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**THE ROLE OF INTERNAL AUDIT IN PROMOTING ORGANISATIONAL ETHICS
AND INTEGRITY**

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ABSTRACT

Internal auditing has evolved from a traditional compliance function into a strategic mechanism for promoting ethical governance and institutional integrity. Amid increasing public scrutiny over corruption, unethical conduct, and fragile accountability, particularly in public sector institutions, there has been less research to assess how it affects these practices. This paper critically examines the underexplored yet vital role of internal audit in fostering organisational ethics and integrity. The findings reveal that internal audit possesses significant but underleveraged potential in promoting ethical culture and values. Key barriers include insufficient support from top management, inadequate resources, weak integration of ethics into audit planning, and pervasive negative perceptions of the audit function. The study further identifies structural, cultural, and institutional factors that limit the ethical influence of internal auditors.

Keywords: Internal audit, organisational ethics, integrity, governance, accountability

INTRODUCTION

Organisational ethics and integrity have become central to contemporary governance and management discourse, especially within the public sector, where decisions on resource allocation, procurement, and service delivery directly impact public trust and social welfare (Ahmad et al., 2024; Junior, 2023). Heightened scrutiny over corruption, fraud, and unethical conduct, particularly in developing countries like Ghana, has amplified calls for institutional mechanisms that promote accountability and ethical behaviour. Against this background, internal auditing has garnered renewed interest not only as a compliance tool but as a strategic function capable of reinforcing ethical governance (Omolaye & Jacob, 2018).

Historically, internal auditing has been anchored in financial oversight and regulatory compliance (Chambers & Odar, 2015; Parker & Johnson, 2017a). However, its scope has significantly expanded to encompass evaluations of governance, risk management, and control processes. With organisational independence and privileged access to information, internal auditors are uniquely positioned to detect ethical risks, assess integrity gaps, and advise on improvements to ethical practices (Parker & Johnson, 2017b). Despite this potential Kinyera (2019) argues that internal audit remains marginalised in ethics frameworks due to organisational resistance. Recent works also underscores the increasing complexity of ethical auditing in developing economies, where political patronage and institutional ambiguity weaken auditor independence (Ahmad et al., 2024; Hung, 2023). These dynamics necessitate a revision of traditional agency-based interpretations to account for informal institutional pressures.

THEORETICAL FOUNDATION

The study is underpinned by two interrelated theoretical perspectives: agency theory and stakeholder theory, providing a foundation for analysing the role of internal audit in promoting ethics and organisational integrity, particularly within public sector institutions characterised by complex accountability dynamics.

Agency theory (Jensen & Meckling, 1976), used in various researches from the late 80's (Corsi & Prencipe, 2015; Davis et al., 2021; L. Donaldson & Davis, 1991; Eisenhardt, 1989; Panda & Leepsa, 2017) highlights the inherent tension in Principal - Agent relationships, such as those between shareholders and managers, or citizens and public officials. Agents according to Ali (2020) and Zardkoohi et al. (2017) may pursue personal interests that conflict with the goals of principals, resulting in agency problems like corruption, fraud, and unethical behaviour. Internal audit serves as a vital control mechanism for addressing these issues by monitoring managerial actions, reducing information irregularities, and enforcing compliance with ethical standards (Chang et al., 2019). In this capacity, internal auditors enhance organisational accountability and act as safeguards against moral hazard and institutional abuse.

Freeman (1984) revolutionised management through the stakeholder theory by asserting that organisations must serve the interests of all stakeholders, not just shareholders to achieve sustainable success. Stakeholder theory expands the ethical obligations of organisations beyond shareholders to include a diverse array of stakeholders; employees, customers, regulators, suppliers, and the wider society (Mahajan et al., 2023). Donaldson & Preston (1995, 2016) further contend that ethical responsiveness to stakeholders is critical for maintaining legitimacy and trust. From this perspective, internal auditing is not merely a compliance function but a strategic instrument for promoting ethical

conduct and ensuring that organisational decisions reflect stakeholder expectations. These theories offer a comprehensive lens through which the strategic role of internal auditing in promoting ethical governance can be viewed.

