

Internal Audit Capacity to Enhance Good Governance of Public Sector Organisations: Developing Countries Perspective

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ABSTRACT

The study assessed the capacity of internal audit units of public sector organizations to enhance good governance. Data for the study was collected through questionnaire sent to chief internal auditors, audit managers and senior managers of public sector organizations. Responses received from respondents were based on a five point scale, ranging from strongly disagree to strongly agree. The study results indicate that internal audit's ability to ensure better governance is limited by; technical and profession skills set, low motivation, limited spending on IA, and little support for the IA function from management. Other limiting factors include, the issue of independence of the internal auditor which directly impact on IA's objectivity and indirectly may influence which audit gets performed as planned.

Keywords: *internal audit, capacity, public sector organizations, governance*

INTRODUCTION

An effective internal audit function is a key component of good governance. Internal audit is one of the four pillars of an organisation's governance process, and must be allowed to work effectively and collaboratively with the other three pillars (Board of Directors, management, external audit) to ensure the achievement of organisational objectives (Carmen, 2011). According to the institute

of internal auditors (IIA), the internal audit function's activity must evaluate and contribute to the improvement of an institution's **governance process**, risk management, etc using a systematic and disciplined approach (IIA, Institute of internal auditors, 2008). Governments acknowledge the crucial role of internal auditing in ensuring the efficiency, economy and effectiveness of public administration at all levels of the governance structure (IIA Research Foundation, 2009). One of the main activity of any government is the production of goods and services and to regulate private producers of goods and services. The government on behalf of the public performs this activity through public sector organisations (Ministries, Departments, Agencies, Authorities etc) (CEPA, 2005). Accountability and good governance in government operations in developing countries is very crucial for economic development. It is common knowledge amongst the international community, national governments and academia that lack of accountability and good governance impedes economic development in developing countries (UN, 2000). Effective internal auditing of public sector organisations provide the assurance that public funds are not misused and or mismanaged. Internal audit plays an independent and proactive role in monitoring and examining ongoing government projects (Halimah, Radiah, Rohana & Kamaruzaman, 2009), thereby ensuring the efficiency and effectiveness of government projects.

Following the reforms under the Public Financial Management Reform Program, and recommendations from development partners, Ghana saw the need for the establishment of internal control audit functions in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs). Upon further consultations and studies, the Internal Audit Agency was established in 2003, to enhance efficiency, accountability and transparency in the management of resources in the public sector. The Internal Audit Agency was set up by an act of parliament in 2003 (Act 658) as an apex oversight body to co-ordinate, facilitate and provide quality assurance for internal audit activities within Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies (IAA Ghana, 2008). According to UN's guidelines for effective public sector financial management, an *appropriate* audit system must underpin any public financial management system which will determine how public resources have been used, evaluate

the results achieved with those resources and verify compliance with legal accounting and administrative provisions and procedures (UN, 2000). Many researchers have called for further research on IA regarding effectiveness and related issues. From the literature, researchers have often recommended further studies on IA, to identify national differences in the role of IA, variations in practices between public sector organizations and private organizations, organizational attributes influencing IA's ability to add value as they relate to IA effectiveness (Ruud, 2003; Goodwin, 2004; Anderson, 2003; Dessalegn et al., 2010). These studies, have however assumed capacity of IA by failing to consider IA capacity as a variable that affects effectiveness. These studies failed to recommend further studies on IA's capacity to effectively perform its activities as agents of good governance in organizations, especially in public sector setting.

The paper is motivated by this knowledge gap in the literature and sought to investigate the capacity of internal audit functions in public sector organizations from developing countries perspective. The following research question is posed. Is the internal audit function in developing countries capable of enhancing good governance in Public Sector Organisations? To answer the above question, the study will specifically assessed IA to ascertain whether IA is adequately resourced in terms of personnel, skills set, motivation of personnel to execute audit professionally. The study also examined the focus, direction, remit and processes (activities) of IA in public sector organizations in keeping pace with current global trends in IA and the mandate of Ghana's Internal Audit Agency.

