

UNIVERSITY OF MACAU
FACULTY OF BUSINESS ADMINISTRATION

**AN EXAMINATION OF THE ECONOMY, EFFICIENCY
AND EFFECTIVENESS OF THE INTERNAL AUDIT
FUNCTION OF TWO GAMBLING COMPANIES IN
MACAU: SJM AND VENETIAN MACAU**



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ABSTRACT

Purpose – Effective internal audit is a fundamental component of good governance.

The lack of research on the internal auditors of the gaming industry of Macau motivates this study. The purpose of this study is to compare the internal audit function in Sociedade de Jogos de Macau, S. A. (SJM) and Venetian Macau Limited Company (Venetian Macau), to examine the economy, efficiency and effectiveness (3Es) of their performance and find out whether Stewardship Theory is applicable in these two companies.

Design/methodology/approach – 40 staffs (20 in each company) who are working in SJM and Venetian Macau in the Internal Audit Department and other related departments (such as Gaming Auditors and Accounts staffs) and 2 Senior Auditors from the Audit Division of Gaming Inspection and Coordinating Bureau Macau SAR (DICJ) are interviewed to examine the economy, efficiency and effectiveness of the companies' internal audit function.

Findings – Results of the study identify that the internal audit functions are performed as different in economy, efficiency and effectiveness in SJM and Venetian.

However, the internal auditors of these two companies are developing their performance to provide more reliable assurances to the audit committee and the stakeholders. The stewardship theory is applied to the internal auditors of SJM and Venetian Macau to evaluate their work objectively. Results also provide some valuable recommendations and suggestions to the internal auditors (especially for the internal auditors of SJM). The changes in their work are expected to develop their internal audit function in economy, efficiency and effectiveness in the future.

Originality/value -- Internal audit function is one of material corporate governance functions to the companies in setting up a successful corporate governance system. The study would be advantageous for SJM and Venetian Macau (especially for SJM) to consider how they can improve their roles in the companies in the future, provide professional advises to the Audit Committee and the board to consummate companies' internal control systems, develop the stakeholders' interests on the companies.

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