While the agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976) frames internal audit as a control mechanism to align managerial behaviour with principal interests and reduce opportunism, stakeholder theory (Freeman, 1984) expands this view by emphasising the organisation's ethical responsibilities to a broader set of stakeholders. Mitchell et al. (1997) refine this further with their stakeholder salience model, which prioritises stakeholders based on power, legitimacy, and urgency, highlighting the need for internal audit to engage with diverse and sometimes competing claims. Harrison & Wicks (2013) also reconceptualise organisational performance by shifting the focus from narrow economic outcomes to stakeholder value creation, arguing that firms thrive by delivering multi-dimensional utility, including fairness, affiliation, and justice to all legitimate stakeholders. Rejecting the traditional "fixed-pie" logic, they assert that stakeholder interests are interdependent and can generate mutual value through cooperation and trust. Their four-factor model captures this complexity, positioning value as subjective, dynamic, and stakeholder-driven, thus requiring internal audit and governance mechanisms to evaluate not only compliance, but also the quality of relationships and perceived well-being across the stakeholder network.

METHODOLOGY

This study employs a mixed-methods research design to explore the role of internal audit in promoting organisational ethics and integrity. The quantitative component of the research involves the use of structured questionnaires distributed to internal auditors, compliance officers, and senior management in various public sector organisations in Ghana. A total of 120 questionnaires were administered using purposive sampling, with 95 valid responses obtained, representing a 79.2% response rate. The questionnaire was designed to measure perceptions of the effectiveness of internal audit functions in fostering ethics and integrity, the challenges faced by auditors in promoting ethical conduct, and the extent to which internal audit findings are integrated into organisational governance. Responses were measured using a five-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree." This quantitative component allows for the collection of measurable data that can be analysed statistically to identify patterns and correlations (Creswell et al., 2018).

The qualitative component involves semi-structured interviews with a subset of the questionnaire respondents, selected through criterion-based purposive sampling. A total of twelve interviewees with at least five years of audit experience were engaged to provide deeper insights into the experiences of internal auditors and the specific strategies they use to address ethical dilemmas within their organizations. Participants' elaboration on their responses provided a richer understanding of how internal audits contribute to or hinder ethical practices in different organisational contexts, as indicated by (Yin, 2013). Interview responses were transcribed and subjected to thematic analysis using Braun & Clarke (2006) six-step approach, which facilitated the identification and interpretation of patterns related to ethical enforcement, institutional resistance, and structural constraints.

The mixed-methods design was particularly suitable for this study because it combines the strengths of both quantitative and qualitative research (Lund, 2012). This ensures that the study captures both the measurable impact of internal audits on organisational ethics and the subjective experiences of those involved in the audit process (Tashakkori & Teddlie, 2010b, 2010a).

RESULTS

A significant majority of respondents (75%) agree that internal audit functions contribute positively to the promotion of organisational ethics and integrity. 85% of respondents affirmed that, internal auditors are seen as key guardians of ethics as shown in Table 3. The most important factors identified for effective internal audits in fostering ethics are independence (70%) and management support (60%), followed by adequate resources (50%) as shown in Table 2. These factors are critical in ensuring that auditors operate without bias and implement ethical practices effectively.

The main challenges reported; lack of management support (55%) and inadequate resources (50%), reflect deep structural barriers that undermine the strategic positioning of internal audit. The level of integration of ethics-related audit findings reported by 60% of respondents as either “mostly” (30%) or “moderately” (30%) integrated, suggests a partial disconnect between audit insights and governance action. Also, 40% of respondents observing frequent implementation and 20% reporting consistent implementation of ethics-related audit recommendations suggesting that, while ethical oversight is increasingly acknowledged, its institutionalisation remains uneven and fragile. Internal auditors are perceived as playing a crucial role in maintaining ethical standards within organisations, acting as both preventive and corrective agents by ensuring compliance and identifying ethical risks.

Below are the tables showing the findings.

Table 1

Contribution of Internal Audit to Ethics and Integrity

Response	% of Respondents
Strongly Agree	40%
Agree	35%
Neutral	15%
Disagree	5%
Strongly Disagree	5%

Table 2

Factors Contributing to Effectiveness of Internal Audit

Factor	% of Respondents
Independence	70%
Management Support	60%
Adequate Resources	50%
Clear Ethical Guidelines	40%
Professional Training	30%

Table 3

Perception of Internal Auditors' Role in Ethics

Response	% of Respondents
Yes	85%
No	15%

Table 4

Challenges in Promoting Ethics and Integrity

Challenge	% of Respondents
Lack of Management Support	55%
Inadequate Resources	50%
Conflicting Priorities	30%
Resistance from Employees	25%
Lack of Clear Ethical Guidelines	20%

Table 5

Level of Integration of Internal Audit Findings into Governance

Level of Integration	% of Respondents
Fully Integrated(5)	20%
Mostly Integrated(4)	30%
Moderately Integrated(3)	30%
Minimally Integrated(2)	15%
Not Integrated(1)	5%

Note: Ratings(Level of integration) are based on a 5-point scale, where 5 = Fully Integrated and 1 = Not Integrated.

