

## Assessing the Extent to Which the Internal Audit Unit of the MDAs Conforms to the Best Practices in Internal Auditing.

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### Abstract

*MDAs form a substantial portion of the Ghanaian economy and they face quite a number of challenges ranging from poor strategic planning, limited skilled manpower, obsolete technology, insufficient research and political interference. Internal audit unit perform an important task in advising the management of assembly on how to improve their operations. The quality of internal auditors' work therefore is of paramount importance. Compliance with internal auditing standards which includes proper financial administration is meant to safeguard and improve the quality of internal auditors' work. Quality auditing of the MDAs will assist them to increase their profitability thereby accruing high revenues to the government. High government revenue translates into increased economic development for the country. Increased economic development helps in improving production and wealth generation for Ghanaians. This demonstrates that the benefits of quality internal auditing of MDAs spread even to the communities. This research work is aimed at digesting the operations of the internal audit unit in financial administration of MDAs and to identify the challenges facing them in the performance of their duties. The study will also help to examine and evaluate the extent at which the internal audit unit conforms to the laid down rules and regulations as directed by the Internal Audit Agency Act, Act 200. This study will also help improve internal control system, and risk management procedures that are carried out by the internal audit unit which would enhance stakeholders' satisfaction and trust of the work of the units, and thereby increase transparency, effectiveness and efficiency of reliable financial operations of the assembly's operations. However, the research will also improve literature on public sector internal auditing in Ghana.*

*Keywords: Keywords: Audit Operation, Internal Audit Units, Financial Administration, Auditing Practices*

### 1.0 INTRODUCTION

Financial administrators are basically responsible for ensuring adequate financial backing for running public organisations so as to achieve efficient implementation of public policy. The participants of this system are considered as financial managers and discharge managerial functions of financial nature. Government organisations which deal with the following four functions constitute proper financial administration. These include proper collection, perseveration, and distribution of public fund; effective co-ordination of public revenues, and expenditure; proper management of credit operations on behalf of the state; and the general controls of financial affairs of the state. The government of Ghana has taken proactive measures in establishing financial administrations act to ensure effective and efficient use of the state funds. The office of the district assembly shall be responsible for effective budgeting, stores and budgeting rules and guidelines; initiation, execution, monitoring and evaluation of development (Civil Service law, 1993, PNDCL 237). Local Government Act, 1993 (ACT 462) clearly stated that every district assembly should keep proper books of account, open and maintain a bank account for all revenues and other monies raised or received. However, this has given the assemblies greater authority for exploring ways and means to generate resources to meet the increasing public expenditure of the assembly in influencing the socio-economic life of the people (Woodworth and Player, 2003).

Internal audit is described as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Institute of Internal Auditors, IIA). Internal audit's role is primarily one of providing independent assurance over the internal controls and risk management framework of the council (Guidelines under section 23A of the Local Government Act 1993, September 2010). Auditing at the Municipal and District Assemblies (MDAs) is one component of financial administration which examines and evaluates the financial and the operational activities of Assembly to

achieve developmental needs. The internal auditing profession evolved steadily with the progress of management science after World War II. It is conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities. Much of the theory underlying internal auditing is derived from management consulting and public accounting professions (Sarbanes-Oxley Act (002).

The Internal Audit Act, Act 462, section 120 states that every district assembly shall have an internal audit unit which clearly indicates that the establishment of Act emphasizes the important role the unit plays in financial administration at the district level. The units at the district assemblies are therefore entrusted to strengthen equitable distribution of resources, and effective and efficient utilization of resources at the assemblies (Internal Audit Agency Act, 2003). To ensure effective financial administration at the assembly level, internal audit unit ensures proper financial controls at the assembly by maintaining up to date accounting records which are balanced properly. The unit ensures systematic periodic financial reporting and forecasting, money received are banked intact and daily, cash received over the counter is controlled by cash register or other similar means. The unit also checks that all payments are made by cheques and are signed only when completed by appropriate authorities with supporting documentations. The unit reviews bank reconciliation statements to ensure accuracy and maintain petty cash on an imprest system basis. However, the internal audit unit ensures that detailed records are maintained of the assets owned by the assembly, and are authorized for disposal only by executive officers. The internal audit unit is entrusted to ensure that stock of the assembly is well controlled and physically counted periodically (Financial Administration Act, 2003).

