

UNIVERSITY OF CAPE COAST

EFFECTIVENESS OF INTERNAL AUDIT IN METROPOLITAN,
MUNICIPAL AND DISTRICT ASSEMBLIES IN THE ASHANTI REGION OF
GHANA

ACHINA SAMPSON

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GHANA

BY

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Name: Achina Sampson

Signature..... Date

Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis was supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Name: Professor Edward Marfo-Yiadom

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ABSTRACT

The purpose of this study was to examine the effectiveness of the internal audit in the MMDAs in the Ashanti Region. The motivation of the study was derived from the fact that, there has been an increased interest in the internal audit function in the MMDAs to enhance corporate governance. The data were collected through the use of questionnaire after the census sample had been employed. The study design was a quantitative survey. The study revealed that there is professional proficiency in the internal audit of the MMDAs in the Ashanti Region. Also it was found that, there exists a quality audit work by the unit due to its strong compliances with the international auditing standards. In relation to the hypotheses testing it was revealed that professional proficiency and organisational independence have effect on the effectiveness of an internal audit department. Also quality of audit work and career and advancement were found to have a positive impact on the effectiveness of the internal audit department with statistically significant coefficient hence they were not rejected but top management support was found to have no effect on the effectiveness of the internal audit. It was therefore recommended that the internal audit units need to be adequately resourced including the use of appropriate resources and again, the internal auditors should be given high status in the MMDAs so that they cannot be influence by management. Finally for improved performance, it is recommended that the internal auditors' promotion should not be prolonged and interfered.

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DEDICATION

To my lovely daughters and wife for the encouragement, care and love.

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ABBREVIATIONS

AICPA	American Institute of Certified Public Accountant
ANAO	Australian National Audit Office
CDD	Centre for Democracy and Development
COSO	Committee of Sponsoring Organisations
IA	Internal Audit
IAA	Internal Audit Agency
IFAC	International Federation of Accountants
IIA	Institute of Internal Auditors
ISSAI	International Standard of Supreme Audit Institutions
KMA	Kumasi Metropolitan Assembly
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal and District Assemblies
PUFMARP	Public Financial Management Reform Programme
SPSS	Statistical Product and Service Solution

CHAPTER ONE

INTRODUCTION

Background to the study

Internal auditing is a profession and activity involved in advising organisations regarding how to better achieve their objectives through managing risk and improving internal control system. Internal auditing involves the utilisation of a systematic methodology for analysing business processes or organisational problems and recommending solutions (Asare, 2008). The Institute of Internal Auditors (IIA) (1978) as cited in Abbey (2010) defines internal auditing as an independent appraisal activity established within an organisation as a service to the organisation. It is a control, which functions by examining and evaluating the adequacy and effectiveness of other controls.

The objective of internal auditing is to assist members of the organisation in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsels, and information concerning the activities reviewed (Ali, Gloeck, Ali, Ahmi, & Sahdan, 2007). Millichamp (2002), also defines internal auditing activity as primarily directed at improving internal control. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to proper economic, efficient and effective use of resources.

Historically, from the above definitions, internal auditing was perceived as being to merely ensuring that the accounting and underlying records of an organisation's transactions were properly maintained, that the assets management system was in place in order to safeguard the assets and also to see whether policies and procedures were in place and were duly complied with. With changing times, the concept of internal auditing has undergone significant changes with regard to its definitions, scope of coverage and approach. In some organisations the scope of modern internal auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness and governance processes (Asare, 2008).

According to the Institute of Internal Auditors (IIA) (2002), Internal Audit functions as “an independent, objective, assurance and consulting activities designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management control, and governance processes” (Asare, 2008).

The International Standard of Supreme Audit Institutions (ISSAIs) (2007), also asserted that, internal auditing has become a factor of the new accountability and control era. The manner in which public sector entities maintain internal control and how they are held accountable has evolved to require more transparency and more accountability from these organisations that spend investor or tax payer funds. This trend has significantly impacted

how management implement, monitors, and report on internal control. When the Turnbull report came in 1999 in the United Kingdom (UK), emphasising on risk handling within the whole organisation, and when companies like Enron and WorldCom shocked the world, internal auditing expanded in a big way.

New regulation and framework were established such as the Smith Report on Audit Committees, the Combined Code, and the Sarbanes-Oxley Act. Companies became more aware of the value of internal auditing and executives' and non-executives board members found that they needed a broad range of assurance to do their jobs effectively (Nixon, 2005). Companies in the United State of America enhanced internal audit budgets, staffing levels, meetings with the audit committee, and meeting length marked during that time (Carcello, Hermanson, & Raghunandan, 2005). The profession moved away from a narrow scope of measuring and evaluating the effectiveness of internal control towards risk-based auditing and consulting activities (Krogstad, Ridley, & Rittenberg, 1999).

The Institute of Internal Auditors Ghana was formally registered in April, 2001 in Ghana under the Professional Bodies Registration, 1973 (NRCD 143) as a professional association dedicated to the promotion and development of the practice of internal auditing in Ghana. The institute was formally inaugurated in May13, 2005 to oversee internal auditing in Ghana (Nomo, 2009). The Internal Audit Agency (IAA) was also established by the Internal Audit Agency Act, 2003 (Act 658) with the mandate to coordinate,

facilitate and provide assurance for internal Audit Units in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs). The ultimate goal of the Agency is to ensure accountability and performance in the public sector of Ghana (Nomo, 2009).

The creation of the Internal Audit Agency (IAA) was predicated on the need for the Government to put in place a structure that could support the eventual transfer of budgetary authority and expenditure control to the MDAs and MMDAs. These initiatives are part of the government's effort under the Public Financial Management Reform Programme (PUFMARP). The Act received presidential assent on 31 December 2003, Administrative transition was allowed up to 31 August 2004 and effective implementation started in 2005 (Abbey, 2010). Ghana embarked on a comprehensive program of local government decentralisation in the late 1980s. Proposals launch in 1987 culminated in the introduction of the District Assemblies Law (PNDC Law 207) in 1988.

The main features of the new decentralised local government include Metropolitan, Municipal and District Assemblies (MMDAs) numbering 216. Local Government Act of Ghana (as cited by Abbey, 2010) stated that the statutory obligations of MMDAs among other things include formulating and executing plans, programmes and strategies for mobilising resources needed for the overall development; initiating programmes for development of basic infrastructure and providing municipal works and service; developing, improving and managing human and the environment. As part

of the reforms under the Public Financial Management Reform Programme, a scoping study for the establishment of internal control audit functions in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) was carried out.

It resulted in proposals for the establishment of a Central Internal Audit Agency to enhance efficiency, accountability and transparency in the management of resources in the public sector. Prior to the establishment of the Internal Audit Agency (IAA), the internal audit function in Ghana was part of a decentralised unit before the responsibility was transferred to the Controller and Accountant-General. Under the then Financial Administration Decree, 1979, SMCD 221, the Auditor-General had the legal mandate to carry out internal audit activity in the MDAs and MMDAs (Abbey, 2010).

With the increased emphasis on accountability, transparency and improvement in public sector performance especially in the developing countries where the various stakeholders including civil society and the media are becoming more interested in how public funds are allocated and expended, it is imperative that governments are seen to have a sense of responsibility coupled with an efficient and effective financial control mechanism. Public sector auditing particularly internal auditing is useful in managing public expenditure, ensuring financial accountability, and strengthening governance systems of public institutions (Asare, 2008).

Professional practice of internal auditing in the public sector is a new phenomenon. The management of internal audit function in any organisation will largely impact on its effectiveness. The profile of internal auditors has changed significantly in recent years and there has been increased emphasis on accountability and improvement in public sector performance (Asare, 2008). The big audit firms have recently recognised the importance of exploring the role of internal audit and its effectiveness in several publications (Ernst & Young, 2008; PricewaterhouseCoopers, 2010).

Statement of the problem

Under the then Financial Administration Decree, 1979, SMCD 221, as cited in Gharthey (2003), the Auditor-General had the legal mandate to carry out internal audit activity in the MMDAs. These staff mainly concentrated on pre-auditing of payment vouchers due to lack of formal training in internal auditing. No improvements were recorded in the internal control system as weaknesses were being repeated on an annual basis. According to Gharthey (2003), there was also the risk of conflict of interest with officers having to perform possibly the roles of both accounting as well as an internal audit in the same or related department. The threat to effectiveness and integrity became apparent in a series of scandals in the mid-1980s involving officers of the Audit Service, acting as both internal and external auditors at the Ghana Education Service that caused a huge financial loss to the state (Abbey, 2010).

A review of this function revealed limitations on the scope of the audit function and unsatisfactory reporting relationship. This resulted in the establishment of a central Internal Audit Agency to enhance efficiency, accountability and transparency in the management of resources in the public sector (Internal Audit Agency Act 2003 (Act 658) as cited in Nomo, 2009). Previous studies by Mihret and Yismaw (2007), Bota-Avram and Palfi (2009), Arena and Azzone (2009), Cohen and Sayag (2010) and Karagiorgos, Drogalas and Giovanis (2011) have been on the effectiveness of internal audit and found some determinants of internal audit effectiveness.

Without a doubt, the findings of the studies above opened up a whole new area for research, and recommended the need for more research on the internal audit effectiveness especially in developing countries where more attention should be given. From this backdrop, this study intends to assess the effectiveness of internal audit in MMDAs in the Ashanti region of Ghana. This is because Ashanti region have the highest number of MMDAs in Ghana (that is, thirty MMDAs) and thus the results will be representative for all the MMDAs in Ghana. Also, so far to the best of my knowledge, no research has been focused on the internal audit effectiveness under the Internal Audit Agency Act that came into being to curb the inefficiencies existing prior to the establishment of the Act in the MMDAs in the Ashanti region.

Objectives of the study

The main objective of the study was to assess internal audit effectiveness in MMDAs in the Ashanti region. The specific objectives were to;

1. identify the professional proficiency of internal auditors in MMDAs;
2. examine the quality of audit work by internal auditors in the MMDAs;
3. examine the organisational independence of internal auditors in MMDAs;
4. identify career and advancement opportunities for internal auditors in MMDAs; and
5. determine the extent of top management support for internal auditors in MMDAs.

Research hypotheses

Based on the objectives of the study, the following hypotheses were formulated:

1. H_0 : The professional proficiency of internal auditors has no effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
 H_1 : The professional proficiency of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region

2. H₀: The quality of audit work of internal auditors has no effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
H₁: The quality of audit work of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
3. H₀: The organisational independence of internal auditors has no effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
H₁: The organisational independence of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
4. H₀: Career opportunities for internal auditors have no effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
H₁: Career opportunities for internal auditors have an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
5. H₀: Support from top management has no effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region
H₁: Support from top management has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region

Scope of the study

The study covers the internal audit function within the MMDAs in the Ashanti region of Ghana. In determining the effectiveness of the internal audit function, the focus of the study was primarily based on the professional proficiency of internal audit staff, quality of the audit work of internal auditors, organisational independence of internal auditors, career and advancement opportunities available for internal auditors and the support internal auditors receive from top management based on the recognition these variables have received from empirical studies some of which included Arena and Azzone (2009), Cohen and Sayag (2010) and Karagiorgos, Drogalas and Giovanis (2011).

Significance of the study

The findings from the study revealed the success of the enactment of the Internal Audit Agency Act 2003 (Act 658) to foresee internal auditing in MMDAs. The findings would also enable management of MMDAs to come out with pragmatic policies aimed at improving the quality of their internal audit engagements. The findings are expected to remind the government of the implication of effective internal audit on the operations of their policies. The findings of this study would also be seen as a contribution to existing works on internal audit. Indeed, this would contribute immensely in building up academic knowledge on a wide range of issues.

The study would also play a significant role of internal audit further research into other aspects of the topic under consideration or other related topics in the auditing. The study will further help shape policies concerning financial control and internal structure in Ghana. It will also enlighten students on information concerning the impact of the MMDA's and its significance to the socio-economic growth of the country as a whole.

Limitations of the Study

The researcher was confronted with the non-availability of time by the staff of the MMDAs to provide the needed information in much detail. Another limitation was the fact that the researcher had to redistribute some of the questionnaires to the respondent because they misplaced earlier copies. The questions which were closed ended were not properly answered by the respondents hence it made it difficult in coding them for analysis.

Delimitations of the study

There are a good number of MMDAs in the country. This study was limited to the Ashanti Region and the staffs of the MMDAs because they constitute the large number of the working force of the other MMDAs in the other region. The findings were most relevant to the MMDAs across the country. It is also for the attention of management in general who will want to increase their internal audit to achieve organisational goals.

Organisation of the study

Chapter one introduced the research topic with the background, the problem statement, objectives, and hypotheses. It provided information on the scope, significance, organisation, limitations and the delimitations of the study. Chapter two discussed the definitions, history, evolution, theories of internal auditing and decentralisation. It further discussed the structures of internal audit in Ghana and the passage of the Internal Audit Agency Act (658) and the establishment of the Internal Audit Agency as a central body to oversee professional internal audit practice in Ghana. It also presented the academics and practitioners views on internal auditing. It empirically reviewed literature on effectiveness of internal audit by researchers and also gave a conceptual framework.

The chapter outlined the role of internal auditing in governance, risk management and control. The chapter in addition examined internal audit effectiveness and the determinants of internal audit effectiveness. Chapter three examined the methodology which included the design, and strategy adopted in undertaking the research. The population and sample, the research instrument and the procedures applied in data collection. The method used in testing the hypotheses and the determinants of effective internal auditing. The dependent variable and the independent variables were defined. Chapter four presented the results from the study and discussion. Chapter five summarised the study and generated summary of findings, conclusions and discussed the recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter discusses the definitions of the main variables used in the study and reviews some theories of internal auditing and decentralisation. It further discusses the structures of internal audit in Ghana according to the Internal Audit Agency Act (658) and the establishment of the Internal Audit Agency as a central body to oversee professional internal audit practice in Ghana. This section also reviews empirical literature on effectiveness of internal audit and its determinants. Also the role of internal auditing in governance, risk management and control are examined in addition to the internal audit effectiveness. Moreover, what IA unit stands for (that is, assurance and consulting unit) as defined by IIA (1999) are discussed. The chapter concludes with a conceptual framework which was crafted from the theories and literature reviewed.

Definitions of internal auditing

Historically, internal auditing was perceived as being to merely ensuring that the accounting and underlying records of an organisation's transactions were properly maintained, that the assets management system was in place in order to safeguard the assets and also to see whether policies and procedures were in place and were duly complied. With changing times, the concept of internal auditing has undergone significant changes with

regard to its definitions, scope of coverage and approach. In some organisations the scope of modern internal auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness and governance processes (Asare, 2008).

The objective of internal auditing is to assist members of the organisation in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsels, and information concerning the activities reviewed (Ali et al., 2007). The Institute of Internal Auditors (IIA) (1999), defined Internal Auditing 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 process.”

