Full Length Research Paper

Factors affecting the internal audit effectiveness in local government institutions in Ghana

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The paper examines the factors that affect the effectiveness of internal auditing in local government institutions in Ghana. Questionnaires were administered to the Internal Audit staff and Audit Committee members of the Accra Metropolitan Assembly in the Greater Accra region. Factor analyses were used to answer the closed-ended questions whilst the open-ended type was analysed based on recurring themes. It was found that the internal auditors do have the requisite educational and professional capacity to execute their mandate and were accorded the requisite support. Yet lack of management support through IT skills training, failure to discuss and timely implement audit recommendations are rendering the auditors ineffective. This research helps to awaken the awareness of policy-makers and researchers on issues that could hamper internal auditors’ contributions to good governance strategies in local government institutions by calling on relevant stakeholders to address the thieving challenges. However, the current study covers only the perception of internal auditors and audit committee members. Future research may consider the views of stakeholders in other local government institutions in Ghana and other parts of the world to deepen the generalisation of the current findings. Nonetheless, lack of management support through IT skills training and timely implementation of audit recommendations have rendered the internal auditors as “dogs which can only bark but cannot bite”.

Keywords: Accountability, audit committee, Ghana, internal audit effectiveness, local government institutions.

INTRODUCTION

Many public sector institutions, similar to their private sector counterparts have witnessed serious corporate governance issues in the past. Poor risk assessment practices, inadequate internal control procedures, and weak compliance efforts have contributed to the governance challenges confronting public sector establishments worldwide (Soh and Martinov-Bennie, 2011; Jones and Beattie, 2015; Ayagre, 2015; Simpson et al., 2016). Hence, the need for an effective and efficient public sector governance mechanism to curtail this global canker. Governance machinery is assumed to be effective and efficient if it deters, prevents, and/or

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detects fraudulent, corruption, and other unethical practices, and above all, preserve public monies (Unegbu and Kida, 2011; Pilcher, 2014; Onoja and Usman, 2015; Tabar, 2016; Asiedu and Deffor, 2017; Nerantzidis et al., 2020). It is therefore incumbent upon the leadership of state institutions, especially, the local government establishments to introduce internal control mechanisms that may help to reduce the risk of unethical practices happening.

Sadly, there are still numerous grave financial irregularities including bribery and corruption being registered on daily basis in the public sector, particularly in the Sub-Saharan African region. Conspicuously, the pension fraud scandal involving N40 billion (about US$308 million) in Nigeria (Ademola et al., 2017); the $1.6 million bulletproof BMW car fraud perpetrated at the Nigerian Aviation Ministry (Ademola et al., 2017); blatant failure of Sierra Leonean government to account for one-third of 84 billion Leones (about £12 million) Ebola virus funds (O'Carroll, 2015); the diversion of state funds and payment of 7,100 non-existing workers totaling about GHS3.6 billion monthly in 2001 in Ghana (Ankrah, 2016); and the disappearance of GHS347 million Ghana Cedis (about US$77 million) from the national Consolidated Accounts (Auditor-General Report, 2012) are still fresh in the minds of many followers. Bribery, corruption, and other unethical activities are constantly eroding the trust in state institutions in Africa, thereby weakening their capabilities to fight other forms of maladministration (Asiedu and Deffor, 2017). Lamentably, the situation is indifferent at the local governance level. For example, the recent Auditor-General Report (2020) in Ghana uncovered that the District Development Facility contingency fund was used to undertake activities without recourse to due processes in 28 out of 30 MMDAs. The consequence of such unscrupulous behaviours often distorts government programmes and investments, and so retard growth and poverty reduction efforts being championed in many countries (World Bank, 2014; Kaufmann, 2005; Pring, 2015). Given that such dishonest acts emanate from system failures, it is incumbent upon governments to establish relevant institutions and related reforms that can combat the thieving problems.

In Ghana, the internal audit function has become an important institutional governance structure created to assist public sector managers to handle internal control challenges within their establishments. Goodwin and Teck (2001) regard internal audit as an independent and objective review mechanism designed to add value to and improve organisations' operations. This suggests that appropriate implementation of internal audit activities in public institutions, in less-developed economies such as Ghana, should lead to efficiency and effectiveness in the overall output. Currently, there is extant literature on the role of internal audit in advanced economies on public sector governance (Hay and Cordery, 2018; Alam et al., 2019; Jachi and Yona, 2019); public sector risk management (Ackermann and Marx, 2016; Politis, 2018); and public sector operational effectiveness (Erasmus and Coetze, 2018; Nurdiono and Gamayuni, 2018; Abbaszadeh et al., 2019). However, the extent to which internal audit departments within the public sector organisations are positioned to enable them to function effectively in the local governance systems of less-developed countries is yet to be fully examined. It is ominous, especially, with the current surge in financial irregularities in many local government institutions in Africa.

Consequently, the present study intends to fill the existing gap. So, the primary objectives of this study were to assess whether the public sector internal auditors have the required capacity to provide assurance services in the local government institutions in Ghana and to ascertain the role of management in legitimising the internal auditors' function as reliable assurance providers. The paper, therefore, sought to address the following research question: Is the internal audit function well-positioned to enable it to contribute effectively to good governance in local government institutions in Ghana? There is an assertion that effective functioning internal audit departments do contribute positively to good corporate governance in organisations (Ayagre, 2015; KPMG, 2016). It is also argued that internal auditors are more effective in institutions when senior management can provide adequate logistical support and freedom to determine the scope and approach to audit inquiries (Saeed et al., 2020; Kotb et al., 2020). Ghana was selected for the research because it is an emerging economy (de Roquefeuil, 2013) recording countless cases of public sector financial mismanagements (Asiedu and Deffor, 2017; Auditor-General Report, 2020). Besides, Ghana has over the past three decades enjoyed a peaceful transfer of political power from one democratically elected government to another. Therefore, the country has become an icon for other countries within Sub-Saharan Africa to emulate. Thus, the paper helps to identify issues hindering internal auditors’ performance at the local government institutions in Ghana. Recommendations from the research findings are expected to increase awareness of lawmakers, researchers, practitioners, and civil society organisations on internal auditors’ role in ensuring good governance in local government institutions.

