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Innovation Prospects in Public Enterprise Audit Performance: Challenges to Achieving Unqualified Reports in Namibia

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Abstract

This study identifies and analyzes the institutional, governance, and systemic factors that impact the achievement of unqualified (“clean”) audit reports among public enterprises (PEs) in Namibia. Audit reports are vital tools for ensuring financial accountability, transparency, and stakeholder trust. Nevertheless, the majority of Namibian PEs frequently fail to secure clean audit opinions. Grounded in the agency, stewardship institutional theories, the study adopts a qualitative, interpretivist approach, utilising secondary data from Auditor-General reports, policy documents, and legislative frameworks. Thematic analysis identifies ongoing and recurring challenges. These include weak internal controls, chronic delays in financial reporting, lack of International Public Sector Accounting Standards compliance, ineffective or non-functional internal audit units, failure to reconcile key financial accounts, and reliance on external consultants for financial statement preparation as an emerging institutional vulnerability that undermines long-term capacity. Political interference, inadequate board governance, and poor documentation and information system practices further contribute to material misstatements and adverse audit outcomes. These findings demonstrate that audit shortcomings are not isolated technical issues, but manifestations of deeper institutional and governance failures. The study also examines strategic interventions aimed at enhancing audit performance. These include targeted capacity building, digitisation of financial management processes, professionalisation of accounting personnel, strengthened audit committees, governance reforms, and stricter enforcement of reporting requirements. Such interventions highlight the potential for public-sector innovation, particularly through the adoption of financial management information systems, structured peer-learning mechanisms, and performance benchmarking tools that can modernize accountability practices. This study contributes to the audit and public finance literature by focusing on audit quality in a developing-country context, offering both theoretical and policy insights. The findings emphasize the need for systemic reform and institutional innovation to improve financial governance in PEs, suggesting that clean audits are attainable through sustained capacity enhancement, regulatory enforcement, and the innovative redesign of accountability systems.

Keywords: unqualified audit reports, public enterprises, governance, accountability, public sector innovation, Namibia

INTRODUCTION

Public Enterprises (PEs) play a crucial role in the national development framework of Namibia. According to Marenga (2020; 2024a), PEs are responsible for delivering essential services, fostering economic activity, and managing vital national assets, thereby holding a distinctive and powerful position within the public sector. As entities owned by the state, PE operations are funded, either fully or partially, through public funds. This

situation imposes a duty on them to comply with principles of effective financial management, transparency, and accountability (Mopethe, 2023). A key instrument for evaluating the financial integrity and performance of PEs is the external audit, particularly the annual audit performed by the Office of the Auditor-General (OAG) in accordance with the stipulations of the Namibian Constitution and the State Finance Act (Act No. 31 of 1991). Mbandlwa (2022) notes that an unqualified audit

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report, commonly known as a “clean” audit opinion, indicates that an enterprise’s financial statements are free from material misstatements and have been prepared in alignment with relevant financial reporting frameworks, such as the International Financial Reporting Standards (IFRS). Conversely, a qualified, adverse, or disclaimer audit opinion points to deficiencies that can range from minor discrepancies to significant mismanagement or non-compliance with financial reporting standards (Mbandlwa, 2022).

Namibia provides a particularly important academic case for studying audit outcomes in PEs due to its unique combination of factors: a transitional developing economy, extensive reliance on PEs for national development, and persistent challenges in public sector governance. These characteristics allow researchers to explore broader theoretical questions regarding accountability, financial management, and governance in contexts where institutional capacity, regulatory frameworks, and resource constraints interact in complex ways. Studying Namibia thus contributes to the global understanding of audit quality and public sector governance in developing-country settings, beyond purely practical or political considerations.

In recent years, there has been increasing concern regarding the ongoing trend of audit qualifications among PEs in Namibia. These challenges have implications that go beyond mere accounting or technical non-compliance. Audit results shape perceptions of financial discipline, managerial efficiency, and governance standards in the public sector. Subpar audit performance diminishes public trust, weakens investor confidence, and may indicate systemic flaws in policy enforcement, corporate governance frameworks, and institutional capabilities (Jubaer, 2024). Considering the vast resources overseen by PEs and the essential services they deliver, a persistent inability to secure unqualified audit reports raises critical questions about the structural and operational barriers hindering financial accountability. Despite initiatives by regulators and oversight bodies in Namibia, only a few PEs consistently obtain unqualified audit reports, while many continue to face audit compliance challenges (The Brief, 2025). The persistent issuance of audit reports with qualifications, adverse opinions, or disclaimers among Namibian PEs reflects entrenched issues within the sector’s financial reporting and governance framework. These problems are not new; they have been highlighted in successive reports from the Auditor-General, the Public Accounts Committee, and other stakeholders (Shipena, 2023). Understanding this issue requires a focused,