Table 6

Frequency of Implementation of Internal Audit Recommendations on Ethics

Frequency	% of Respondents
Always	20%
Frequently	40%
Occasionally	25%
Rarely	10%
Never	5%

DISCUSSION

The results provide a multifaceted and compelling picture of the internal audit function as a means for promoting ethical governance in the public sector. The independence (70%) and management support (60%) dimensions stand out as fundamental enablers of internal audit effectiveness to support ethical standards as shown in Table 2. This aligns with Mihret & Yismaw (2007) assertion that organisational autonomy enhances auditors' capacity to identify and act on ethical breaches, especially within the structural constraints typical of public sector environments. However, Cohen & Sayag (2010) argue that, independence must be complemented by strong senior management support to legitimise the audit function and ensure ethical recommendations are acted upon. This arguemnt was evident in this study as a respondent indicated that, "It is hard to promote ethics without the support of top management". The limited effectiveness demonstrates a fundamental agency problem, where principals lack the ability to ensure that agents act in accordance with the organisation's best interests.

Resource constraints (50%) as a barrier indicated in Table 4 validates Alzeban & Gwilliam (2014) and Singh et al. (2021) findings, emphasising how budget and personnel deficiencies limit audit effectiveness in under-resourced governance structures. Respondent feedback also underscores the adverse effects of cultural and informal power dynamics, especially in hierarchical or politicised environments. This corroborates the findings by Sarens & De Beelde (2006), Leung et al. (2011) and Coetzee (2016) that informal power structures can weaken the formal mandates of internal auditors. Together, these findings confirm that internal audit's moral impact is dependent not only on its structural location, but also on its resourceful, institutionally enabling, and ethically attuned environment.

Majority of respondent (85%) as shown in Table 3, agree that internal auditing positively affects ethical management. As indicated by Pangastuti (2023) and Njui (2012), the study puts internal auditors in a position as custodians of organisational ethics. Hence their independence as far as audit effectiveness is concerned is paramount. One respondent emphasised that: "The success of internal audit depends on its independence." This ststatement aligns with the argument of Menza et al. (2019) and Ta & Doan (2022), who caution that without operational independence, auditors risk management interference.

Increased ethical awareness of auditors is not readily converted into effective influence. As suggested by Hung (2023), the ability of auditors to operate effectively is still hindered by institutional, structural, and cultural barriers. Specifically, inadequate managerial support and inadequate resources were seen to be the most prominent obstacles.

The integration of ethics-related audit findings into governance frameworks has been partial. Approximately 30% of the respondents indicated that such findings are "Mostly" integrated, with another 30% indicating "Moderate Integration" as shown in Table 5. Confirming the findings by Aikins et al. (2022), this data indicates that whereas audit findings are recognised, they are yet to be fully embedded in institutional operations. This fragmentation signifies a fundamental misalignment between the outcomes of ethical audits and the structures employed in decision-making.

CONCLUSION

The findings from this research indicate that internal audit functions are integral to promoting organizational ethics and integrity. However, several factors influence their effectiveness, particularly the independence of the audit team, management support, and resource availability. Despite auditors being recognised as key figures in upholding ethical standards, challenges such as lack of management backing and inadequate resources continue to limit the full realisation of their role.

Public sector audit function should institutionalise dual-reporting lines to reduce executive interference and adopt risk-based funding models to address capacity gaps. The observed resistance to audit recommendations further underscores the need for training frameworks that emphasises ethical reasoning, contextual awareness, and stakeholder engagement.

The growing use of Artificial Intelligence in auditing, including real-time analytics and fraud detection, raises critical questions about how technology can both enhance or potentially compromise auditors' ethical judgment. A study on the ethical governance of AI tools and their integration into audit practice would represent a vital interdisciplinary advancement. Also, longitudinal studies to assess how embedding ethical indicators into audit plans and governance structures influences organisational legitimacy and stakeholder trust over time.

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