When the internal audit unit has identified potential issues, it should issue early warning alerts by raising red flags to enable management deal with the issues in a timely manner and to issue reports on the extent of compliance on the Assembly's policies, procedures, regulations and assess implementation and compliance thereon, review organisational and procedural changes introduced by Assembly to assess availability of controls therein and ascertain their feasibility for the Assembly. The internal audit unit tests and evaluates liabilities, and ensures the reliability of financial information (Internal Audit Agency Act, 2003). The concept of planned development has enabled public administrators to play an active and dynamic role in the formulation and implementation of development schemes and projects. The time and the cost of implementing these projects have become critically important. The articulation of financial administration has shifted from one of controlling the disbursement of funds to one of management of various development projects and programmes. There is a tremendous pressure on the modern government to increase their expenditure outlays to meet the ever expanding ambitions and demands of the people of Ghana.

However, taxpayers are unable or unwilling to bear additional tax burdens. In this case, the need has arisen for a careful prioritization of public expenditure and efficient utilization of limited resources allocated to the MDAs, hence the need to institute proper financial administrations at the district level to eliminating unwanted expenditure and ensuring optimization of output from the limited resources of the assembly which depends on the effort put in place by the internal audit unit at the local level (Woodworth and Player, 2003). This study therefore assesses the operations of the internal audit unit to ensure effective and efficient financial administration of some selected MDAs in the Volta Region to increase development at the local level.

## 2.0 LITERATURE REVIEW

### 2.1 Challenges Facing the Internal Audit Unit

The internal audit profession is constantly facing challenges and obstacles. For instance, Ali, et al (2007) maintains that there is various problem faced by the internal audit, however two greatest problems are inadequate audit personal and the audit personal's lack of proper skills and competency. The same problems have been highlighted by the Auditor General of Malaysia (audit standards not up to marks"2007). The Auditor General highlighted that many of the officers carrying out internal auditing in the local authorities lacked knowledge and exposure on the right techniques and methodologies. Halimalin et al (2009) has also ranked ten main problems faced by the internal audit in the following order: Lack of audit staff, lack of support/ commitment from top management, lack of cooperation from auditor, lack of

training, lack of independence, staff lack of competency/knowledge on the auditing techniques, action on audit findings and recommendations not taken by auditee/management, lack of experience staff.

Inadequate audit staff is ranked first and is considered as major setback that can restrain the effectiveness of internal audit function in the public sector. This is consistent with the findings of Ali et al (2007) where lack of number of audit personnel and incompetence of the audit personnel are two obvious factors that inhibit the internal audit function in the state and local government in Malaysia from meeting its full potential. The study by Brierley, et al (2001) in the Sudanese public sector which found out that the internal audit unit was significantly understaffed compared to the duties they were expected to perform. Generally, the findings suggest that lack of staff in the internal audit function is a problem not only encountered by Malaysian public sector but other country as well. Again the support from management is imperative because generally the recognition and appreciation of internal audit unit within organisation is strongly dependent upon the support they receive from top management. According to Mihret and Yismaw (2007), lack of attention from management may send a wrong signal about the importance of internal audit unit services to the auditors, which in turn adversely affects the auditor attributes. However, lack of understanding on the role and responsibilities of the internal audit function also contributes to lack of cooperation between the unit and the external auditor. This is supported by Ali, et al (2007) that lack of understanding of the role of internal audit function as an independent appraisal function in an organisation inhibits their effectiveness.

## 2.2 Sufficient Funding

The audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization under audit because the budget impacts the audit activity's capacity to carry out its duties.

## 2.3 Unrestricted Access

Audits should be conducted with complete and unrestricted access to all forms of audit evidences like employees, property and records.

## 2.4 Existence of Audit Committee

Independency and objectivity of internal audit function depends on who it reports to. In an organization where there is audit committee, the internal audit function should report to the audit committee. Is it legally mandatory to have Audit Committee in public institutions of Ethiopia so that independency and objectivity of internal auditors could be maintained?