evidence-driven study of the internal and external factors that influence unqualified audit report outcomes across PEs in Namibia. Such understanding is crucial for formulating targeted interventions that address the root causes of audit shortcomings rather than merely their symptoms. While several institutional reports, policy briefs, and commentaries (e.g., Remmert, 2020; Shipena, 2023; The Brief, 2025) highlight audit-related difficulties faced by Namibian PEs, there remains a lack of scholarly research that systematically investigates these challenges. Much of the existing literature (e.g., Marenga, 2020; Munyaza, 2021; De & Shafuda, 2023; Marenga, 2024a) addresses governance, financial management, or institutional performance broadly in the public sector, with limited focus on audit outcomes among PEs, particularly in Namibia.

Importantly, there is a shortage of academic literature exploring both the challenges and potential for improved audit performance in Namibian PEs. Strategic initiatives such as capacity building, governance reforms, strengthened regulatory structures, and performance monitoring frameworks are often mentioned briefly but are rarely examined in depth or evaluated for their effectiveness in the Namibian PE context. This study seeks to fill this gap by providing a detailed, context-specific examination of the audit landscape in Namibian PEs. It aims not only to identify and analyze challenges but also to explore practical pathways for reform and performance improvement. Addressing this research gap is timely and relevant to policy, given the growing public demand for transparency in public resource allocation and the escalating fiscal challenges facing the Namibian government. Understanding obstacles and potential solutions could strengthen PE performance and sustainability, thereby positively impacting the overall public financial management system. Consequently, this study aims to identify and analyze the core reasons why many Namibian PEs fail to obtain unqualified audit reports and to examine strategic interventions that could enhance audit performance. The study is guided by the following specific objectives:

- To identify and analyze the key challenges faced by PEs in Namibia in achieving unqualified audit reports; and
- To examine the prospects and strategic interventions that can enhance the audit performance of PEs in Namibia.

By focusing on the research objectives above, this study is important for improving both scholarly understanding and practical policy on public financial

accountability. Investigating the obstacles to unqualified audit reports and analyzing strategic interventions helps clarify audit quality and governance within PEs, particularly in Namibia's developing country context. The study provides valuable insights for policymakers, PE managers, and regulatory bodies to refine policies, build capacity, and ensure compliance. It aims to foster a more accountable and transparent PE sector in Namibia, where unqualified audit reports become the norm. The study is novel in addressing financial accountability and governance while highlighting audit quality as a driver of public sector innovation. This approach supports more efficient service delivery, informed decision-making, and improved institutional performance among PEs.

Definition of Key Audit Terms

Audit reports, as formal results of an independent examination of an entity's financial statements, provide a key basis for accountability, especially in the public sector (Cameran & Campa, 2024; Palmer, 2024). Mbandlwa (2022), Cameran and Campa (2024), and Palmer (2024) note that these reports are typically categorized into four opinions: unqualified, qualified, adverse, and disclaimer. An unqualified audit opinion, or "clean" report, indicates that the financial statements present a true and fair view, free from material misstatement, in line with the applicable financial reporting framework (Mbandlwa, 2022; Cameran & Campa, 2024; Palmer, 2024). In contrast, a qualified opinion suggests that, while the financial statements are credible, a specific deviation or limitation in scope prevents full assurance (Palmer, 2024). An adverse opinion signals that the financial statements are materially misstated and do not accurately reflect the entity's financial position. A disclaimer of opinion indicates that the auditor cannot form an opinion due to major limitations or uncertainties (Nguyen Van Linh et al., 2025).

In the public sector, particularly among PEs, an unqualified audit report carries substantial importance. It affirms financial propriety and serves as a proxy for good governance, transparency, and operational efficiency (Nguyen Van Linh et al., 2025). Given the custodial role PEs play over national resources, unqualified reports enhance stakeholder confidence and demonstrate commitment to fiscal discipline. In Namibia, where PEs are central to national development, consistently obtaining unqualified opinions reflects institutional maturity, managerial competence, and adherence to statutory and ethical standards. To move beyond a surface-level interpretation of audit outcomes, it is essential to examine them within broader theoretical frameworks that explain

organizational behavior, governance dynamics, and institutional influences. As outlined in the following subsection, applying such theories provides a deeper understanding of why audit outcomes vary and what they reveal about underlying structural and relational conditions.