LITERATURE REVIEW

Internal auditing historically has been characterized since the second world war, as one of a transformation from validation of transactions to one of systems auditing (McNamee & McNamee, 1995; Laura & Micheal, 2003). Internal audit dates back to 3500 B.C, however it was not until 1941 that internal audit gained prominence when the Institute of internal auditors was established in the United State of America (Swinkels, 2012). The IIA over the decades has been at the forefront of enhancing the professional status of the internal audit function through

the following: approving and issuing a statement of responsibilities, researching and developing a common body of knowledge, setting up continuing education and professional certification programmes, making and adopting standards for the professional practice of internal auditing along with a code of ethics (Chun, 1997). The role of internal audit traditionally involved monitoring, reviewing activities and providing assurance to management about effectiveness of internal controls. However in 2000, the IIA issued a new definition of internal audit, which gave the profession a new direction and focus. Internal auditing according to the IIA may be defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (Institute of Internal Auditors, 2000). By this definition, there is a shift in focus from financial and compliance assurance to include consulting activities and ultimately value addition.

Until recently many nations did not have national requirements for internal audit function in public sector organizations. This is not just the case of developing nations but some developed nations did not have internal audit requirements, for example as of 2004, New Zealand had no requirement for internal audit for public sector organizations and Australia had less clear cut requirements (Goodwin, 2004). Though the audit function has always been seen as playing a key role in government financial management, the emphasis has mostly been placed on external audit and not internal audit. However, the interest for internal audit in public sector organizations has been on the ascendancy in responds to calls from users of public goods and donor agencies for improved accountability, transparency and increased consumer choice (Goodwin, 2004; Diamond, 2002). This renewed interest in internal audit in the public sector has led to the development and issuance of internal auditing guidelines for public sector organizations by the institute of internal auditors (IIA) and the international organization of supreme audit institutions (INTOSAL).

Two types of audits are relevant in the public sector argues Malan in 1991; financial -related audits and performance audits. Financial

related audit according to Malan goes beyond the normal attestation of audit, to determining the utilization of public funds to achieve objectives. Performance audit on the other hand, aims at achieving value for money, providing an objective evaluation of whether public funds are used efficiently and effectively (Malan, 1991). Coupland in his article “the internal auditor’s role in public service orientation” also reiterated the evolving role of internal audit from an appraisal function to, determining and reporting on the extent of control exercised over financial systems. He argued that this shift in focus of IA has had to compel the internal auditor to develop complex approaches to their work and at the same time increase their capacity or capability to assess efficiency and effectiveness of operations (Coupland, 1993). It is quite clear from Coupland’s submission, the importance of examining the capacity of the internal audit function in public sector organizations to assess their ability to perform these roles effectively and efficiently.

Role of IA in Enhancing Good Governance

Corporate governance provides oversight over guidelines, policies and procedures to ensure that an organisation is adequately directed and controlled to the best interest of owners and shareholders. Internal audit plays a key role in an organisation’s governance process by providing a systematic, disciplined approach to monitoring internal controls, adherence to relevant laws and regulations, risk management processes etc.

In broad terms, a good corporate governance system can be seen to have seven interrelated components: the board of directors and committees, legal and regulatory, disclosure and transparency, business practices and ethics, enterprise risk management, monitoring, and communication (Julien & Rieger, 2011). According to Julien and Rieger (2011), internal audit is actively involved in the above components of governance by: supporting the audit committee in its responsibilities, reviewing the effectiveness of the code of ethics of organisations and whistleblowing provisions, helping assess risk across the organisation, monitoring and evaluating the effectiveness corporate governance activities and recommending areas for improvement.