The notable difference between the definitions of 1978 and 1999 (as repeated in IIA 2008) is the prominence of objectivity in internal audit activities and also the emphasis on the evaluation and improvement of the effectiveness in risk management and governance processes. The current definition also contemplates two main internal audit services: assurance and consulting service. The revised definition did expand the scope of internal auditing to include its role in corporate governance, risk management and the additional responsibility to control activities (Coetzee & Du Bryun, 2001).

The expanded responsibility of the internal auditor and the requisite skill-set in the 21st century was reiterated by Ratliff (1996) thus Auditors of the 21st century must be prepared to “audit virtually everything - operations include control systems, performance information and information systems, legal compliance, financial statements, fraud environment reporting and performance, and quality.” Auditing covers a wide range of activities with varied objectives that according to IIA, supports the governance responsibilities of oversight, insight and foresight (IIA, 2006).

Chapman and Anderson (2002), also explains that this new definition of internal auditing presents a new image of the profession in six significant ways:

1. As an objective activity, not necessarily established within the organisation, the revised definition permits internal auditing services to be provided by “outsiders,” in effect acknowledging that quality internal audit services can now be obtained through outsourcing.
2. By emphasising that the scope of internal auditing encompasses assurance and consulting activities, the new definition projects internal auditing as proactive and customer-focused, and concerned with key issues in control, risk management, and governance.
3. By explicitly stating that internal auditing is designed to add value and improve an organisations operation, the new definition underscores the significant contribution that internal auditing makes for any organisation.

4. By considering the whole organisation, the new definition perceives internal auditing mandate much more broadly, charging it with helping the organisation accomplish overall objectives.
5. The new definition assumes that controls only exist to help the organisation manage its risk and promote effective governance. Such a perspective considerably broadens the horizons of internal auditing and expands its working domain to include risk management, control, and governance processes.
6. The new definition accepts that the internal auditing profession's legacy, consisting of its unique franchise in being a standards-based profession, may well be its most enduring and valuable asset. Rigorous standards provide the basis for crafting a documented, disciplined, and systematic process that assures quality performance on internal audit engagements.

Theoretical review

This section reviews theories on decentralisation and internal auditing.

Sequential theory of decentralisation

The Sequential theory of decentralisation was proposed by Falleti (2004) and stated that decentralisation is a set of *state reforms*. As such, decentralisation does not include transfers of authority to non – state actors. In general, the decentralisation reforms analysed here followed the collapse of the developmental state and accompanied the move toward free – market

economies characteristic of the last quarter of the twentieth century. Finally, as defined here, decentralisation reforms may take place in authoritarian as well as democratic contexts, which means that the concepts of decentralisation and democratisation should not be conflated.

Falleti (2004) classifies decentralisation policies as belonging to one of three categories - administrative, fiscal, and political - depending on the type of authority devolved. *Administrative decentralisation* comprises the set of policies that transfer the administration and delivery of social services such as education, health, social welfare, or housing to sub national governments. Administrative decentralisation may entail the devolution of decision – making authority over these policies, but this is not a necessary condition. If revenues are transferred from the centre to meet the costs of the administration and delivery of social services, administrative decentralisation is funded (and coincides with fiscal decentralisation).

If subnational governments bear the costs of the administration and delivery of transferred services with their own pre - existing revenues, administrative decentralisation is not funded. - *Fiscal decentralisation* refers to the set of policies designed to increase the revenues or fiscal autonomy of subnational governments. Fiscal decentralisation policies can assume different institutional forms. An increase of transfers from the central government, the creation of new subnational taxes, and the delegation of tax authority that was previously national are all examples of fiscal decentralisation. - *Political decentralisation* is the set of constitutional

amendments and electoral reforms designed to open new - or activate existing but dormant or ineffective - spaces for the representation of subnational polities. Political decentralisation policies are also designed to devolve electoral capacities to subnational actors.

Regarding the consequences of each type of decentralisation, Falleti (2004) expected administrative decentralisation to have either a positive or negative impact on the autonomy of subnational executives. If administrative decentralisation improves, local and state bureaucracies fosters training of local officials, or facilitates learning through the practice of delivering new responsibilities. This will likely increase the organisational capacities of subnational governments. Nevertheless, if administrative decentralisation takes place without the transfer of funds, this reform may decrease the autonomy of subnational officials, who will be more dependent on subsequent national fiscal transfers or subnational debt for the delivery of public social services.

Similarly, fiscal decentralisation can have either a positive or negative impact on the degree of autonomy of the subnational level. The result will depend largely on the design of the fiscal decentralisation policy implemented. Higher levels of automatic transfers increase the autonomy of subnational officials because they benefit from higher levels of resources without being responsible for the costs of collecting those revenues. On the contrary, the delegation of taxing authority to subnational units that lack the administrative capacity to collect new taxes can set serious constraints on

the local budgets, and increase the dependence of the local officials on the transfers from the centre.

Theories of internal auditing

Two theories were reviewed for these study thus the profession and the institutional theory. The profession theory has been studied in different areas since the 1930's and can be helpful since new professions have over time been identified and explored using this approach (Fogarty & Kalbers, 2000). Institutional theory is also a widely accepted theoretical posture that focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines, become established as authoritative guidelines for social behaviour (Scott, 2004).

Profession and profession theory

Winters, (2009) claimed that internal auditors have great responsibility to lead organisations through difficult times. Internal auditors have the opportunity to ensure that organisations remain sound; emphasising on objectivity, confidentiality and competency. Furthermore, Winters argues that individual internal auditors can only achieve their full potential if the profession as such is strengthened. Important steps to advocate the profession includes: Complying with standards, communicating to senior management and the audit committee about internal auditing role and value in providing assurance, developing supportive mentoring with colleagues

and clients.

Implementing quality assurance and improvement programs, networking with people outside the profession to share knowledge about internal auditing and explain why we are so committed to the profession. Speaking about the profession and audit-related topics at IIA chapter events, schools and local business organisations (Winters, 2009). Professions can be interpreted in ambivalent ways, from the rise of professions as knowledge triumphant to a malfeasance of a monopoly of knowledge (Abbott, 1988). With the growing rate of information and knowledge, the professions occupy a key position in society.

The term ‘profession’ involves occupations that are formed by scientific research and contains the pioneers of society with innovations in technology, health, organisation, economics, and science, among others. Classic professions base their status and income on scientific knowledge (Abbott, 1988). Those professions that do not share the same attribute to the same extent like nurses and teachers are called semi professions. One of the most influential works in profession theory is done by Abbott (1988), who defines professions as “somewhat exclusive groups of individuals applying somewhat abstract knowledge to particular cases.”

There have been many attempts to define ‘profession’ since Abbott’s article and in the search for a more updated definition, Kagermann, Kinney, Kuting and Weber (2008), defines profession in the following way: “Professional occupations are in aspect organised, relatively autonomous

bearers and vectors of socially sanctioned, abstract knowledge system that gives them the ability to perform acts that are perceived as difficult, skilled and highly valued by the public / client.” This definition is based on the following characteristics: Abstract knowledge which is the ability to capture and incorporate new problems and to monopolise new areas; Uncertainty / technicality: The amount of uncertainty a profession deals with; Confidence: the general idea of the professions importance and difficulties; Interchange ability: The collective strategy to emphasise skills of the profession and access Point: Professions as conveyors of knowledge system.

The profession theory focuses on how abstract knowledge can be applied within a profession. The traditional perspective distinguishes between occupational groups that can be labelled as professions and those who cannot. Modern profession theory uses another perspective by looking at how occupation groups preserves their dominance (Forgarty & Kalbers, 2000). A vital profession strategy is called closure. This can be used to isolate an activity, resources and opportunities. Chapman and Anderson (2002), brings up two types of closure: exclosure, which means shutting out those without proper education, and usurpation, which means penetration into areas and taking possession for oneself. Social groups can use this approach to monopolize certain knowledge and skills.

Some studies have been done with the focus on the objectivity of internal auditors (Schneider, 2003; Brody & Lowe, 2000). However, several other characteristics of individual internal auditors have not yet been fully

addressed. Chapman and Anderson (2002), argues that the capacity of the internal audit function is determined by several characteristics, including professional certification.

Institutional theory

Institutional theory explains how organisational structures and practices are shaped through changes induced by normative pressures, including both external and internal sources such as laws and regulations, or by the professions (Zucker, 1987; Mihret et al., 2010). Similarly, Arena and Azzone (2007) identified the following external forces that impact both individuals and organisations: (a) laws and regulations (coercive isomorphism), (b) choices of other organisations (mimetic isomorphism), and (c) consultation or professional bodies (normative isomorphism).

Several previous studies in internal audit have adopted an institutional theory (Al-Twajry et al., 2003; Arena, Arnaboldi & Azzone, 2006; Mihret et al., 2010). Al-Twajry et al. (2003) adopted the isomorphic perspective to investigate internal audit in Saudi Arabia, and the institutional theory is employed to explain their findings regarding the establishments of internal audit and the role of the government in promoting their development. Similarly, Arena, Arnaboldi and Azzone (2006) focused, on the coercive isomorphism, to investigate the development of internal audit in six Italian companies as a multiple case study. Their findings confirmed that the adoption and development of

internal audit were impacted by the coercive, mimetic and normative pressures. Moreover, a study by Arena and Azzone (2007), based on survey involving 364 Italian companies, found that the isomorphic pressures have a significant impact on the companies' support of internal auditing. The researchers suggest a need for future research to address the internal audit effectiveness by using institutional theory. Mihret et al. (2010) argue that there is a positive relationship between compliance with ISPPIA and organisational goal achievement, and this relationship could evaluate internal audit effectiveness.

Based on the above discussion, it can be seen clearly that the institutional theory is a valid theory for internal audit effectiveness in both developed and developing countries; and it is a useful theory which can explain the relationship between some variables of the study. This makes it relevant to be embedded in the development of this research conceptual framework.

Public sector internal auditing

Asare (2009), asserted that as is true for all internal auditors, public sector internal auditors are called upon to assist organisations in improving their operations. The public sector internal audit function is an element of a strong public sector governance foundation. Most public sector internal auditors also play a role in their entity's accountability to the public as part of the check-and-balance process.

Abbey (2010), also argued that the diverse nature of the public sector places increasing importance and value on a common understanding of independence as it is key to any auditor's credibility. As internal auditors are an integral part of the organisation, the achievement and maintenance of their independence is even more challenging. The internal audit function can be organised and performed at various levels within an entity, or within a broader framework that covers set of similar entities. The same principles and rules apply to these different organisational levels of internal auditing.

The structure of internal audit in Ghana

From 1979 to 1989, the internal audit function was part of the decentralised unit where the Auditor-General had the legal responsibility for the provision of an internal audit function for the Ministries, Departments and Agencies (MDAs) and, the Metropolitan, Municipal and District Assemblies (MMDAs) under the Financial Administration Decree, 1979, SMCD 221, before this responsibility was transferred to the Controller & Accountant -General. At this stage, internal audit was mainly a watchdog role over the activities of the accounting staff seconded to MDAs and MMDAs (Ghartey, 2003).

The Audit Service was structured with officers solely dedicated to internal auditing. Pre-auditing was done on a continuous basis and geared towards achieving the objective of providing management, stakeholders and the entire citizenry with the level of assurance that, these financial

transactions had been undertaken with due regard to the existing statutes, regulations and procedures (Asare, 2008). The threat to effectiveness and integrity became apparent in a series of scandals in the mid-1980s involving officers of the Audit Service, acting as both internal and external auditors at the Ghana Education Service that caused a huge financial loss to the state (Ghartey, 2003).

Internal audit under the internal audit agency

Parliament passed the Internal Audit Agency Act, 2003 (Act 658), as cited in Ghartey (2003), established the Internal Audit Agency as an oversight body to co-ordinate, facilitate and provide quality assurance for internal audit activities within MDAs and MMDAs. The public sector reforms initiated by governments in many developing countries in the last decade were primarily triggered by the desire to ensure prudent use of the public funds. Public sector auditing, particularly internal auditing is useful in managing public expenditure, ensuring financial accountability, and strengthening governance systems of public institutions (Abbey, 2010).

Internal audit units operate as integral parts of public institutions responsible to the management of these organisations. The Agency was however established with the oversight responsibility for ensuring professionalism and quality assurance for internal audit practice within MDAs and MMDAs.

The organisational structure of the Internal Audit Agency is shown in

Figure 1

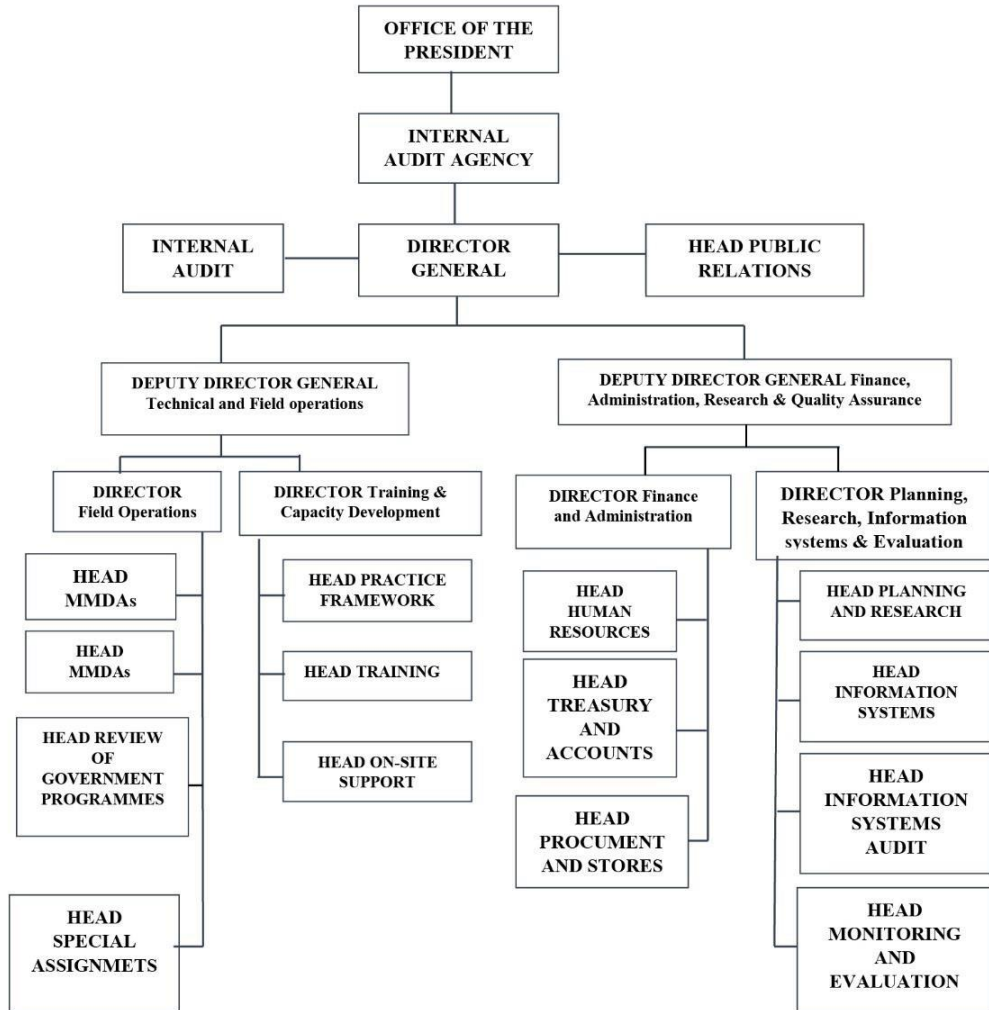


Figure 1: Organisational structure of the internal audit agency of Ghana

Source: Abbey, 2010

The function of the Agency is to set standards and procedures for an effective internal audit function within MDAs and MMDAs and to ensure among others the following: accurate, reliable and timely reporting of financial, managerial as well as operation information both internally and externally. Compliance with laws, policies, plans standards and procedures of the financial activities of MDAs and MMDAs; the safeguarding of national resources; national resources are expended economically, effectively and efficiently; adequate management of risks by MDAs and MMDAs and to facilitate the prevention and detection of fraud (Internal Audit Agency, 2003, (Act 658) of Ghana as sited in Abbey, 2010).

