

## Investigating the Relationship Exist Between Internal Auditors and Management

Richard Ofosu Dwamena

Takoradi Technical University (TTU)

Email: [asaasewura2003@yahoo.com](mailto:asaasewura2003@yahoo.com)

### Abstract

*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. 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*

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

### 1.0 INTRODUCTION

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.

## 2.0 LITERATURE REVIEW

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).

### 2.1 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-Twaijry 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-Twaijry, 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-Twaijry et al., 2003; Arena & Azzone, 2006; arena & Azzone, 2007; Mihret et al., 2010).

## 2.2 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).

## 2.3 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.

## 2.4. 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 Sprakman (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).

### 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 under study (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 whiles 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.

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 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.

#### 4.2 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.

#### 4.3 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*"

#### 4.4 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.

## 5.0 CONCLUSION

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.

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

## References

- Abdel- Khalik, A.R., Snowball, D. & Wragge. J.H. (1983). The effects of certain Internal Audit variables on the planning of External Audit Programs. *The Accounting Review*, 58. 215-227
- Ackah, D., Agboyi, M., R., & Adu-Gyamfi, L., (2014). "An Investigation of Yam Ingestion Customs in Ghanaian Urban Communities," International Journal of Sciences: Basic and Applied Research (IJSBAR), Volume 17, Number 2, pp. 374 – 411
- Ackah, D., Adu-Gyamfi, L., & Agboyi, M., R., (2014). "Implementation of Budget and its Preparations in the Private Organization," International Journal of Sciences: Basic and Applied Research (IJSBAR), Volume 18, Number 2, pp. 374 – 411
- Ackah, D., (2016). "The Poor Mindset of Citizens on Maintenance Aspect of Infrastructure Projects in Most Developing Countries as Compare to the Advanced Countries" A Study in Ghana, Dama International Journal of Researchers (DIJR), Volume 1, Issue 12, pp. 39 – 43
- Ackah, D., (2016). "The Significance of Infrastructure in a Country's Growth, Dama International Journal of Researchers (DIJR), Volume 1, Issue 11, pp. 39 – 44
- Ackah, D., (2016). "Pros and Cons of the Uber Economy, Dama International Journal of Researchers (DIJR), Volume 1, Issue 11, pp. 45 – 45

Ackah, D., (2017). "Why Many Government Projects in Africa Fail to Complete, IPMP Journal of Management & Science (IPMP-JMS), Volume 1, Issue 10, pp. 63 - 71

Ackah, D., (2017). "Government Expenditure: A Treatment for Unemployment, IPMP Journal of Management & Science (IPMP-JMS), Volume 1, Issue 9, pp. 12 - 19

Ackah, D., (2017). "Effective Training & Development Increases Organization Output, IPMP Journal of Management & Science (IPMP-JMS), Volume 1, Issue 9, pp. 20 - 32

Amewuda, A. & Ackah, D., (2021) "Investigating the Effect of Tax on the Sustainability of SMEs in Ga-West Municipal Assembly" Finance & Management Engineering Journal of Africa, Volume 3, Issue 06, pp.01-26

Amewuda, A. & Ackah, D., (2021) "Empirical Studies on the Effects of Taxation and the General Barriers to SME Development on SMEs" Finance & Management Engineering Journal of Africa, Volume 3, Issue 06, pp.65-76

Amewuda, A. & Ackah, D., (2021) "Relationship Between Tax and SMEs Sustainability" Finance & Management Engineering Journal of Africa, Volume 3, Issue 06, pp.27-39

Amewuda, A. & Ackah, D., (2021) "Challenges Facing the Growth of SMEs in Ga-West Municipal Assembly" Finance & Management Engineering Journal of Africa, Volume 3, Issue 06, pp.40-45

Amewuda, A. & Ackah, D., (2021) "Factors that Affect Tax compliance by SMEs in Ga-West Municipality" Finance & Management Engineering Journal of Africa, Volume 3, Issue 06, pp.53-64

Attafuah, E. D. & Ackah, D., (2020) "Corporate failure forecast: evidence from registered corporations in Ghana" Finance & Management Engineering Journal of Africa, Volume 2, Issue 11, pp.15-19

