

The Roles and Status of Internal Auditors in Public Sector Organizations

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Abstract

The increased demand for accountability and transparency from public sector entities has placed much emphasis on the work of internal auditors. However, the setting up of internal audit in public institutions has not achieved its main objectives as a result of pervasive corruption and financial irregularities that still exist in our public institutions. This may be as a result of lack of knowledge and wrong perceptions about the work of internal auditors by managers and other stakeholders. The study therefore seeks to examine the roles and status of internal auditors from the perspective of these stakeholders. This study is interpretative qualitative research which adopted a case study approach. The instruments used were interviews and publicly available documents. The data is analyzed using thematic analysis. The study reveals that internal auditors play oversight responsibilities, improve internal controls, advise management on risk management policies, ensure the organization follows regulations and brings out quality financial report. However, internal auditors face many setbacks. Internal auditors are taken for granted and lack independence and cooperation from other staff. Again, they have defined scope of work with limited power and have inadequate career development to make them effective in performing their roles. To address these implications, management should take the work of internal auditors seriously by implementing their recommendations. They should also involve internal auditors in cases involving application of laws such as procurement processes. Management should also ensure that internal auditor independence is protected and are given the necessary career development support to function effectively.

Keywords: Internal Audit, Credit Management Practices, Public Financial Administration, Economic management, Accounting, Accountability, Transparency

1.0 INTRODUCTION

This study examines the roles and status of internal auditors in public sector institutions. This chapter introduces the entire study by providing a background of the study. It continues with problem statement, objectives of the study, research questions and significance of the study. It will also explain the scope of the study, the methodology adopted and how the study is organized.

1.1 Background of the study

Internal audit as one of the components of internal control in organizations is critical to the attainment of objectives. This role even becomes more important in public sector entities as most activities are carried out with the tax payers' money and the need to safeguard the resources of the state. Following an increased emphasis on good corporate governance principles in the public sector especially in the developing countries where the various stakeholders including civil society and the media are becoming more interested in the manner public funds are allocated and expended, it is important for government institutions to be transparent and accountable (Marfo-Yiadom & Achina, 2016)

Internal Auditing in general is part of the public financial management system which undertakes independent evaluations with the aim of giving assurance on the operations of institutions as well as ensure the objectives of the organization are achieved (Institute of internal Auditors (IIA, 2009). The passage of the Internal Audit agency Act, 2003 (Act 658) brought about the establishment of internal audit units in the public sector. The primary goal of internal audit is to evaluate the institution's risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly (Ankrah, 2016). This was intended to enhance efficiency, accountability and transparency in the management of resources in the public sector (Nomo, 2009).

With the institution of internal audit units in public sector organisations, it will therefore suggest that organizational efficiency will be enhanced with less scandals, embezzlement of public funds and corruption. However, financial mismanagement in public sector continues to be at an alarming rate. In the past, internal auditing was seen as a mechanism to double check the thousands of financial transactions that were posted to the accounts each week. In the 1950s and 1960s, it only consisted of basic tests of the accounts with a view to isolating errors and irregularities.

However, several studies have shown that the roles of internal auditors, particularly, in the private sector has expanded both in scope and significance (Spira & Page, 2003; Abbey, 2010; Gros, Koch & Wallek, 2016). The various expectations from stakeholders on the roles and responsibilities of internal auditors in preventing fraud cases, corruption and embezzlement of funds may bring about expectation gap which there is a need to do more examination to reconcile and overcome the challenges that internal auditors face in performance of their duties. It is against this backdrop that this study intends to examine the roles and status of internal auditors in public sector entities in Ghana.

1.2 Problem statement

There have been several studies both in the developed world and in the context of developing countries on determinants of internal audit effectiveness in both private and the public sector. (Cohen & Sayag, 2010; Theofanis et al., 2015; Takie, Marfo-Yiadom & Achina, 2016; Mihret & Yismaw, 2007). However, much attention has not been given to the study of how internal auditors construct their roles and responsibilities in the public sector. It is therefore imperative to examine the roles and status of internal auditors in the public sector in a developing economy, particularly, Ghana.

Yee *et al.*, (2017) interviewed a purposefully sampled Singaporean senior, middle and junior managers to assess their perceptions about the role and effectiveness of internal auditors. The study finds that managers appreciate internal auditors that give all their support to management, however, regard internal auditors negatively when they are performing “watchdog” roles. It is therefore imperative to also examine the situation in developing countries particularly, Ghana where internal audit is guided by laws.

Again, the increased demand for accountability from public sector entities has placed much emphasis on the work of internal auditors. However, there seem to exist different perceptions on the roles and responsibilities of internal auditors by various stakeholders. It is therefore crucial to study how internal auditors construct their roles in public entities.

1.3 Research Objectives

The study aims to examine the roles and status of internal auditors in public sector entities. The specific objectives are;

1. To explore how internal auditors construct their roles in public entities
2. To investigate the status of internal auditors in public entities
3. To investigate the kind of relationship that exist between internal auditors and management.
4. To identify challenges facing internal auditors in the performance of their duties

1.4. Research questions

Achieving the objectives of the study will require some relevant questions to be asked which are important to the study.

1. What are the roles of internal auditors in public entities?
2. What is the status of internal auditors in the organisational hierarchy?
3. What kind of relationship exists between the internal auditor and management?
4. What are the challenges that internal auditors face in performance of their duties?

1.5 Significance of the study

The findings from this study will make a significant contribution in three areas namely the academia, literature and practice. First, the findings of this study will help stakeholders to understand the roles of internal auditors to bridge the expectation gap that exist about the roles of internal auditors. It will help management to understand the challenges facing internal auditors so that they can provide the

needed support to internal auditors to become effective in reducing inefficiencies that exist in the public sector.

Second, the study is also expected to help government and policy makers particularly, internal audit service to formulate laws that will make internal audit more independence and effective. The study intends to contribute to knowledge by helping to expand the literature on internal audit functions within the Ghanaian public sector context. It will also serve as a basis for further studies in this research area.

1.6. Scope, Assumptions and Limitations of the Study

The study will be limited to internal auditors in public sector institutions particularly, Ministries, Departments and Agencies (MDAs) who have worked over three years in Accra metropolis. It will not be able to cover all internal auditors in public entities due to time factor and the difficulty in reaching all of them.

1.7. Methodology

The study adopts interpretative qualitative approach and it was conducted using case study method. The main instruments used are interviews and publicly available documents. Some level of observation was also adopted to understand internal auditors' construction of their roles and status. The sample for the study was taken from a population of internal auditors in Accra metropolis using purposive sampling technique. The empirical data was analysed using thematic analysis. The research methodology will be discussed in details in chapter three.

1.8. Organization of the study

The study will be structured into five chapters. Chapter one is a general introduction made up of the background of the study, statement of the problem, the research objectives and questions, significance of the study, research methodology, scope and limitation and organization of the study. Chapter two reviews existing relevant literature on internal audit function, analyses the theoretical underpinnings and concludes with an empirical overview.