The Agency reports to the President through a board appointed by the President acting on consultation with the Council of State. Criteria for the appointment are based on knowledge, expertise and experience in matters relevant to the functions of the Agency. The board is composed of: the chairperson; the Minister responsible for Finance or representative; the Minister responsible for Local Government & Rural Development or representative; the chairperson of the Public Service Commission or representative; the Director-General of the Agency; two other members from the private sector; and two professional accountants each with not less than ten years' experience in the profession nominated by the Council of the Institute of Chartered Accountants (Ghana) (Abbey, 2010).

Role of internal auditing

Asare (2009), asserted that the role of internal audit can be identified as involving three main elements, namely the evaluation and improvement of risk management, control and governance process. These elements are sometimes referred to as the “three pillars” of internal audit (figure 2).

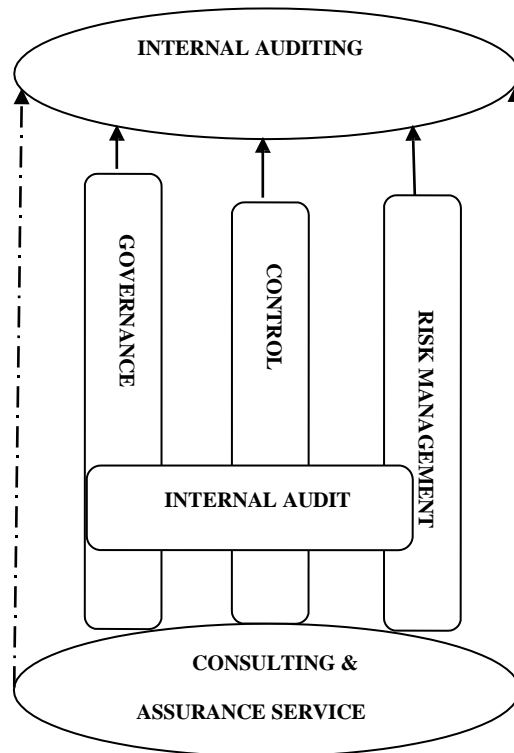


Figure 2: The three pillars of internal auditing.

Source: Asare, 2009.

The three elements are further discussed below as reinforcements of the fundamentals of an internal audit function in the public sector. Risk management, control and governance encompass the policy and procedures established to ensure the achievement of objectives and include the

appropriate assess of risk, the reliability of internal and external reporting and accountability process, compliance with applicable laws and regulations and compliance with the behavioural and ethical standards set for public organisations and employees. Internal auditors can provide independent evaluation of risk management systems and internal control systems, thereby providing assurance. This can be complimented with assistance to management within this area, thus providing consultancy (Sarens & De Beldee, 2006).

Risk management

According to the Australian Department of Finance and Deregulation, risk management is an important responsibility for any public sector entity for effective and efficient use of resources. It defines risk management as follows; Risk is the possibility of an event or activity impacting adversely on an organisation, preventing it from achieving organisational outcomes. Risk management comprises the activities and actions taken to ensure that an organisation is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities. Managing risk well requires careful consideration of the key concepts of minimising loss, maximising opportunities and preparing for uncertainties (Sarens & De Beelde, 2006).

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment,

ever increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of an entity involved in the implementation of national development strategies.

The internal auditors role in risk management involves assessing and monitoring the risk that organisation faces, recommending the controls required to mitigate those risks and evaluating the trade-offs necessary for the organisation to accomplish its strategic and operational objectives. Griffiths (2006), asserted that internal auditing provides independent and objective assurance to an organisation's management that its risks are being mitigated to an acceptable level, and reports where they are not.

Frauds and corruption are key risks that need to be managed in the MMDAs. Management has the responsibility to put in place systems and processes that will prevent and detect risks within the organisation. However, it is the internal audit that gathers sufficient objective information for management to carry out its stewardship function and to be well informed on the risks of fraud and effectiveness of fraud control procedures and to enable them to understand the complexities and fraudulent activities.

Internal audit adds value through improving the control and monitoring environment within organisations to detect fraud (Coram, Ferguson & Moroney, 2007). The very presence of internal audit review in an institution serves as a deterrent measure on the assumption that any fraud perpetuated may be uncovered. Good governance principles require that audit

committees or similar bodies work closely with internal auditors in fraud risk evaluation and investigation especially when recent trends suggests perpetration by senior management in collusion with other employees.

Griffiths (2006), identified the useful role internal auditing could play in the investigation process and made the following suggestions, ‘internal auditors can play a vital role assisting alleged cases of corruption in public sector organisations by way of interpretation of various rules, explanation of various practices, and sharing of some confidential information that they may possess as they usually have more diversified and detailed knowledge of the operations in different parts of the organisation than the investigating agency staff that are deployed only for a particular case.’

The challenge of public sector internal auditing, however, is to avoid becoming compliance - based due to the presence of a strict legal framework that sets out the public financial controls and internal auditing processes. Asare (2009), argued that, moving towards risk-based internal audit will require a foresight function of monitoring and advising on the improvement of program efficiency and effectiveness and mitigating risks that hinder the achievement of organisational objectives.

Control

Management control in the public sector includes all the policies and procedures put in place by management and the management of public sector

entities aimed at promoting accountability of resources. Another term for management control is internal control. In the public sector, controls are mainly in - built in the public financial management system. Internal audit has the key function of reporting to the senior management in the public sector entities on the functioning of the management control systems and recommending improvements where applicable.

According to Baltaci and Yilmaz (2006), the effort to reform a fiscal system should include internal control and audit due to crucial role they play in enhancing accountability and effectiveness. Internal auditing provides both government and related parties with powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Internal auditing activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors. Internal Auditors in the public sector work with management to improve internal controls and to ensure compliance with applicable laws.

Internal audit activities further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement which constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials (Asare, 2009).

According to Szymanski (2007) as sited in Abbey (2010), control systems play an important role in enhancing the accountability and

transparency of public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms. However, internal auditing as a control measure does not only minimise the opportunities for corruption through the verification of procurement processes but also ensure effective physical monitoring of capital items procured and actual utilisation to avoid fraud and abuse.

Governance

Public sector governance relates to the means by which goals are established and accomplished. It also includes activities that ensure government creditability, establish equitable provision of services, and assure appropriate behaviour of government officials whilst reducing the risk of public corruption (IIA, 2006).

According to Australian National Audit Office (ANAO) (2003), public sector governance has a very broad coverage, including how an organisation is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders. The concept encompasses the manner in which public sector organisations acquit their responsibility of stewardship by being open, accountable and prudent in decision-making, in providing policy advice, and in managing and delivering programs.

The broader nature of public sector governance necessitates an effective internal auditing function in order to meet the demanding responsibilities imposed by stakeholders. Internal audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities. The complexity of the public sector operating environment requires that the internal audit structural design, approach, practice and scope are reformed to ensure open, accountable and product decision-making with all public sector organisations (Asare, 2009).

According to IIA (2006), internal audit role in governance are broadly identified to be twofold. Firstly, internal auditing provides independent, objective assessment on the appropriateness of the organisations governance structure and the operating effectiveness of specific governance activities. Secondly, they act as catalysts for change, advising or advocating improvements to enhance the organisations governance structure and practices.

The role Internal auditors must play in governance process according to IIA (2006) is that, internal auditing activity should assess and make appropriate recommendations for improving the governance process to accomplish the following objectives: promoting appropriate ethics and values within the organisation; ensuring effective organisational performance management and accountability and effectively coordinating the activities of and communicating information among the broad, external and internal

auditors and management.

Internal auditing as an assurance and consultancy unit

According to Chapman and Anderson (2002), the new definition has carved a new image for the internal audit function, which includes assurance and consulting activities designed to add value and improve organisational performance. These new roles have turned internal auditing into a “proactive, consumer focused concerned with the important issues of control, risk management and governance” (The IIA, 2002). Some of the assurance engagements include financial, performance, compliance, system security and diligent audits

Assurance services, according to IIA (2008), involve the Internal Auditor’s objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, an operation, a function, a process, system or other subject matter. The nature and scope of the assurance engagement are determined by the Internal Auditor. There are generally three parties involved in assurance services; The person or group directly involved with the entity, operation, function, process, system, or other subject matter - the process owner, the person or group making the assessment- the Internal Auditor, and the person or group using the assessment- the user.

The consulting services, according to IIA (2008), are advisory in nature and are generally performed at the specific request of an engagement

client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: the person or group offering the advice – the Internal Auditor and the person or group seeking and receiving the advice – the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume responsibility (IIA 2008). Examples of the consulting activities are drafting policies, conducting internal audit training, and participating in quality teams. Included also in consulting services are assessment services, facilitation services; and remediation services.

Decentralised local government administration in Ghana

Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies do not have directors. Government wide laws and regulations regulate their affairs. Certain assets such as buildings and infrastructure may be outside the control of those who occupy them. Moreover, government entities rarely if ever collapse due to internal control failures and do not need to report to shareholders as the case may be in the private companies.

It is relevant because government is the custodian of the resources owned by the citizens and they expect effective and efficient utilization of these resources to promote economic growth and development. The weakness or absent of internal control in a government institutions may

lead to corruption, misappropriations of funds and inefficiencies in the systems (CDD Ghana, 2000 as cited in Abbey, 2010). The compounded effects of corruption, misappropriation of funds and inefficiencies includes; low standard of living, government budget deficit and inequality of redistribution of resources (Abbey, 2010).

One way of understanding the need for government systems of internal control, is to think of government entities as corporate bodies and to ask how system of control used in large private sector entities are relevant to management improvements (IFAC, 2006). It is appropriate for each local government level to develop its own internal control system that will ensure transparency, public accountability, effectiveness or efficiency and responsiveness.

Local government financial management and reforms in Ghana

In reviewing the local government and decentralisation in Ghana, Sharma (2010) identified a number of financial management reforms that has been implemented to help in meeting some challenges of the country. Some of these are highlighted for the purpose of the current study. They are: Central government must be committed to decentralised planning systems so that the programmes and projects of District Assemblies are truly reflected in national development plans in terms of finances; Issues of district boundaries demarcation, the configuration of districts, the naming of districts, and the selection of district capitals should be addressed in

consultation with and through the active involvement of chiefs, opinion leaders and those people affected by such changes.

A future revision of the Local Government Service Act should properly define the roles and relationships between the Ministry of Local Government, the Local Government Service (appointed officials) and the Local Government Service Council. Some of the materials on organisational arrangements and statutory provisions devised in Ghana for promoting decentralisation and strengthening local government may be of value as lessons for other countries. One such organisational innovation is the District Assemblies' Common Fund established by the Constitution of Ghana as an instrument for promoting fiscal decentralisation – an essential prerequisite for strengthening the meaningful autonomy of local government. Article 252 of the constitution of Ghana provides that the Parliament has to allocate not less than 5 percent of the total revenue of Ghana among District Assemblies, to be distributed in quarterly instalments. This is done on the basis of a formula to be approved by Parliament and to be administered by a District Assemblies' Common Fund Administrator.

The formula for the distribution of the Common Fund, as developed by the Administrator over the years, uses five main factors as inputs:

Equality: Every Assembly irrespective of size or population is allocated a fair amount of the Fund;

Population Density: The greater the population density of a district the more of the Fund the Assembly receives.

Service Pressure: The greater the population of a district the more of the Fund the Assembly receives, reflecting the greater absolute demands on services provided by the Assembly.

Development Status: The more developed a district, the less of the Fund the Assembly receives. The development status of the district is measured by the number of schools, the ratio of teachers to pupils per class, the number of health facilities and ratio of doctors per head of population, the availability of electricity, telecommunications and postal services, and the presence of banking and other financial institutions.

Incentive: An increase in locally mobilized revenues in real terms relative to a given base-year results in an increased allocation, whilst no increase or a decrease results in a zero percent allocation.

Once developed, the Common Fund Formula is submitted to Cabinet by the Minister of Local Government and subsequently to Parliament for approval. Once approved and passed on the floor of the House by resolution, the Minister of Local Government then formulates guidelines on the categories of projects on which the Fund must be expended. These practices adopted in Ghana promote decentralisation in so far as the District Assemblies receive a certain percentage of central revenue as a right.

However, the authority vested in the Minister of Local Government for the formulation of guidelines for the utilisation of funds is a significant provision that strengthens central authority and maintains centralisation. Between 1999 and 2007, as much as between 41 percent and 50 percent of

the Common Fund was transferred as 'tied grants' determined by the Minister of Local Government. Also, Parliament has allocated 6 percent of the Fund for use by Members of Parliament as an 'MP's Constituency Development Fund' and retains 4 percent of the Fund for central government agencies. This instrument for fiscal decentralisation therefore does not strengthen the autonomy of local government in reality as much as the constitutional provision suggests.

Internal audit effectiveness

Arena and Azzone (2009) defined effectiveness "as the capacity to obtain results that are consistent with targets objective," while, Dittenhofer (2001) view effectiveness as the ability toward the achievement of the objectives and goals. In the same context, a program can be seen as effective if its outcome goes along with its objectives (Ahmad, Othman, & Jusoff, 2009; Mihret et al, 2010). Therefore, it's quiet interesting that audit effectiveness is the outcome of the auditors' activities, duties, professional practices and responsibilities through a high commitment with audit standards, goals, objectives, policies and procedures (Ussahawanitchakit & Intakhan, 2011).