Theoretical Perspectives

A detailed understanding of audit results in Namibian PEs calls for a theoretical underpinning in organizational and governance theories that shed light on the dynamics among actors, institutions, and control mechanisms. Three primary theoretical frameworks, namely: Agency Theory, Stewardship Theory, and Institutional Theory, offer important explanatory insights.

Agency Theory

The Agency Theory distinguishes the principal (government) from the agent (PE managers) and highlights information asymmetry and divergent goals (Njoku & Lee, 2025). Agents may pursue personal interests at the expense of collective goals, while audits mitigate agency costs and enforce accountability, with unqualified opinions reflecting alignment between managerial actions and governmental expectations. In Namibia and the broader African context, challenges arise from inadequate oversight, politicization, and weak monitoring structures. This illustrates both the relevance and limitations of the Agency Theory in African contexts, where governance mechanisms may be less robust. This theory links directly to variables such as audit committees, management oversight, and International Public Sector Accounting Standards (IPSAS) compliance, providing a framework to assess the effectiveness of control systems.

Stewardship Theory

The Stewardship Theory frames managers as stewards motivated to serve the principal's interests. Here, auditing reinforces fiduciary duty and ethical conduct (Jasir et al., 2022). Unqualified audits indicate alignment of values, integrity, and professional dedication. In Namibia, stewardship can support effective financial management even without coercive oversight. However, capacity constraints, politicization, or corruption may limit its applicability. The theory is linked to variables such as managerial ethics, internal controls, and fiduciary responsibility, offering insight into how governance culture affects audit outcomes.

Institutional Theory

The Institutional Theory examines how formal and informal institutional arrangements shape behavior and

audit outcomes, with unqualified audits reflecting institutional isomorphism (Silva, Macedo, & Thompson, 2024). In Namibia, weak or fragmented institutional frameworks reduce normative pressures. This limits the effectiveness of this theory. It is particularly relevant in African contexts with variable institutional capacity but may underplay agency or stewardship effects. This theory connects to variables such as regulatory compliance, IPSAS adoption, and audit enforcement, helping explain discrepancies in audit quality across PEs.

METHOD

This study utilized a qualitative research design to investigate the occurrence of unqualified audit reports within PEs in Namibia. The qualitative methodology was considered suitable as it facilitates a more profound comprehension of the underlying meanings, institutional practices, and governance dynamics that affect audit results in the public sector. Instead of quantifying variables or examining statistical relationships, the study aimed to interpret the contextual realities and patterns inherent in audit practices and the governance of PEs. The study was framed by an interpretivist paradigm, which posits that social reality is constructed through human interpretation and institutional interactions. Within this framework, the study recognizes that audit outcomes are not simply technical assessments but are influenced by intricate social, political, and organizational contexts. An interpretivist perspective allowed the researcher to analyze audit findings and policy documents not as objective truths, but as contextual representations of broader institutional challenges and frameworks. This approach offered the flexibility to engage with meanings and insights derived from existing documentation and discourse. A theory-deductive approach was adopted to ground the study in established theoretical frameworks, particularly the agency theory, stewardship theory, and institutional theory. These theories provided the lens through which the data was analyzed, aiding in the explanation of the motivations, incentives, and systemic pressures that influence audit behavior and outcomes in PEs. The deductive reasoning enabled a structured interpretation of findings, ensuring that the empirical insights from the data could be meaningfully linked to broader theoretical explanations.

The study was conducted with a sole reliance on secondary data sources, focusing on the analysis of existing audit reports and related policy documents. While secondary data provided comprehensive and authoritative information, it also presents inherent limitations, including

potential reporting biases, lack of firsthand perspectives, and constraints on validating the completeness or accuracy of the information. These limitations were mitigated by cross-checking information across multiple sources (e.g., audit reports, policy documents, and academic literature), critically assessing the credibility of each source, and triangulating recurring themes to ensure reliability and reduce bias. Specifically, data were gathered from annual reports published by the OAG of Namibia, which encompassed a selected timeframe of audit cycles (such as the last five to ten years). These reports provided extensive qualitative data regarding the nature of audit opinions, the reasons for qualifications, and recurring audit findings across PEs. Moreover, additional secondary data were obtained from legislative documents, policy frameworks, government publications, and previous academic literature on public sector auditing in Namibia and comparable contexts. The strategic use of secondary data facilitated a systematic examination of authoritative sources while maintaining the integrity and objectivity of the research process.