Chapter three outlines the detailed methodology in terms of research design, data collection techniques and data analysis methods for conducting the study. Chapter four involves analyses of data collected and discussion of the findings. Chapter five summarizes the study, makes conclusions and recommendations. It also outlines any possible future research areas worthy to be researched into as regards internal audit function.

2.0 LITERATURE REVIEW

This chapter examines and lays out the critical issues in the literature about the topic *"the roles and status of internal auditors in the public sector"*. It undertakes a review of research conducted by others in the area that is considered relevant to the objectives of the study. This review will help the researcher to draw on ideas that will ultimately be instrumental in analyzing the research findings.

2.1. The definition and concept of internal auditing

Corporate governance is fundamentally important to all modern institutions and internal audit as an aspect of this engages in activities crucial to the attainment of good corporate governance. In the view of Asare (2009), the modern concept of internal auditing can be identified by the evaluation and improvement of risk management, control and governance processes. This is in line with the way internal audit is defined by the Institute of Internal Auditors. The Institute of Internal Auditors (IIA, 1999a) is the international professional organization that oversees internal audit guidance, certification, education and research. It defines internal auditing 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"*.

The definition (which is also repeated in IIA 2008) perfectly highlights the scope, structure and purpose of internal auditing in an organization and points to the main concern of evaluating and improving risk management, control and governance processes, which encompass policies and procedures put in

place to guarantee the achievement of objectives. The modern definition underscores the need for objectivity in internal audit activities and the emphasis on the evaluation and improvement of the effectiveness in risk management and governance processes (Asare, 2009). Internal audit considers the proper assessment of risk in organizations, ensuring the reliability of internal and external reporting of information. The current and modern definition also underlines two main internal audit services: assurance and consulting services (Asare, 2009).

Internal audit ensures that accountability is enhanced through established processes, compliance with applicable laws and regulations and ethical standards (Asare, 2009). In discussing the purpose of internal auditing, (Cohen & Sayag, 2010) posits that the aim of IA is to improve organizational efficiency and effectiveness through constructive criticism, they see IA as an indispensable management tool for achieving effective control in both public and private sector organizations (Eden & Moriah, 1996). Internal auditing is normally designed to be able to assess the effectiveness of the control environment, add value, and improve the operations of an organization.

In the past, internal audit was regarded as merely focused on financial and accounting matters, and clearly explained by Asare (2009) in his study of internal auditing in the public sector as an activity that was perceived as only ensuring that the accounting and underlying records of an organization's transactions were properly maintained, the safeguarding of assets through its management system and ensuring the existence and compliance of policies and procedures. Today the role of internal audit has developed to include active risk and control evaluations which are integral to the corporate governance process. According to Mihret and Yismaw, (2007) the definition signifies a paradigm shift in internal audit from an emphasis on accountability about past to improving future outcomes to assist auditees operate more effectively and efficiently (Nagy and Cenker, 2002; Stern, 1994; Godwin, 2004).

2.2. Theoretical framework on internal auditing

A review of the extant literature reveals that there is no one single theory used in the study of IA and its effectiveness within organizations (see e.g., Adams, 1994; Ahmad, 2015; Al-Twajry et al. 2003; Dittenhofer, 2001; Endaya & Hanefah). Agency theory is employed in the accounting literature for instance to study the appointment and performance of external auditors but also provides a useful theoretical framework in the study of the IAF. The Agency theory helps to explain the existence of internal audit function and the role and responsibilities assigned to it by the organization, and further predict how the IAF is likely to be affected by organizational change (Adams, 1994).

However, other scholars like Tackie, Marfo-Yiadom & Achina, (2016) depended on the Institutional theory and the professions theory in their study of decentralized local government administrative systems. Similarly, in analyzing the IA in the Saudi Arabian corporate sector, Al-Twajry, Brierley & Gwilliam (2003) relied on the Institutional theory and suggested that the state should play a more coercive role by encouraging organizations to establish IA departments and organize their activities in the manner specified in IA standards. Several previous studies on IA have relied on the institutional theory with the contention that the institutional theory is a valid theory for IA effectiveness (Al-Twajry et al., 2003; Arena & Azzone, 2006; arena & Azzone, 2007; Mihret et al., 2010).

2.3 Internal audit effectiveness

Internal audit effectiveness is regarded as the extent to which an internal audit unit or department meets its most important reason or purpose for existence (Mihret & Yismaw, 2007). The IIA (2010) defined internal audit effectiveness "as the degree (including quality) to which established objectives are achieved". The internal auditor must have the ability and the means to achieve established objectives of an organization which have to be stated in clear terms if IA is to be effective (Dittenhofer, 2001). Similarly, audit effectiveness is viewed as the outcome of the auditor's activities, duties, professional practices and responsibilities through a high commitment with auditing standards, goals, objectives, policies and procedures (Ussahawanitchakit & Intakhan, 2011). Mizrahi and Ness-Weisman (2007) also defined internal audit effectiveness as "the number and scope of deficiencies corrected following the auditing process". This means that the emphasis here is on the ability of the internal auditor to intervene in preventing and correcting deficiencies as against the extent to which an internal audit office meets its purposes (Mihret

& Yismaw, 2007). The choice of method to measure IA effectiveness depends upon the stated objectives. (Karapetrovic & Willborn, 2000; Bota & Palfi, 2009).

2.4. Determinants of internal audit effectiveness

There are several factors that are often mentioned as those that interplay to result in internal audit effectiveness. According to mihret and Yismaw (2007), there are four factors determining internal audit effectiveness: internal audit quality; management support; organizational setting; and attributes of the auditee. An effective IA is an asset in enhancing public confidence in financial reporting and corporate governance which is possible with the presence of the following: organizational independence; a formal mandate/charter; unrestricted access; sufficient funding; competent leadership; competent staff; existence of audit committee; stakeholder support; professional audit standards and unlimited scope (Belay, 2007; De Smet & Mention, 2011).

Six factors have been identified as influencing IA effectiveness in an empirical examination of its determinants in Israeli organizations by cohen & Sayag, (2010): sector, professional proficiency, quality of audit work, organizational independence, career and advancement, and top management support. According to Cohen & Sayag, (2010) professional proficiency of the internal auditors, the quality of the auditing work and organizational independence of the auditing departments-represents instances where the Internal auditors' interests are those of the profession rather than the employing organization.

Career and advancement and top management support on the other hand represent instances where the interest of the employing organization takes precedence over that of the internal auditors' profession. In their study of evidence of the factors associated with IA effectiveness in Greece, Drogalas, Karagiorgos & Arampatzis (2015) identified internal audit quality, audit committee, competence of internal audit team, independence of internal audit and management support as factors determining IA effectiveness.