**LITERATURE REVIEW**

This section reviews the relevant literature on the subject matter of the paper. The discussion covers issues on public sector accountability with emphasises on governance theory and decentralisation concept as suitable vehicles for carrying governance to the doorstep of the governed. The section further reviews the expected role of internal audit departments in achieving this goal.
Accountability and local governance theory

Each sovereign nation must work towards establishing trust with its citizenry, both at the central and local constituents. In democratic societies such as Ghana, it is usually the citizens that determine who rules the country. For that reason, citizens as relevant stakeholders must have a say in how they are being governed. The government on other hand must demonstrate how state resources are employed to satisfy the citizenry. This research, therefore, is situated in the accountability and governance theory, specifically at the local government level. In the word of Saito (2001), accountability represents an integral component of good governance in a modern democracy. Governance on the other hand describes “capacities in societies in which various stakeholders attempt to seek solutions that can bring positive outcomes for those who are concerned” (Saito, 2001, p.2). It is stated that best governance practices require the “creation, execution, and implementation of activities backed by the shared goals of citizens and organisations, who may or may not have formal authority or policing power” (Asaduzzaman and Virtanen, 2016, pp. 2-3). In other words, good governance machinery should encompass the use of conscientiously designed operative policy instruments to direct governments' attention towards proposed activities that will foster cooperation between state actors working together with non-state actors.

Accordingly, many governments and related agencies do pursue policies, procedures, and reforms for the mutual benefit of their societies. Consistent with Asaduzzaman and Virtanen (2016), governance systems must entail concerted efforts towards establishing institutions to effectuate democratic values and representation. In their view, the effective application of democratic principles and values will legitimise relationships between states and civil societies. Asaduzzaman and Virtanen in their discourse pointed out that a genial relationship between civil societies and states is critical for governments’ realisation of their strategic objectives. Their argument might be premised on the fact that governments’ credibility and legitimacy in every realm is won or sustained through grassroots participation, transparency, accountability, and responsiveness.

At the local governance level, Asiedu and Deffor (2017) advised leaders to create structures and reforms that ensure complete disclosure of public expenditures, revenues, and other relevant transactions. In their view, full disclosures will demonstrate greater accountability of the government to the people, thus increasing the regime’s credibility and legitimacy in the eyes of the governed. In line with Asiedu and Deffor’s arguments, some countries in Sub-Saharan Africa opted for financial management reforms to signify transparency and accountability in their governance systems. It is reported that Ghana, Nigeria, and Liberia all adopted International Public Sector Accounting Standards (IPSAS) to showcase for greater transparency and accountability in the acquisition and usage of public funds (Ijeoma and Oghoghomeh, 2014; Babatunde, 2017). All the initiatives enumerated are consistent with the increasing public demand from local governments to present clear and comprehensive information about the financial consequences of their economic, political, and social decisions.

Besides IPSAS, other legal and regulatory reforms have been initiated by the legislature in Ghana to enhance accountability and good governance at all levels of authority. Prominent among them are the Public Procurement Act, 2003 (Act 663); the Anti-Money Laundering Act, 2008 (Act 749); the Financial Administration Act, 2003 (Act 654) as amended; the Whistle-Blowers Act, 2006 (Act 720) and the Internal Audit Agency Act, 2003 (Act 658). The laws introduced were envisioned to curb corruption, enhance greater accountability and good governance in Ghana (Ankrah, 2016; Asiedu and Deffor, 2017). Despite the existence of these Acts and Regulations, there are many instances of public financial management abuses at the local governments in Ghana. For instance, recently, the Auditor-General Report (2020) uncovered massive public financial management breaches in many of the local government establishments, including contracting without recourse to procedures.

Incidentally, some scholars and practitioners are strongly demanding the creation of institutions and institutional reforms that will ensure laws, regulations, and procedures introduced by relevant bodies are effective (Ankrah, 2016; Asiedu and Deffor, 2017; Saeed et al., 2020). The internal audit is perceived by many proponents as a body within the local government establishments that can independently appraise management activities and determine whether controls instituted are adequate and working as expected. The remaining section, therefore, provides a detailed discussion on the concept of decentralisation a piece of governance machinery, followed by internal audit and quality assurance in public sector organisations.

The concept of decentralisation

The decentralisation of government machinery is, at present, a major topical issue among politicians, economists, and other policymakers in less-developed economies. Recent studies found that political accountability is central to accomplishing any municipal development plan worldwide (Mwesigwa, 2021). It is not surprising, therefore, that increasing pressure for community involvement, increased local governance institutional skills to deliver better services, distrust of influential central government, cultural and ethnic diversity
are some of the compelling factors for the decentralisation of government processes universally. In Uganda, decentralisation has accelerated local participation in governance processes, reduction in bureaucratic procedures, and improvement in public service accountability (Saito, 2001). Likewise, Hope (2000) elucidated that the Botswanan government opted for decentralisation to improve local government administrative capabilities, increase public service delivery in the localities, eliminate prevailing central government bureaucratic bottlenecks, and above all, facilitate an even distribution of social and economic resources of the nation. The situation in other underdeveloped nations is not fundamentally different.

In Ghana, decentralisation is perceived as a development tool for grassroots participation, traceable to the colonial era (Kyei, 2001, 2008). Though, it has taken different forms ever since. Ahwoi (2010), is of the view that Ghana's government's real commitment to grassroots participation in governance processes was demonstrated in 1988 through the enactment of the Local Government Law 207. Forkuo and Adjei (2016) corroborated the view of Ahwoi that successive regimes in Ghana attempted to implement various forms of decentralization since 1966 to strengthen local governance and grassroots participation in development activities. Both Ahwoi (2010) and Forkuo and Adjei (2016) in their respective studies settled that the Local Government Law 207 did increase the number of administrative districts in the country from 65 to 110.