In the same vein, Shoommuangpak and Ussahawanitchakit (2009) provided that audit effectiveness refers to "achieving audit's objective by gathering of sufficient and appropriate audit evidence in order to form reasonable opinion regarding the financial statements compliance with

generally accepted accounting principles.” Similarly, Beckmerhagen, Berg, Karapetrovic and Willborn (2004); Karapetrovic and Willborn (2000) also considered audit effectiveness as “the joint probability that the audit will be reliable, available, suitable, maintainable and valuable.” Therefore, going by the above definitions of effectiveness and audit effectiveness, it is clear that audit effectiveness or internal audit effectiveness means the same thing because they all have central target which is ‘the ability of achieving established objective.’

In addition, IIA (2010) defined internal audit effectiveness “as the degree (including quality) to which established objectives are achieved.” Also internal audit effectiveness means the extent to which an internal audit office meets its purposes (Mihret & Yismaw, 2007). While Mizrahi and Ness-Weisman (2007) give their own definition which is in line with the ability of the internal auditor intervention in prevention and correction of deficiencies and they finally defined internal audit effectiveness as “the number and scope of deficiencies corrected following the auditing process.” Therefore from the above definition, this study defined audit effectiveness or internal audit effectiveness as the ability of the auditors either internal or external to achieve established objective within the organisation. However, the objectives of an internal audit for every organisation are depending on the goals set out by the management of such organisation (Pungas, 2003) and as such, the management of various organisations should have a clear objective for internal auditors to achieve with available resources and other

means that might aid the achievement of such objective, even though the degree of internal audit effectiveness tends to vary within organisational level as well as country (Al-Twaijry et al., 2003). Nevertheless, organisations should encourage such effectiveness because it might aid their objective achievement.

The effectiveness of the internal auditing largely depends on its official recognition to enable the function contribute to the organisational goals and objectives by giving services to management and the board. An effective audit function is necessary to ensure not only that the organisation gets value for its money but also it fulfils its mandate. Audits conducted by such function require an objective, comparison between the information relative to what was performed and the appropriate rules governing a class of transactions.

There are two main approaches to the concept of IA effectiveness. According to the first approach, the effectiveness of internal auditing is determined by the fit between the audit and some set of universal standards extrapolated from the characteristics of IA (White 1976). Such an approach was presented by Sawyer (1988), who advanced five standards for internal auditing: interdependence, professional proficiency, scope of work, the performance of the audit and management of the internal audit department. This approach was also followed by Anderson (1983). The second approach, which is used in the study, follows the arguments of Albrecht, Howe, Schueler and Stocks (1988) that the effectiveness of internal auditing is not a

computable reality, but rather is determined by the subjective evaluations assigned to this function by management. In other words, the success of any internal audit can only be measured against the expectation of the relevant stakeholders (Albrecht et al., 1988). This approach requires the development of systematic and generally valid measures by which to gauge IA effectiveness (Dittenhofer, 2001).

Empirical studies

Mihret and Yismaw (2007), Bota-Avram and Palfi (2009), Arena and Azzone (2009), Cohen and Sayag (2010), and Karagiorgos et al (2011) have all researched on the effectiveness of internal audit. Mihret and Yismaw (2007), attempted to introduce a new approach for the evaluation of the internal audit effectiveness by identifying factors within an organisation that has an impact on audit effectiveness. As a result, the model considered four potential factors; internal audit quality, management support, organisational setting, and auditee attributes to describe audit effectiveness, and revealed the way the interaction of these factors improves audit effectiveness. Their findings indicate that both the internal audit quality and management support have a strong influence on internal audit effectiveness. The researchers also suggest a need for future research to understand the internal audit effectiveness by using other variables.

Bota-Avram and Palfi (2009) examined the efficiency and the effectiveness of internal audit. The main output from their research was the

fact that there is a large amount of methods and instruments that could combine qualitative with quantitative elements. However, the researcher stated that the choice of used method depends on the settlement of the main objective of trying to obtain the best reflection of internal audit's relevancy and efficiency, in order to obtain a good developing of internal audit department.

Arena and Azzone (2009) examined internal audit effectiveness by analysing the drivers of Auditees satisfaction, involving 12 Italian organisations from different industries and different normative context (the analysis tackled listed and non-listed companies; financial and non-financial service providers). Their conceptual model tackled three sets of issues which could influence IA effectiveness; two of them deal closely with internal auditing (Sarens, 2009), and the last one deals with the organisation as a whole. The set included; the characteristics of the IA units; the characteristics of individual internal auditors working in the IA units; and the organisational environment.

Their analysis showed that different factors are important to drive IA effectiveness. However, not all of them are under the internal auditors' control. Among controllable factors, the most relevant deal with competence and professional proficiency of internal auditors, an adequate "promotion" of internal audit at company level, and the modes of interaction between auditors and auditees during audit interventions. Instead, factors which are not completely under internal auditors' control include, on the one hand, resources available to the audit function (budget and people of the audit team); on the

other hand, the risk profile of the organisation and its Key Performance Indicator. Moreover, the authors highlight the need for more detailed analysis to understand the impact of internal auditors' competencies on internal audit effectiveness.

Cohen and Sayag (2010) studied the effectiveness of internal audit on the empirical examination of its determinants in Israeli organisations. The researchers designed a scale for measuring the effectiveness of internal audits. They also advanced conceptual determinants and developed scales for measuring them. The findings of the factor analysis showed that IA effectiveness is a multi-dimensional construct. The quality of the internal auditor's work, the evaluations of the auditees and the added contribution of IA were found to be the three dimensions that encompass the concept of IA effectiveness. The correlation and regression analysis showed support from top management to be the main determinant of IA effectiveness, with the effect also found for the organisational independence of IA.

Karagiorgos *et al.* (2011) studied on the evaluation of the effectiveness of internal audit in Greek Hotel Business. The study presented empirical evidence that highlighted the counteraction between the components described by the Committee of Sponsoring Organisation's (COSO) Report of internal auditing and its efficacy. In line with the above, the five interrelated components (or criteria) used were Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. The results from the study indicated that all the components of internal control

system were highly rated. More precisely, the Control Environment component of internal control system was the most highly rated item with a mean of 4.03 while Monitoring was the least rated item with a mean of 4.12.

Overall, the results stress the efficient functioning of all components of internal control system and their decisive role in the efficient functioning and consequently success of Greek hotel business. There were a number of interactions between components of internal control system and effectiveness of internal auditing, which made the results only descriptive. Moreover, the study was conducted only in “big” hotel business, and the sample was judgmental. Without a doubt, the findings of the studies above opened up a whole new area for research, and recommended the need for more research on the internal audit effectiveness especially in developing countries where more attention should be given.

In relation to Ghana, to the best of the knowledge of the researcher, only one study has been focused on the effectiveness of internal audit in the public sector of Ghana. This was by Dawuda (2010) whose study examined the effectiveness of the internal audit in the public sector in promoting good corporate governance in Ghana. The study was carried out in the Metropolitan, Municipal and District Assemblies in the northern region of Ghana. From the analysis, the key findings of the study were that there were; Transparency at all levels of government, the government’s accountability to the public, and economical use of resources. These are elements of good corporate governance.

It was also found that, the internal audit recommendations are not implemented and that the internal audit units lack adequate resources. As part of the draw backs it was found that, management of resources sometimes interfered with the work of internal auditors. Again majority of the respondents were of the view that there were no audit committees. It was also evident from the analysis that the workers were partially allowed access to audit evidences and the assemblies do not have clear policies and procedures for internal auditors. With respect to the roles of the internal auditors, it was found that internal auditors played advisory roles such as good corporate governance, unethical practices and corruption, designing and implementing internal controls, risk management and sound business practice. The factors that the study by Dawuda (2010) identified as ensuring effective internal audit in the public sector were existence of audit committee, expertise and experience of internal auditor, unrestricted access to records, implementation of audit recommendations, organisational independence, regular training and quality of leadership of chief internal audit staff.

Determinants of internal audit effectiveness

The study adapts the determinants of effective internal auditing used by Cohen and Sayag (2010) and modified it to suite the current study. Understanding the factors that determine IA effectiveness is important because effective IA can improve four important processes in the organisation: learning (teaching members how to do their job better), motivation (auditing

leads to improved performance as deficiencies will have to be explained), deterrence (knowing that an audit is imminent may discourage abuse), and process improvements (IA may increase the likelihood that the right things are done and that they are done right) (Eden & Moriah, 1996).

The first three determinants includes the professional proficiency of the auditors, the quality of auditing work and the organisational independence of auditing departments and represent instances where the auditors interests are those of the profession, rather than the employing organisation. The last two determinants represent the opposite case, where the interests of the organisation take precedence.

Professional proficiency of internal auditors

Professional proficiency is the expertise, specialized knowledge and abilities in field which one is practising professionally. Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires professional staff that collectively have the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twajjry, Brierley & Gwillian, 2003).

Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organisations and the IIA (2008). Bou-Raad (2000), argued that auditors must have a high level of education in order to be considered a human

resource. The diversity of skills required, according to Bou-Raad, represents a major challenge to professional bodies, tertiary institutions and management. The few studies that have looked into this issue have found that the greater the professional qualifications of the internal auditors in a given department, defined by the length of their professional training and educational level, the greater the effectiveness of this department (Albrecht et al., 1988; Ratliff 1996). Nanni (1984), found that auditor experience had a positive effect on evaluations of internal accounting control.

Quality of audit work

Quality of audit work is the degree or extent of excellent of audit work. Glazer and Jaenike (1980), argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D'Silva (1997), found in the UK that complying with professional standards is the most important contributor to IA's added value. Standards for audits and audit - related services are published by the IIA (2008) and include attribute, performance and implementation standards. In general, formal auditing standards recognise that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach.

This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgement is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad, 2000). It can thus be argued that greater quality of IA work is understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution will improve the audit's effectiveness.

Organisational independence

Organisational independence is the state, condition, quality or process of being independence through organisational placement and reporting lines of the internal audit department. The role of internal audit in organisations is complex. Van Peurseem (2004), identifies strong potential for confusion in the relationship between internal auditors and management. Internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate management's effectiveness. Internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management, regardless of the consequences.

Bou-Raad (2000), argued that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities. The IIA, the American Institute of Certified Public Accountants (AICPA) and others have likewise

identified organisational independence as crucial to the viability of the internal audit function (Brown, 1983). Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference and equally important be seen to do so. Coupled with objectivity, organisational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report.

Goodwin (2001), differentiates among three dimensions of independence: programming independence, investigative independence and reporting independence. They found the last of the three to be crucial in the work of internal auditors in municipalities in the US. Montondon (1995), Rettingberg (1977) and Chambers, Selim and Vinten (1988) differentiate between organisational independence, based on organisational support, and individual independence, based on individual factors. They argue that organisational independence is more crucial to the effectiveness of internal auditors, as it protects the auditor from pressure or intimidation, and increases the objectivity of the auditing work. Courtemanche (1986) identifies four objective and independent auditing factors: access to information or people, objectivity, freedom and responsiveness of the system.

Van Peurseem (2005), based on interviews with Australian internal auditors, and concluded that independence from management is a dominant feature of successful auditing programs. Those auditors able to set their own agenda seem to be the most powerful in this respect because their selection of

what to audit and when they can include assessments of senior managers as well as assessments for them. Similarly, Clark, Gibbs and Shroeder (1981), found that the independence of the internal audit department and the level of authority to which the internal audit staff report are the two most important criteria influencing the objectivity of their work.

It can thus be argued that organisational both lessens the conflict between loyalty to the employer and loyalty to specific independence will increase the internal auditor's effectiveness. This independence managers, and gives auditors a supportive work environment in which they can conduct their tasks objectively and without pressure.

Career and advancement

Career and advancement is an individuals' journey through learning, work and other aspects of professional life; one's progress in one's job, progress and development, promotion in rank or improvement in status. Goodwin (2001) argued that, internationally, the practice of staffing the internal audit department with career auditors is becoming less common, with more organisations using the function as a training ground for future management personnel. This practice is designed to help the organisation train well-rounded senior managers. Internal auditor performs a wide variety of activities across different departments within the organisation. They thus have opportunities to learn how these departments function and how they are managed. Furthermore, managers who have had experience in internal

auditing should have a better understanding of the importance of internal control. The ability to use internal audit roles as a stepping stone to managerial positions is seen as one of the advantages of having an in-house internal audit function rather than outsourcing IA activities. The degree to which internal auditing can lead to a managerial career in an organisation may influence the effectiveness of internal auditing.

This is perhaps more true today than in the past, given the trends described by Goodwin (2001). Over 20 years ago, Albrecht et al. (1988) found that most participants perceived internal auditing as a gateway to either a managerial position, or a career in internal auditing. In Gouldner's (1958) framework the former are local in outlook, emphasising the interest of the organisation, while the latter are cosmopolitan, emphasising the interests of the profession. As noted, career auditors are becoming less common than generalists who are interested in management carriers (Goodwin 2001), and who therefore are more likely to take a local than a cosmopolitan point of view.

It can be argued that under these conditions, internal auditors who operate in settings with more organisational career opportunities will invest more effort in their work in order to increase their promotion opportunities. Those with fewer opportunities for organisational advancement will invest less effort in their work, resulting in a lower performance level. This is likely to be true even if the individuals working in such settings are cosmopolitans who place less value on an organisational career, since given current trends

they have fewer opportunities than in the past for career growth as specialist internal auditors.

Top management support

The management literature offers ample evidence for the key role of top management support in the success of almost all programs and processes within an organisation. Top management support is when high level managers in an organisation give active approval, encouragement, assistance to employees to do their job. Fernandez and Rainey (2006), argued based on a thorough literature review that top management support and commitment to change play a crucial role in organisational renewal, as senior managers can mobilise the critical mass needed to follow through on efforts launched by one or two visionary thinkers.

A number of empirical studies have found top management support for quality to be a key factor in its improvement (Ebrahimpour & Lee, 1988). Top managers' attitude and behaviours have also been found to be related to quality management practices (Flynn, Schroeder & Sakakibara, 1994). Takeuchi's (1981) survey of companies with high-quality performance found that 89% had CEOs who regularly visited the factory floor, participated in training programs and attended company-wide quality-improvement events.

Given this, it is not surprising that management acceptance of, and support for the internal audit function has long been seen as critical to the success of that function (Sawyer, 1973). Some studies have demonstrated that

support for internal auditing by top management is an important determinant of its effectiveness (Jill 1998; Nixon, 2005). Funding, of course, is an important measure of such support: IA departments must have the resources needed to keep up-to-date in training and development, to acquire and maintain physical resources like computers, and soon.

In a survey of Australian internal auditors, Leung, Cooper and Robertson (2004) found that chief audit executives are generally very positive about the performance of IA unit. They see themselves as a key part of the management team, and believe they can influence decisions; maintain a sufficient level of objectivity integrity and competence in their jobs; and provide good support for their own staff. More importantly, they view the support of upper management as a key factor in ensuring the effectiveness of their role.