Similarly, Dellai and Omri (2016) examined factors influencing internal audit effectiveness in the Tunisian context and concluded that the effectiveness of internal auditing is influenced by six principal factors: the independence of internal audit, objectivity of internal auditors, management support for internal audit, use of internal audit function as a management training ground, and the sector of the organization. The study provides useful insight for identifying the determinants of internal audit effectiveness in developing countries.

2.5. Purpose of internal auditing in organizations

In discussing the purpose of internal auditing, Cohen & Sayag, (2010) posits that the aim of IA is to improve organizational efficiency and effectiveness through constructive criticism, they see IA as an indispensable management tool for achieving effective control in both public and private sector organizations (Eden & Moriah, 1996). The importance and relevance of the whole idea of studying IA has been seen as worthy of attention and the belief held that internal auditors are important as well, owing to the fact that economies rely on independently produced information to thrive (Van Peurse, 2005).

According to Cohen & Sayag, (2010) in their exploratory study and conceptualization of IA effectiveness in organizations, an understanding of the factors that determine IA effectiveness can improve a number of processes in an organization: learning(teaching members how to do their job better); motivation(auditing leads to improved performance as deficiencies will have to be explained); deterrence(knowing that an audit is imminent may discourage abuse); and process improvements(IA may increase the likelihood that the right things are done and that they are done right) (Eden & Moriah, 1996).

Following from the extended role of IA, internal audit is found to be an essential monitoring mechanism in corporate governance along with the external auditor, audit committee and executive management (Gramling et al 2004). The literature is unanimous on the aim of IA being to assist an organization in achieving its objectives (Roth, 2003; Hass et al.2006). Internal audit performs a wide variety of activities in the bid to assist organizations achieve objectives through assurance or consulting services. (Dellai & Omri, 2016). First, IA can provide assurance on the proper design and effective operation of the organization's systems of control.

Secondly, it can act as management consultant to improve risk management (Spira and Page, 2003). IA can assist the audit committee and external auditors in monitoring the internal control system

(Goodwin, 2003). IA can help to reduce fraud, misappropriation of assets and misreporting of financial information (Coram et al., 2008). Essentially, the IAF is the corner stone of corporate governance which contributes to improving the productivity, efficiency and performance of the company in both private and public sector (Mihret et al. 2010; Gros et al. 2016).

2.6. Role of internal audit in public sector organizations

Considering the study by Enofe, Mgbame, Osa-Erhabor & Ethiorobo (2013), IA is said to play a critical role in enhancing effective management in the public sector. Scott (2003) asserts that public sector audit traditionally, deals with issues regarding legality, probity and regularity and currently undertakes activities to ensure efficiency and performance. Management control, which is mainly in-built in the public financial management system in the public sector, includes all the policies and procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources (Asare, 2009).

IA is playing a significant role in public sector governance and PFM reforms for improvement of performance in developing countries (Diamond, 2002; Asare, 2009). According to Asare (2009), the broader nature of public sector governance calls for an effective internal auditing function to meet the demanding responsibilities imposed by stakeholders. Asare (2009) further asserts that IA can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities.

Furthermore, Asare (2009) posits that the internal auditor's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives. Asare (2009) explained further that the key risks that requires attention by management is fraud and corruption but it is the role of IA to gather sufficient objective information for management to carry out its stewardship function

2.7. External auditor's reliance on internal audit

The external auditor at the planning stage of any audit must be clear on the decision to rely on internal auditors on the basis of an examination of the auditors' past work. The requirement is for the external auditor to consider and test the appropriateness of using the IAF to support the external auditing efforts. Appropriateness is defined in terms of the relevance and reliability of the IAF and the potential cost savings to the external auditor (Reistein, Lander & Gavin, 1994). External auditor relying on internal auditor activities should assess the internal auditor's independence and competence. To be able to do a proper and effective assessment of competence of the internal auditor, Reistein, Lander & Gavin (1994) on their study of the External Auditor's consideration of the IAF posit that the external auditor needs to know the internal auditors' educational level and professional experience; their professional certification and continuing education; the audit policies, programs and procedures they operate under; how they are assigned and how they are supervised and reviewed.

In similar vein, Brown (1983) identified independence and work performance of internal auditors as the most important. Whereas Abdel-Khalid, Snowball and Wragge (1983) regards independence of internal auditors as the most important reliance factor, Schneider (1984) considers work performance as the most important and objectivity at second place. In a later study, Schneider (1985) considers both competence and work performance as equally important in the external auditor's reliance decision but finds objectivity to be less significant. In similar manner, Haron et al. (2004) in their study on the reliance of external auditors on internal auditors reveals that internal audit's competence and scope of work were the factors considered by external auditors in making reliance decision. In other studies, another factor that affects the external auditor's reliance decision is the inherent risk associated with an auditee (Carey et al., 2006; Felix, et al., 2001).

The reliance of external auditors on the work of internal auditors may minimize the inherent risk associated with high-risk clients resulting from the internal auditors' greater awareness of client operations better than external auditors (Carey, et al., 2006). According to Spraakman (1997), the internal auditors have access to organizational information than external auditors. Internal audit effectiveness as measured by management's acceptance and implementation of internal audit findings and

recommendation may also impact on external auditors' reliance on internal audit work (Mihret and Admassu, 2011).

2.8. Expectations of external auditors

A great deal of research carried out to assess IA effectiveness from the perspective of external auditors noted that there is considerable uncertainty among external audit whether IA is playing a significant role in the governance space of organizations and not just carrying out the directions of the audit committee and the board (Cohen et al 2010). External auditors are concerned with IA effectiveness because they may have to discuss with the Audit committee the quality of the IAF and the extent to which they are able to rely on the work performed by IA (Cohen et al). When assessing IA effectiveness from an External audit (EA) perspective, the higher the utilitarian benefit for EA, the higher IA quality is perceived. The value that EA sees in IA is dominated by the reliance question (Lenz and Hahn, 2015).

2.9. Organizational arrangements of internal auditing in the public sector

According to Asare (2009), managers in the private sector had a wider range of expectations for the purpose and role of IA in the past than those in the public sector. The narrow expectation of public sector managers explains the reason internal audit within the public sector was dominated by pre-payment audits (Asare, 2009). As a result, internal auditors devoted most of their time to checking on individual transactions before the payments were made. However, IA in recent years has assumed a strategic dimension and that underscores why it has become an essential component of public sector governance and financial management reforms in many developing countries (Asare, 2009, p.15)

The nature of internal audit organizational arrangement determines its independence and effectiveness. The size and complexity of the public sector have influenced the diverse forms of IA organizational arrangements and service delivery approaches. Internal audit structure in the public sector can broadly be classified as following either centralized or a decentralized model (Asare, 2009, p.17).