Moreover, Article 35/5d of the 1992 constitution of the Republic of Ghana mandates the state to take appropriate measures to ensure decentralisation in administrative and financial machinery of government and to give opportunities to people to participate in decision-making at every level in national life and government. The District, Municipal and Metropolitan assemblies, were, therefore, expected to be the highest political and administrative authorities in each jurisdiction clothed with deliberative, executive, and legislative powers. In furtherance of the decentralised system, each assembly was responsible for the creation of the two lower-level tiers, town or area councils, and unit committees within its jurisdiction. In 2004, the government further reviewed the number of assemblies and created an extra 28 to enhance decentralisation, thus, resulting in 138 assemblies. In June 2012, the number of Metropolitan, Municipal, and District Assemblies (MMDAs) were subsequently increased to 216 and currently stands at 260.

In effect, ceding political and administrative authority to local assemblies implies that the leadership of each assembly is expected to uphold good governance and accountability practices under their respective jurisdictions. Fortunately, Article 16 of the Internal Audit Agency Act, for instance, requires each assembly to establish an autonomous internal audit unit to provide quality assurance on their activities. In guaranteeing accountability and adequate disclosure at the local government establishments in Ghana, Sub-section 4 of section 16 of Internal Audit Agency (Act 658) further demands that the Internal Auditors of the MMDAs submit audit reports to all relevant stakeholders including the Auditor General of the republic, the Regional Coordinating Councils and the Assemblies on the operational efficiency and effectiveness of respective MMDAs. The next section discusses, in brief, the concept of internal audit and public sector management.

Concept of internal audit

Internal auditing is a profession and an activity related to advising organisations on the best means of achieving their objectives through managing risk (Ali et al., 2007) and improving their internal control systems (Tabar, 2016). The focus of internal auditing is to assist members of an organisation in the effective discharge of their responsibilities. This is achieved through the provision of relevant audit appraisals and recommendations concerning the activities reviewed. Unlike an external audit, internal auditing was not well regulated elsewhere in the globe until the 1940s. Neither did the professional accountancy bodies provide adequate guidance on internal auditing until recently.

The Institute of Internal Auditors (IIA) in the United State of America (USA), the world's most authoritative internal auditing body, currently serves as the main source of guidance for internal audit practice internationally. As detailed in Ali et al. (2007) and confirmed by Kotb et al. (2020), the IIA was established in 1941, produced its first statement in 1947, and published its full-blooded set of standards in 1978. The IIA statements and standards have subsequently been revised and expanded periodically to satisfy the prevailing regulatory requirements. Although countries like the UK, Canada, and Australia took the lead to develop a knowledge base for the practice of internal auditing, differences in their public expenditure management systems made their respective internal audit experiences not readily and directly transferable to African countries (Institute of Internal Auditors Global, 2018). Due to the preceding reasons, IIA USA continues to be the most authoritative internal auditing body and serves as the main source of reference for internal audit practice in many countries, including Ghana.

Presently, the internal audit function constitutes an integral part of the institutional governance structure in almost every nation, Ghana inclusive. The internal audit function is an independent and objective review mechanism that is designed to add value to organisations (Asiedu and Deffor, 2017; Goodwin and Teck, 2001). Others also recognise internal audit as a management-oriented discipline that seeks to address a whole range of operational issues associated with business organisations.
The internal audit function is, therefore, an important establishment that helps management in both private and public sector organisations to achieve set objectives through a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal control, and other governance processes.

In most advanced economies, internal auditing is a mandatory function. In Singapore, for instance, Goodwin and Teck (2001) as cited in Asiedu and Deffor (2017), found that listed companies must have well-functioning internal audit departments to avoid revocation of listing permits. In other jurisdictions, outsourcing of internal audit and other assurance services to public accounting firms was the norm in the early 1990s, until the late 1990s when the preference for in-house internal auditing started to intensify (Asiedu and Deffor, 2017). The use of in-house internal auditing is widely practiced in Ghana nowadays, both by the public and private sector institutions due to the availability of personnel with the requisite technical knowledge and experience.

Goodwin and Teck (2001) recognise internal audit activity as a key management function to the success of every organisation with the board of directors at its apex. The Institute of Internal Auditor Global (2018) in a similar line of argument perceives the internal auditing function as a supportive tool to an organisation's governance machinery since it facilitates effective evaluation of risk management and controls established by management. Also, it is regarded as an effective tool for unearthing shady deals in public sector institutions, especially, in the less-developed economies, where corruption is endemic. Mebratu (2015) employed the Ordinary Least Squares multiple regression techniques to investigate the relationship between internal audit functions and good governance culture in the public sector of Ethiopia. He discovered a positive relationship between audit risk management and professional audit standards, unrestricted access, formal mandate, competent leadership, and management backing. In other words, an internal audit could be a vibrant tool for promoting good governance in Africa countries such as Ghana, Nigeria, and Sierra Leone, where corruption is endemic.

Elsewhere, Ridley (2011) used interviews to examine the role of information systems audit in the Australian public sector management. It was revealed that information systems auditing has a direct and positive impact on management planning processes. Recently, Saeed et al. (2020) in their assessment of the role of internal audit in public sector management, did confirm that a regime's adherence to active internal audit practices is directly and positively linked to that country's good governance ratings. Yet critical factors including internal audit staffing, professional proficiency, auditors' independence, the scope and nature of work, and support from management if not fully addressed could adversely reflect on the performance of the internal auditor (Ayagre, 2015; KPMG, 2016; Saeed et al., 2020, Kotb et al. 2020). Impliedly, the factors are the key considerations for evaluating the effectiveness of an internal audit function in public sector institutions. Say, a skillful internal audit staff, well equipped with appropriate resources is expected to be productive and efficient. Nevertheless, without the freedom to determine the nature and scope of work and reporting methodology, the same internal auditor's qualification and competencies will be of no value-addition to the organisation, as he will not be able to perform to the best of his abilities. For example, Schyf (2000) has it well documented that the absence of internal auditors' independence in the South African public sector triggered the auditors' below-par performance compared to the auditors' real mandate.