Attafuah, E. D. & Ackah, D., (2020) "The repercussions facing the Ghana Stock Exchange (GSE)" Finance & Management Engineering Journal of Africa, Volume 2, Issue 11, pp.11-14

Ackah, D., (2020). "The Impact of the World COVID-19 Pandemic on Project Financing" Project Management Scientific Journal, Volume 4, Issue 4, pp.01-13

Ackah, D., (2020). "The Financial Implication on the Global COVID 19 Pandemic on African Countries" Finance & Management Engineering Journal of Africa (FMEJ), Volume 2, Issue 4, pp.05-17.

Alan, R., Gerald, H. L., Thomas A. G (1994). The External Auditor's consideration of the internal audit function. *Managerial Auditing Journal*, 9(7), 29-36

Al-Twaijriy, A., Brierley, J., & Gwilliam, D. (2003). The development of internal audit in Saudi Arabia: an institutional theory perspective. *Critical perspectives on Accounting*, 14(5), 507-531.

Asare, T (2008). The role of internal auditing in the public sector of Ghana: Governance and Accountability. MSc Dissertation, Birmingham City University Business School, Birmingham, UK.

Asare, T (2009). Internal Auditing in Public Sector: Promoting Good Governance and performance Improvement. *International Journal on Governmental Financial Management*, 3(1), 15-27

Arena, M., & Azzone, G. (2007). Identifying organizational drivers of internal audit effectiveness. *International Journal of Auditing*, 13(1), 43-60

Abbey, C.P. (2010). A study on the impact of the internal audit functions as a tool for instilling financial discipline in the public sector of Ghana. MBA dissertation. University of Wales Institute, Cardiff.

Belay,Z. (2007). A study on effective implementation of Internal Audit Function to promote good governance in the public sector. Presented to the "Achievements, challenges & prospects of the civil service reform program implementation in Ethiopia". *Ethiopian civil service college Research, publication and consultancy coordination office*

Blaike, N. W. (1991). A Critique of the use of Triangulation in Social Research. *Quality and Quantity*, 25, 115-136.

Bota , C., & Palfi, C. (2009). Measuring and assessment of internal audit's effectiveness. *Economic Science Series*, 18(3), 784-790

Brown, P.R. (1983). Independent auditor judgment in the evaluation of internal audit functions. *Journal of Accounting Research*, 21, 444-455

Cassell, C., & Symon, G. (1994). Qualitative Research in Work Contexts. London: Sage.

Carey, P., Subramaniam, N. & Ching, K.W.L (2006). Internal Audit outsourcing in Australia. *Accounting & Finance*, 46, 11-30

Coram, P., Ferguson, C., & Moroney, R. (2008). Internal audit, alternative audit structures and the level of misappropriation of assets fraud. *Accounting and Finance*, 48(4), 1-17

D Smet, D., & Mention, A. (2011). Improving auditor effectiveness in assessing KYC/AML practices: case study in a Luxembourgish context. *Managerial Auditing Journal*, 26(2), 182-203

Diamond, J. (2002). The role of internal audit in government financial management: an international perspective, *IMF working paper*.

Dittenhofer, M. (2001). Internal auditing effectiveness: An expansion of present methods. *Managerial Auditing Journal*, 16(8), 443-450

Drogalas, G., Karagiogos, T., Arampatzis, K. (2015). Factors associated with internal audit effectiveness: Evidence from Greece. *Journal of Accounting and Taxation*, 7(7), 113-122

Enofe,A.O., Mgbame C.J., Osa-Erhabo, V. E.,& Ehiorobo, A.J. (2013). The role of internal audit in effective management in public management, 4(6), 162-168

Felix, W.L.J., Gramling, A. A & Maletta, M. J. (2001). The contribution of internal audit as a determinant of external audit fees and factors influencing this contribution. *Journal of accounting Research*, 39,513-534.

Ghartey, A. (2003). Challenges to establishing an effective organizational framework for effective internal auditing. *Presentation at the World Bank Regional Workshop on Effective Use of Auditing Resources*.