2.10. Internal and external auditing in the public sector of Ghana

The role of IA in the public financial management of Ghana is critical in the delivery of the public good. Public sector organizations benefit from IA either from performance audit which ensures economy, efficiency and effectiveness in the use of resources or through financial audits that ensures prevention and detection of irregularities (Al-Twaijry, Brierley & Gwilliam, 2003). The Auditor-General is mandated by the 1992 constitution of Ghana to audit and report to parliament the public accounts of Ghana and of all public offices, including the courts, the central and local government administrations, of the universities and public institutions of like nature, of any public corporation or other body and organization established by an Act of parliament.

The Internal Audit Agency of Ghana is the body responsible for establishing IA units in MDAs and MMDAs as well as issuing standards on internal auditing for internal auditors in the public sector. The establishment of a central IA agency is to enhance efficiency, accountability and transparency in the management of resources in the public sector (Takie, Marfo-Yiadom & Achina, 2016). IA has suffered administrative and legislative neglect in the past not until 2004 (Onumah & Krah, 2012). According to Simpson (2012), the establishment of the Internal Audit Agency was in response to the lack of proper accounting and auditing systems in the public sector in the 1990s. Onumah & Krah (2012) concluded in their study on the barriers and catalysts to effective IA in the Ghanaian public sector that the scope of IA services in the public sector is limited to regular audit activities mainly pre-audit of payment vouchers which takes 74 percent of the estimated average productive audit time.

They asserted that IA in the Ghanaian public sector is hampered by low professional proficiency of internal auditors, lack of management ownership and support for IA activities, lack of budget authority of the IA units and weak functioning of audit committees among others. However, in the determination of IA effectiveness in Ghana's local districts, Takie, Marfo-Yiadom and Achina (2016) asserted that there is professional proficiency in the IA units of the MMDAs and that the internal auditors possess the appropriate professional skills, qualifications and experience and participate in continuing professional development. They also concluded that to a greater extent the internal auditors in the local districts possess organizational independence. Consistent with Onumah & Krah (2012), the top management in the

local districts does not support internal auditors as regards the encouragement expected and adequate budget to the IA units (Tackie, Marfo-Yiadom & Achina).

2.11 Empirical studies on Internal Audit

Asiedu *et al.* (2017) used structural equation modelling (SEM) analysed the link between corruption and effective internal audit function (EIAF) in Ghana through a survey of directors and managers of selected public sector organizations including education. A decade after the promulgation of the Internal Audit Agency Act (IAAA), 2003 (Act 658) as an instrument to fight administrative corruption in Ghana, they noted that there is little empirical evidence to show its impact on corruption, though subjective evidence suggested it has played a critical role in maintaining financial discipline and public sector accountability and transparency. Also, the study established that full implementation of Act 658, size of the internal audit department and independence of the audit department significantly affect the effectiveness of the internal audit function which negatively impact on corruption. The study concluded that strict adherence to and the implementation of regulations and laws as well as independence of the internal audit function will help fight administrative corruption in Ghana. Hence the limitation of the study is that it cannot be generalized statistically.

The Internal Audit Department (IAD) is a cornerstone for effective corporate governance of public institution Paape (2007). However, its effectiveness largely depends on the support of management Katz (2009). Based on these assertions, Dawuda *et al.* (2017) examined management support services and its effects on the performance of Internal Audit Department in the Public Sector of Ghana (PSoG). The study used an exploratory research approach and the study findings discovered that the Internal Auditors were not satisfied with the support services that management provided, also, the study found that there was strong positive correlation between Management Support Services (MSS) and the internal audit performance. Again, it was found that support services that influence internal audit performance were management commitment to working with internal auditors to develop internal auditor charter and providing adequate logistics.

Based on the findings the study recommended that management should see internal audit unit as a strategic business unit in creating value and give it the necessary support. The internal audit agency should be restructured with constitutional powers to recruit, train, determine condition of service and post internal auditors to all public institutions. While addressing the relationship between the supply of auditing in the public sector and political competition expected in future elections. Baber (1983) empirically tested that using cross-sectional data from state governments and the study findings reveal positive correlations between state audit budgets and measures of political competition. The study however was consistent with an argument that public officials' incentives to supply auditing arise from contracting between the officials and their interests. Audit Committees (AC) and the internal audit function (IAF) are two key corporate governance mechanisms.

Mat Zain and Subramaniam (2014) study provided insights into internal auditors' perceptions of their interactions with AC members in Malaysia. The study thus contributed to the extant literature by providing additional evidence from a South-east Asian country which is recognised as being characterised with a high-power distance culture and a developing capital market. The study findings which were based on in-depth interviews of the heads of the internal audit function (HIAFs) from 11 publicly listed companies indicated infrequent informal communications and limited private meetings between the HIAFs and ACs, and a need for clear reporting lines. Further, ACs is seen to be held in high esteem for their authority and is expected to take on greater leadership in the inquiry of management's decision-making.

Furthermore, Dominic and Martinov-Bennie (2014) adopted exploratory research method to provide insights into the current roles and responsibilities of the internal auditors (IA) function and the factors perceived to be necessary to ensure its effectiveness. Data for the study was collected through Semi-structured interviews to elicit the perceptions of key corporate governance actors about the evolving role of IA, as well as IA effectiveness, in terms of its design, measurement, and evaluation. The results of the study suggested significant expansion and refocus of the role of IA and perceptions of its effectiveness. However, the findings also suggested that performance evaluation mechanisms of IA have not evolved contemporaneously. The misalignment between the role and evaluation gives rise to difficulty in assessing the extent to which IA functions are meeting stakeholders' expectations.

Allegrini *et al.* (2014) in their study reviewed recent internal auditing literature in Europe to document how the internal audit function is changing in response to the shifts in global business practices drawing from the 2006 global Common Body of Knowledge (CBOK) study, in an attempt to better understand the expanding scope of internal auditing practice throughout the world. The study approach was a review of literature in Europe with a focus on developments that have implications for the expanded scope of internal auditing and the changing skill sets of internal auditors and their role in enhancing good corporate governance in public institution. The study found that literature indicated changes in the activities performed by internal auditors. The increasing complexity of business transactions, a more dynamic regulatory environment in Europe, and significant advances in information technology have resulted in opportunities and challenges for internal auditors.

In Zamzulaila *et al.* (2006) study, their purpose was to provide evidence on the establishment of the internal audit function in the higher education institutions in Malaysia and also to obtain the perceptions of the management of the higher education institutions towards the role and scope of the internal audit. The study used sample of 17 public universities and 49 private universities in Malaysia and variables used by Gordon and Fischer were adopted for this study. Results revealed that a substantial number of private institutions of higher education do not have an internal audit function. The study also indicated that the management of both types of institutions have similar perceptions on the role of internal auditors and the important audit areas as there are no significant differences between public and private institutions of higher education.

The study limitation according to Zamzulaila *et al.*, was that it only examines whether the scope of internal audit covers the areas mentioned by treasury circular or the IIA Guideline. It ignored the extent to which the higher education institutions comply with both guidelines. It is, therefore, suggested that future research could consider the degree of compliance to the above. Katz (2009) investigated the specific factors associated with internal audit effectiveness in the Greek business environment. Empirical evidence was collected by means of a mailed survey using Factor Analysis (FA) and Regression Analysis (RA) in order to illustrate the gathered information.