To minimise the chances of such internal audit failures, some countries have promulgated relevant laws and regulations seeking to empower the state internal auditors. In Ghana, for example, the Internal Audit Agency Act 2003, (Act 658, p. 2) created and empowered the Internal Audit Agency as the principal agency that will "coordinate, facilitate, monitor and supervise internal audit activities within Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies to secure quality assurance of internal audit within these institutions of State" By this provision, the Agency has the sole mandate to recruit and adequately staff various MMDAs and MDAs with qualified internal auditors across all the sixteen regions in Ghana.

In pursuance of this, Section 3 (2) of Act 658 further empowers the internal auditor to assess the operations of the MMDAs with the view to determining the accuracy, reliability, and timeliness of operating information provided; the extent of compliance with relevant laws, policies, plans, standards, and procedures; the extent to which plans and objectives are achieved; adequacy of risk management measures instituted by management among others. Additionally, Section 3(3) demands that internal auditors assess activities of MMDAs for the administrative economy, efficiency, and effectiveness and further facilitate the prevention and detection of fraud practices. Additionally, Section 16 (1) of IAA (Act 658) requires that leadership of various MMDAs have an Internal Audit Unit (IAU) as an integral part of their management structure. It is therefore expected that the management of each MMDA provides its internal auditor with adequate resources and independence to enable them to execute their tasks effectively. Moreover, it is the management's responsibility to implement the IAU's recommendations and on time. This arrangement conforms to the procedure outlined in the European Union Quality Assurance for Internal Audit (European Union, 2014). The EU QAIP stipulates among other requirements that internal audit findings be acted upon promptly by senior management. Impliedly, the output of QAIP, findings, and recommendations of the head of IAU will be of zero value to stakeholders without senior
management backing. Using an exploratory approach to investigation, Salem (2013) similarly evaluated the reality of internal audit role in the Gaza Strip municipalities. The study was conducted by administering 77 questionnaires to relevant stakeholders. It uncovered that senior management failed to adequately resource the internal audit departments. The study also revealed that no timely attention was given to the audit recommendations. An important deduction from the respective conclusions by the European Union (2014) and Salem (2013), is that delays and failures of corporate managers to implement audit recommendations impedes internal auditor departments’ ability to deliver in line with their mandate.

Likewise, scholars and practitioners have considered other factors as relevant to the effective functioning of an internal audit function. The key determinants of internal audit effectiveness include the nature of internal audit charter and mission; implementation of internal audit recommendations by management; reliance on internal audit reports by external auditors; quality of audit strategies and plans; application of applicable laws and regulations (Sutton, 1993; Dubois et al., 2010, Simpson et al., 2016). In other words, internal auditors’ efforts must be reinforced through the proper functioning of other variables. According to Asiedu and Deffor (2017), internal auditors require a Charter and mission to effectively function. In their view, it will serve as a formal mandate to the internal audit department. They further contended that laws and regulations are central to setting out the mandate and legitimacy of an internal audit department of every public sector organisation.

Also, the audit committee’s presence and composition play a pivotal role in internal audit effectiveness. The audit committee’s responsibilities usually include, but are not limited to reviewing the qualifications of the audit staff, resourcing of internal audit, reviewing organisation’s strategic focus, and addressing the effectiveness of the institution’s internal control system (Ali et al., 2007; Böhm et al., 2013; Ayagre, 2015). In line with the international standard practices, Section 16 (8) of the IAA Act, 2003 (Act 658) obligates all MDAs and MMDAs to have an operational Audit Committee to enforce all relevant recommendations from internal auditors to the senior management. The import of this provision is to guarantee the independence of the internal auditor’s work and further ensure timely enforcement of audit recommendations submitted to management. The audit committee charter, the composition of the audit committee, and its governance structure are therefore critical to helping the internal audit department function effectively.

Other authors are of the view that assessments of internal auditors’ performance must be subjectively determined taking into account measures instituted by management and other relevant stakeholders to ensure its effectiveness instead of using computable variables (Cohen and Sayag, 2010; Dittenhofer, 2001). In line with this argument, Jones and Beattie (2015) supported the reasoning for councilors of the Australian State of New South Wales relying on reports from the general manager and other council staff in making conclusions rather than internal audit department’s reports which were deemed malfunction.

**METHODOLOGY**

This segment details the data used for the research, how the data was collected and managed, and the justifications for the choice of approach to inquiry.

**Population and sample approach**

The paper applied a purposive sample selection approach to select relevant respondents for the inquiry. Questionnaires were administered to the staff of the Internal Audit Unit (IAU) and Audit Committee members of the Accra Metropolitan Assembly (AMA) in the Greater Accra Region of Ghana. The sampling procedure applied is analogous to the mode of selection of participants to evaluate the success rate of Internal Financial Reporting Standards adoption in Ghana by adoption by Boateng et al (2014). The AMA, the main focus of the study, is the oldest of the 260 Metropolitan, Municipal, and District Assemblies (MMDAs) in Ghana. It was established by the Local Government Act, 1993, (Act 462) and the Legislative Instrument 1615. Most importantly, each of the participants selected from various strata has a high probability of being very knowledgeable in internal audit practices. Jamali et al. (2019) have endorsed the use of this sampling technique as it ensures that participants with requisite knowledge and experience are included in the study.