Sarens and De Beelde (2006), have reported on the development of a similar attitude in Belgium, where as a consequence of recent changes in national and international corporate governance regulations, the internal audit function now gets more attention and support from boards and managers. As discussed above, the relationship between the internal audit staff and the organisation's management is clearly important in determining the independence and objectivity of the internal auditor (IIA 2006). Management support for IA is thus important both in the abstract (managers must see the activity of the audit department as legitimate) and in ensuring that IA departments have the resources needed to do their jobs.

Conceptual framework

A conceptual framework is described as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel & Ramey, 1987). Conceptual frameworks, according to educational researcher Smyth (2002), are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature. Miles and Huberman (1994) defined a conceptual framework as a visual or written product, one that “explains, either graphically or in narrative form, the main things to be studied, the key factors, concepts, or variables and the presumed relationships among them.” The conceptual framework described in Figure 3, is a research tool intended to assist the researcher to develop awareness and understanding of the situation under scrutiny and to communicate this.

The study was to assess internal audit effectiveness in MMDAs in the Ashanti region. The definition of internal audit given by IIA (1999) outlines what an IA unit stands for (that is, assurance and consulting) in an organisation. It also stated what the IA unit does to accomplish the organizations objectives (that is, to evaluate and improve risk management, control and governance process). These activities were those the study took as the functions performed by IA unit and listed under the IA role and outcome. In other to achieve the study’s objective, five determinants of IA effectiveness adapted from Cohen and Sayag (2010) were used to assess the effectiveness of IA unit in performing its functions. These determinants represent the independent variables that will

be used to measure internal audit effectiveness which is the dependent variable. These determinants when present in the various internal audit units will have an effect on the effectiveness on internal audit functions.

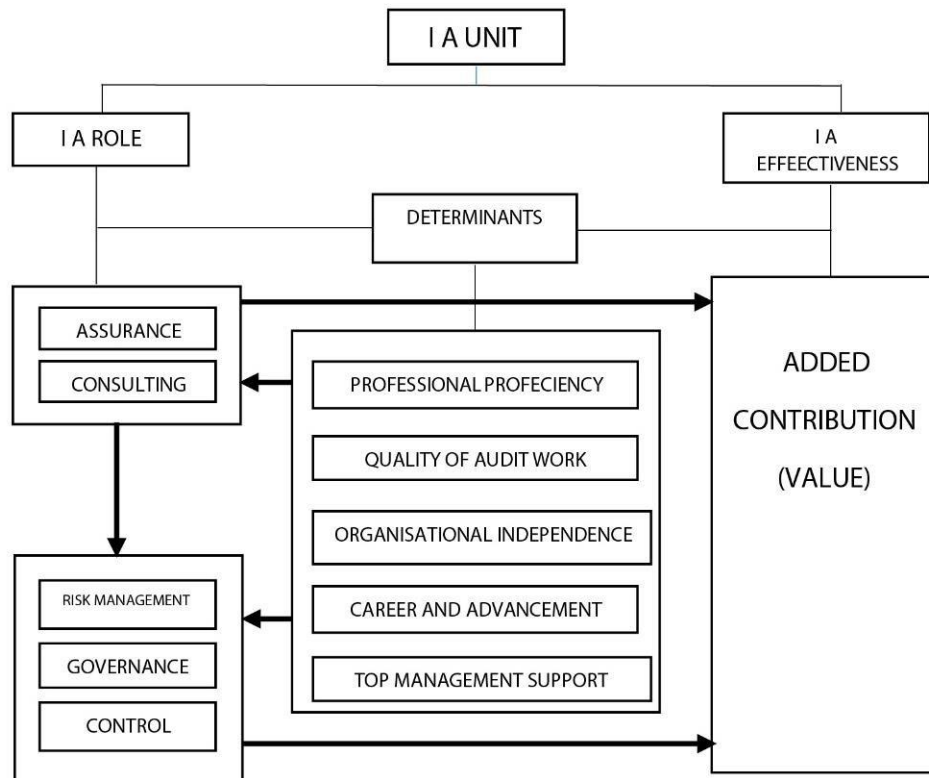


Figure 3: Conceptual framework

Source: Researchers' own construct, (2014)

The study's conceptual framework on internal audit effectiveness was the added contribution (value) to the organisations activities from the work done by the internal audit unit. Added contribution is the improvement in the MMDAs operations as a result of the functions performed by the IA unit. From this backdrop, the study expects internal audit scope of work to include risk management, compliance audit, financial and regulatory audit, safeguarding, prevention and detection of fraud. The most highly performed

internal audit activities should include; compliance audit, financial and regulatory audit, checking budget implementation, evaluation of accounting records, protection of assets and fraud detection (Smyth, 2002). However, the audit areas that internal auditors focus depend on the objectives of the organisation and the potential risk that would hinder the achievement of the objectives. The scope of internal audit work should include audit activities that would enhance good governance.

Summary

This chapter discussed the definitions of the main variables used in the study and reviews some theories of internal auditing and decentralisation. It further discussed the structures of internal audit in Ghana according to the Internal Audit Agency Act 2003 (Act 658) as cited in Ghartey (2003) and the establishment of the Internal Audit Agency as a central body to oversee professional internal audit practice in Ghana. This section also reviewed empirical literature on effectiveness of internal audit and its determinants. The role of internal auditing in governance, risk management and control were examined in addition to the internal audit effectiveness. Finally the chapter was concluded with a conceptual framework which was crafted from the theories and literature reviewed.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter discusses the study area, study design, population for the study, the sample and the sampling procedure used in the study. It also discusses the research instrument used, the data collection procedure used and the data measurement and reliability test. Finally, the chapter concludes with the data analysis procedure.

The study area

The Ashanti Region is centrally located in the middle belt of Ghana. It lies between longitudes 0.15W and 2.25W, and latitudes 5.50N and 7.46N. The region shares boundaries with four of the ten political regions, Brong-Ahafo in the north, Eastern region in the east, Central region in the south and Western region in the South west. The region occupies a total land area of 24,389 square kilometres representing 10.2 per cent of the total land area of Ghana. It is the third largest region after Northern (70,384 sq. kms) and Brong Ahafo (39,557 sq. kms) regions. The region has a relatively higher population density of 148.1 persons per square kilometre (Abbey, 2010).

More than half of the region lies within the wet, semi-equatorial forest zone. Due to human activities and bushfires, the forest vegetation of parts of the region, particularly the north-eastern part, has been reduced to savanna. The region has an average annual rainfall of 1270mm and two rainy seasons. The major rainy season

starts in March, with a major pick in May. There is a slight dip in July and a pick in August, tapering off in November. December to February is dry, hot, and dusty (Ghartey, 2003). The average daily temperature is about 27 degrees Celsius. Much of the region is situated between 150 and 300 metres above sea level. The region is endowed with a spectacular geography-lakes, scarps, forest reserves, waterfalls, national parks, birds and wildlife sanctuaries. The choice of the region as a study area was motivated on the premise that it has the highest population and also has the highest number of MMDAs in Ghana and thus the results would be representative.

The study design

The study is a causal survey which assesses internal audit effectiveness in MMDAs in the Ashanti Region. According to Zikmund (1997), causal survey research is used to answer questions that have been raised, to solve problems that have been posed or observed, to assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyse trends across time and generally, to describe what exists, in what amount, and in what context. The focus of the study was to describe the findings of the study in the context of the developed hypotheses through causal analysis to determine the effect of one variable on the other.

Population

The population of the study consist of all internal audit units in the MMDAs in the Ashanti region, totalling thirty (30) in number. This region was chosen

because it has the highest number of MMDAs in the country and thus the results of the findings will be a fair representation of all MMDAs in Ghana.

Table 1: Names of MMDAs and corresponding number of internal auditors

Name of district	Number of internal auditors
Adansi North	4
Adansi South	4
Afigya Kwabre	4
Ahafo Ano North	4
Ahafo Ano South	4
Amansie Central	4
Amansie West	4
Asante Akim North Municipal	4
Asante Akim North	4
Asante Akim south	4
Asokore Mampong Municipal	4
Atwima Kwanwoma	4
Atwima Mponua	4
Atwima Nwabiagya	4
Bekwai Municipal	4
Bosome Freho	4
Bosomtwe	4
Ejisu-juabeng Municipal	4

Table 1: Continued

Ejura- Sekyedumase	4
Kumasi Metropolitan	4
Kwabre	4
Mampong Municipal	4
Obuasi Municipal	4
Offinso Municipal	4
Offinso North	4
Sekyere Afram Plains	4
Sekyere Central	4
Sekyere East	4
Sekyere Kumawu	4
Sekyere South	4
Total	120

Source: Field data, 2014

Sample and sampling procedure

The census method was used for the study. Based on this, all the internal auditors in the 30 MMDAs within the Ashanti region totalling 120 were included in the study. According to the MMDAs report for 2013, there are four internal audit staff in all these internal audit units. For that matter the total respondents for the study was 120 respondents.

Research instrument

The instrument used for collecting primary data in the study was questionnaire (Appendix C). Questionnaire was selected for this kind of study because it is a self-report measure which guarantees confidentiality and therefore more likely to elicit truthful response with regard to the information required from the respondents.

The questionnaire was structured such as to elicit information based on the specific objectives and the testing of hypothesis. The questionnaire was made up of three parts. The first part sought information on the profile of the respondents. The second part collected information pertaining to the determinants of IA effectiveness in the MMDAs. The third part sought information on internal audit effectiveness in MMDAs and also the challenges of internal audit units in the MMDAs. The questionnaire was made up of closed-ended items, (where respondents were asked to indicate their degree of agreement and disagreement on a five-point Likert scale) and open ended questions (those that participants provide their own responses).

Pre-testing of instrument

A pre-test was conducted at the internal audit sections of Municipals and District Assemblies in the Brong Ahafo Region of Ghana. This region was picked because it is fairly large and shares similar characteristics as those of Ashanti Region. The pre-test was conducted in 10 internal audit units in December, 2013. The purpose was to test for the significance of the items in the questionnaires. It was also to determine the reliability of the rating scales used for the study.

The establishment of reliability was accomplished by measuring the internal consistency of the instrument using a reliability coefficient, obtained by means of Cronbach's alpha. A reliability coefficient of .845 was obtained, a scale is considered reliable when Cronbach's Alpha co-efficient is .70 and preferably higher (Pallant, 2005). Even though this reliability is sufficient, few items which were found to be misleading were modified for clarity and accuracy, and others were deleted to standardise the instrument.

Data collection procedures

The study was conducted by adhering to ethical codes in social science research as a guideline. According to Bui (2009), when ethical considerations are factored in any research, it enhances voluntary participation, anonymity and confidentiality of the respondents. An introductory letter to the MMDAs in which a study was to be carried out was obtained from the Department of Accounting and Finance, School of Business, University of Cape Coast (Appendix A), which enabled the researcher to proceed to the field. Permission was thereafter sought from the relevant authorities to carry out the study within the selected MMDAs (Appendix B). These letters were meant to enable the researcher explain the purpose of the study to respondents to whom the letters were presented alongside questionnaires after seeking their consent. Data collection was done over a month from 15th January to 21st February, 2014.

The self-administered questionnaire formed the main source of data for this study. Before data collection, the purpose of the study was explained to the

respondent. The reason for the approach was to make sure that appropriate responses were elicited from the respondents. The respondents were assured of their confidentiality in order to inspire them to respond to the items without any suspicions. The study also adhered to other codes of ethics regarding data collection and information retrieval. The respondents were thoroughly guided to complete the questionnaire and after which, the questionnaires were retrieved immediately. The Region was divided into 12 sections to cover all the areas that have the various districts. The main challenge faced during the data collection was the inability of the respondent to fully comprehend the questions which slowed the pace of the data collection.

Data preparation and screening

The Statistical Product and Service Solutions (SPSS 17.0 version), a statistical software package was used for data processing of this study. Data preparation was divided into two stages. Firstly, the raw data collected through the questionnaire were edited, coded and converted into the actual variables of interest. Secondly, the variables were checked for other anomalies based on the assumptions made in regression. Prior to major analyses, data were examined using SPSS 17.0 for data entry accuracy, missing values and violation of regression assumptions of normality; linearity, multicollinearity and outliers. Residuals were screened for normality through expected normal probability plots, skewness and kurtosis. Pallant (2005), posits that when residual plots appear normal in regression, it is not necessary to screen individual variables for normality.

Assumption of multicollinearity was tested using correlation matrix and collinearity diagnostics. Hair, Black, Babin, Anderson and Tatham (2006), suggest that inter-correlation of greater than 0.9 are considered to be evidence of high multicollinearity. For the study, correlation values for all independent constructs were below 0.9 indicating that the axiom of multicollinearity was not violated. Linearity assumption was examined by scatter plots of the variable to identify any non-linear patterns in the data. According to Hair et al., (2006) linearity of relationship between dependent and independent variable represents the degree to which the change in the dependent variable is associated with the independent variable. In multiple regression with more than one independent variable, partial regression plots are used to show the relationship of single independent variable to dependent variable.

Data measures and reliability test

According to Kent, (2007), reliability refers to the extent to which the application of a scale produces consistent results if repeated measures are taken. The Cronbach's coefficient alpha (α) was used in this study to determine the mean reliability coefficient for the dimensions of social and personality factors. The value of Cronbach's alpha range from 0 to 1 and the closer the value of α to 1 the better the reliability. Hair, et al., (2006) suggested an alpha threshold of 0.5 for basic research and later adjusted the value to 0.7. In this study the cut-off point for α is 0.5.

With respect to the measurement of the variables, most of the items were adapted from the study made by Cohen and Sayag (2010), because they reflect the objectives of the current study.

Specification of the empirical model

In order to address the objectives and test the research hypotheses, a regression analysis was carried out using the following equation based on the study by Goodwin (2001) based on the institutional theory of effectiveness of internal audit.

$$IAE = \beta_0 + \beta_1 PP + \beta_2 QAW + \beta_3 OI + \beta_4 CA + \beta_5 TMS + \varepsilon$$

Where IAE represents internal audit effectiveness; PP represents professional proficiency; QAW represents quality of audit work; OI represents organisational independence; CA represents career and advancement and finally TMS represents top management support.

Effectiveness of internal auditing

Given the lack of academic work on the effectiveness of internal auditing, the researcher found no scales in the literature that were validated as well as tested for their reliability which met the requirements of this study. The researcher therefore developed its own open ended questions. The study used the five internal auditing effectiveness items advanced by Ziegenfuss (2000) based on the 1997 the Global Auditing Information Network report as a starting point.

These items can be categorized into four audit processes: audit environment, input, process and output. In order to reduce the number of items and to adjust them to the Ghana auditing environment, the study developed questionnaire with the selected district assemblies in the Brong Ahafo Region. The answers provided to these questions were broadly categorized and tested. A cumulative Cronbach's Alpha of 0.845 was obtained after the reliability test.