A recent study in Europe on internal audit's role in corporate governance and the current crisis concluded that internal audit's role in corporate governance in turbulent times is not impressive. The study alluded to the fact that the legislative provisions to regulate internal audit are not comprehensive in accordance with the European corporate governance codes (Zaharia, Tilea & Andreea, 2014). For Internal audit to contribute to the governance process and add value to shareholders wealth, internal audit must have a comprehensive understanding of the business operations of the organization. Internal auditors must also be sensitive to business changes in order to identify new business risks that management may face as part of its risk management role in governance. Again, for internal audit to add value to the governance process, there should be good working relationship with the board and management, independence, awareness and professionalism of the internal auditor (Zaharia, Tilea & Andreea, 2014; Odoyo & Omwono, 2014).

CONCEPTUAL AND THEORETICAL FRAMEWORK

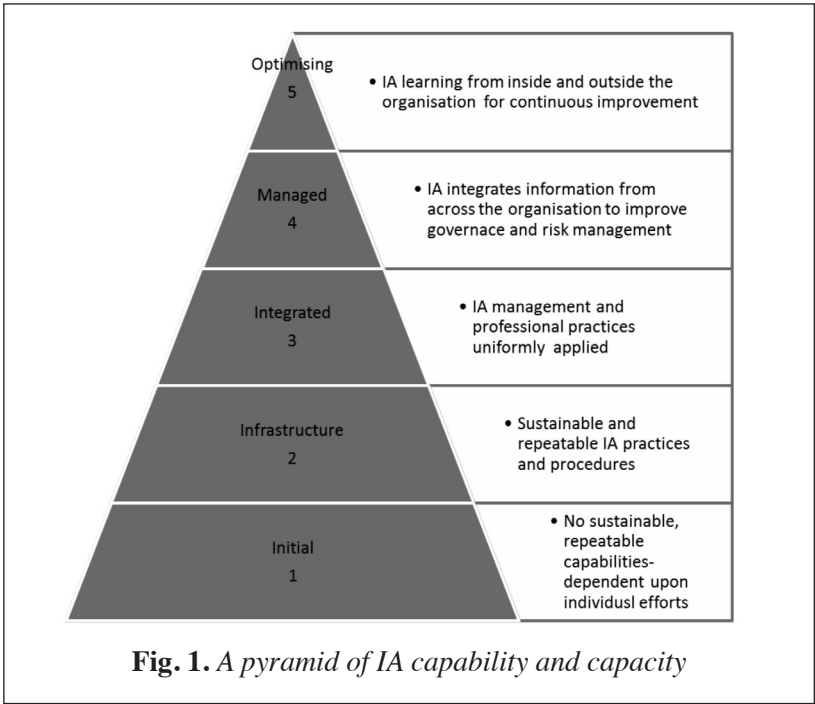
Assessing IA Capability in Organizations

Internal auditing is a core component of an organizations governance process, and therefore its remit is always under the spotlight of various stakeholders such as the board of directors, audit committee, or executive management and regulators. These stakeholders must not only be satisfied with the results of IA but also about the delivery of such results, whether audit work was delivered efficiently and effectively (KPMG, 2012). To this end, organisations must conduct an external assessment of IA activities at least once every five years by a qualified, independent reviewer or review team from outside the organization in accordance with IIA's standard 1312 (IIARF, 2007). Mort Dittenhofer, in 2001 asserted that internal audit is still relatively young discipline and has over the years seen progressive change in both private and public sector organisations. Attention was called to the need to improve internal auditing in organisations and three areas of improvement were identified; ie philosophical, methodological and operational (Dittenhofer, 2001). Elements of the philosophical area according to Mort Dittenhofer include: visions and missions, customer service, quality control, methodological also include:

improve communications, reduction of processing time, use of new methodologies, integrated auditing etc. While the operational area include; improved facilities, improved staff and outsourcing, structure of IA function etc. A study of internal auditing in Latin American countries in 2011 indicated that most countries in Latin American countries internal audit is not well established in private and public companies. Factors that held back IA's development in Latin America included; political issues, lack of professional and technical training, and that the business culture did not consider internal audit as a key partner in governance (Burnaby & Hass, 2011).