**Data collection and management**

The research was primarily based on data collected through the questionnaire. Besides, documents such as journals, relevant books, statutes, public records, and reports were reviewed. The structure of the questionnaires was different for each group of participants (that is, internal auditors and the Audit Committee members). This exercise requires careful planning, including addressing matters specific to each group. For each stratum, issues such as the type and content of the questionnaire, the number of questionnaires to administer, and the nature of the analysis were considered. The questionnaire to the internal auditors consisted of two sections. The first section contained mainly closed-ended type questions. Data from the first section was investigated using Factor analyses, akin to that of Hair et al. (1998). The second section however entailed open-ended questions to allow respondents (internal auditors) to freely provide their comments/views on issues not addressed by the first section, as recommended by Patton (1990). Questions addressed to internal auditors were focused mainly on the: role, scope, and perceived value of the internal audit unit; the types of activities performed by internal auditors; the size, structure, and authority of audit function; the independence of the internal audit staff; the resources allocated to internal audit; level education of internal auditors; skills, training, and expertise; the management attitude to the IAU and the support they received from them; the interrelationship between internal and external auditors; the challenges they encounter and potential for improvement.

The questionnaire administered to Audit Committee members were mainly open-ended and intended to confirm various assertions made by the internal auditors. The questions addressed to Audit
Table 1. Responses to the research questionnaire.

| Variable                      | Number distributed | Number returned | Number invalid | Valid number used | Questionnaire returned % | Valid number returned % |
|-------------------------------|--------------------|-----------------|----------------|-------------------|--------------------------|-------------------------|
| Internal Audit Unit (IAU)     | 55                 | 39              | 9              | 30                | 71                       | 77                      |
| Audit Committee               | 5                  | 5               | 0              | 5                 | 100                      | 100                     |

Source: Field Survey, 2020.

Committee members sought to solicit data on internal auditors' scope of work, independence, competence, as well as soliciting information from the participants on what can be done to enhance internal auditors' value addition function. The open-ended questions were deliberately designed to enable participants to express their thoughts and understanding in their own words. For that reason, there were no pre-determined categories or phrases from which the respondents must choose. As succinctly stated by Patton (1990), the purpose of the open-ended questionnaire is to allow research participants' viewpoints to be clearly understood as it enables them to express their terminologies and opinions. Given that administered questionnaires to Audit Committee members were principally the open-ended type, data obtained was micro-analysed to reveal all the recurring themes for further analysis. The common views from participants were then summarised. Codes were created for each of the five respondents using Microsoft Word. The process is similar to the procedure endorsed by other authors (Swanson and Holton, 2005).

The content of research questions was vetted by three different experts: a renowned international public financial management consultant who is also a professor and holds a Ph.D. qualification in accounting, a seasoned scholar-practitioner in local government administration, and a partner of an international audit firm. In addition, the paper used Cronbach alpha and Pearson Correlation coefficient to test the reliability and collinearity of the research data (Pallant, 2001). These measures enhanced the likelihood of the research instrument measuring the variables it purports to assess. The subsequent section provides a detailed interpretation of the research results.

FINDING AND DISCUSSION

This section presents the research findings based on the pieces of evidence gathered through the analyses of data obtained from both primary and secondary sources. The results are then connected to the main literature to ascertain whether they are consistent with or are invariant with existing research.

Demographic characteristics

The data from the administered questionnaires were analysed through descriptive statistics. Table 1 depicts the breakdown of feedback obtained from the respondents. The questionnaire designed specifically for internal auditors was administered to only fifty-five (55) of the sixty-three (63) staff members. This represents 87% of the internal audit staff population in the Greater Accra Metropolitan Assembly. Only thirty-nine (39) responded, representing a 71% response rate for internal audit staff. Given the population size of the audit committee members, each one of the five-member committees was served with a copy. With persistent follow-ups, all the committee members were responsive. Thus, representing a 100% response rate. However, nine (9) of the questionnaires retrieved from internal auditors were found to be incomplete and thus classified as invalid for further analyses. As shown in Table 1, the number of valid questionnaires expressed as a percentage of the number of questionnaires returned for each category of respondents consists of the Internal Audit Unit (30), and Audit Committee (5) representing 77 and 100% respectively. It is observed that the Audit Committee members were much more responsive compared to the IAU staff.

Responses from the Internal Audit Unit staff

This subsection mainly covers the finding from the staff of IAU. Data collected relates to issues on the IAU staff length of service, educational background, perception on support received from senior management, views on audit charter, and other general matters involving staff operational independence.

Internal Audit Unit staff length in service

Table 2 illustrates the duration of the respondents in their current positions. The majority of the respondents were 5 years or less in their current positions - representing 80%. Of the remainder 20%, staff who spent between 6-10 years represents 10%, 10-15 years represents 6.7 and 3.3% of the remaining respondents have spent 16 years or more in their current positions. However, from the responses to the open-ended section of the interview, it was discovered that almost all the respondents within the five years or less bracket are indeed re-assignees from similar jobs in line with the government's policy of rotating IAU staff. The answerers to the open-ended questions further revealed that respondents within the 5 years or less bracket had acquired work experience at different MDAs or MMDAs before being reposted to current positions.

Educational background of the Internal Audit Unit staff and workload

Table 3 shows the level of education attained by the staff
Table 2. Duration of internal audit unit staff in their current position.

| Variable                        | Total | Percent |
|---------------------------------|-------|---------|
| Less than 5-year-old            | 24    | 80.0    |
| Over 6-year-old but less 10-year-old | 3    | 10.0    |
| Over 10-year-old but less than 15-year-old | 2    | 6.7     |
| Over 15-year-old                | 1     | 3.3     |
| Total                           | 30    | 100     |

Source: Field Survey, 2020.

Table 3. Educational background of Internal Audit Unit staff.

| Variable                        | Number | %    |
|---------------------------------|--------|------|
| Basic education                 | 0      | 0    |
| Diploma education               | 7      | 23   |
| Bachelor degree                 | 28     | 93   |
| Masters degree                  | 14     | 47   |
| Professional certificate (CA, ACCA, CIA, CFE, etc.) | 6  | 20 |

Source: Field Survey, 2020.

