The Effectiveness of Internal Auditing in
Thai Local Governments

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Statement of Originality

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University’s Digital Repository, subject to the provisions of the Copyright Act 1968.

Arus Kongrungchok
December 2013
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Abstract

This study investigated why internal auditing mechanisms fail to detect and prevent common risks especially fraud and corruption risks in Thai local governments. The crucial causes of ineffectiveness of those systems were ascertained through 415 questionnaires and semi-structured interviews with 36 Thai local government internal auditors. Statistical techniques were used for analysing the questionnaires while content analysis and a phenomenological research approach based on Bandura’s theory of moral disengagement were used for analysing the interview transcripts. The results revealed that corruption methods used in Thai local governments generated factors which, in turn, generated ineffectiveness in internal auditing mechanisms in detecting and deterring risks. The corruption methods contributed to a lack of independence of the internal auditing systems; a lack of officials’ cooperation with internal auditing teams; a lack of efficiency of internal auditing processes; a lack of support from administrators; a lack of interest of officials to internal control system; and a lack of promotion prospects. A lack of competency of internal auditing teams also contributed to the inefficiency of the internal auditing systems. The Office of the Auditor General of Thailand (OAG) is implicit in the ineffectiveness because of its failure to use audit reports of local government to assess risks within local governments. Other related factors are concerned with the auditors’ personal behaviours designed to ensure their wellbeing and survival needs. The failure of Thai federal authorities to enforce their laws and regulations and to detect and deter corruption in their own ranks must be addressed before local government internal auditing processes can be effective.

*Keywords:* Internal auditing; Audit risk; Corruption; Local governments; Thailand.