Independent variables

It should be noted that the data for the five independent variables were collected from the internal audit unit in each organisation. Therefore, the independent variables represent the perceptions of the internal audit unit regarding these concepts. All the items for the independent variables were measured on a 5-point scale (1 = strongly agree to 5 = strongly disagree).

Professional proficiency – Four items measured this variable. The internal auditor was asked whether she or he agreed with the following statements: (1) Internal audit unit possesses the appropriate professional skills, qualification and experience; (2) Internal audit unit has the right mix and competencies in specialist areas such as IT and treasury; (3) Internal audit team has an appropriate programme of continuing education; (4) Members of the team participate in professional development training programmes (Cronbach's Alpha =0.703).

Quality of audit work – This variable was measured by ten items. The internal auditor was asked whether she or he agreed with the following statements: (1) Internal audit unit adhere to the Institute of internal auditors code of ethics; (2)

Internal audits are conducted in conformance with the international standard for professional practice of internal auditing; (3) Internal audit unit has a quality assurance and improvement; (4) Internal audit unit organizes or performs peer reviews or self-assessment of its performance; (5) Internal audit unit does regular follow - up to examine actions taken to correct problems identified; (6) Internal audit plan is aligned to the key risks of the assembly and other assurance activities; (7) The evaluation of internal audit report by external auditors and other external authorities is positive; (8) Internal audit reports are clear and accurate; (9) The work of internal audit is timely and proactive in the conduct and reporting of issues and addressing the management; (10) Management decision making is strongly affected by reports, findings and recommendations of internal audit unit (Cronbach's Alpha = 0.835).

Organisational independence – Eight items measured this variable. (1) Internal audit unit is an autonomous and independent body; (2) Internal audit unit has the authority to audit all parts of the assembly; (3) Detailed budget proposals are included in the annual work plan of the internal audit unit; (4) Internal audit performs other activities even if they are not defined as its direct responsibility; (5) Internal audit operates totally independently, can audit any issue it considers necessary of auditing; (6) Internal audit staff have access to information and data about the assembly; (7) Internal auditor takes part in designing abates in the assembly and in developing procedures for regulating their operations; (8) Internal auditor participates in major decisions affecting the unit (Cronbach's Alpha = 0.718).

Career and advancement –This variable was measured by three items. (1) Internal audit staff have the opportunity to participate in professional development training to enhance audit skills; (2) Internal audit is highly regarded and respected within the district assembly; (3) Promotion for internal audit staff are not prolonged and interfered (Cronbach's Alpha = 0.896).

Top management support – Five items measured this variable. (1) Top management does not provide internal audit unit with the encouragement expected; (2) Management usually assign a small budget to the unit; (3) Management does not provide assistance and encouragement for training and development for internal audit staff; (4) Internal audit gets the attention of top management and focuses on issues audited by internal audit unit; (5) The number of employees in the internal audit unit is limited given the amount of auditing work planned and needed to be done in the near future. All items for this variable were reverse scored (Cronbach's Alpha = 0.851).

Data analysis procedure

The feel for the data will give a preliminary idea of how good the scales are and how well the coding and entering of data have been done. Testing the goodness of data can be accomplished by submitting the data for a factor analysis, obtaining the Cronbach's (1951) alpha or the split half reliability of the measures. The third objective, hypotheses testing, is achieved by using the relevant statistical tests. The results of these tests will determine whether the hypotheses are substantiated.

As a preliminary step, once all the data were coded and entered into the system and verified for any visual errors, the following were obtained using SPSS 17.0 for Windows software: (1) Independent and dependent variables (2) frequency distribution for the variables (3) the mean, standard deviation, range and variance on the dependent and independent variables and (4) a correlation matrix of the variables. These statistics helped to get a feel for the data and indicated that the responses range satisfactorily over the scale. The spread of responses was an indication of the variability and lack of bias. Finally, correlation analysis and regression analysis were performed to test the strength of relationships between variables. The details of these exercises and the corresponding results are provided in the next chapter.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the discussion of the results of the study in relation to the specific objectives. The demographic characteristics of the respondents were analysed using mean. In terms of the relationships between the variables, correlation analysis was applied first to determine the interrelationships among the research variables and to examine the possibility of multi-collinearity. Regression analysis was used to test the other hypotheses. To perform the regression analysis, four assumptions were tested. Also a regression equation was built to test the hypotheses and in order to assess whether a particular hypothesis is supported or not, the sign of the beta coefficient (β) was taken into account. An alpha of 0.01 and 0.05 were used for all tests of significance.

Demographic characteristics of respondents

To test the hypotheses, a preliminary analysis was carried out on the respondents' demographic characteristics to aid in the analysis because these characteristics have been found to influence the results of the discussion and its relevance in terms of aiding the generalisation of the findings of the study. The first table discusses the demographic characteristics of respondents from the metropolitan, municipal and district assemblies in the Ashanti Region of Ghana to provide a general overview of the respondents in the study. The demographic characteristics of the respondents studied were the sex, academic qualification and

number of years in the service. These characteristics served as the basis for the study and to put the study in context.

The sex of the respondents in the study is represented in Table 2. The Table indicates that about 66.7 percent of the respondents are males while 33.3 percent were females. This outcome indicates that there are more male workers in the MMDAs of the Ashanti Region than the females. This can be attributed to the sensitivity of the internal audit function which most females shy away due to the perceived risky nature of the activities of those departments.

This result is consistent with the study by Sarens and De Beelde (2006) who found that males are majority of the work force of any MMDAs because of the riskiness nature of their activities therefore juxtaposing this to the risk averse nature of females, most of them might not want to work in such departments. With regards to academic qualification, the Table also shows that about 58.3 percent of the respondents obtained bachelor degree, this was then followed by the diploma and post graduate which had a frequency of 27 and 14 representing 22.5 percent and 11.7 percent, respectively. The import of this level of education by the respondents also means that they have acquired the necessary skills and capabilities in their fields of study to work in a sensitive department of the internal audit. Therefore, when aided for continues academic development, they will use their skills well on the job to increase transparency and strengthen the internal structure of the MMDAs.

Table 2: Demographic features

Sex	Frequency	Percent
Male	80	66.7
Female	40	33.3
Total	120	100.0

Level of education		
Post Graduate	14	11.7
Bachelor	70	58.3
Diploma	27	22.5
Secondary	9	7.5
Total	120	100.0

Number of years in service		
1	44	36.6
2	12	10
3	17	14.2
5	6	5
6	12	10
7	12	10
9	6	5
15	11	9.2
Total	120	100.0

Source: Field data, 2014

With regards to number of years in service, the study showed that majority 44 (36.6 percent) of the respondents have had a year's working experience at where they are currently working. This is followed by those who have had 2, 6 and 7 years

working experiences respectively. Minority (5.0 percent) had 5 and 9 years experiences notwithstanding the fact that about 11 respondents have had 15 years' experience.

This results show that majority of the respondents from the MMDAs in the Ashanti Region have had one year's working experience, meaning that most of them are inexperienced but because of the academic qualifications of the respondents, their inexperience nature is less likely to affect their response to findings of the study. People who have higher working experience usually understand the effectiveness of the internal audit functions, thus working experience has an inverse relationship with the response (Griffiths, 2006).

Internal audit proficiency

The first objective the study sought was to investigate the influence of internal audit proficiency on the effectiveness of the internal audit department in the MMDAs. With the level of the internal audit proficiency, correlation and regression results was analysed to test the influence of internal audit proficiency on the effectiveness of the internal audit department in the MMDAs. This section sought to find out the extent to which the influence of internal audits proficiency had on the effectiveness of the internal audit department in the MMDAs. In order to achieve this objective, the data was analysed into means and standard deviation and ranked in decreasing order for each of the construct measuring level of internal audit proficiency. A mean scale of 1 - 5 was used, with 1 – 3 indicating high level of internal audit proficiency and 4 – 5 indicates low level of internal audit proficiency.

The positive results show that the respondents regard internal audits proficiency as important. The respondents agreed that internal audit unit possess the appropriate professional skills, qualification and experience having recorded an average high level of internal audit proficiency ($\bar{X} = 1.629$). The response recorded a standard deviation of .7415 meaning that the average response is not dispersed from the entire responses collected from the respondents. Therefore, it can be generalised.

Much importance was also given to audit team members' participation in professional development training programmes and internal audit team having an appropriate programme of continuing education. The response indicated high agreement due to the average response of 1.851 recorded in Table 3 ($\bar{X} = 3.87$). The standard deviations were all below one percent meaning that the data was not dispersed. Also internal audit unit has the right mix and competencies in specialist areas such as IT and treasury. As a measure of the proficiency of the internal audit, the responses showed the least average of 2.407 but it fell into the range of high agreement.

Finally, the overall average of 1.956 indicates that most of the respondents were in agreement with the fact that the level of internal audit proficiency in the MMDAs in the Ashanti Region is sufficient and appropriate. The implication of the current findings is that most of the internal audit units and the practice of internal audit techniques are proficient in that, the departments adhere to principles of internal audit. The reason for this proficiency could be attributed to the mandate given to the Ghana internal audit agency by the Parliament of Ghana through the

Internal Audit Agency Act, 2003 (Act 658), which established the Internal Audit Agency as an oversight body to co-ordinate, facilitate and provide quality assurance for internal audit activities within MDAs and MMDAs.

Table 3: Internal audit proficiency

	Mean(\bar{X})	Std. D
Internal audit unit possess the appropriate professional skills, qualification and experience	1.629	.7415
Internal audit unit has the right mix and competencies in specialist areas such as IT and treasury	2.407	.9306
Internal audit team has an appropriate programme of continuing education	1.851	.9073
Members of the team participate in professional development training programmes.	1.851	.8639
Overall Average	1.956	.7873

Source: Field data, 2014

Quality of audit work

The second objective of the study sought to examine the quality of audit work by internal auditors in the MMDAs. To effectively do this, the variables used in measuring quality of audit work were appropriately tested. The result of the quality of the audit work is presented in Table 4.

From Table 4, all the variables used to access quality of audit work were highly endorsed by the respondents. It is the view of the respondents that the internal audit units of the MMDAs in the Ashanti Region of Ghana adhere to the Institute of

Internal Auditors (IIA) code of ethics; having obtained the most favourable results with a recorded average of 1.296 and the least standard deviation of 0.465. This implies that the MMDAs in the Ashanti Region strongly adhere to the principles of the internal audit agency and for that matter enhances the quality of their audit work. The most probable reason that can be assigned to this is the fact that a policy documents should be implemented and the non-implementation of them usually leads to the punishment by law.

This aside, variables such as ‘internal audits are conducted in conformance with the international standard for professional practice o internal auditing,’ ‘internal audit reports are clear and accurate,’ ‘internal audit plan is aligned to the key risks of the assembly and other assurance activities’ and internal audit unit has a quality assurance and improvement programme’ also had a favourable responses from the respondents having obtained an average of 1.370,1.629, 1.703 and 1.888 respectively with an average standard deviation of 0.896.

The standard deviation implies that the responses from the questionnaires were not dispersed and for that matter the mean predicts the average view of the respondents.

The results also means that the MMDAs have strong compliances with the international auditing standards and for that matter their output is not only quality but can also be compared with other MMDAs using complying with the international auditing standards. This will serve as a yardstick for measuring the performance of the MMDAs against each other. Juxtaposing this to the theories of the study, the outcome is consistent with the professionalism theories which posit that internal auditors have

the opportunity to ensure that organisations remain sound; emphasising on objectivity, confidentiality and competency (Winters, 2009). The outcome of the study is also consistent with proposition of Winters (2009) which stated that the first step towards professionalism is by complying with the standards.

Table 4: Quality of audit work

	Mean	Std. D
Internal audit unit adhere to the Institute of Internal Auditors (IIA) code of ethics	1.296	.465
Internal audits are conducted in conformance with the international standard for professional practice of internal auditing	1.370	.492
Internal audit unit has a quality assurance and improvement programme	1.888	1.154
Internal audit unit organises or performs peer reviews or self -assessment of its performance	2.185	.681
Internal audit unit do regular follow-up to examine actions taken to correct problems identified	2.074	1.106
Internal audit plan is aligned to the key risks of the assembly and other quality assurance activities	1.703	1.137
The evaluation of internal audit report by external auditors and other external authorities is positive	2.148	1.166
Internal audit reports are clear and accurate	1.629	.741
The work of internal audit is timely and proactive in the conduct and reporting of issues and addressing the management	2.037	.807
Management decision making process is strongly affected by reports, findings and recommendations of internal audit unit	2.703	1.030
Overall Average	2.028	0.986

Source: Field data, 2014

Furthermore, from Table 4, the remaining audit quality variables were also favourable though not as strong as those which have already been discussed. From

Table 4, 'internal audit unit organises or performs peer reviews or self - assessment of its performance,' 'internal audit unit do regular follow-up to examine actions taken to correct problems identified,' 'the evaluation of internal audit report by external auditors and other external authorities is positive,' 'the work of internal audit is timely and proactive in the conduct and reporting of issues and addressing the management,' and 'management decision making process is strongly affected by reports, findings and recommendations of internal audit unit' recorded mean response of 2.185, 2.074, 2.148, 2.037 and 2.703 respectively but because 1 to 3 indicates a favourable response, these also implies that the MMDAs perform quality audit work.

This means that a public sector reform initiated by the government in the last decade has achieved its primarily objective of ensuring prudent use of the public funds. From the analysis, the outcome from the quality of audit work perspective on internal auditing is useful in managing public expenditure, ensuring financial accountability, and strengthening governance systems of public institutions as projected by (Abbey, 2010).

Organisational independence

The third objective of the study sought to examine the organisational independence of audit work by internal auditors in the MMDAs. Organisational independence is another relevant element of an effective internal audit. For that matter an analysis of the elements of organisational independence is relevant for an assessment of how effective the internal audit of the MMDAs are. Table 5 presents a descriptive of the elements of organisational independence. Again, mean

values of 1 to 3 represents agreement to the variables while 4 to 5 indicates disagreement to the questions posed.

From Table 5, elements like ‘internal audit unit has the authority to audit all parts of the assembly,’ ‘internal audit operates totally independently, can audit any issue it considers necessary of auditing,’ and ‘Internal auditor participates in major decisions affecting the unit’ had the most favourable response having recorded and average of 1.259, 1.629 and 1.667 respectively. This indicates that the response for these variables shows a strong agreement by the respondents to the organisational independence of the MMDAs. This follows the sequential theories of decentralisation which entail the devolution of decision – making authority over these policies, but this is not a necessary condition (Falleti, 2004).