An European literature review on internal audit also revealed that internal audit in Belgium is still relatively young and internal audit in large Italian companies undertake mostly traditional assurance services (Allegrini M., D'Onza, Melville & Sarens, 2006). A review of internal audit capacity of New South Wales (NSW) public sector organisations against better practices of private sector organisation reported the following findings: a) varying levels of performance across agencies when their internal audit processes are compared with best practice, b) uneven capacity of agencies across the sector to use the internal audit function to mitigate service delivery failure and other business risks, c) there are opportunities to improve the effectiveness of internal audit without increasing the direct costs of the program, d) smaller agencies require a greater level of assistance in effectively and efficiently using internal audit (Department of Premier and Cabinet, 2008). In 2009, the IIA RF published a framework (IA-CM), for self assessment and continuous improvement of IA activities in the public sector. The model was developed in response to a recommendation by the public sector committee to heighten the importance of internal auditing in public sector organisations. The aim of the framework was to help stimulate the effectiveness of public sector internal auditing by strengthening its capacity globally (IIA Research Foundation, 2009). The model is made up of five levels, based on leading practices. The levels are as follows: initial, infrastructure, integrate, managed, and optimising. Fig one presents a brief description of the model in a pyramid. The framework is progressive from level one through to five, however, the environment within which IA operates, the governance structure, culture may limit an organisation from moving from one level to another. The IIA agree that capacity constraints may affect internal auditing from implementing best practices and therefore IA

in developing countries, may be restricted to the lower levels of the capability model. It is therefore evident from the literature that most public sector organisations have taken residence in the lower levels of the model, especially public sector organisations in developing countries. If public sector organisations are profiled against the IIA capability model, a pyramid shape will emerge with few organisations at the top and many organisations at the bottom.



Source: Researchers design based on IIAF IA-CM, 2009.

Agency Theory and Internal Auditing in Public Sector Organisations

Information asymmetry and consequently moral hazards and adverse selection are agency problems arising from the understanding that agents (managers) are privy to certain privilege information that the principals (owners) do not have (Adams, 1994). Within the accountability relationships in public sector organizations in developing countries, there exist complex or multiple Principal-

agent relationships. Governments are there to serve the people and at the same time governments work through institutions. Government and governmental institutions are both principals and agents, principal in their dealings with service providers and agents in their relationship with citizens and donor agencies. Service providers are agents, accountable to both citizens and government, with a mutual accountability to donor agencies. Therefore, the public sector is rife with strong asymmetries which require a strong and independent agent using risk based internal audit approach to supply the feedback to the principals and agents (Ayagre P., 2014). Internal audit therefore acts as a “moderating agent” between the owners of economic resources and managers of economic resources. Peurseem and Pumphrey, explained that internal auditors act as agents and as monitoring mechanism for its various users: the board, audit committee and senior management (Peurseem & Pumphrey, 2005), citizens, government, and donor agencies, in the case of public sector organizations. IA must therefore be equipped, strengthened and given the room to function effectively as agents in public sector organizations in developing countries, otherwise IA will only add to the already existing agency problems.

METHODOLOGY

Data for the study was collected through questionnaire sent to chief internal auditors and audit managers in Ministries, Departments and Agencies (MDA) mainly in Accra, the capital of Ghana. Chief internal auditors and audit managers were purposefully chosen because they are knowledgeable about current global trends in IA activities and are able to assess IA capacity in MDA's in Ghana against leading practices. Questionnaires were also sent to directors and senior managers of MDA's. Management was included in the study to elicit their perception of the IA function and to give a comparative analysis and whether their responses will collaborate or contradict internal auditor's perception of the IA function. In total 45 responses were received comprising 26 internal auditors and 19 directors and senior managers. The study sought to assess the capacity of the IA function, and given that the IA function will not differ significantly amongst Ministries, Departments and Agencies, the researcher did not deem a large sample size necessary for the study. Recent researchers on