## 2.5 Stakeholder Support

The legitimacy of the audit activity and its mission should be understood and supported by abroad range of elected and appointed government officials, as well as the media and involved citizens. But from the perspective of Ethiopia, do concerned stakeholders value the various internal audit activities and give the required support?

## 2.6 Professional Audit Standards

The IIA audit standards support the implementation of elements mentioned above in audit function of public bodies and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. International Organization of Supreme Audit Institutions has also issued its own auditing standards to guide the auditing and accounting practices in the public sector (Diamond, 2002). But when it comes to the utopian case we have no any standard that reflects "the best practices" for public sector auditing neither are we aware of exactly which country's standards we should follow or are following?

## 2.7 Unlimited Scope

The IIA standard describes the scope of the IAF as a tool of management where the internal audit function closes the loop in the public sector management cycle to ensuring the efficient and effective use of resources. For many parts of the world, internal audit has often been, and continues to be defined rather narrowly, focusing on financial compliance and regularity, rather than broader management issues. Moreover, governance problems and lack of professional competence also constrains the internal audit function to the role and hinders its ability to generate timely and relevant reports (Diamond 2002). Given these considerations, it is perhaps not surprising that one of the significant problems often identified in countries' public sector governance system is that the internal audit function is weak and ineffective (Diamond, 2002). As a result, it is felt that this weakness prevails to such extent that it impacts more generally on fiscal transparency and governance issues in the public sector. To sum up, the internal audit function could be a major asset for improving public confidence in financial reporting and corporate governance only if the above-mentioned elements are maintained.

### 3.0 METHODOLOGY

Methodology of every research is vital if the validity and reliability of the results of the study are to be attained and qualify for replication and generalization. The methodology assumed for this study is scientific as the process is systematic and unbiased. This is to ensure that relevant and reliable data are gathered, hence, appropriate statistical techniques applied in order to control potential statistical errors and thereby arrive at accurate and valid conclusions. This chapter, therefore, reviews the source of data, definition of target population, procedures for data collection, presentation and the model used to answer research questions in order to achieve the set objectives.

#### 3.1 Research Design

Research methodology defines the systematic and scientific procedures used to arrive at the result and findings from a study against which claims for knowledge are evaluated (Cooper and Schindler, 2006; Saunders et al). A methodology is therefore shaped by the perspectives the research chooses to approach a study. The research design is influenced by the research paradigm. Neuman (2006) defines research paradigm as a general organising framework for theory and research that includes basic assumptions, key issues, models of quality research and methods for seeking answers. In terms of research paradigm, a research can be qualitative or quantitative.

Cooper and Schindler (2006) describes quantitative research as involving measurement of variables and the delivery of findings in numerical form in which research findings are described by texts of significance, confidence intervals and mathematically demonstrated relationships while qualitative research is a paradigm which is conducted to find out what people do, think, know and feel. Such a study aims at understanding and explaining a phenomenon that focuses on „why“ questions. This study is based on only qualitative paradigm. On the one hand, words will be used in identifying the operations of the internal audit unit in financial administration of MDAs, assessing the extent the internal audit conforms to the best auditing practices and examining challenges facing the internal audit unit. Structured questions and an interview guide are used as to solicit for data in order to achieve the objectives.

#### 3.2 Study Population and Sample Size

A sample is defined by Tailor (2005) as a subset of a population or universe. However, a word of caution is in order here as population is often taken by many to refer to people only. Population, as Walliman (2011) puts it, does not necessarily mean a number of people. It can also refer to total quantity of the things or cases which are the subject of a study. Robson (1993) also talks about non-people-related sampling like where and when interviews take place. However, he stresses that particular attention needs to be given to the selection of people sample. Research inputs were taken from people whose works involved the implementation of audit functions in various MDAs towards proper financial administration. The population involved the internal audit staffs in Ho Municipality, Sogakope District Assemblies, Ketu-South District Assemblies, Agortime Ziope District Assemblies, and Nkwanta District Assemblies who are involved in helping the internal audit unit to implement in proper financial administration of MDAs in Ghana. In all sample sizes of Five (5) respondents were selected, mainly the head of Internal Audit units

in the Municipal/District Assemblies on the bases that they stand the chance of controlling all the sub-sections in the unit and their knowledge cut across all the sections. The information was gathered by the researcher himself directly from the respondents. In this regard, the researcher used designed questionnaire to collect the requisite data from the respondents.

