up Division
Auditor4	>12 Years	Involved In The Early GTP Brainstorming Session And Lab For Follow-Up Transformation Initiatives
Auditor5	>10 Years	Experience Auditor In Performance Auditing (Team Leader)
Auditor6	>10 Years	Experience Auditor In Performance Auditing (Team Leader)
Auditees1	>25 Years	Excluded
Auditees2	>15 Years	Excluded
Public1 (Academician)	>15 Years	Excluded

4. Results and discussion

The main purpose of the preliminary data analysis at the pilot study is to obtain a broader insight into institutional isomorphism perspective in follow-up on performance auditing issues, covering both substantive and methodological aspects of the actual study. For the pilot study, three methods were employed in gathering the data: interview, document review and an observation of a meeting. Findings of the study can be divided into three type's isomorphism. Overall, the results support the earlier developed conceptual framework.

4.1. Coercive

Coercive isomorphism transpires when the organization is constrained to adopt formal or informal structures or rules (DiMaggio and Powell, 1983) as a consequences of the external pressures exerted by government, regulatory, or other agencies. This authors further reiterate, coercive isomorphism trigger pressures to forces by means of encouragement, or as requests to join in agreement. Common understanding of coercive isomorphism is that the organization has little option but to obey and act in an obligatory means. Meaning that, these forces put forth on organizations and decision-makers to follow or adopt certain institutionalized rules and practices by other organizations upon which they are dependent and by cultural expectations from the society within which the organizations function (Ahmad et al., 2015).

Within the context of follow-up pertaining to public sector performance auditing in Malaysia, coercive pressures could predominantly stem from current ruling government movement, initiative and transformation program. In 2009, Prime Minister Mohd Najib Razak introduced a new approach toward transforming the government and public sector by focusing on six National Key Results Areas under Government Transformation Programs (GTP). This change is undertaken mainly with the objective to improve government effectiveness in service delivery and accountability. Moreover, an administrative reformation been initiated with the aim to improve government accountability and strengthen the public sector. This initiative regarded significant and triggering in order to maintain public confidence and publicizing the determination of the government to implement good governance in the public sector.

Existence of coercive isomorphism can be observed surrounding the issues in relation to value and impact of performance audit in Malaysia context starting from the launching of GTP. The aim amongst other is to enhance efficiency and effectiveness of the public service delivery. This could possibly be achieved through public sector performance audit. According to Siddique (2014) performance auditing among the innovations introduced with objectives of improving the delivery of public services and strengthening governmental accountability. Therefore, in order to fully embrace on government transformation program which amongst other to improve public service delivery, Malaysia National Audit Department (MNAD) need to have a structure, processes, people and not to left out the strategies to ensure implementation and acceptance of said audit recommendation by auditees which derived from their performance audit report. A disconnection will likely caused and threaten the legitimacy of the NAD as the responsible institution to uphold the

The importance of follow-up on performance auditing issues have been one of the great priority of the ruling regime as evidently stipulated in the government transformation programs roadmap "*high-powered task force headed by Chief Secretary to the Government (KSN), to study the 2008 Auditor-General's report and take action against those responsible for the financial irregularities it revealed* (p. 128)….*The setting up of a high-powered task force headed by the KSN to study and take action based on the 2008 Auditor-General's report is indicative of our stance in this* (p.134)" (GTP Roadmap, 2010) . Taking into consideration the potential benefits of follow-up audit in embracing the real value and impact of performance audit, MNAD made major transformation with regards to follow-up audit. For instance, as a result of pressure factor and to be in line with GTP, a change process has been executed by MNAD (NAD, 2014) in relation to follow-up audit. Though the ultimate responsibilities to follow-up on issues raised in AG's Report are under the audited organization responsibilities, MNAD of Malaysia move with its own change program. The "AG's Online Dashboard" been developed to inform the public the status of action taken by auditees to promote transparency and put pressure for the auditees to rectify the shortcomings identified in audit. These changes pertaining to follow-up audit function by MNAD, Malaysia provide an example of coercive isomorphism evidently depicted through government regulation and movement in which it then consequently create coercive forces for effective follow-up on performance auditing issues as reflected in the following quotation:

"Government Transformation Program (GTP) is the cause factor, in which as a result of the GTP initiative the Follow-up Division

was formed at National Audit Department of Malaysia (MNAD). The was idea raised by Datuk Idris Jala himself who said that there is needs for a concept that can closed the loop if perform an audit, we execute the audit, we have reached an end, we must have a link that can closed this loop. So, the idea of closed loop trigger the rise of Follow-up Audit Division(BSA), so the idea, ideally we want to, what we highlight in the Audit reports should be acknowledged and people can be informed on the action taken or have been implemented by the Government or the auditee been investigated and audited by us" (AUDITOR3).

4.2. Mimetic

Mimetic isomorphism deals with behaviours of actors in the social structure that act to duplicate or mimic other actors (DiMaggio and Powell 1983; Scott 1987). Mimetic isomorphism occurs when organizations model themselves after the structures and practices of other organizations. The mimetic isomorphism, DiMaggio and Powell (1983) contend that it is process of change or transformation initiated internally by organization when it is consider most likely will augment the organization performance. Mimetic isomorphism occur in the given field as a results of environmental uncertainty which then lead to a certain respond (Akbar, Pilcher & Perrin, 2015). It is important to reiterate that, due to uncertainty, mimetic pressures appear to be the driving factor for organizations to imitate the successful conduct of other structurally equivalent organizations (DiMaggio and Powell 1983). In which, it means the organization tend to mimic others in order to achieve legitimacy (DiMaggio & Powell, 1983). In the context of this study, compared to stages in Performance auditing process, follow-up could be regarded the final platform to ensure issues been raised lead to action either corrective of preventive. The implementation of audit recommendation generally involve fairly complex situation as a result of auditees' resistance and the tendencies of challenging the auditors credibility. Recent literature have been highlighting how to address issues concerning unimplemented audit recommendation (Aikins, 2012), who should be the best to perform follow-up (Morin, 2014) and how the external actor such as Parliament, PAC, Media and citizen at large should function their role (Irawan, 2014).

There is also an argument and pressure in relation to who should be responsible to undertake the follow-up. There is a claimed made that ,the follow up should be taken care by audited organization itself or by their Internal Audit function (AG, Malaysia, 2015). For instance, the AG claimed that "*things like this we leave to the ministries... do not tell me I have to monitor them. I am not their babysitter…." (AG of Malaysia Official Website, 2015). This is echoed by* one of the informants:

"Whoever start the audit they should make the end of the auditing by evaluating itself or reassess whether there is recommendation or audit recommendations that have been highlighted in the performance audit report have been acted upon or not. It was actually the principle follow up and any member only, any party, any party means only here is the National Audit Department itself should implement follow-up but implemented by anyone that can be either those who have directly implement the auditing or can be given the responsibility to others but still NAD can perform such follow-up" (AUDITOR).

However, despite this statement, as a consequence of GTP, a monitoring mechanism to access the corrective action taken by auditees been initiated by SAI organization through the "AG's Online Dashboard". This dashboard bring new dimension in undertaking follow-up through online system towards all unresolved performance audit issues. Therefore, although actions by SAI might be undertaken due to uncertainties but this uncertainty in turn lead to mimicry action. It could be one way of embracing the impact of performance auditing. The legitimacy acquired through mimicry would further help SAI auditors in undertaking the follow-up initiatives. Mimetic isomorphism will take place when organizations perceive that the follow-up with regard to performance auditing will contributes to an improvement in embracing the real value and impact and which in turn, later leading to it being adopted. As a consequence, the SAI auditors will give due consideration to unresolved performance auditing issues by undertaking effective follow up audit as reflected in the following quotation:

"Follow up here means not performing their duties on behalf of the auditee's ... just look, assess whether the actions recommended by NAD, there are actions that have been recommended by NAD will be acknowledged by those we implement the auditing. Any consequences and response given will provide value, one indicator to evaluate, I again see either what we audit, our important objective being achieve or not as a result of the response given to the issues concerned (AUDITOR3)"

4.3. Normative

Normative isomorphic stems primarily from professionalization that consist of two important source (DiMaggio & Powell, 1983). First, derives from formal education and of legitimation in a cognitive base produced by university specialists. Second, stem from growth and elaboration of professional networks. According to Sami et al.(2018) organizational fields that include a large professionally trained labor force will be driven primarily by status competition which then encourages homogenization as organizations seek to ensure that they can provide the same benefits and services as their competitors. The above arguments convey that professionalization as the collective struggle of members of an occupation to define the conditions and methods of their work (Collins, 1979). For instance, though auditees behold the ultimate responsibility to follow-up, normative pressure takes place on SAI auditors through mechanisms of standard and international auditing standard for the SAI organization to undertake follow-up to ensure audit recommendations are acted upon by the auditees. Since the SAI organization surrounded within these professional fields, SAI may gradually develop their understandings of the commonly recognized values and beliefs and thus adjust their behaviors according to their specific organizational characteristics. For example, the audit institutions' has a mandate to ensure public policies, programs, projects or organizations have operated with due regard to economy, efficiency, effectiveness and good practice (Hossain, 2010).

"Although apparently auditees responsible, there should be "pushing factor" for them to be aware and take action" (AUDITOR 2)

"If we follow literally, Audit Act and audit standards, International Standard of Supreme Audit Institution (ISSAI) have been set to take responsibility, follow up / taking action on the auditee itself. But in the context of the audits that I have conducted with the ministries concerned, it was found out that although it is the auditee responsibility, but there should be pushing factor for them take responsibility because from the past experiences, if we miss to take action / implement improvements towards auditee without a monitor, the auditee tend to take it for granted" (AUDITOR 2)

There are various organizations that regulate the external audit performed over public fund and the most prominent being the International Organization of Supreme Audit Institutions (INTOSAI). Normative isomorphism represented by INTOSAI initiative through development of ISSAI international best practice auditing standard and guidance for SAI's in performing auditing task. As described in INTOSAI (2011), ISSAI provide standard, guidelines, guidance and related documents to incorporate the requirements of

quality control. ISSAI is based on the principle to gain quality, credibility and professionalism in SAI's auditing activity. The aims are to earn trust of citizen and reduce auditor's risk; improve institutional framework and stronger audit mandate and structured and strengthen the process for audit work (INTOSAI, 2011). In terms of follow-up standard, legitimize rules (DiMaggio & Powell, 1983) are well established by INTOSAI for every SAI to adhere. In particular, normative forces much more likely to be influenced by this international auditing bodies. Therefore, auditor need to perform follow-up audit as their working norm (Egeberg, 2012; Reichborn-Kjennerud, 2015). The new standard and guide then create a pressure for the SAI to follow the norm practice by every SAI in the field accordingly to INTOSAI principles. In particular, the norm of follow-up audit in terms of the actor characteristic, procedures and methodology as reporting mechanism need to be in accordance to standard and as required by the INTOSAI in ensuring implementation of audit recommendation (Fernandes, 2013). The understanding with regard to normative isomorphism is, this pressure generally influence organizational attitudes and behaviors which represented by the organizational actor as supported by the following quotation.