the use of purposive samples in qualitative studies, argue that the sample size should be determined by data saturation point, a point where subsequent enquiries no longer produces further insights (Guest, Bunce & Johnson, 2006). Questions were structure along three lines; the IA function, IA direction, remit and focus, and IA processes (activities). Responses received from respondents were based on a five point scale, ranging from strongly disagree to strongly agree, where 1 represented strongly disagree (SD) and 5 represented strongly agree (SA). Statistical Package for Social Sciences (SPSS) was used to analyse data and presented in the form of means and standard deviations for each question and each category or section of the questionnaire. The study acknowledges that likert scale suffer from the danger of extremes, however likert scale is used most often in social sciences to measure attitudes and perception of respondents.

RESULTS AND DISCUSSIONS

Table 1 present results of responses from managers and internal auditors of public sector organisations in Ghana. The table affords us the opportunity to compare the perception of management and internal auditors about the internal audit function. The last two columns of the table show the overall view of the internal audit function by management and internal auditors.

The Internal Audit Agency Act in Ghana, require all public sector organizations to establish an internal audit unit and the appointment of the required personnel to ensure effective and efficient internal audit activities in public sector organizations in Ghana. It was not therefore surprising that both internal auditors and management agreed that internal audit units in public sector organizations have full complement of personnel to undertake audit activities. On competence of internal audit staff to effectively and efficiently perform internal audits in public sector organizations, again the internal auditors and management of public sector organizations agree that the internal audit function in public sector organizations have the requisite skills and competence with means of 4.26 and 4.10 respectively. However, a review of qualifications of internal auditors which comprised mostly of chief internal auditors and audit managers revealed that out of the

Table 1:

The IA Function

IA Function	Internal auditors		Mgt		Overall	
	Mean	Std. D	Mean	Std. D	Mean	Std. D
The internal audit function has the full complement of personnel to carry out its duties.	4.1579	.76472	4.0500	.51042	4.0667	.68755
The internal audit function has the full complement of personnel with the right skills set to carry out its duties.	4.2632	.65338	4.1000	.55251	4.1778	.57560
IA personnel are well motivated to carry out duties.	2.9474	.97032	3.6000	.82078	3.1333	.99087
IA personnel are remunerated to honestly carry out their duties.	3.3684	1.06513	3.2500	.78640	3.1556	.97597
There is a well-defined career path for internal auditors in my organization.	3.6316	1.21154	4.0000	.64889	3.6667	1.04447
Training programmes are regularly organized for internal auditors in my organisation.	3.6316	.83070	3.8500	.58714	3.6667	.76871
Internal auditors are competent enough to effectively execute their duties and hence add value to my organization.	4.1579	.50146	4.2000	.69585	4.1111	.64745
IA's performance is ADVERSELY affected because IA is NOT well resourced (Human resources) to execute its duties.	2.8421	.89834	2.4000	.94032	2.5556	.94281
The IA function is adequately resourced financially to perform its duties.	2.6316	1.06513				
IA's performance is ADVERSELY affected because IA is NOT well resourced (budget) to execute its duties.	3.3684	.95513				

26 that participated in the study, only two have an accounting related professional qualification and none was a certified internal auditor (CIA). The internal audit function capability and effectiveness is directly related to the leadership provided by the chief internal auditor (Foundation, 2009), therefore a skilled, professionally qualified chief internal auditor is essential for IA to contribute to good governance of public sector organizations. Earlier studies, also confirm the place of qualified personnel if IA is to play its role in organizations. In an interview with Chief Audit Executives (CAE) in Australia, the CAE's emphasized the need for skilled and competent personnel for the IA function (Dominic & Martinov-Bennie, 2011). An internal audit function with low professional, technical staff will impact negatively on IA capacity to effectively perform its duties (Dessalegn & Aderajew, 2007).