The findings indicated that the main factors affecting internal audit effectiveness are: quality of internal audit, competence of internal audit team, independence of internal audit and management support. The results also reveal that independence of internal audit is the foundation of internal audit effectiveness, as it is the most crucial factor in their model. Regarding the independence, it can be argued that independence of internal auditors is the most important factor affecting internal audit effectiveness according to the present research (Goodwin & Yeo (2001).

Quite similar were the findings of Alzeban and Gwilliam (2014) who argue that independence is one of the most important factors in their research. Finally, similar with the Yee *et al.* (2008) management support is also positively associated with internal audit effectiveness. Contrary to the findings of the present study, Cohen and Sayag (2010) and Alzeban and Gwilliam (2014) found that management support was the most important factor affecting internal audit effectiveness. However, similarly to the study of Alzeban and Gwilliam (2014), management support seems to be positively and significantly associated with all other factors. Overall, this study adds to the extant literature on internal audit by examining the factors of internal audits effectiveness. The study also provided practical insights for regulators and internal audit practitioners, suggesting that internal audit effectiveness is of major importance for Greek.

3.0 METHODOLOGY

This section explains the research methodology employed to carry out the study. The specific issues discussed in this section pertains to the research design, data collection methods and data analysis techniques. The chapter also discusses the underlying principles and rationale for the methods used for the study.

3.1. Research Design

Research design is among the most vital considerations for every research work. It is the philosophy or the general principle that guides the study and is a holistic approach to investigating the topic understudy (Dawson, 2002). The research design will be discussed in two sub-sections as follows:

3.1.1. Research method

The study adopts interpretive qualitative method as the study fits in the following list of defining characteristics. The study: *“focuses on interpretation rather than quantification; an emphasis on subjectivity rather than objectivity; flexibility in the process of conducting research; an orientation towards process rather than outcome, a concern with context-regarding behavior and situation as inextricably linked in forming experience; and finally, an explicit recognition of the impact of the research process on the research situation.”* (Cassell & Symon, 1994, p. 9)

The study attempts to gain an understanding of how internal auditors construct their roles and the underlying reasons and motivations for those construction. Lindlof and Taylor (2002) assert that qualitative studies focus on social practices and meanings of people in a specific historical or cultural context which this study seeks to examine. Creswell (2014, p.31) maintains that qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem.

The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particular to general themes and the researcher making interpretations of the meaning of the data. According to Wimmer and Dominick (2011) and Headlam and MacDonald (2009) the aim of qualitative research is its ability to give a complete, detailed description of what is observed.

From the above, it can be stated that qualitative researchers are interested in understanding how people construct the meanings they give to their experiences and the world at large. The study is grounded on the qualitative method of data analysis because its interest is in studying how internal auditors construct their roles and how other stakeholders perceive them to be.

3.1.2. Research Approach

This study employs the Case Study method. Gall, Gall and Borg (2007) define case study as the in-depth study of one or more instances of a phenomenon in its real-life context that reflects the perspective of the participants involved in the phenomenon. According to Punch (2005), case study aims to understand a particular case in detail, and in its natural setting, recognizing its complexity and its context. It also has a holistic focus, aiming to preserve and understand the wholeness and unity of the case.

The selection of a research design is mostly dependent on the nature of the research problem or the issue being addressed, the researcher's personal experiences, and the audience for the Study (Yin, 2012). Research design can then be described as a strategy, plan, and a structure of conducting a research project (Yin, 2012). In other words, it is the logical structure of the inquiry. The function of a research design is to ensure that the evidence obtained enables us to answer the initial question as unambiguously as possible. That is to say, in research, the issues of sampling, method of data collection (e.g. questionnaire, observation, and document analysis), and design of questions are all subsidiary to the matter of 'What evidence do I need to collect?' (Yin, 2012).

Typically, the case study researchers neither aim at discovering generalisable truth, nor look for cause-effect relations as quantitative researchers do, instead, they focus on describing, explaining and evaluating a phenomenon (Cohen, Manion & Morrison, 2007). To achieve these aims requires the researchers to spend adequate time in the context of the study to collect extensive data using multiple instruments to develop in-depth understanding of the phenomenon under study. Since this study focuses on vital facts on the roles of internal auditors; their underlying reasons and motivations, opinions, attitudes, behaviours and provides information on which sound conclusions would be drawn, the researcher deemed this research design very appropriate for conducting the study because it helps in getting insights into issues in their natural setting.

3.2 Data Collection Techniques

As mentioned earlier, the study was based on interpretivist approach. The interpretivist approach is based on the naturalistic approach of data collection such as interviews, observations and analysis of existing texts (Myers, 2008). These methods ensure an adequate dialog between the researcher and respondents in order to collaboratively construct a meaningful reality (Myers, 2013). Therefore, Primary data and secondary data were used for this study. Primary data was derived from responses of

participants through interviews and non-participatory observations. Secondary data was gotten from publicly available documents.

3.2.1. Interviews

The interview sessions were mostly face-to-face and via mobile phones. The semi-structured interview method was most appropriate because it allows more and greater depth information from respondents (Kothari, 2004). It also allows a researcher to organize his thoughts through proposed questions and further ask questions based on the responses from respondents for greater depth information about the respondents' responses (Myers, 2013). It is important to note that this would not have been possible if structured interview or questionnaires were used as they would have limited the explanations to be given by respondents (Myers, 2013).

Second, the interview session also allowed for clarity of any ambiguity to any response by the respondents and also enables follow-up questions for more clarifications (Myers, 2013). This would not have been possible if questionnaires were used. Third, it allows assessment of respondents' posture and facial expressions to make an impression about the responses from the respondents (Myers, 2013) and this greatly helped in the analysis. Finally, it also allowed the flexibility to change or adjust questions when the respondent is not comfortable with the nature of questions asked (Cassell & Symon, 1994).

3.2.2. Publicly Available Documents and the Internet

For the purpose of this research, publicly available document was used to complement the interviewed data thereby benefitting from the advantages of data triangulation (Blaike, 1991). The use of relevant publicly available documents on internal auditing provided an insight and understanding of internal audit practices. The internet was also employed extensively for up-to-date materials on the topic. The documents used are the internal audit agency act and Principles of internal auditing.

3.2.3. Population and Sampling Techniques

According to Neuman (2007), population represents all the cases of people, institutions or organizations of interest to the researcher while the Target population are the specific cases of people, institutions or organization within a population that the researcher intends to study. A sample on the other hand is the subset of the target population for which inferences can be made about the population based on the sample. Similarly, Latham (2007) defined sampling as the method used to obtain research information where only a representative of the population is selected.