Table 4. Testing the reliability of model analysis.

| Factor                                         | No. of variable | Cronbach’s alpha |
|------------------------------------------------|-----------------|------------------|
| Optimum support from senior management         | 4               | 0.774            |
| Audit charter and approaches to determining audit tasks | 8               | 0.751            |
| Other independent issues faced by audit personnel | 5               | 0.754            |
| All variables                                  | 17              | 0.282            |

Data reliability and multicollinearity tests

This section employed factor analysis to determine the structure of the research data set and Pearson Correlation coefficient to estimate the degree of correlation among items. The most commonly used statistics for measuring the reliability and collinearity of research data are Cronbach’s coefficient of alpha and Correlation coefficient respectively (Pallant, 2001). Some researchers consider an alpha value of 0.70 as adequate to accept the data as highly reliable (Pallant, 2001), while others claim 0.50 and 0.60 as just sufficient for qualitative inquiries (Mebratu, 2015). Based on the literature review and the subsequent interviews, three factors were identified: management support to internal auditors, Audit charter and approaches to determining audit tasks, and other independence-related factors. The computations revealed alpha values of 0.774, 0.751, and 0.754 as depicted in Table 4. The results, thus, signify that the alphas obtained were sufficient and reliable for the conduct of the research. The paper also adopted Hair et al. (1998)
Table 5. Classified variables after factor analysis.

| Questionnaire details/variables that met the selection criterion | 1 | 2 | 3 |
|----------------------|---|---|---|
| **Management support to internal audit unit** | | | |
| Receive cooperation, access to records and information from management | 0.641 | | |
| Provision of adequate resources/facilities/vehicle for audit task | 0.557 | | |
| Audit staff adequately equipped with current skills and audit trends | 0.504 | | |
| Provision of IT audit equipment and training on IT audit | 0.410 | | |
| **The issue on internal audit charter and approaches to determining audit task** | | | |
| Existence of Audit Charter aid performance of duties | 0.820 | | |
| Ability to access management for interviews when needed | 0.854 | | |
| Periodic rotation of internal audit staff tasks to avoid familiarization | 0.591 | | |
| Audit risk assessment regarding quality of internal controls, etc. | 0.690 | | |
| Following up on matters arising external auditors’ findings | 0.650 | | |
| Availability of records on hours performed by internal audit staff | 0.771 | | |
| Internal Audit full compliance with specific task requirements of the Audit committee | 0.921 | | |
| Cooperate with external auditors in conducting financial audit | 0.888 | | |
| **Other matters about internal auditors’ independence** | | | |
| Have no obstruction in obtaining audit evidence (fraud-related matter etc.) | 0.767 | | |
| Have regular access to senior personnel | 0.478 | | |
| Free to allocate resources, determine audit scope | 0.810 | | |
| Have easy access to client personnel, attention, and assistance when needed | 0.878 | | |
| Freedom to produce audit reports without interference/intimidation | 0.840 | | |

suggestion that any variable of a factor loading greater than or equal to 0.4 should be retained. Out of twenty-one (21) items analysed, only seventeen (17) exhibited correlations values above 0.40 and were considered acceptable for the analysis, as shown in Table 5. Four (4) items of the questionnaire with factor loading less than 0.4 were left out of the factors in line with Hair et al.'s (1998) recommendation, as they failed to meet the acceptance criterion set.

The first four (4) variables in Table 5 explain the ability of the senior management of AMA to facilitate internal auditors’ work. Apart from the provision of IT equipment and training to audit staff which suggests weak support, all other variables show that management was very supportive of internal audit assignments, through the successful allocation of resources needs and access to the requisite information. The eight (8) items further suggest that internal auditors were allowed to determine the nature and scope of audit methodology, as shown by the variable coefficients in the second segment. Lastly, the other matters about internal independence were assessed. The result revealed that internal auditors’ independence was strongly influenced by their ability to carry out audit tasks including fraud investigation, determination of audit scope, including the freedom to allocate available resources in line with the internal audit department's plans. This section also indicates that auditors are often accorded maximum access to the auditee’s personnel, time and are allowed to generate audit reports as considered appropriate, given that all the items, apart from the ability of the auditor to have access to senior management, registered very strong coefficients.

**Test of hypotheses**

The paper addressed the main research question: “Is the internal audit function well-positioned to enable it to contribute effectively to good governance in local government institutions in Ghana?” by testing the following hypotheses:

**H₀₁**: Favourable resource support from senior management does not significantly enhance internal audit effectiveness.

**H₁₁**: Favourable resource support from senior management does significantly enhance internal audit effectiveness.

**H₀₂**: Freedom to determine internal audit scope and approach to audit inquiries do not significantly contribute to internal audit effectiveness.

**H₁₂**: Freedom to determine internal audit scope and approach to audit inquiries do significantly contribute to internal audit effectiveness.

**H₀₃**: The existence of other favourable conditions about
internal auditors’ independence do not significantly contribute to internal audit effectiveness.

H₃₃: The existence of other favourable conditions about internal auditors’ independence do significantly contribute to internal audit effectiveness.

Tables 6 to 8 show the analysis of variances (ANOVA) for three hypotheses. This segment solicited the views of the internal auditors on management support to the unit. Management backing was expressed in terms of supporting the auditing process and fulfilling the resource requirements. Matters on accessing financial records and information, finance, regular meetings with senior management, relevant training on up-to-date issues in auditing, technology, and the latest auditing procedures were also inquired. The result in Table 6 indicates that the F value for the management resourcing factor was 17.463 with a p-value of 0.00. Since the p-value of 0.00 was less than 0.05, the significance level, the study rejected the hypothesis and concluded that favourable resource support from senior management does significantly enhance internal audit effectiveness.

The existence of an audit charter is of extreme importance for internal auditors and persons with whom they often interact. The audit charter helps the internal auditors clarify all important matters that come under their purview when carrying out their duties. In the second hypothesis (Table 7), the F value for scope and approach factor registered 57.896 with a p-value of 0.00. Given that the p-value was less than 0.05, the researchers failed to accept the hypothesis and concluded that internal auditors’ ability to freely determine the scope and approach to audit examinations do contribute to internal audit effectiveness.