Data analysis adhered to the principles of thematic analysis, which involved a rigorous process of identifying, categorizing, and interpreting recurring themes and patterns within the collected documents. Thematic analysis was performed manually, using a structured coding framework aligned with the theoretical underpinnings of the study. Initial codes were derived deductively from the literature and theoretical models, while further codes emerged inductively during the detailed review of the audit reports. Themes were then synthesized to uncover institutional dynamics, reporting behaviors, and governance patterns that influence audit outcomes. This analytical approach enabled the researcher to transcend surface-level descriptions and generate deeper insights into the meanings and implications of audit findings. In conclusion, the research methodology reflects a coherent integration of qualitative inquiry, interpretivist thinking, theory-driven analysis, and systematic data interpretation. It created a fitting structure for exploring the institutional and governance dimensions of audit outcomes in PEs in Namibia, while also being attuned to the complexities surrounding public sector accountability in a developing country setting. As guided by the above research methodology, the section below presents the discussions of findings.

RESULT AND DISCUSSION

This section presents the key findings of the study, structured around the two research objectives: (1) to

identify and analyze the main challenges faced by PEs in Namibia in achieving unqualified audit reports, and (2) to examine the prospects and strategic interventions that can improve audit performance. The results are drawn from a thematic analysis of secondary data, including audit reports from the OAG, relevant policy documents, and legislative frameworks. This analysis is interpreted through the lenses of the agency theory, stewardship theory, and institutional theory. Aligned with the qualitative and interpretivist nature of the study, the findings go beyond merely listing audit outcomes. They explore the institutional, governance, and systemic factors that shape these results. Each thematic category highlights the interaction between formal regulatory expectations and actual practices within PEs. This provides insight into persistent obstacles to clean audits and identifies feasible strategies for improvement. The analysis underscores how entrenched organizational behaviors, capacity limitations, and governance structures affect audit performance. It also highlights reform-oriented strategies that are both theoretically sound and implementable.

The results are presented in two main subsections corresponding to the study's objectives: first, the challenges hindering unqualified audit reports, and second, the prospects and strategic interventions that could enhance audit performance in Namibia's PE sector.

Key Challenges Faced by PEs in Namibia in Achieving Unqualified Audit Reports

Findings show that the ongoing challenges faced by many Namibian PEs in obtaining unqualified audit reports reflect significant institutional, governance, and systemic weaknesses. A thematic review of OAG audit reports over the last decade reveals recurring issues that collectively impair audit performance and hinder financial accountability. One of the most common challenges is inadequate internal control systems, including weak or non-functional internal audit units and audit committees. Many PEs operate without effective internal audit departments, which are critical for preventing and addressing financial misstatements. This aligns with The Brief (2025), which noted a decline in public sector financial governance, with most PEs failing to obtain unqualified audit reports. Similarly, Alessa (2024) and Bett et al. (2024) highlight weak internal audit mechanisms and deficient oversight as major barriers to accountability. This is comparable to South Africa, where state-owned enterprises such as Eskom and South African Airways have faced recurring internal control failures contributing to qualified or adverse audit opinions. Unlike South Africa, however, Namibia's PEs lack the scale and

technical resources to implement remedial measures rapidly, highlighting a context-specific gap in institutional capacity. These findings indicate a fundamental challenge in internal control and auditing effectiveness across Namibian PEs. This situation illustrates a departure from both the agency and stewardship theories: without effective monitoring, the risk of opportunistic behavior rises, and managerial responsibility deteriorates.

A further major challenge is non-compliance with statutory financial reporting requirements, especially delays in submitting annual financial statements. Many PEs submit their statements years after the end of the fiscal year, contravening the PEGA (Act No. 1 of 2019) and the State Finance Act (Act No. 31 of 1991). For example, former Minister of Finance Ipumbu Shiimi criticized the persistent late submission of reports, including audit reports, for over five years (The Brief, 2024). Delayed reporting undermines timely audits and policy interventions. The IMF (2023) notes that such delays weaken macro-fiscal oversight and governance accountability. Similar challenges have been observed in Botswana, particularly in smaller parastatals, though Botswana's Public Financial Management Reform Program has improved timeliness through stricter monitoring. This model could be useful for Namibia to adapt. These delays are not merely administrative oversights; they reflect systemic inertia and a culture that deprioritizes financial transparency. This aligns with the institutional theory, which suggests that entrenched norms can override formal rules, leading to persistent non-compliance.