Again, Table 5 indicates that the response to some of the variables were in agreement but were not as strong as those described above. From this backdrop, it is perceived that the internal audit unit performs other activities even if they are not defined as its direct responsibility. Variables relating to ‘internal audit unit is an autonomous and independent body,’ ‘internal auditor takes part in designing systems in the MMDA and in developing procedures for regulating their operations,’ ‘detailed budget proposals are included in the annual work plan of the internal audit unit,’ and ‘internal audit staff have free access to information and data about the MMDA’ had an average response of 2.074, 2.704, 2.296 and 2.963 respectively.

Table 5: Organisational independence

	Mean	Std. D
Internal audit unit is an autonomous and independent body	2.704	1.539
Internal audit unit has the authority to audit all parts of the MMDA	1.259	.4465
Detailed budget proposals are included in the annual work plan of the internal audit unit	2.296	1.295
Internal audit performs other activities even if they are not defined as its direct responsibility	2.074	.780
Internal audit operates totally independently, can audit any issue it considers necessary of auditing	1.629	.687
Internal audit staff have free access to information and data about the MMDA	2.963	6.060
Internal auditor takes part in designing systems in the MMDA and in developing procedures for regulating their operations	2.111	.891
Internal auditor participates in major decisions affecting the unit	1.667	.784
Overall Average	2.239	.272

Source: Fieldwork, 2014

From the responses, ‘internal audit staffs have free access to information and data about the MMDA,’ had the least agreement but still fell within the agreement range so it can be considered. With regards to its standard deviation, the variable had the highest of 6.060. Although this is high it is not above 10 percent hence the response can be considered not to be dispersed meaning that the variables mean values reflects the average response of the respondents. Finally the overall average

of 2.239 falls within the range of agreement implying that there is organisational independence of the MMDAs.

Linking the findings with the review of related literature, the proposition of Van Peurseem (2004) is not compromised in the sense that the author identified strong potential for independence of the internal auditors departments and at the same time to independently evaluate management's effectiveness. Peurseem further stated that, internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management. Complementing the current findings, Bou-Raad (2000), argued that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities hence with the current outcome it can be deduced that organisational independence increases the internal auditor's effectiveness.

Career and advancement

The fourth objective of the study sought to identify the career and advancement opportunities for internal auditors in the MMDAs. The reason is that career and advancement is an individuals' journey through learning, work and other aspects of professional life; one's progress in one's job, progress and development, promotion in rank or improvement in status. Hence, to describe the effectiveness of the internal audit, the aforementioned are relevant to the variables of career and advancement. From Table 6, variables relating to 'internal audit staff have the opportunity to participate in professional development training to enhance audit

skills as a variable for career advancement' obtained the most favourable mean of 1.629 and standard deviation of 0.883 which is an acceptable coefficient to conclude that the responses are not too dispersed.

The import of the response is that because the internal audit staffs are given the opportunity to embark on continuous development, they use their knowledge to bear thereby enhancing the effectiveness of their work. This aside, career and advancement opportunities also serves as a motivational indicator to the staff to put in all their efforts when performing their functions since it will be rewarded by management. In light of this, Goodwin (2001) argued that the practice is designed to help the organisation to train internal auditor to perform a variety of activities across different departments within the organisation. They thus have opportunities to learn how these departments function and how they are managed. Hence, all things been equal, the end result will be an effective internal audit department.

The next indicator was the fact that internal audit unit is highly regarded and respected within the MMDA and the results showed an average response of agreement with a coefficient of 2.593. It therefore means that the internal audit unit is highly respected hence the staff at the department are given the opportunity to advance in their fields of endeavour which in turn translate into improved performance by the unit.

The findings can be compared to the institutional theory which according to Mihret et al., (2010) explains how organisational structures and practices are shaped through changes induced by normative pressures, including both external and internal sources such as laws and regulations, or by the professions. It can be

appreciated that the internal audit departments are effective as a result of the respect accorded it which has invariably modified their output. Again, the respondents asserted to the fact that it promotion for internal audit staff are not prolonged and interfered. This variable recorded an average response of 2.815 and a corresponding standard deviation of 1.039. The import of the findings is that in terms of career and advancement, rapid promotion is a key factor in ensuring an effective internal audit unit or department.

Table 6: Career and advancement

	Mean	Std. De
Internal audit staff have the opportunity to participate in professional development training to enhance audit skills	1.629	.883
Internal audit unit is highly regarded and respected within the MMDA	2.593	1.337
Promotion for internal audit staff are not prolonged and interfered	2.815	1.039
Overall average	2.016	1.045

Source: Field data, 2014

Top Management Support

The fifth objective of the study sought to determine the extent of top management support for internal auditors in the MMDAs. Literature gathered from

Flynn et al., (1994) and Takeuchi's (1981) suggest that the success of almost all programmes and processes within an organisation depends mainly on the support offered by top management. Table 7 provides the means and the standard deviations of the variables used in the measurement of top management support for the internal audit function.

Table 7: Top management support

	Mean	Std. De
Top management does not provide internal audit unit with the encouragement expected	2.888	1.250
Management usually assign a small budget to the unit	2.222	1.339
Management does not provide assistance and encouragement for training and development for internal audit staff	3.000	1.240
Internal audit gets the attention of top management and focuses on issues audited by internal audit unit	2.185	.878
The number of employees in the internal audit unit limited given the amount of auditing work planned and needed to be done in the near future	2.148	1.231
Overall Average	2.457	1..256

Source: Field data, 2014

The result showed a negative response from respondents towards the support of top management for internal audit function as most of them agreed to adverse

questions on support from top management towards internal audit. The respondents agreed to the fact that top management do not provide internal audit unit with the encouragement expected. This variable recorded an average as high as ($\bar{X}=2.888$) and a standard deviation of .1.250. This means that the average response is not dispersed from the entire responses collected from the respondents therefore it can be generalised.

Also, the respondents agreed to the variable, ‘management usually assign a small budget to the unit’ which had a mean of 2.222. . Moreover, the limited budgetary allocation is not sufficient to support the planned activities of the internal audit units of the MMDAs thereby reducing the strength of the internal audit departments in undertaking their activities which will invariably culminate into an ineffective internal audit department.

In the same vein, the respondents assert to the fact that management does not provide assistance and encouragement for training and development for internal audit staff. This implies less commitment from top management to the course of activities of the internal audit department. The recorded mean of the response was 3.000 implying that most of the respondents were indifferent from the fact that top management provide assistance to the departments. The standard deviations of 1.240 indicate that the response was not dispersed.

The issue of whether the internal audit units gets the attention of top management and focuses on issues audited by internal audit unit showed an average of 2.185 but it fell into the range of high agreement. From Table 7, the last variable of top management support for the internal audit activities which is

‘the number of employees in the internal audit unit is limited given the amount of auditing work planned and needed to be done in the near future’ recorded an average mean of 2.148. This also implies that the internal audit activities are ineffective given the limited number of staff working in those departments.

Finally, the overall average of 2.457 indicates that most of the respondents were in agreement with the fact that internal audit activities are not supported by the top management in the MMDAs in the Ashanti Region. The implication of the current findings is that most of the internal audit units and the practice of internal audit techniques are not supported by the top management in the MMDAs. Given these findings, it is not surprising that management support for the internal audit function has long been seen as critical to the success of that function (Sawyer, 1973). The current results complement studies by Jill (1998) and Nixon (2005) whose work demonstrated that support by top management for internal auditing is important for effectiveness of the department

Bivariate correlation of variables

The relationship between the independent variables and the dependent variables were assessed before regression analysis were undertaken primarily to determine the interrelationships among the research variables and to examine the possibility of multi-collinearity.

Table 8: Correlation matrix between the variable

	IAE	PP	QAW	OI	CA	TMS
IAE	1					
PP	-.037* .025	1				
QAW	.193* .011	-.282** .001	1			
OI	-.256** .001	.506** .007	-.685* 0.02	1		
CA	.647* .028	-.258 .193	-.393* .043	.564* .003	1	
TMS	.593** .001	.511** .006	-.413* .032	-.412* .031	-.475* 0.02	1

Source: Field data, 2014. **p<0.01 *p<0.05

The correlation procedure of SPSS 17.0 was used and it was subject to two-tailed test of statistical significance. Table 8 shows the correlation matrix for the variables. The results show that professional proficiency had a significant and a weak negative relationship with internal audit effectiveness ($r = -.037$, $p < 0.05$) meaning that as the professional proficiency of the internal audit units of the MMDAs are increased there is a corresponding decrease in the effectiveness of the internal audit units.

Whiles the relationship between quality of audit work and internal audit effectiveness indicates a significant weak positive relationship ($r = .193$, $p < 0.05$). This implies that as the quality of the audit work is improved, the effectiveness of the internal audit unit also increases. Therefore if management wants to improve the effectiveness of the internal audit units of the MMDAs then there is the need to

enhance the quality of the audit work. Organisational independence had an adverse relationship with internal audit effectiveness ($r = -.256, p > 0.01$). The import is that if management wants to enhance the effectiveness of the internal audit function, they should centralise the audit functions with monitoring tools and not decentralisation since the study found that there is a negative relationship between organisational independence and internal audit effectiveness.

Furthermore, career and advancement had a positive relationship with internal audit effectiveness ($r = .647, p > 0.05$) signifying that whenever new policies which enhance career and advancement of the audit staff are implemented, there is a surge in the effectiveness of the internal audit unit. In a similar function, whenever career and advancement is reduced by management, the effectiveness of the internal audit unit also reduces. Finally, top management support had a positive relationship with internal audit effectiveness ($r = .593, p > 0.01$). In summary, the correlation results show an acceptable reliability of the research variables. The correlations among the independent variables were not high and therefore preclude the possibility of multi-collinearity.

Regression results and testing of hypotheses

The first objective of this study was to investigate the influence of professional proficiency of internal auditors on internal audit effectiveness. A hypothesis was formulated to achieve this objective. This analysis was done to find out whether professional proficiency of internal auditors affects internal audit effectiveness of MMDAs in the Ashanti Region. The hypothesis was formulated as:

H₁: The professional proficiency of internal auditors has an effect on the effectiveness of internal audit in MMDAs in the Ashanti Region;

From Table 9, the result indicates a negative and a significant relationship between professional proficiency and internal audit effectiveness (t-stat= -2.828, p = 0.031). Hence the hypothesis is not rejected because the professional proficiency of the internal auditors has a negative effect on internal audit effectiveness.

This means that there is a negative relationship between professional proficiency of internal auditors and internal audit effectiveness. The coefficient value of -0.356 indicates that a one unit increase in professional proficiency will reduce internal audit effectiveness by 0.356 units. This suggests that an increase in professional proficiency will not improve the effectiveness of the internal audit unit.

The reason for this result is that when the professional proficiency of the staff is improved the possibility of those who did not get the opportunity to improve their proficiency does not comprehend what is to be implemented. Thus if the system is so corrupt then it will make it impossible for anybody to implement whatever professional proficiency partly because the demotivating forces which will demoralise the staff are high. The end result is that the system will continue to remain ineffective.

Relating this outcome to the empirical studies, the result is not consistent with previous studies. Thus while previous studies such as Albrecht et al., (1988) and Ratliff (1996) found that the greater the professional qualifications of the internal auditors in a given department, defined by the length of their professional training and educational level, the greater the effectiveness of this department, the

current study is of the view that an improved professional proficiency leads to an ineffective internal audit unit. Again the current study contradicted the study of Nanni (1984), which found that auditor professional proficiency had a positive effect on evaluations of internal accounting control. Finally, the regression result generated an R-squared of 0.587 meaning that the independent variables explain more than 50 percent of the effectiveness of the internal audit department.

Table 9: Regression between independent variables and internal audit effectiveness

Model	Unstandardised		Standardised		t	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta			
(Constant)	3.500	.513		6.819	.000	
Internal audit Proficiency	-.512	.280	-.356	-2.828	.031	
Quality of Audit work	.733	.422	.341	3.739	.005	
Organisational Independence	-.889	.098	-.379	-3.363	.002	
Career and Advancement	.394	.170	.436	2.325	.029	
Top Management Support	.269	.188	.286	1.432	.166	
R	R Square	Adjusted R Square				
.766 ^a	.587	.345				

Dependent Variable: Internal Audit Effectiveness

Source: Field data, 2014

Hypothesis Two

This hypothesis was formulated to determine the relationship between quality of audit work and internal audit effectiveness and was stated as follows:

H₁: The quality of audit work of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region.

The result from Table 9 shows that there was a significantly positive relationship between quality of audit work and the effectiveness of internal audit department (t-stat=3.739, p = 0.005;) such that a unit change in the quality of audit work would cause the effectiveness of internal audit unit to change by 0.341. The hypothesis which was stated as *H₁: The quality of audit work of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region* was not rejected on the premises that the alpha obtained is far below the benchmark alpha.

The possible reason for the result is the fact that an improved audit work means that all the principles of internal audit have been implemented implying that activities which need to be corrected are done while those which need improvement are recommended for management to take action. In this regard, standards for audits and audit-related services include attribute, performance and implementation standards are adhered to. In general, formal auditing standards recognise that internal auditors also provide services regarding information other than financial reports.

They also require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and

governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgement is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad, 2000). Another possible reason is the fact that because quality audit work insist on ethical standards, the principles required for auditing are utilised when auditing hence any outcome is regarded as a quality output thereby resulting in effective audit work

Contrasting the outcome of the study to the profession theory it conforms to the preposition that professional work will lead to a quality audit work which will in turn lead to an effective internal audit unit. In relation to the empirical studies, the result is consistent with the study of Glazer and Jaenike (1980), who argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Again the study confirms the preposition of Ridley and D' Silva (1997), who found that in the UK, complying with professional standards is the most important contributor to IA's added value.

Hypothesis 3

The third hypothesis of this study was to investigate the effect of organisational independence of internal auditors on internal audit effectiveness. This analysis was done to find out whether organisational independence has an effect on internal audit effectiveness of the MMDAs in the Ashanti Region. It was formulated as:

H₁: The organisational independence of internal auditors has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region;

From Table 9, the result indicates a negative and a significant relationship between organisational independence and internal audit effectiveness (t-stat= -3.363, p = 0.02). Hence the hypothesis that organisational independence of internal auditors has an effect on internal audit effectiveness is not rejected because the organisational independence of the internal auditors has a negative effect on internal audit effectiveness with a significant value.

The import is that there is a negative relationship between organisational independence of internal auditors and internal audit effectiveness. The coefficient value of -0.379 indicates that a one unit increase in organisational independence will reduce internal audit effectiveness by 0.379 units. This suggests that an increase in organisational independence cause the effectiveness of the internal audit unit to decline.

The reason for this result is that when organisational independence activities of the internal auditors are decentralised and there is a deficiency in their function, it will continue to affect their operations since it is likely to recur. But if it is centralised, the internal audit units will have supervisors who will access their output at the end of the year to ensure quality. When this is done any deficiencies in the system are identified by the monitoring body early for corrections to be done.