The Target population of this current study is over two thousand internal auditors employed within the Ghana Audit Service. Per the objectives of this study, the purposive sampling technique was employed. Lindlof and Taylor (2002) posit that purposive sampling refers to the sites or cases chosen because there may be good reason to believe that what goes on there is critical to understanding some processes or concepts or to testing and elaborating some established theory. Furthermore, a purposive sample includes respondents or subjects that are selected for possessing specific characteristics, thereby eliminating those that fail to meet the criteria (Yin, 2012).

The general assertion of purposive sampling which is at the core of qualitative research is that participants are available to provide data for the study. Internal auditors for the study were selected based on their qualifications, experiences, the number of years they have worked as internal auditors and ease of accessibility. Also, the respondents were chosen based on the fact that they have access to rich information that is beneficial to the study.

3.2.4. Data Collection Process and Period

Face-to-face and phone interviews were conducted for this study. Purposeful selection was done to meet the research objectives. The Table below shows the date of interview, the name of person interviewed, the respondent's qualification, number of years worked and the duration of the interview.

Table 1: Schedule of Interviews

#	Date	Name (Pseudonym)	Qualification	Position	Number of years worked	Duration
1	1/04/2019	Mr. Alex	Accounting, ICA	Internal Auditor	10	45 minutes
2	22/04/2019	Mrs. Liza	Accounting	Internal Auditor	6	23 minutes
3	05/05/2019	Mr. Bones	Human resource and Marketing	Chief Director	22	20 minutes
4	20/05/2019	Mrs. Mould	Finance	Finance Director	15	30 minutes
5	22/05/2019	Mr Alex	Accounting, ICA	Internal Auditor	10	15 minutes
6	28/05/2019	Mrs. Liza	Accounting	Internal Auditor	6	20 minutes
7	6/06/2019	Mrs. Mould	Finance	Finance Director	15	16 minutes

3.4. Ethical Considerations

Respondents are often apprehensive when it comes to giving information, especially in business situations. Therefore, an imperative consideration in academic research is the issue of ethics. (Malhotra & Birks, 2007). The researcher, in accordance with this, will take steps to make sure that no respondent or any participant in this research is offended in any way. The following are some of the ethical issues considered during the research.

Firstly, permission was sought from internal auditors and other stakeholders through the use of introductory letters to solicit approval, therefore, no respondent was forced to grant the interview without knowing the purpose of it. Also, the respondents were assured of the fact that the study is only for the purposes of academics and not for any other purpose that will conflict with their interest. In some cases, participants were encouraged to complete the interview section due to their tight busy schedule, though they were free to stop participating. Finally, they received assurance that information will be reported in a way that will not disclose their identity –thus, confidentiality will be ensured

3.4 Data Analysis

Data from the interviews was transcribed and after immersion into the data, themes were developed to make meaning out of it (Creswell, 2008). The raw data gathered from respondents were processed and analysed. The data was put in themes in order to extract the meanings inherent in respondents' responses. The objectives of the research were the basis of the themes. The transcribed interviews were read and reread to ensure that all the salient issues as per the research objectives were brought to the fore.

This analysis follows the five phases of thematic analysis identified by Braun & Clarke (2006). He stated that thematic analysis involves: Familiarisation with data, Coding, Determination of themes, Defining and establishing relationship among themes, and producing the report.

3.5 Validity and Reliability of the Study

The quality of every research work is very essential; researchers must therefore consider the reliability and validity of a research (Joppe, 2000). The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Joppe (2000) indicates that validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bulls eye" of your research object? Researchers generally determine

validity by asking a series of questions, and will often look for the answers in the research of others. The researcher acknowledges the subjectivity of respondents, their opinions, attitudes and perspectives together contribute to a degree of bias.

Therefore, as Gronlund & Linn (1990) postulate, the issue of validity in this study was seen as a matter of degree rather than as an absolute state. This underpins the efforts to minimise invalidity and maximise validity. In the process, the researcher conceded to replace certainty with confidence in the results obtained and that, as reality is independent of the claims made for it, the accounts for reality in this study was only a representation of that reality rather than a reproduction of it.

Considering internal validity, which according to Cohen et al (2007), seeks to demonstrate that the explanation of a particular event, issue or set of data which a piece of research provides can actually be sustained by the data, the researcher used a mechanical means to record, store and retrieve data collected from the field.

4.0 DATA ANALYSIS

This chapter outlines the data analysis and interpretation of results for the study. It gives an account of the roles and status of internal auditors in public sector entities and analyse the findings. This chapter analyzes the findings from interviews and publicly available documents.

4.1 Roles of Internal Auditors

Unlike external auditors, internal auditors are employees of the organization that interact regularly with management and other employees and at the same time expected to detect all fraud cases, prevent corruption and ensure both law and financial compliance. The continuous financial mismanagement in the public sector has cast doubt on the effectiveness of internal audit and therefore downplay the role of internal auditors in helping the organization achieve its objectives. According to Reuter *et al.* (2010), internal audit function has evolved over the period due to dynamics of work demand and stakeholders' expectation. This section will discuss how internal auditors in public entities construct their roles and responsibilities.

4.1.1 Management 'Watch dogs'

The inefficiencies, corruption, lack of accountability and transparency in the management of resources in the public sector necessitated the emergence of internal audit function to closely monitor management to ensure effectiveness and efficiency in the use of public resources. Internal auditors are therefore supposed to effectively monitor all actions of management and employees so that effective controls are put in place to reduce wastage and corruption in public service. This was evident as respondent 1 pointed out *"As internal auditors, it is our responsibility to closely monitor all activities of management to ensure efficiency and effectiveness in the use of organizational resources. We act like policemen but with the purpose of helping management achieve its objectives and that is what make us different from external auditors"*

This confirms Cohen & Sayag (2010) and Eden & Moriah (1996) views. They posit that the aim of internal auditors is to improve organizational efficiency and effectiveness through constructive criticism. Unlike external auditors that only express their opinions on financial statements and internal controls, internal auditors actually ensure the right internal controls are in place to help management become more efficient and effective. They provide assurance on the proper design and effective operation of the organization's systems of control and correct all deficiencies inherent in controls.

4.1.2 Assessment of Risk Management Policies

Risk assessment and control is one of the most important tasks of any organization. Since the inception of the internal audit function in organizations, one of the most important roles of internal auditors is to assess risk management policies of the organization and help the organization put in place policies that can efficiently and effectively manage risk. Respondent 4 explained that *"It is the internal audit department duty to assess risk, particularly, matters relating to fraud and corruption and provide the necessary solutions in high-risk areas so that it is managed at acceptable level"*

This is in consistent with Asare (2009) views on who is in charge of risk management policies. He posits that the internal auditor's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectivities. Asare (2009) explained further that the key risks that requires attention by management is fraud and corruption.