Gramling, A.,Maletta, A., Schneider A., & Church, B. (2004). The role of the internal audit function in corporate governance: Synthesis of the extant internal auditing literature and directions for future research. *Journal of accounting literature*, 23, 194-244

Goodwin, J. (2004). A comparison of internal audit in the private and public sectors. *Managerial Auditing Journal*, 19(5). 640-650

Gros, M., Koch, S., & Wallek, C. (2016). Internal audit function quality and financial reporting: results of a survey on German listed companies. *Journal of Management & Governance*.

Hass, S., Abdolmohammadi, M., & Burnaby, P. (2006). The America's literature review on internal auditing. *Managerial Auditing Journal*, 21(8), 835-844.

Haron, H., Chambers, A., Ramsi, R & Ismail, I.(2004). The reliance of external auditors on internal auditors. *Managerial Auditing Journal*, 19, 1148-1159

Hella, D., Mohamed, A.B.O. (2016). Factors affecting the Internal Audit effectiveness in Tunisian organizations. *Research Journal of Finance & Accounting*, 7(16)

Institute of Internal Auditors (IIA). (2006). The role of Auditing in Public Sector Governance. Almonte Springs, FL.

Karapetrovic, S., & Willborn, W. (2000). Quality assurance and effectiveness of audit systems. *International Journal of Quality & Reliability Management*, 17(6), 679-703

Kothari, C. (2004). Research Methodology Methods and Techniques . New Delhi: New Age International Publishers.

Malhotra, K., & Birks, D. (2007). Marketing Research: An Applied Approach (3rd ed.). New Jersey: Prentice Hall.

Marfo-Yiadom, E., & Achina, S. (2016). Determinants of internal audit effectiveness in decentralized local government administrative systems. *International Journal of Business and Management*, 11(3), 11-26.

Michael B. Adams (1994). "Agency theory and the internal audit". *Managerial Auditing Journal*, 9(8), 8-12.

Mihret, D.G., & Yismaw, A.W. (2007). Internal audit effectiveness: An Ethiopian public sector case study. *Managerial Auditing Journal*, 22(5), 470-484

Mizrahi, S., & Ness-Weisman, I. (2007). Evaluating the effectiveness of auditing in local municipalities using analytical hierarchy process (ahp): A general model and the Israeli example. *International Journal of Auditing*, 11, 187-210

Mihret, D.G., Admassu, M.A. (2011). Reliance of External Auditors on Internal Audit Work: A corporate Governance Perspective. *International Business Research*. 4(2)

Myers, M. (2008). Qualitative Research in Business & Management. Sage Publications.

Myers, M. (2013). Qualitative Research in Business and Management. London: Sage.

Nomo, P. (2009). Public Sector performance management: the role of the internal auditing. *Presentation at the 4<sup>th</sup> annual internal audit forum*

Onumah, J.M., & Krah, R.Y. (2012). Barriers and catalysts to effective internal audit in the Ghanaian Public Sector. *Accounting in Africa*, 12, 177

Roth, J. (2003). How do internal auditors add value? Characteristics common to top-rated audit shops help to shed light on the nebulous concept of auditing value. *Internal auditor*

Schneider, A. (1984). Modelling External Auditors evaluations of Internal Auditing. *Journal of Accounting Research*, 22, 657-658

Schneider, A. (1985). The reliance of External Auditors on the Internal Audit function. *Journal of Accounting Research*, 23, 911-919

Spraakman, G. (1997). Transaction cost economics: theory of internal audit. *Managerial auditing Journal*, 17, 323-330

Spira, L.F., Page, M. (2003). Risk management: the reinvention of internal control and the changing role of internal audit. *Accounting, Auditing & Accountability Journal*, 16(4), 640-661

Scott, C. (2003). Speaking softly without big sticks: meta-regulation and public sector audit. *Law & policy*, 25(3), 203-219

Ussahawanitchakit, A., & Intakhan, A. (2011). Audit professionalism, audit independence and audit effectiveness of CPAs in Thailand. *International Journal of Business Research*, 11(2), 1-11