The study also sought to investigate the motivation of internal auditors to perform their duties effectively. Three drivers of motivation were identified by the study; training and development, remuneration and career path of internal auditors. When asked whether management was committed to training and development for internal auditors, there was varying level of agreement concerning management's commitment to training and development. While some agreed, a good number remained neutral, that is they neither agreed nor disagreed. Management, however agreed more than internal auditors with means of 3.85 for management and 3.63 for internal auditors. An interesting observation however, is that while internal auditors are hesitant to the question of management's commitment to training and development for internal audit staff, the same overwhelmingly agree that the IA function has the full complement of personnel with the right skills set. Similar responses were recorded in relation to remuneration and career path for internal auditors. Again while some agreed that internal auditors are well remunerated and that there is a clear career path for internal auditors, a good number would rather "sit on the fence" they neither agree nor disagree. When asked generally whether IA personnel were well motivated to honestly carry out their duties without any influence, while management barely agreed, internal auditors disagreed with means of 3.13 and 2.95 respectively.

The results of the study also indicate that IA activities in public sector organizations in Ghana are not adversely affected by limited human

resources, but by a limited budget. Both management and internal auditors disagree that IA activities are adversely affected by under resourced (human resources) IA functions with means of 2.84 and 2.55. But the chief internal auditors intimated that the IA function is adversely affected by limited budget for the IA function with a mean of 3.37.

IA's Focus and Remit

Table 2 presents results on the internal auditor's perception of IA's focus and remit, whether IA's roles, responsibilities and authority etc are clear and documented.

Table 2:

IA's Focus and Remit

IA's FOCUS AND REMIT	Internal auditors	
	Mean	Std. D
There is a formal document that clearly defines my roles and responsibilities.	4.1579	.50146
IA is very clear as to what is expected of the unit from management.	4.0000	.33333
My authority as an internal auditor is clearly stated in a formal document.	4.3158	.47757
IA roles and responsibilities are very clear, no ambiguity	4.1053	.56713
IA's mandate is very clear, no ambiguity	4.1579	.50146
There is a professional, cordial relationship between IA and senior managers in your organization	3.7895	.85498
There is clear support from management and the audit committee or the Internal Audit agency for IA's activities.	3.4737	.90483
IA's performance is ADVERSELY affected because IA is NOT focused, roles and responsibilities are not well defined.	2.6316	1.06513

Part one and section three of the Internal Audit Agency act (Act 658) states that, the Agency shall set standards and procedures for the conduct of internal audit activities in public sector organizations. Therefore the focus, remit and direction of the internal audit function in public sector organizations in Ghana are provided by the Internal Audit Agency. The auditors agreed to the following question on their remit and authority; that there is a formal document that clearly defines roles and responsibilities, IA is very clear as to what is expected of the unit from management. That the internal auditor's authority is clearly stated in a formal document, IA roles and responsibilities are very clear, no ambiguity, IA's mandate is very clear, no ambiguity. Means: 4.16, 4.00, 4.32, 4.11, and 4.16 respectively. As stated earlier, internal audit units in Ghana are established as a consequence of a legal provision, with the internal audit agency acting as a supervisory body. By the act, internal audit units and internal auditors have gained some level of recognition in public sector organisations. The act and the agency prescribes the mandate, roles and responsibilities of the internal auditor. That in itself is not enough to ensure good governance of public sector organisations, senior management, audit committee, and the internal audit agency must be seen to give maximum support to the internal auditor, without which the IA function will be limited in providing the needed support for effective governance of public sector organisations. The internal audit function can be isolated and therefore a good relationship with management, audit committee and a personal support for the chief audit executive will help improve effectiveness of the internal audit function (Dominic & Martinov-Bennie, 2011). When asked whether there is clear support from management and the audit committee or the Internal Audit Agency for IA's activities, the internal auditors were not forthcoming. Majority were uncertain as to whether there is clear support from management, the audit committee or the internal audit agency (mean 3.47).

IA Processes – Activities

Table three present results on internal auditor's perception of IA's activities, whether IA's activities are risk based, the required analytical tools are used, or whether IA has full access to information when performing audits etc.