Another challenge is the failure to reconcile financial accounts, particularly regarding bank reconciliations, fixed asset registers, and inter-company transactions. Some PEs materially misstate their financial positions due to unrecorded transactions, duplicated entries, or unreconciled opening balances (Parliamentary Standing Committee on Public Accounts, 2025). For instance, the Namibian Broadcasting Corporation received adverse audit opinions due to unreconciled balances and missing supporting documentation (Parliamentary Standing Committee on Public Accounts, 2025). A comparable situation has been documented in Kenyan parastatals, where asset mismanagement and poor reconciliations frequently trigger audit qualifications, highlighting a continental pattern of systemic accounting weaknesses in state enterprises. These practices reflect a breakdown in financial discipline and internal accountability, contradicting the agency theory and IPSAS standards. Masoud (2025) and Marota & Johari (2024) note that

reconciliation failures indicate broader weaknesses in internal controls and institutional capacity.

Findings also reveal a shortage of skilled personnel and heavy reliance on external consultants for financial statement preparation. Many PEs lack accountants knowledgeable in IPSAS, Namibia's adopted reporting standard. For example, the Namibia Students Financial Assistance Fund struggled to produce IPSAS-compliant statements without external support (Parliamentary Standing Committee on Public Accounts, 2024). Dependence on consultants signals institutional vulnerability and contradicts the institutional theory, which emphasizes the importance of embedded human capacity. Marenga (2024b) highlights that without skilled internal staff, PEs risk continued audit failures, while reliance on consultants dilutes accountability and weakens the agency oversight loop. In contrast, South African PEs like Transnet have invested heavily in in-house IPSAS expertise, demonstrating the role of sustained human capital investment in audit success.

The lack and ineffectiveness of audit committees is another ongoing issue. Required under the PEGA (Act No. 1 of 2019) and NamCode, many PEs either fail to establish committees or form them without independence or expertise. Several government offices, ministries, and agencies have been criticized for not appointing or empowering audit committees (The Namibian, 2017). This absence undermines the stewardship model, which expects managers to act in stakeholders' best interests with appropriate oversight. Bett et al. (2024) further note that underpowered audit committees are a widespread contributor to governance weaknesses in PEs.

Political interference and inadequate board governance exacerbate these challenges. Boards that are politically appointed, ineffective, or prematurely dissolved/liquidated (such as in Air Namibia) lead to instability and weakened governance. This undermines the principal-agent relationship and illustrates the institutional theory concerns about informal power structures overshadowing formal frameworks.

Additionally, there is widespread non-compliance with procurement and expenditure regulations. Reports highlight irregular, wasteful, and unproductive spending, including violations of the Public Procurement Act (Act 15 of 2015), flawed tender evaluations, and non-competitive procurement practices. These issues reflect weak stewardship and violations of fiduciary duties, principles central to both the agency and stewardship theories. Alessa (2024) and the Namibia Medium Term Expenditure Framework (2024) note that poor

procurement compliance undermines financial credibility and exposes PEs to risk. Similar procurement challenges are observed in Ghana, where weak enforcement mechanisms compromise audit outcomes, though Namibia can innovate by linking compliance directly to conditional funding, representing a novel policy recommendation beyond existing reports.

Finally, deficiencies in information systems and record-keeping hinder auditability. Manual processes, incomplete documentation, and poor archival practices are prevalent. Audit reports frequently note lost receipts, missing payment vouchers, and incomplete payroll records. These issues prevent the Auditor-General from forming reliable audit opinions and underscore broader institutional weaknesses. The Namibia Investment Promotion and Development Board Strategic Plan (2023) identifies outdated information systems as a major constraint to enterprise management and audit readiness.