Finally, for the interaction between internal audit effectiveness and the third factor in Table 8, other favourable conditions about internal auditors’ independence, had F statistic reporting 27.492 and with the corresponding p-value of 0.00. Thus, providing sufficient evidence for the researchers to reject this hypothesis and conclude that there exists an interaction effect between the two factors. It is worthy of note that the independence of both internal and external auditors from persons they audit is central to the accomplishment of their respective functions.

In conclusion, all the three null hypotheses were rejected and the alternative hypotheses adopted. Thus, suggesting that the internal audit function is well-positioned to effectively contribute to good governance in local government institutions in Ghana.

### Audit committee assessment of Internal Audit Unit performance

The Internal Audit Unit’s (IAU) recommendations will be meaningless unless they are implemented by the
appropriate authorities. In cognisance of this, section 30(1) of the Audit Service Act, 2000 (Act 584) directs the creation of the Audit Committee in each MMDA to follow up on the implementation of internal audit recommendations. The Audit Committee in placing value on the IAU report generally assesses the auditor’s degree of independence, professionalism and due diligence, and competence, Integrity, confidentiality, and the quality of the report itself. As stipulated in sections 18, 19, and 20, IAA Act 2003 (Act 658), internal auditors are required to display a high level of professionalism in evidence gathering, evaluation, and communicating information. In the performance of their duties, they are mandated to exhibit honesty, due diligence, and confidentiality. From the interviews, it was apparent that apart from possessing the relevant paper qualifications, the IAU staff do exercise due professional skills, care, and caution in judgment when performing their normal work. Evidence gathered from the committee members shows that the standard of audit reports submitted by the IAU of the AMA to the Audit Committee meet the minimum expectations in most cases. The comment made by one of the respondents confirms these assertions:

Apart from consistently producing timely reports, the auditors are showing that they’re aware of their duty to the Assembly and other stakeholders… They always go all the way out to get appropriate evidence to substantiate issues raised in their reports, which is very commendable.

The foregoing discoveries is clear evidence of the professional due diligence being exhibited by internal auditors as stipulated in sections 18 of IAA Act 2003 (Act 658) in providing quality audit assurance service to aid good governance practices at the local government level (Saito, 2001; Asaduzzaman and Virtanen, 2016).

On the issue of internal auditors following up to ensure that various audit recommendations (both internal and external) are addressed by AMA management, the respondents appreciate the documentary evidence of the effort put in by the internal auditors. They, however, lamented the support from management in addressing the concerns could be much better. One of them stated these observations:

_I do appreciate the effort of the internal auditors to do follow-ups on the implementations of various recommendations…as you know the support, they always need from senior management is sometimes not fully forthcoming […]._

It is important to emphasise that management failures to provide adequate backing to auditors’ efforts are a potential cause of public sector governance failures (Salem, 2013). As such, senior management is obliged to creating mechanisms that ensure that audit recommendation are carried through without any hindrances.

In the committee’s effort to ensuring that both internal and external audit recommendations are implemented by the management of the AMA, one respondent has this to say:

_We do have meetings with management and consistently follow up on audit reports. In instances of persistent failure to implement important recommendations, they are included in the annual reports by the Auditor General to the Public Accounts Committee of Parliament for further actions._

The foregoing findings implies that both the internal audit staff and audit committee members do often bark and not bite, through Parliament. Thus, defeating the value placed on timely implementation audit recommendations (Sutton, 1993; European Union, 2014, Dubois et al., 2010; Simpson et al., 2016).

Adequate staffing is essential for the proper planning of audit assignments. Weakness in staffing can lead to mismanagement, errors, and abuse, which can negate the effect of other controls in ensuring audit quality. The question on the adequacy of staffing was expressly directed to the Audit Committee members. The respondents are of the view that in terms of numbers level of education, and general competencies, the staffing was adequate. However, a respondent had reservations.

Table 8. ANOVA: Other independent issues and Internal Audit Department performance.

| Variable                  | Sum of squares | df | Mean square | F    | Sig  |
|---------------------------|----------------|----|-------------|------|------|
| Between People            |                |    |             |      |      |
| Between Items             | 81.873         | 29 | 2.823       |      |      |
| Within People             |                |    |             |      |      |
| Residual                  | 76.307         | 4  | 19.077      | 27.492 | 0.000|
| Non-additivity            | 0.848a         | 1  | 0.848       | 1.224 | 0.271|
| Balance                   | 79.646         | 115| 0.693       |      |      |
| Total                     | 80.493         | 116| 0.694       |      |      |
| Total                     | 156.800        | 120| 1.307       |      |      |
| Total                     | 238.673        | 149| 1.602       |      |      |

Dependent variable: Other independent issues.
regarding the knowledge, competencies, and ability of internal auditors in conducting a major audit in advanced IT environments. The respondent asserted that:

*The world is now technologically based and constantly evolving. However, I have my doubt about the ability of the auditor to do any standard IT-based audit. I unreservedly recommend that IAU staff be trained either in-house or externally on the IT auditing procedures to keep pace with modern trends.*

The foregoing suggests the adequacy of internal in terms of staff numbers, paper qualifications, and general competencies. The foregoing assertion is confirmed by another committee member recounting as follows:

*Inadequate management commitment to resource the IAU is our main challenge. For example, there have been several management recommendations to build staff capacity, especially in IT audit, provide all logistical requirements but most of these recommendations are often ignored...*

The foregoing statements show that internal audit staff knowledge and experience in auditing within the IT environment needs improvement. Inadequate knowledge of IAU staff in performing audits within an IT-based environment constitutes a serious risk to ensuring accountability and governance practices in the Ghanaian public sector. The succeeding section discusses the implications of the research findings. It also provides recommendations to relevant stakeholders.