4.1.3 Law compliance

Public sector organizations operate within legal framework and it is expected that all the actions of management and workers conform to the rules guiding their operations. Most often, management of public sector organisations go beyond their mandate or sometimes do not operate within procurement rules. This may result to legal battles between the organization and companies affected and could result in judgement debt. It is the responsibility of internal auditors to ensure that the operations of the organization are within the laws that established the. This was evident as respondent 2 pointed out *"We ensure the organization is operating within its legal framework and as an organization, we are following the procurement rules in our procurement decisions. This is because any breach can result to judgement debt"*

4.1.4 Ensuring financial reporting quality

Financial reporting quality is a major factor in gaining the trust and confidence of users of public accounts. To ensure quality of financial reports, it need to be audited. The low standard of financial report at the public sector was one of the reasons internal audit functions became necessary. Internal auditors are supposed to ensure that financial reports emanating from public sector institutions are of high quality and free from material misstatement and deception. Respondent 5 emphasized that *"We ensure that financial statements report is accurate and are presented to stakeholders in a manner that represent the true and fair view of the company. We audit the account before it is present to stakeholders"*

This is in consistent with Simpson (2012) findings. According to Simpson (2012), the establishment of the Internal Audit Agency was in response to the lack of proper accounting and auditing systems in the public sector in the 1990s. Internal auditors are supposed to ensure that financial reports coming from the public sector is of high quality that will satisfy all stakeholders. Their ability to perform this role effectively will bring about trust and confidence in the public sector financial reports.

4.2 Status of Internal Auditors

The recognition and support given to internal auditors in public sector play a crucial role in ensuring audit effectiveness. This section will highlight the status of internal auditors in public sector entities that was revealed during interview of the various stakeholders.

4.2.1 "Taken for granted"

In every organization, management is the highest administrative decision-making body of the entity. In other words, all other employees see themselves as subordinates and see management as superiors. It therefore becomes difficult for internal auditors to constructively challenge the decisions of management or offer better alternatives when management takes a stand. Internal auditors are therefore taken for granted most at times and ignored especially when the decisions or criticisms are not in favour of management. This was evidenced as respondent 1 stated that, *"Management doesn't take our report seriously because we are with them. Our recommendations are never implemented and the same issues we raise in our report are also raised by the external auditors. We are always taken for granted"*. Respondent 2 also emphasized that, *Management overrides our roles. We are not taken serious by management. For example, if we write a report alerting management to improve upon something, management refuses to go with it, there is nothing the internal auditors can possibly do.*

Internal auditors are part of employees who are employed by management and perform their roles under the supervision of the same management. Considering the reporting structure, they are supposed to report administratively to management and report functionary to the board. The notion of organizational hierarchy put them under management. The suggestions and recommendations from internal auditors therefore are subjected to the approval from management which naturally management

is likely to ignore them in a situation where the findings of the internal auditors are adverse. According to Mihret and Admassu (2011), for external auditors to rely on the work of internal auditors, they check internal audit effectiveness as measured by management's acceptance and implementation of internal audit findings and recommendation.

In a situation where the work of internal auditors is ignored and taken for granted by management, the less importance external auditors placed on the work of internal auditors. The inadequate management support affects the quality of work of internal auditors and therefore becomes difficult for external auditors to place reliance on their work. It therefore influences the decision of external auditors to conduct full and rigorous audit which makes the work of internal auditors unnecessary and waste of the organizations' resources.

4.2.2 Lack independence from management

The most important fundamental principle of auditing as enshrined in Professional Accountants code of ethics is independence. Independence is defined by International Standards of Auditing as carrying out the work of the audit in a freely and objective manner both in appearance and of the mind. It is one of the most important determinants of audit quality and effectiveness. However, interview with respondents indicated that internal auditors lack independence from management since they are mostly working in the direction and control of management. This was confirmed by respondent 3 who lamented that, *"We are not independent. We are employees of the organization; the organizations dictate to us that we should do. We rely solely on the organization, if we do not dance to the tune of management, we can be sacked"*.

This was emphasized by respondent 1 as he complained that, *"We, the internal auditors do not have the confidence to disagree with management. There is too much familiarity and sometimes we are asked to do something that we will audit later"*. Respondent 2 emphasized that, *"Management is aware of our role but we are not given the full freedom to work. There are certain things that we are supposed to review before management execute."*

"They sideline us in executing transactions especially transactions that management feel they have a stake or interest" It is evidenced that most internal auditors are not independent from management. Public institutions are mostly governed by political heads and these heads direct the operations of the organization to suit the interest of their political parties which worsens the plight of internal auditors. Respondent 4 explained that, *"We are not independent at all. Most public institutions are headed by political heads so you can't take away the politics aspect in the organization. One can't talk about independence when it comes to internal auditing in the public sector."*

Abdel-Khalid, Snowball and Wragge (1983) regards independence of internal auditors as the most important reliance factor by external auditors. They emphasized that external auditors will rely on the work of internal auditors only if they are certain and there is evidence that suggest that internal auditors are independent from management, thus, management does not fully control or direct or restrict the work of internal auditors. Brown (1983) also emphasized the role that independence of internal auditors plays a crucial role in the reliance of their work by external auditors. This explains the reason for non-reliance on the work of internal auditors by external auditors. Independence is of paramount value in providing effective internal audit service to the management, for it affords an atmosphere of objective and uninhibited appraisal and reporting of findings without influence from the units being audited. In a situation where, internal auditors lack independence from management, they are likely to compromise audit quality.

4.2.3 Defined scope of work with limited power

For auditors to function effectively, they must have unrestricted access to all books of accounts, easy access to management and unrestricted power to enforce audit recommendations. However, this is not the case in the work of internal auditors. Management restricts the works of internal auditors to a confined arena which makes them ineffective. They do not have full access to all systems of the organization and their reports end on the desk of top management. Respondent 1 emphasized that, *"We are mostly involved in pre-auditing of payment vouchers. Our regulations and ACT don't give us that power. Our voice does not travel far. Per the internal audit agency ACT, the internal auditors are limited to certain areas and the internal auditor is only responsible to a particular organization he finds himself"*

Respondent 4 also mentioned that *“When it comes to non-financial controls, we are allowed to work but with financial controls it is an impediment on their part to benefit. If the internal auditor is supposed to do a pre-audit before expenditure is initiated the internal auditors are bypassed. For fear of their superiors and because they are subordinates of management, they appraise, recommend for their promotion and for fear of victimization we sometimes lie low and allow the wrong things to go on”*. A respondent explained that management of public institutions could have saved themselves from breaking procurement laws if they had engaged internal auditors in procurement issues, however, they do not involve them at all. He stated that, *“Management normally bypass the internal auditors in especially procurements. They don't allow the internal auditors to add their voice. They sideline them. They are not allowing the work of the internal auditor to go on as expected”*

Again, respondent 4 revealed that, *“We are able to demand for records as compared to the internal audit. A lot of things rather come to us and the internal auditors are not aware at all. It is only when we come that some of them get to know about certain issues. We rather expect the internal auditor to have unrestricted access but that is not the case”*

According to Spraakman (1997), for external auditors to rely on the work of internal auditors, the internal auditors must have full access to organizational information and management. However, the evidence suggests that internal auditors are restricted in many ways in performance of their duties. Management has full control of their works and therefore restrict them to areas that will not expose them. They are normally involved in non-financial controls which has little impact on the utilization of resources in the organisations.