Table 3:*IA Processes – Activities*

PROCESSES (IA ACTIVITIES)	Internal auditors	
	Mean	Std. D
The audit plan is based on a risk identification process conducted by IA or facilitated by IA in my organisation	4.0000	.74536
Audits performed are influenced by risks identified as limiting management's ability to achieve organizational objectives.	3.7368	.80568
In performing our duties, we incorporate the required technology to enhance audit efficiency and effectiveness.	4.0526	.70504
IA uses data analysis tools in audit work, to prevent and detect fraud.	3.6316	.83070
There is full access to information necessary for IA work in your organisation	3.4737	1.02026
The IA function is independent enough to perform its duties without interference.	3.1053	1.19697

A key element of IA activities is professional practices according to IIA research foundation 2009 report on capability of public sector internal audit units. Professional practices require that the IA function to align itself with the organizations priorities and the risk management activities of the organization so as to contribute to continuous improvement of the IA function and the organization as a whole (Foundation, 2009). The results indicate that, the internal audit plans of public sector organization in Ghana are based on risk identification process conducted by IA or facilitated by IA in these organisations. This results confirms a study on the adoption of risk based internal auditing amongst Ghana's club 100 companies, which revealed that risk based internal audit approaches is widely used in Ghana (Ayagre P., 2014). However when asked further if audits actually performed are influenced by risks identified as limiting management's

ability to achieve organizational objectives, again there were varying responses and a lower mean was recorded. Two possibilities may be the case, either there is outside influence (political interference), to sway IA from audits that might unravel corruption or there are too many adhoc audits which disrupt the audit plan. Neither of the two scenarios supports and promotes good governance of public sector organisations.

One of the objectives of the internal audit agency is to promote the use of technology by IA in performing its duties, also the Act enjoins the agency to facilitate the detection and prevention of fraud in public sector organisations. The results show that IA uses the appropriate technology to enhance audit efficiency and effectiveness (mean 4.05). Regarding whether auditors use data analysis tools to help identify fraud in public sector operations, the results report a mean of 3.63 indicating that auditors use data analysis tools. But upon analysis of the type of data analysis tool used, it was revealed that majority of auditors use excel which does not help much in terms of fraud identification, detection and prevention. However, few auditors about three use IDEA data analysis tool in their audit activities. Full access to information facilitate speedy work of the auditor and allows the auditor to form a fairly accurate audit opinion. Where there are restrictions to access to information, the auditor's scope is limited. The results indicate that while some auditors agree that they have access to information for audit activities, more auditors refuse to take a position as to whether they agree or not (mean 3.47).

In 1999, the Guidance Task Force of the institute of internal auditors developed a new definition of internal audit as: an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations – (Institute of Internal Auditors, 2000). The definition conspicuously identifies independence as a crucial element of internal audit. IA must be seen to be free from conditions that threaten objectivity or the appearance of objectivity in performing IA activities. The internal audit function's activity must evaluate and contribute to the improvement of an institution's governance process, this can only be achieved if IA is independent and objective. The results revealed again that, the internal auditors neither agreed nor disagreed when asked if the IA function is independent enough to perform its duties without interference (mean 3.11). This

result supports the various calls by the internal audit agency and civil society for the amendment of the internal audit agency act to enhance independence and objectivity of internal auditors in public sector organizations in Ghana. Similar results were report in a performance review of internal audit capacity of NSW public sector organizations, which reported that public sector organisations does not mirror private sector organisations in independence (Department of Premier and Cabinet, 2008).

SUMMARY OF FINDINGS

The following summary of findings can be deduced from the discussions of results presented above. The internal audit function has the required personnel to carry out its activities in public sector organizations in Ghana. However regarding technical skills and competence, the study results show that most chief internal auditors or audit managers did not have the relevant professional qualifications and technical expertise. This as noted by (Dessalegn & Aderajew, 2007), will limit IA's capacity to provide effective service to management in organizations.