In summary, operational inefficiencies, governance failures, capacity constraints, and systemic non-compliance collectively hinder unqualified audit reports in Namibia's PEs. These challenges are deeply rooted in institutional frameworks and governance cultures, highlighting a gap between legislative intentions (such as PEGA (Act No. 1 of 2019), the State Finance Act (Act No. 31 of 1991), and IPSAS) and actual practices. Unlike existing policy reports, this study explicitly links these failures to institutional and governance theories and provides targeted, implementable strategies rather than descriptive compliance statistics. Addressing these issues requires not only technical interventions but also comprehensive reforms to realign incentives, strengthen institutional capacity, and cultivate a culture of accountability in the PE sector.

Prospects and Strategic Interventions to Enhance Audit Performance of PEs in Namibia

In examining the potential and strategic measures that can improve the audit performance of PEs in Namibia, the study uncovers a multifaceted yet encouraging array of reform possibilities, institutional adjustments, and capacity-building needs. Utilising secondary data, legislative frameworks, and grounded in the agency theory, stewardship theory, and institutional theory, the results present a nuanced response to systemic issues affecting audit quality. The primary goal of these interventions is to transition PEs from cycles of audit failures to enduring financial accountability and adherence to IPSAS. Findings show that a key strategic intervention involves strengthening internal audit functions and audit committees. Auditor-General reports highlight that the

lack or ineffectiveness of these units contributes significantly to qualified audit results in the public sector, including PEs (The Brief, 2025). Consequently, a clear opportunity exists to operationalize and fund internal audit units across all PEs. Empowering independent, technically proficient audit committees is also critical. These measures align with the agency theory, which emphasizes monitoring mechanisms to ensure that the agent (PE management) acts in the best interests of the principal (government and public). Strengthened internal audit functions facilitate early error detection and compliance, while establishing a formal control environment that discourages financial mismanagement. For instance, Namibia Airports Company's recent unqualified audit opinion has been partially credited to reforms in its internal audit practices and enhanced board oversight. Similarly, Alessa (2024) and Marota & Johari (2024) emphasize that institutionalizing internal audit functions is essential for sustaining audit quality and building organizational accountability in public enterprises. This focus on theory-informed institutional interventions provides novel insights beyond generic policy recommendations, showing clear causal links between audit committee functionality and unqualified audit outcomes.

In parallel, this study finds that professionalization and ongoing training of accounting staff in the PE sector offers another significant opportunity. Many audit qualifications stem from failure to comply with IPSAS, often due to capacity gaps rather than intentional wrongdoing (Tawiah, 2023). It is therefore essential to institutionalize targeted capacity-building initiatives. Examples include IPSAS certification programs, secondments to high-performing audit settings, and cross-sector training workshops (Adedeji, 2024). These efforts are not only technical but also strategic. They aim to cultivate financially knowledgeable PE managers and accountants who can maintain fiduciary standards. Through the stewardship theory, these initiatives foster a culture of responsible, trust-based governance. The stewardship theory posits that managers are inclined to act in the collective interest. By equipping them with necessary skills, we empower them to fulfill that duty and encourage voluntary compliance instead of enforced oversight (Jasir et al., 2022). Bett et al. (2024) and Masoud (2025) also note that investing in capacity development strengthens internal accountability and reduces over-reliance on external consultants, mitigating systemic vulnerabilities. Botswana and South Africa provide comparative examples where sustained capacity

development has measurably reduced audit qualifications in PEs, indicating potential pathways for Namibia.

One additional strategic approach is implementing comprehensive financial management information systems (FMIS) within PEs. FMIS standardizes financial reporting, automates reconciliation tasks, and reduces human error. This technological solution addresses persistent audit issues such as incomplete records, unreconciled accounts, and absent documentation. Institutionalizing FMIS across PEs also supports the institutional theory, which suggests that stable, legitimate formal structures can influence and normalize behavior within organizations. By integrating financial discipline into everyday operations through digital systems, PEs are more likely to adhere to statutory reporting standards and be audit ready. For example, Botswana's Public Financial Management Reform Program showed that FMIS implementation significantly enhanced audit performance in PEs. Namibia could adapt a similar model under the supervision of the Ministry of Finance. Marenga (2024b) and the Namibia Investment Promotion and Development Board Strategic Plan (2023) also highlight that modernized financial systems improve efficiency, reduce human error, and facilitate compliance monitoring.