4.2.4 Incompetent

To function effectively in every profession, an individual must equip himself with the necessary skills, training and experience to understand his roles in order to perform efficiently. Competency is therefore a requirement to stay in one's profession. This is not different in terms of the nature of work of internal auditors. However, it was evident that most internal auditors do not have the necessary qualifications, experience and skills needed to perform their roles. This was evident as respondent 1 stated that,

“The competency of their staffing is questionable, if you look at their background, most of them are diploma holders. It is quite recent that they are trying to upgrade themselves.”

Respondent 2 also emphasized that

“They have low capacity and they need professional training. They don't even have first degrees and most of them hold HNDs. The whole of Ghana I doubt if there are more than 20 professionally qualified internal auditors in the MMDAs, and the few who charter leave the service.”

Surprisingly, one respondent explained that he has met internal auditors who do not even know their duties or rights. He lamented that

“Some of the internal auditors don't understand their mandate. Internal auditors are supposed to as consultants and offer advice to management. You must be somebody that will give expert advice and they currently don't stand in that position. Most of the internal auditors have reduced their work to pre auditing”

It is evident that most internal auditors lack the competency to function as they are ignorant about their duties and responsibilities. Reistein, Lander & Gavin (1994) posit that the external auditor needs to know the internal auditors' educational level and professional experience; their professional certification and continuing education because these competency checks have great influence on the work of internal auditors. Haron et al (2004) in their study on the reliance of external auditors on internal auditors reveals that internal audit's competence was a major factor considered by external auditors in making reliance decision. The IIA's standard 1210 on proficiency of the auditor requires that the internal auditors possess the knowledge, skills and other competencies needed to perform their responsibilities (IIA, 1999b). External auditors therefore consider these qualities before they rely on the works of internal auditors.

4.2.5 Preparation of partial and biased reports

Most often, internal auditors do not prepare full report of their findings. They produce reports that mostly favour management actions. It therefore becomes difficult for external auditors to rely on these biased reports for expressing opinion on the activities of the organization. This was evident as respondent 3 pointed out that, *'Me as an auditor, I don't rely on their work. Even sometimes you ask of their report and it is a problem. Consistently, I have never had three quarterly reports within a year from an internal auditor. Even our last assignment it was only one quarter. It means that the internal audit is not functioning effectively'*

Brown (1983) identifies work performance and nature of report prepared by internal auditors as the most important factor external auditors consider before relying on their works. Schneider (1984) also considers work performance as the most important and objectivity at second place. This proves that the perception that internal auditors prepare partial and biased reports will not make external auditors trust their works. External auditors are likely to ignore internal auditors report and conduct full investigation of events and activities of the firm.

4.2.6 Too much involvement in management duties that compromise their objectivity

Internal auditors are supposed to be separated from the normal activities of the organisation so that their roles are not affected by familiarity, self-interest and self-review threats. However, it was evident that external auditors perceive that internal auditor are used by management for management activities. Respondent 1 explained that, *'Some of them even take up day to day management activities like issuing fuel coupons which ordinarily should be done by management. Some of the internal auditors actually write the books for the accountants'*

Involving internal auditors in normal management activities is likely to compromise the objectivity of internal auditors. This makes their works unreliable. According to Brown (1983), objectivity is the most important factor that external auditors consider in reliance of the works of internal auditors. Abdel-Khalid, Snowball and Wragge (1983) also regards independence of internal auditors as the most important reliance factor. However, involving internal auditors in management functions affect objectivity.

5.0 CONCLUSION

This chapter covers the summary and conclusion of the whole study the findings arrived at. The chapter also includes the limitation and recommendation as well as possible areas for future research.

5.1 Summary of Findings

The study reveals that internal auditors play several roles in public sector entities. The study reveals that internal auditors play oversight responsibilities, assess internal controls, advise management on risk management policies, ensure the organization follows regulations and brings out quality financial report. However, there are various challenges that confront internal auditors in the performance of their duties.

Firstly, internal auditors are taken for granted by management. Management do not implement the recommendations of internal auditors because they are not obliged to do so or do not have the power to pursue the revelations from audit findings. Secondly, internal auditors lack independence from management. For audit work to be effective and free from bias, auditors are supposed to be independent both in appearance and mind. However, internal auditors heavily depend on management for salary determination, employee benefits and resources to do their work. This is likely to impede their judgement and objectivity.

Moreover, internal auditors are seen as incompetent. Internal auditors are appointed by management. With the intention of reducing cost, management is likely to select unqualified people as internal auditors. Lack of necessary skills, experience and qualification is likely to lead to poor performance. Again, internal auditors have defined scope of work with limited power. Unlike external auditors, internal auditors are restricted in terms of scope of work and authority. This restriction has the ability to make them ineffective as management has the power to control their scope of work.

5.2 Implications

The recognition and lack of support for internal auditors affect the reliance on the work of internal auditors and for that matter the ability of internal auditors to fulfill their responsibilities in ensuring proper risk and financial management. These challenges are likely to undermine the position and performance of internal auditors. Again, the internal auditors are not motivated to be effective in delivering their core mandate of checking controls of the organization since they are aware that it will again be reviewed by a third party.

It also means that management is wasting its resources on employing internal auditors since they are not helping in reducing the cost incurred on external auditors. The neglect of internal auditors' works by external auditors means that all processes must be redone by the external auditor which is likely to increase expenses on the external auditors.

5.2. Conclusion

It is evident from the findings that stakeholders mostly do not rely on the work of internal auditors. This is as a result of some inadequate support given to internal auditors to ensure audit effectiveness. This situation has resulted in full audit by external auditors during their engagement with public institutions. This shows that the intention of setting internal audit offices in various public institutions has not been achieved

5.3. Recommendations

In dealing with implications of the study, management should take the work of internal auditors seriously by implementing their recommendations. They should also involve internal auditors in cases involving application of laws such as procurement processes. Management should also ensure that internal auditors' independence is protected and given the necessary support to function effectively. Internal auditors should also ensure that they embark on continuous professional development by equipping themselves with the necessary skills and qualifications. Again, management should give unrestricted access of all organizational information to internal auditors so that they can work without restriction.

5.3 Future Research

Future research can be conducted to strengthen the validity and reliability of the study by increasing the sample population size and replicating it by using external auditors in private sector organisations. The sample size could be increased and either the mix method or quantitative research method could also be adopted. Additionally, internal auditors could be sampled or added as respondents in future research to study their stands with regard to the topic under study.

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