"What is important, competence in term of solely thinking can distinguish a good auditor, or good audit report and bad audit report. If we can use all these developments in the audits, directly we shall increase our professional image and the department. The stakeholders will understand that we have credibility and will be more willing to listen to what we have highlighted in the report. Therefore, we at NAD set up one section to ensure this people are doing their job. This is one way, to make sure audit recommendation are acted upon" (AUDITOR4)

4.4. Lesson Learnt

This study attempts to answer, among other issues and the aforementioned discussion on isomorphic pressure and its effect toward follow-up audit effectiveness. As underlying theory, the current study apply institutional theory (DiMaggio & Powell, 1983; Scott & Meyer,1983; Scott 2010,1995,1987; Donaldson ,1995; Greenword & Hinings, 1996; Stinchcombe, 1997; Suddaby, Seidl & Lê, 2013; Shen & Benson, 2014) in order to investigate the follow-up which is the last part of performance audit process. Based on the above list of authors, the general idea of institutional theory is, organizations aware about the need to conform to societal norms for their acceptable practice. As a consequence, an organization's formal structure, policies and procedures are designed in many ways to demonstrate a conformity with institutionalized rules and external constituents' expectations (DiMaggio & Powell, 1991). To reiterate, based on this theory, organizations tend to develop and change its existing practices as a reaction to the pressure and constraints of their environment either to establish or enhance the organizations' legitimacy within the environment (DiMaggio & Powell, 1983). In other word, organizations attain legitimacy by conforming to accepted widespread practices that have been "legitimated" within the environment (Pfeffer & Pfeffer, 1981). For example, in the last phase of performance auditing process, follow-up could be treated as institutional ritual norms which is executed based on various stakeholders' expectation, to be reasonable and acceptable. It can be observed from the "AG Dashboard" and " Follow-up Division" initiated by MNAD to follow-up on performance auditing issues and in line with Government Transformation Program (GTP) to improve on performance. This might be the reason for previous literature claimed that the institutional framework is primarily concerned with an organization's relationship with the institutional environment, the effects of social expectations on an organization, and the incorporation of these expectations as reflected in organizational characteristics (Dacin, 1997, p. 48).

"This follow-up actually arises when we heard grievances on the part of stakeholders. Perhaps real, perhaps reality, the perception we don't know, but what happens from the stakeholders perception, I mean stakeholders maybe the auditee, and may also be members of the public as a whole where they see each years every time, the audit report is out, in existence, there will be hot and sensational stories that highlight the weaknesses of the Government and so on. But it happened in short period of time, when happen next year, again the same stories are repeated back. So the question arises in the minds of stakeholders, what this Government have been doing, what happened, what happened to the issues highlighted previously, no any follow-up action, there are no any corrective action. Whether the Government remain silent, whether the audit function is only to highlight issues just like that without any impact and so on towards whatever been carried out in the past years" (AUDITOR3)

The conceptual framework based on institutional isomorphism is used to help achieve the objective of understanding the focus of this study. As a result of isomorphic pressure, factors, tools or criteria that contributes towards performance auditing follow-up effectiveness in the Malaysian context are as follows:

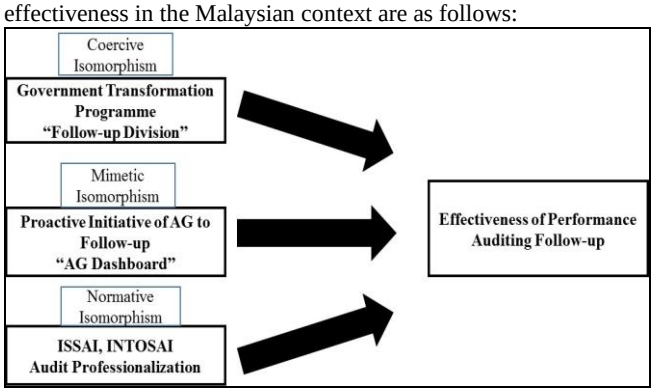


Figure 3: Theoretical framework

5. Conclusion

In this study, the researcher have briefly explored the contribution of institutional isomorphism to the field of public sector performance auditing and in particular the follow-up perspective. Based on this continuum, the study addressed three isomorphic pressure that have an impact in achieving the follow up effectiveness within the public sector performance auditing. This study also discuss on how institutional isomorphism shape follow up effectiveness. The conceptual framework is drawn for better understanding of the follow up pertaining to performance auditing issues within the Malaysian public sector audit context for subsequent quantitative empirical analysis.

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