### 3.3 Sampling Technique

In selecting the sampling size for the study, the purposive or judgmental sampling technique was used. Purposive or judgmental sampling enables the researcher to use his judgment to select cases that will best enable him answer research questions and to meet the study objectives. This form of sampling is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative (Neuman, 2005). However, purposive sampling technique was used in selecting five (5) heads of the internal audit unit because of the crucial role they play at the unit within the assemblies and because they stand the chance of providing the data necessary for the research. The heads of the internal audit units were used to enable the researcher gather unadulterated data on the bases that they stand the chance of controlling all the sub-sections in the unit and their knowledge cut across all the sections.

### 3.4 Data Sources and Data Collection

In the quest to achieving irrefutable results, primary data was collected through the use of interviews and questionnaires. Data from the respondents was also collected through well-structured questionnaire which contains definite items arranged in a definite order. The questionnaire was designed in such a way that it answers listed objectives. It also contains both closed and open-ended questions to give respondents the opportunity to express themselves freely where applicable. These techniques are chosen in order to;

- Gather current information
- Ensure consistency in the questions that various respondents will respond to
- Ensure reliability and control the method of data collection
- Facilitate the analysis of data gathered. This is due to the fact that different respondents will be responding to basically the same set of questions

### 3.5 Analysis of Results and Discussion

Stake (1994) explained that in analysing a research data, the main task is to understand the case through teasing out relationships, probing issues and aggregating the data categorically. The response of the heads of the internal audit units were analysed in line with the research questions for which the instruments were designed. The information obtained was edited, and summarized to make it more meaningful. Editing was done to reduce bias, increase precision and improve consistency. Coding was done by assigning number to questions or data items to ease reference to questions. There was purposeful examination and interpretation of data to answer research questions and exploration of data in the hope that new insights may emerge.

### 3.6 Reliability and Validity of Results

In order to strengthen the reliability of the study, the researcher undertook the following activities. In the first place, the researcher ensured that the objectives set are in conformity with the research questions and the literature reviewed covered the objectives. Secondly, special interviews were granted to respondents who had sufficient knowledge on the topic and the area of study using interview guide. In addition to the above, before interviews were conducted, the researcher held meetings with respondents (unit heads) to establish good human relations with them to enable them feel more comfortable in giving independent and accurate information which can be relied on.

## 4.0 DATA ANALYSIS & DISCUSSION

In achieving the objectives of the study, data was collected and analysed. Various heads of the internal audit unit were interviewed using the prepared interview guide in line with the research objectives and questions. The outcome centred in three areas: operation of the internal audit unit in financial

administration, conformity to the best practices of auditing and challenges facing the internal audit unit in financial administration of some selected MDAs in the Volta region.

#### 4.1 Data Presentation and Analysis

##### 4.1.1 General Information about the Internal Audit Units at the MDAs

The heads of internal audit unit at Ho Municipality, Sogakope District Assemblies, Akatsi- South District Assemblies, Agortime Ziope District Assemblies, and Nkwnta District Assemblies were interviewed. They all confirmed that they have worked for four (4), five (5), three (3), two (2) Eight (8) years with the assembly respectively. They are all Bachelor Degree holders and one female. In their submission, they all admitted that the personnel at the units are not enough for the unit considering the number of departments and transactions occurring at the assemblies. According to the internal auditors, the Controller and Accountant General's Department, Local Government Services and the Internal Audit Agency are responsible for employing internal auditors and the minimum qualification is degree in business administration (Accounting) or other professional qualification in Accounting.

#### 4.2 Conformity to the Best Audit Practices

##### 4.2.1 Organizational Independence

All the heads of the internal audit admitted that audit functions are strategically positioned to contribute to the assemblies' strategic performance. The auditors revealed that they have been given relevant authority to report to Audit Report Implementation Committee (ARIC) if they found out that officials in the assembly abused their power against public interest. They also have the power to inform ARIC when they realize that officials of the assembly are withholding key information to the stakeholders. But they have limited right to choose any transactions or area of interest for audit. Such reports are addressed directly to the chairman of ARIC with parallel copy to the District Coordinating Executive (DCE).