**CONCLUSION AND RECOMMENDATIONS**

This paper had two main objectives: to assess whether the public sector internal auditors have the required capacity to provide assurance services to ensure good governance in local government operations and to ascertain the role of management in legitimising internal auditors’ work as reliable assurance providers. To realise these objectives, two different groups of questionnaires were administered to each stratum (staff of the IAU of Accra Metropolitan Assembly and the audit committee members). The questionnaires were subsequently retrieved and analysed using factor analysis and other descriptive statistics.

Firstly, the findings from this research show that the internal auditors assigned to the metropolis do possess relevant academic and professional qualifications. The paper confirmed that a greater percentage of the workforce had the relevant academic qualifications desired for the assignment. The result further revealed that internal auditors have extensive years of working experience in the internal audit environment. Besides, the core leadership of the IAU in charge of designing the audit strategy for the metropolis does possess the relevant professional accountancy certificates. The foregoing suggests that the IAA, as the sole agency responsible for recruiting, posting, and rotating/assigning internal audit staff among various MMDAs has been effective in engaging the right calibre of staff. Extant literature shows that in recruiting internal auditors, due regard must be placed on their academic and professional backgrounds by an independent appointing authority (Ali et al., 2007; Bohl et al., 2013; Ayagre, 2015). The government of Ghana must be commended for creating the Internal Audit Agency, as an independent institution that recruits qualified internal audit personnel into local government institutions. Given that recruitments are based on competence rather than political affiliation, the likelihood of filling internal audit vacancies with political cronies is minimised if not eliminated. Thus, enhancing objectivity in the performance of audit tasks. Consequently, encouraging accountability and good governance practices in the local government establishments.

Equally, evidence from the Audit Committee confirms that the internal audit department within the metropolis is indeed fully resourced with persons with the appropriate educational and professional qualifications, practical experience in the field, and are competent enough to conduct “normal” audit assignments with due professional care. However, they lamented that most of the audit staff do lack requisite knowledge in conducting audit assignments within an IT environment. Hence, a major threat to the quality and effective service delivery by internal auditors within the metropolitan assemblies. Logistically, the internal audit departments appear to be adequately resourced. However, the fact that internal auditors increasingly find it difficult accessing senior management of the metropolis to discuss important audit issues and the fact that internal auditors are not fully equipped to conduct IT audit implies that management only pay lip services to the existence of the audit department. Scholars and practitioners have linked many instances of underperforming internal audit departments to insufficient resources from corporate managers (Salem, 2013). The preceding evidence suggests that the likelihood of IAUs assisting management of local government organisations to establish appropriate internal controls to deter, prevent and detect fraudulent, corrupt, and unethical practices as recommended by scholars and practitioners (Unegbu and Kida, 2011; Pilcher, 2014; Onoja and Usman, 2015; Tabar, 2016; Nantzydilis et al., 2020) may be undermined - if the current trend is not curtailed. The greatest worry is that shady deals which presently characterised most public sector institutions in emerging nations according to existing literature (Mebratu, 2015; Asiedu and Deffor, 2017) are unlikely to be uncovered by the management of local government institutions. Thus, derailing public confidence in the local governance machinery in the
country and beyond.

The paper also found that an Internal Audit Charter was established to guide the activities of the internal auditors. The charter was established in fulfillment of the requirements of the Internal Audit Agency Act, 2003 (Act 658). Internal Audit Charter is an important document from which internal auditors draw their powers, functions, mandate, and administrative authority. Laws and regulations are critical components in setting out the mandate and legitimacy of an internal audit department (Asiedu and Deffor, 2017). The internal audit charter apart from clearly defining the scope of work of the auditor and enforcing the implementation of audit recommendations also prevents management from restricting access to information.

Evidence from the internal auditors and Audit Committee members shows that the internal auditors are not receiving maximum cooperation in implementing internal audit recommendations, as several follow-ups have to be made to get recommendations implemented. As suggested by the EU QAIP, internal audit output will be of zero value to stakeholders if their recommendations are not promptly acted upon by senior management of those establishments (European Union, 2014). The existing literature (Sutton, 1993; Dubeo et al., 2010; Simpson et al., 2016) also grounded that internal audit effectiveness and the degree of external auditors' reliance on internal audit to forming an audit opinion is often weakened if corporate managers show laxity in implementing internal audit recommendations.

Finally, the paper settled that internal audit staff was not obstructed by management in determining the scope of work, reporting modalities, and as well as securing expert assistance when desired. Paradoxically, lack of regular access to management appears to defeat any form of independence the internal auditors purport to enjoy in the performance of their duties. The paper found that the internal auditors in Ghanaian local government establishments do have the capacity to provide the needed risk management support to management to ensure accountability and good governance. Nonetheless, lack of management support through IT skills training and timely implementation of audit recommendations have rendered the internal auditors as “dogs which can only bark but cannot bite”.

Consequently, the following recommendations require the immediate attention of policymakers to enable internal auditors to work effectively and efficiently: first, internal auditors must be trained to fully equip them with the latest IT audit skills. This may require enrolling them in Certified Information System Auditors programmes, equipping them with Computer Assisted Audit Techniques (CAATS) and other relevant in-house training programmes. In addition, the management of local government institutions must ensure prompt implementation of internal audit recommendations to reduce any compliance and detection risks that are currently inherent in their operations. Lastly, audit committees must persist and have regular meetings with the management of local government institutions to enable them to reduce any possible bad blood existing between senior management and internal auditors.

LIMITATIONS AND FUTURE RESEARCH

Like many other research studies, this paper has its limitations. The research covered only the perceptions of internal auditors and audit committee members of one of the metropolitan assemblies from the sixteen regions of Ghana. Given that internal audit is such a fundamental monitoring function for establishing and sustaining accountability and good governance in both public and private sector organisations, it would be enormously informative if similar studies, were replicated in the other regions in Ghana and other parts of the Sub-Saharan African region to further enhance its generalisation. Future research may also consider examining the views of administrators of these metropolitans, municipalities, district assemblies, and other relevant stakeholders such as civil society organisations.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interest.

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