This study finds that enforcing compliance deadlines through legislation and punitive actions is another significant intervention. Under PEGA (Act No. 1 of 2019) and the State Finance Act (Act No. 31 of 1991), PEs must submit annual financial statements within designated timeframes. Enforcement, however, has been inadequate. Introducing statutory penalties, public disclosure of non-compliant enterprises, and conditional government subsidies based on audit performance would create accountability and consequences. This regulatory enforcement aligns with the agency theory, which focuses on mitigating opportunism. By linking compliance to tangible rewards or penalties, the government reinforces its authority as the principal and restores performance-based expectations. The International Monetary Fund (2023) and the Namibia Medium Term Expenditure Framework (2024) emphasize that enforcement mechanisms and incentive-based compliance frameworks are effective in aligning organizational behavior with national fiscal priorities. This policy innovation, linking audit compliance directly to conditional funding, demonstrates the novelty of the study's strategic recommendations relative to existing frameworks.

Significantly, there is growing potential to enhance political and governance stability within PE boards. Frequent board changes, political interference, and poorly

aligned appointments compromise strategic oversight and negatively impact audit performance. Transparent board appointment processes, guided by meritocratic and skills-based standards (PEGA, Act No. 1 of 2019), are essential. Equipping boards with a clear governance mandate and shielding them from political instability aligns with the institutional theory, which emphasizes stability and legitimacy within institutions. Efunniyi et al. (2024) note that autonomous, accountable boards can serve as effective stewards and internal monitors, ensuring compliance and clean audits. Alessa (2024) adds that merit-based board appointments improve oversight and support sustained audit compliance. Comparable reforms in South Africa and Kenya have demonstrated that meritocratic board appointments significantly reduce politically induced audit failures, providing a cross-country benchmark.

Additionally, peer benchmarking and inter-enterprise learning platforms offer strategic support. A national audit performance dashboard, publicly accessible and overseen by the Ministry of Finance, would allow entities to evaluate audit performance, learn from exemplary practices, and foster a performance-focused culture. This promotes informal institutional learning, as suggested by the institutional theory, where enterprises gradually internalize and adopt behaviors deemed legitimate and successful by peers. PEs with consistent clean audits, such as the Namibia Ports Authority, could serve as case studies for others. At a macro level, aligning Namibia's PE audit reforms with international frameworks and peer review systems, such as INTOSAI and the African Organization of English-speaking Supreme Audit Institutions, offers further benefit. Participation in these networks promotes knowledge sharing, compliance with international audit standards, and external validation of auditing practices. These relationships reinforce the stewardship theory by situating PEs in global accountability systems that encourage ethical leadership. Marota & Johari (2024) emphasize that international engagement enhances institutional legitimacy and incentivizes internal reforms in public enterprises.

To summarize, audit performance of PEs in Namibia can improve through a series of strategic actions that are practical and theory informed. These actions include institutional capacity enhancement, technological advancement, board governance reform, legislative enforcement, and international benchmarking. The agency theory supports strengthening oversight and incentives, the stewardship theory emphasizes trust-based empowerment and capacity development, and the

institutional theory highlights embedding structures and norms that promote compliance. Together, these frameworks support comprehensive transformation of the PE audit environment in Namibia, ensuring transparency, accountability, and fiscal sustainability. The study's novelty lies in its integration of cross-country comparisons, systemic-theoretical analysis, and actionable recommendations, filling gaps left by descriptive or compliance-focused policy reports. Bett et al. (2024), Marenga (2024b), and Masoud (2025) collectively reinforce that these interventions are achievable when institutional commitment, capacity development, and governance reforms are aligned.

CONCLUSION

In relation to the first objective, the study revealed that the ongoing inability of Namibian PEs to obtain unqualified audit opinions is rooted in a complex array of interconnected challenges. These challenges include inadequate internal audit systems, ineffective or non-existent audit committees, delays in financial reporting, poor reconciliation practices, a lack of IPSAS-compliant accounting expertise, political interference in governance frameworks, non-adherence to procurement regulations, and reliance on outdated financial management systems within PEs. These issues are not solely technical. They also highlight deeper institutional deficiencies, governance stagnation, and cultural attitudes towards compliance. The agency theory illustrates that these problems indicate a failure in the monitoring relationship between the government (principal) and PE management (agent). This failure encourages opportunistic behavior and undermines accountability. Furthermore, the stewardship theory is challenged by evidence that managers do not act in the collective interest, often due to misaligned incentives or limited capacity. The institutional theory also provides insight into how entrenched PE organizational routines and informal norms consistently override formal compliance mechanisms. This contributes to systemic audit shortcomings. Cross-country comparisons with South Africa, Botswana, Ghana and Kenya reveal that while some challenges are regionally common, Namibia exhibits unique institutional and governance constraints, highlighting context-specific gaps in audit quality.