##### 4.2.2 Human Resources Management

Recruitment of internal auditors is done by the Local Government Services and the Internal Audit Agency. These internal auditors are posted to all the units of the assemblies to conduct audit assignments. The auditors admitted that salary level is not sufficient to attract and retain internal auditors which have the skills and the required qualification to conduct audit assignment. They often depend on national services personnel to carry out audit assignment.

##### 4.2.3 Training

The heads of the internal audit admitted that they are responsible for maintain a team of staff that collectively possesses the necessary knowledge, skills and disciplines for the achievement of the internal audit objectives. They provide workshops that give the internal auditors the opportunities to interact with other professional auditors and bodies to keep informed about developments in the internal audit standards. Auditors revealed that quality assurance programmes are carried out in seminars and workshops, which prepare them to enhance the audit assignment. The internal auditors said they always encourage their members to sit for professional certification examination like the ICA, ACCA, etc in order to conform to the best practices in internal auditing.

##### 4.2.4 Unrestricted Access to Audit Evidences

They admitted that they are not fully allowed to all vital information and records on employees to make informed judgments in their audit operations. They said records such as cash books, are always in arrears and most information are always missing from records and some not properly accounted for.

##### 4.2.5 Stakeholder Supports

In their submission, they indicated that they receive some form of support from stakeholders, obtain training from the local government to enhance audit activities and support from the ARIC in a form of evaluating annual plans and approval.

##### 4.2.6 Implementation of Recommendations

During the interview, the issue as to how the assembly responds to audit observation or report came to light. This question was met by a mixed response from the internal auditors indicating that management gives the internal audit necessary attention it deserves when sensitive issues are made known to management after an independent examination and review of financial statement, other relevant books and documents of accounts are examined by the internal auditors. Some of the heads admitted that there is a cordial relationship between them (internal audit unit) and ARIC but not in a supportive form. They always report audit findings to ARIC but ARIC is very slow in terms of implementation of recommendations made in the reports. Copies of their reports are also sent to the Regional Co-ordinating Council, and the Director General of Internal Audit Agency (IAA).

#### 4.3. Analysis and Discussions

##### 4.3.1 Conforming to the Best Internal Auditing Practices

**Organizational Independence:** The duty of internal auditors clearly requires them to be independent (Ahmed and Taylor, 2009). And ideally, internal auditors must be free to report matters they audit as they are and their reporting activities are not subject to any influences (Sawyers and Dittenhofer, 1996). Independence and objectivity are considered essential for internal auditors' proper discharge of responsibilities (Christopher, Sarens, and Leung 2009). At the interview, the head of internal audit unit for MDAs selected for the research agreed that they have been given relevant authority to deal with all officials in the assembly who would abuse their power against public interest to the audit ARIC. They also have the power to report to ARIC when they realize that officials are withholding key information to the stakeholders and have the right to choose any transactions or area of interest for audit. Such reports are addressed directly to the chairman of the ARIC with parallel copy to the DCEs. This information provided by these unit heads clearly indicates that the selected MDAs are in line with the research conducted on public sector auditing and their activities in terms of their independence and conforming to the best internal auditing practices.

**Human Resources Management:** Recruitment of internal auditors is done by the local government services and the IAA. These internal auditors are posted to all the units of the assemblies to conduct audit assignments. The auditors admitted that salary level is not sufficient to attract and retain internal auditors which have the skills and the required qualification to conduct audit assignment. They often depend on national service personnel to carry out audit assignments personnel who are not competent to carry out audit activities. This shows the internal audit units are not conforming to the best practice as instituted by IAA.