On motivation, the auditors completely disagreed that internal audit personnel are well motivated to honestly carry out audit activities without being influenced. They were however uncertain about management's commitment to training and development, clear career path for and remuneration of internal audit personnel, which again goes to reinforce chief internal auditors perception of the level of motivation amongst internal audit personnel. Low level of motivation may bring about apathy and corruption amongst internal auditors, hence limiting their ability to contribute to good governance in public sector organizations.

The IA function is adversely affected by limited budget and not by lack of human resources. The internal audit board has repeatedly recommended for the consolidation of internal audit resources of public sector organizations with the internal audit agency as the head of the class (Nii, 2011). The implication of this may be a consolidated budget for internal audit units and allocations done by the internal audit agency. This will be a better option than when internal audit

budgets are left to the discretion of management of public sector organizations.

It was again observed that the roles, responsibilities, authority and mandate of internal auditors is clearly stated in a formal document and that IA know exactly what is expected of them by management. However, in contrast internal auditors did not so much agree to the fact that there is clear support from management and the audit committee or the Internal Audit Agency for IA's activities. The IA function is a requirement by law, so IA's roles, responsibilities, mandate are established by the agency. The needed support by senior management, audit committee or even the agency for IA to effectively perform their duties is lacking according to the auditors.

Internal audit plans of public sector organization are based on risk identification process conducted by IA or facilitated by IA in these organisations. That is to say public sector organisations in Ghana apply risk based internal audit approach in preparing audit plans, but most often internal auditors do not execute their audit plans.

Internal auditors use the appropriate technology to enhance audit efficiency and effectiveness in public sector organisations. IA though lacks modern powerful data analysis tools to detect and prevent fraud in public sector organisations as mandated by the law. Further analysis of the responses revealed that only three of the internal auditors use IDEA data analysis software, the remaining of the auditors either uses excel or no tool at all.

The results cast a doubt over the independence of internal audit function in public sector organisations in Ghana. Internal auditors neither agreed nor disagreed that the IA function is independent enough to objectively and honestly carry out audit activities without undue outside influence.

CONCLUSION AND RECOMMENDATIONS

Amissah-Arthur, the vice president of Ghana in his address on the 9th annual internal audit forum in Accra challenged internal auditors to

work hard to ensure better governance in public sector organizations. He noted that audit reports published in newspapers reveal that there is breakdown of internal controls in public sector organizations (Ghana News Agency, 2014). The emphasis as usual is always on effectiveness of the internal audit function at the blind side of capability and capacity. The paper evaluated the capacity of internal audit function in public sector organisations to enhance good governance. From the analysis of responses, the following conclusions can be drawn. Upon requirements of the internal audit law, IA has full complement of internal audit personnel to execute its annual plans, but IA staff lack the technical and professional skills to effectively and efficiently carry out its activities. There is low level of motivation amongst IA staff and with limited IA budget, may adversely affect IA activities in public sector organisations in Ghana. Again, notwithstanding the fact that IA roles, responsibilities and mandate are clearly documented, there is little support for the IA function in public sector organisations. This may isolate the internal auditor leading to apathy, low morale and possibly the internal auditor seeking alternative employment elsewhere. IA in some cases does not follow through with its annual plans which are prepared based on risk based internal audit principles. This mean that public sector organisations may not be fully maximising the benefits of risk based internal audit approach. The study also observed that IA does not utilise the appropriate data analysis tools to facilitate the identification, detection and prevention of fraud in public sector organisations. Finally the study revealed that IA in public sector organisations in Ghana is not independent which may impair IA's objectivity.

From the above observations, the study can conclude that IA's ability to ensure better governance is limited by; technical and professional skills set, low motivation, limited spending on IA, and little support for the IA function from management. Other limiting factors include, the issue of independence of the internal auditor which directly impact on IA's objectivity and indirectly may influence which audit gets performed as planned.

The study recommend that policy makers address the above constraining factors, which may imply heeding to the several calls for the amendment of the internal audit agency act. The study also

welcome further research on the impact of the above mentioned factors on the effectiveness of the IA function in public sector organisations in developing countries.

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