In spite of these obstacles, the second research objective unveiled a promising array of strategic interventions that could enhance the audit performance of PEs in Namibia. These interventions include strengthening internal audit functions, providing professional

development and ongoing training for financial staff, adopting financial management information systems, and adhering strictly to statutory financial reporting deadlines. Additional PE reforms focus on enhancing governance at the board level and fostering inter-enterprise learning and benchmarking. Aligning local PE audit practices with international standards such as INTOSAI and AFROSAI-E also presents opportunities for external accountability and knowledge sharing. These interventions are grounded in theoretical frameworks. The agency theory emphasizes the necessity for enforcement and performance-based incentives. The stewardship theory advocates for trust-building and professional growth. The institutional theory underscores the importance of integrating reforms within established systems and cultural contexts. The study references the Namibia Airports Company and Namibia Ports Authority as exemplary cases of emerging audit reform, showing that positive transformation is achievable and replicable. This study offers a timely and policy-relevant addition to the governance discussion in Namibia and comparable developing settings. It moves beyond viewing audit results as fixed indicators, instead examining the PE institutional and governance mechanisms that influence them. Comparative insights from South Africa and Botswana show that FMIS adoption, merit-based board appointments, and institutionalized internal audits are critical drivers of audit improvement, reinforcing the novelty of the study's recommendations for Namibia.

By integrating audit reports, policy documents, and scholarly literature within a robust theoretical framework, this study connects theory with practical application. Its uniqueness lies in its concentrated examination of audit quality rather than broader financial performance. It also applies to the agency, stewardship, and institutional theories within a tangible public sector environment. Few studies in Namibia have addressed the audit aspects of PE accountability so directly, making this study both important and innovative. It directly addresses critical knowledge gaps in the literature related to the audit performance of PEs in Namibia, a topic overlooked in existing research. By focusing specifically on the underlying institutional and governance-related causes of audit outcomes, rather than treating them as isolated technical issues, the study offers a deeper understanding of systemic inefficiencies within the public sector. Moreover, it highlights the relevance of audit quality not only for accountability and compliance but also as a fundamental driver of innovation in the public sector. This enables

improved service delivery, data-driven decision-making, and strengthened institutional performance.

The findings and recommendations of this study are applicable to other developing economies facing similar governance structures and challenges. The use of applicable theories (agency, stewardship, and institutional theory) provides a transferable analytical framework. Additionally, the proposed interventions, such as reforms in internal auditing, implementation of digital systems, and improvements in board governance, align with international best practices in public financial management. While context-specific, the principles and strategies outlined in this study are significant for reform efforts across the African continent and beyond. This study provides important insights but is limited by its reliance on secondary data, which may be affected by reporting biases, gaps in documentation, or limited contextual detail. Although these limitations were mitigated through cross-verification of multiple sources and the application of a robust theoretical framework, primary data collection (e.g., interviews or surveys) would further strengthen the validity of findings.

Future research could adopt mixed methods or comparative approaches, examining audit practices across Namibia and peer African countries such as Botswana, Kenya, and Ghana. This could uncover regional variations and institutional nuances. Quantitative studies could model the relationship between governance variables (such as audit committees, IPSAS compliance, or board oversight) and audit outcomes. Additionally, investigating the impact of audit quality on service delivery, financial sustainability, and public trust, as well as the political economy of audit governance, could provide a more comprehensive understanding of systemic challenges in public enterprises. In summary, the study highlights that improving audit performance in Namibian PEs is not merely a technical task. It is a broader transformation of institutions and governance. It calls for sustained commitment to reform that is informed by theory, grounded in practice, and aligned with national policy and global standards. Clean audits reflect strong institutions, credible governance, and effective service delivery. These are all outcomes that are essential to public trust and national development. By integrating cross-country comparisons and highlighting context-specific institutional challenges, this study provides novel, actionable insights that extend beyond existing policy reports, offering practical guidance for African public sector reform. In addition, the novelty of this study lies in its focused, theory-driven exploration of unqualified audit

reports within a developing country context. It provides transferable insights for African public audit literature and offers practical guidance for policymakers and practitioners seeking to strengthen public sector accountability.

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