**Training:** Technical competence and continuous training are considered essential characteristics of effective internal audit units. Consistent with this notion, (Gramling and Meyers, 1997) quoted in (Frimpong, 2011) find that certification of internal auditors is perceived as an indicator of internal audit competence. Further, internal auditor cannot have power unless they possess the necessary knowledge and experience (Al-Twaijry et al, 2003). The heads of the internal audit admitted at the selected MDAs that they are responsible for maintaining a team of staff that collectively possesses the necessary knowledge, skills and disciplines for the achievement of the internal audit objectives. They provide workshops that give the internal auditors the opportunities to interact with other professional auditors and bodies to keep informed about developments in the internal audit standards. Auditors revealed that quality assurance programmes are carried in a form of seminars, workshops, orientations which prepares them to perform well on the audit assignment. The internal auditors said they have encouraged their members to sit for the professional certification examination such as ICA; ACCA etc. This will enable them qualify as stipulated in the Agency Act.

**Unrestricted Access to Audit Evidences:** The internal auditors admitted that they are not fully allowed to all necessary information, records employees to make an informed judgment in their audit operations. They said that records such as cash books, are always not up to date and most information are always missing from records and some not properly accounted for. These are evidences that show that the units are not performing according to the best practices in auditing in the areas of unrestricted access to audit evidences.

**Stakeholder Supports:** It can be concluded from research based on the internal auditor's comments that they are receiving some support from stakeholders. They obtained training from the local

government to enhance audit activities and support from the ARIC in a form of evaluating annual plans and approving. They always receive some documents for auditing from staffs of the assemblies and give approval to the internal auditing activities by the DCE. This means that to some extent the internal audit units are conforming to best practices of auditing in the area of support from stakeholders.

**Implementation of Recommendations:** It is legally mandatory to have ARIC in public institutions so that independency and objectivity of internal auditors could be adhered (IAA Act 2003). Research conducted by (Sterck and Bouckaert 2006) mentioned that the implementation of internal audit function in the public sector is most effective when there is legal requirement for the establishment of internal audit function, strategy for development of competency of internal audit function staff, support from top management and existences of audit committee, and the central unit for the advancement of the internal audit function. However, for the internal audit units at all MDAs to function effectively, Section 30 (1) of the Audit Service Act, 2000 (Act 584) requires all institutions subject to auditing by Auditor General, including Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) to set up an Audit Report Implementation Committee (ARIC) to ensure the implementation of the recommendations of audit reports. Section 16(8) of the Internal Audit Agency Act, 2003 (Act 658) also reiterates the need for all MDAs and MMDAs to comply with Section 30(1) of Act 584 and establish ARICs. However, during the interview with the heads of the internal audit unit, how the assembly responds to advice or report to the internal audit unit was asked. This question was met by a mixed response from the internal auditors indicating that management gives the internal audit necessary attention it deserves when sensitive issues are made known to management after an independent examination and review of financial statement and other relevant books and document of accounts are undertaken by the internal auditors. Therefore, the inability of ARIC to respond quickly to report of the internal audit units means that to some extent, MDAs are not conforming to the best practices of internal auditing in the public sector as the Internal Audit Agency act 2003 establishes.

## 5.0 CONCLUSION

### 5.1 Summary of Findings

Evidence gathered from the study proved that the assemblies carried out an assurance services as an internal audit activity and practices monitoring of controls as a component of internal control. There are financial laws, policies and procedures that monitored the controls in the assemblies. Internal controls are monitored through pre and post auditing, issues warrants and budget approval, preparation and submission of monthly statement and projects inspections. This helps in safeguarding and adequately managing the assembly's human and financial resources. The interview revealed that the internal audit unit faces challenges such as;

- Inadequate staffs.
- Inadequate logistics in undertaken the internal audit process.
- Slow implementation of audit recommendations.
- Restricted access to records.

### 5.2 Conclusion

In recent times, a lot of attention has been devoted to internal auditing in the public sector management by local governments to spearhead the implementation of the country's development agenda. The rationale is an increasing mistrust that exists between the government and the citizens as a result of mismanagement through misapplication of Assemblies' resources. To restrain this, there is the need for effective internal audit system at the assemblies to ensure effective and efficient management of resources. Internal audit's role is to evaluate the effectiveness and appropriateness of those systems and processes as to whether they are related to legal and regulatory compliance. The units perform these functions by working with Co-ordinating Directors and ARIC to help understand the consequences of risk and its effectiveness.

The unit's activities at the selected MDAs were effective based on the empirical research carried out. The assurance services provided by the assemblies are intended to give Co-ordinating directors the confidence that the internal controls are efficient in detecting, preventing, or correcting frauds and errors. Additionally, Coordinating Directors are also assured of the effective use of resources which had brought



about development to the Assemblies. Moreover, challenges such as inadequate staffs, lack of logistics in undertaken the internal audit process, slow implementation of audit recommendations and restricted access to records, have affected the effective and efficient discharge of internal audit function. Furthermore, it can be concluded that the assemblies carried out audit in compliance with international standards of auditing and best practices to avoid regulatory confrontations.

Therefore, these activities are undertaken with the aim of strengthening the assemblies in carrying out the activities in achieving its objectives. On the whole, the study showed that the internal audits in the selected assemblies are moderately effective. The researcher could therefore conclude that the factors enumerated as challenges affect the overall effectiveness of the internal audit units.

### 5.3 Recommendations

The following recommendations are made based on the findings of the study so that when properly adopted could improve the internal audit activities in the MDAs in the Volta region to ensure judicious use of the Assemblies' resources.

**Provision of Adequate Personnel:** Given the workload that the internal audit units at the assemblies are supposed to handle the Local Government Services and the IAA should provide qualified personnel to handle the internal audit of the assemblies.

**Immediate Implementation of Audit Recommendations:** ARIC should not be reluctant but rather swift in implementing the recommendations through review and examinations of financial statement and other necessary books of accounts by internal audit unit. The Coordinating Directors should be proactive over sensitive matters revealed by internal auditors. This will help minimise risk at the initial stage.

**Access to Records:** Researcher recommends that for the assemblies to realize the full benefit with respect to the efficiency and effectiveness of the internal audit unit, it must consider providing all the needed logistics to enhance their operations. The instruments that ensure internal auditors access all records at all times, should be enforced to help achieve total development at the local level.

**Independent:** The internal audit unit should be given the needed authority to conduct audit activities. Their work should under no circumstances be influenced by Municipal and District Executive Officers. They should be given the level of independent in their audit processes. The Internal Audit Units should be allowed to audit all parts of the assemblies, they should have full access to all records and document which the units find it necessary to help them conduct internal audits to minimize risk that impede total development at the assemblies. The internal auditors must be fully allowed to audit all records that are necessary to enhance their audit activities. They should not at any circumstance be restricted to some records they are needed to conduct audit assignment.

**Provision of Logistics:** For the assemblies to realize the full benefits with respect to the efficiency and effectiveness of the Internal Audit Units, they must consider embarking on providing all the needed logistics to enhance their operations. Offices furniture and all the other equipment should be provided to help the units conduct internal audit functions in compliance with the international standards.

**Quality Assurance Audit:** Recently, internal auditing has changed from checking high proportion of routine transactions to the area of concentrating much more on making a detailed examination of accounting systems, controls and to perform test on quality rather than quantity basis. Internal auditors should concentrate on few transactions to examine the accuracy of the system.

**Valued Added Auditing:** The researcher recommends internal auditors at the MDAs to put more emphasis on analytical auditing that involves process audits, risk and/or control assessments, and other forms of effectiveness assessments. Generally, this trend is called value-added auditing. Internal auditors should design their audit process to provide independent and objective operational analysis to examine every function, process and activity of the assembly that would help achieve their business strategies and objectives. They should be involved in a systematic and disciplined approach in their assessment to improve the effectiveness of risk management, control and governance processes at the assemblies that add value to the assemblies' operations.

**Audit Automation:** The importance of audit automation and the utilization of IT in modern audits have grown significantly in recent years due to both technological developments and changing regulatory environment. Thus, it comes as no surprise that many internal auditors are now at the forefront of deploying such modern audit automation technologies as continuous auditing.

It is recommended that internal audit units at the MDAs undertake audit automation systematically in their audit assignment. The Units have to incorporate reengineering in the more limited sense of first transforming manual audit processes to facilitate their automation. The researcher is not suggesting „the throw away the manual rule book sort“, but in a form of hybrid approach which is more manageable and marketable from a change management perspective. It can also allow the auditors to increase the scope of the audit and utilize some additional audit procedures for higher coverage of various risk areas.

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