Relating this outcome to the empirical studies, the result is not consistent with previous studies. This is because Van Peurseem (2004), identifies strong potential positive relationship between internal auditors and internal audit effectiveness. The

reason they assign was that internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate management's effectiveness. Internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management, regardless of the consequences.

Bou-Raad (2000), also argued that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities and for that matter it should generate a positive relationship. Similarly, the current study is not consistent with the studies of Clark, Gibbs and Shroeder (1981), whose research found that the independence of the internal audit department and the level of authority to which the internal audit staff report are the two most important criteria influencing the objectivity of their work.

Hypothesis 4

This hypothesis was formulated to determine the relationship between Career opportunities and internal audit effectiveness and was stated as follows:

H₁: Career opportunities for internal auditors have an effect on the effectiveness of internal audit in the Ashanti Region;

The result from Table 9 shows that there was a significantly positive relationship between Career opportunities and the effectiveness of internal audit department (t-stat= 2.325, p = 0.029) such that a unit change in the career opportunities work would cause the effectiveness of internal audit unit to change by 0.436. The hypothesis which was stated as *H₁: A Career opportunity for internal*

auditors have an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region was not rejected on the premises that the alpha obtained is far below the benchmark alpha.

The possible reason for the result is the fact that a career development policies for the staff at the internal audit departments also serves as a motivational tool for them to work hard towards the achievement of the objectives of the unit which will invariably lead to an effective department. Another reason is that whenever opportunities are given to staff to develop their knowledge base, all employees strive hard to implement whatever new knowledge that might have been acquired from the previous experience hence a collective fair competition in the department leads to an effective internal audit unit.

Linking the outcome of the study to the institutional theory, it conforms to the preposition that institutions which see the career development of their staff will translate into a quality audit work which will in turn lead to an effective internal audit unit. In relation to the empirical studies, the result is consistent with study of Goodwin (2001) who therefore is more likely to take a local than a cosmopolitan point of view. This can be argued that under these conditions, internal auditors who operate in settings with more organisational career opportunities will invest more effort in their work in order to increase their promotion opportunities. Those with fewer opportunities for organisational advancement will invest less effort in their work, resulting in a lower performance level. This is likely to be true even if the individuals working in such settings are cosmopolitans who place less value on an organisational career. Because given the current trends, they have fewer

opportunities for career growth than in the past as specialist internal auditors.

Hypothesis 5

The fifth hypothesis of this study was to investigate the effect of support from top management of internal auditors on internal audit effectiveness. This analysis was done to find out whether support from top management has an effect on internal audit effectiveness of the MMDAs in the Ashanti Region. It was formulated as:

H₁: Support from top management has an effect on the effectiveness of internal audit in the MMDAs in the Ashanti Region.

From Table 9, the result indicates a positive and an insignificant relationship between support from top management and internal audit effectiveness (t-stat= 1.432, p = 0.166). Hence the hypothesis that support from top management affects internal audit effectiveness is rejected because support from top management do not have an effect on the effectiveness of internal audit due to its alpha been higher than the bench mark alpha of 5 percent.

The import is that there is no relationship between support from top management and internal audit effectiveness. The coefficient value of 0.286 indicates a positive relationship which is not statistically significant hence no statistical relationship can be assigned to the findings of the study. The reason for this result is that without the support of top management the internal auditor can still perform its function which still makes the unit effective and can even result into major findings which can expose some of the wrongful acts of management.

The current study is consistent with the findings of Leung, et al., (2004) and Sarens et al., (2006) who found that the support of top management generally has a positive influence on their performance. The reason is that, they see themselves as a key part of the management team, and believe they can influence decisions; maintain a sufficient level of objectivity, integrity and competence in their jobs; and provide good support for their own staff. More importantly, they view the support of upper management as a key factor in ensuring the effectiveness of their role.

Analysis of the effectiveness of the internal audit unit

This section analyses the effectiveness of the internal audit unit by focusing on the responses from open ended questions posed to the respondents. After screening and cleaning the data gathered from the respondents, the researcher categorised the responses according to the main thematic areas presented in the questionnaire. In this regard, Table 10 sought to assess the contribution of the internal audit department in terms of improvement in the MMDAs in the Ashanti Region. From Table 10, the main thematic areas provided were risk management, revenue management, governance and operation and finally internal control structures.

Out of all the thematic areas, revenue management according to the outcome is where the internal audit departments of the MMDAs have aided to improve because it had the highest frequency of 69 representing 57.5 percent of the total respondents. This implies that the focus of most internal audit department is to increase the revenue generation capacity of the MMDAs as well as ensuring that

each revenue generated are applied according to the value for money principle in the public sector. Furthermore the area of governance and operations has been improved by the internal audit departments according to the respondents. In view of this about 23 representing 19.2 percent of the respondents opted for that.

Table 10: Areas improved by internal audit

	Frequency	Percent
Risk Management	17	14.2
Revenue Management	69	57.5
Governance and Operations	23	19.2
Internal controls structures	11	9.2
Total	120	100

Source: Field data, 2014

This finding is consistent with the empirical review which according to Asare (2009), proposes that due to the complexity of the public sector operating environment it requires that the internal audit structural design, approach, practice and scope are reformed to ensure open, accountable and product decision-making with all public sector organisations. Risk management and internal control structures are also important areas which the respondent alluded to the fact that internal control has improved but they had 17 and 11 of the respondents respectively.

Table 11 explains the benefit of the internal audit department to the operations of the MMDAs. Most of the respondents were of the view that when it

comes to assistance in facility development and revenue mobilisation, internal audit function has played a critical role having 40 respondents each for each question.

Table 11: Other benefits of IA unit in MMDAs operations

	Frequency	Percent
Reporting systems	14	11.7
Assist in Facility Development	40	33.3
Revenue Mobilisation	40	33.3
Protecting Government resource	8	6.6
Monitoring Organisation systems	18	15
Total	120	100

Source: Field data, 2014

This is then followed by monitoring the organisations system, reporting systems and protecting government resources with their respective frequencies of 18, 14 and 8 respectively. This outcome was expected because of the supervisory role been done by the internal audit agency.

Table 12 presents a vivid indication of how the staff of the MMDAs assesses the effectiveness of the internal audit department. From the analysis, an overwhelming number representing 75 shows that the internal audit units are very effective in the performance of their duties. The reason could be the full operational of the Internal Auditors Act and the supervisory active role been played by the Internal Audit Agency. Apart from that, the staff of the internal audit department have the requisite skills to make the department effective.

Table 12: How effective is the internal audit unit

	Frequency	Percent
Very Effective	75	62.5
Satisfactory	23	19.2
Need Improvement	11	9.2
Unsatisfactory	11	9.2
Total	120	100.0

Source: Field data, 2014

According to the results presented in Table 12, 19.2 percent of the respondents considered the activities of the internal audit units to be satisfactory while 9.2 percent each went for the need for improvement and unsatisfactory respectively but all in all the internal audit departments can be said to be effective.

Challenges in ensuring effective internal audit

The internal audit unit faces some challenges when it comes to making the department effective. The current study concludes by high lighting some of these challenges. From Figure 4, delay in implementing internal audit recommendations is the highest challenge having recorded about 40 percent of the entire respondents. This means that after every audit by the department, matters raised in their audit reports are not implemented well thereby making their work routine in that they continue to find the same old quarries year on year.

Aside this challenge, the current study also reveals that inadequate resource is another major setback because without the resources it will be difficult for any

duty to be performed especially in the field of audit which will need resource to enable it undertake checks regularly. The outcome complement the work of Mihret and Yismaw (2007), who attempted to introduce a new approach for the evaluation of the internal audit effectiveness by identifying factors within an organisation that has an impact on audit effectiveness. After which it was found that, the internal audit functions are efficient.

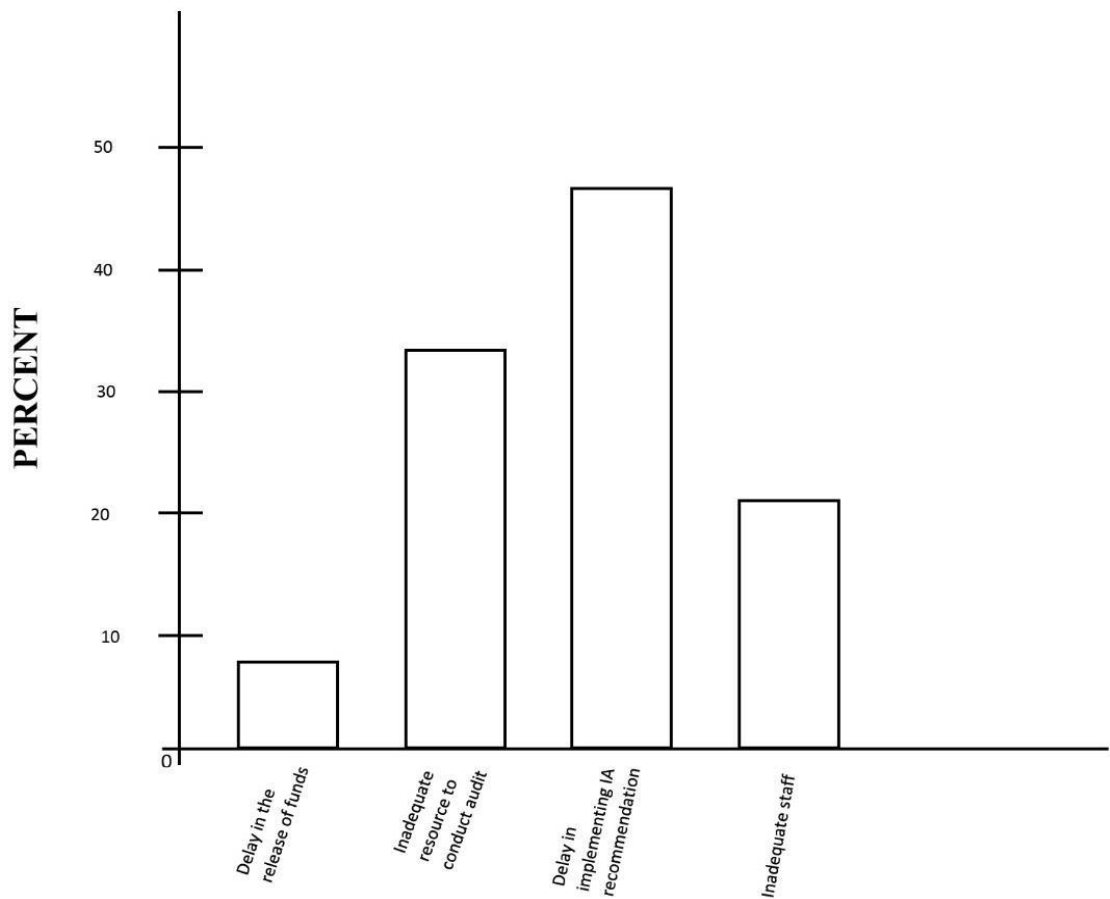


Figure 4: Challenges in ensuring effective internal audit

Source: Fieldwork, 2014

Furthermore another challenge, according to the respondents, is the inadequate staff to undertake the audit functions. This challenge recorded about 20 percent of the respondents. Considering the audit functions, it needs more staff for an effective audit work to be undertaken. Therefore if an inadequate audit staff could lead to an ineffective audit unit, then the argument is valid but policy makers should ensure that the internal audit unit of the MMDAs are well staffed for an effective work to be undertaken.

The final challenge is the delay in the release of funds from the government. The delay in the release of funds limits the effectiveness of the internal audit departments in its delivery of an effective audit.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents a summary of the findings of the study. The conclusions to the main issues of the study and recommendations are also provided.

Summary

The purpose of this study was to examine the effectiveness of the internal audit in the MMDAs in the Ashanti Region. The motivation of the study was derived from the fact that, there has been an increased interest in the internal audit function in the MMDAs to enhance corporate governance. The public demand responsibility and precision from government in relation to the use of funds and the government can protect itself by improving the internal audit unit procedures that will provide some level of assurance that government is not misapplying the nation's resources.

A review of the function of the internal audit units revealed limitations on the scope of the audit function and unsatisfactory reporting relationship. This resulted in the establishment of a central Internal Audit Agency to enhance efficiency, accountability and transparency in the management of resources in the public sector (Internal Audit Agency Act 2003 (Act 658) as cited in Nomo, 2009). Previous studies have focused on the effectiveness of internal auditors. From this

backdrop, there exists a gap that this study intends to bridge by looking at internal audit effectiveness in the MMDAs in the Ashanti Region.

To the best of knowledge of the researcher, none of the researchers studied on internal audit effectiveness under the Internal Audit Agency Act that came into being to curb the inefficiencies existing prior to the establishment of the Act in the MMDAs in the Ashanti region. To this end, this study was carried out in the Metropolitan, Municipal and District Assemblies in the Ashanti Region of Ghana. The data were collected through the use of questionnaire. The study was a qualitative survey. Five research hypotheses were developed to guide the study. All the five hypotheses were analysed using the regression analysis after an acceptable alpha value of 5 percent had been earmarked.

The study revealed that: There is professional proficiency in the internal audit of the MMDAs in the Ashanti Region. The implication of which is that the internal audit units and the practice of internal audit techniques are proficient in that the departments adhere to the principles of the internal audit principles. The internal control activities of the internal audit unit in the MMDAs focus mainly on the traditional paradigm of internal audit functions that focuses on compliance with laws and regulations, evaluating accounting errors and fraud rather than addressing risk management and productivity.

The result also indicate that there exist a quality audit work by the unit due to its strong compliances with the international auditing standards and for that matter their output is not only quality but can also be compared with other MMDAs using complying with the international auditing standards. Management do not give

the internal auditors the necessary support. The internal audit recommendations are not implemented and the units lack adequate resources. Management sometimes interferes with the work of internal auditors. However, the respondents indicated that audit committee is necessary in the assemblies in order to ensure organisational independence of the internal auditors. The MMDAs do not have well-defined and clear policies, procedures and programmes for internal audit units

The career development is a key element of how effective an internal audit department can be. The factors identified as ensuring effective internal audit in the public sector are existence of audit committee, expertise and experience of internal auditor, approved internal audit mandate and standards, unrestricted access to records, implementation of audit recommendations, adequate resources, career advancement, regular training and quality of leadership of chief internal audit staff.

In relation to the hypothesis testing it was revealed that professional proficiency and organisational independence affect the effectiveness of an internal audit department but all are adverse with $p\text{-value} > 0.05$. This makes the result statistically significant so their hypotheses were not rejected. Also quality of audit work and career and advancement were found to have a positive impact on the effectiveness of the internal audit department with statistically significant coefficient hence they were not rejected but top management support was found to have no effect on the effectiveness of the internal audit function because of the average statistically insignificant coefficient.

Conclusions

The study revealed that, there is professional proficiency in the internal audit units of the MMDAs in the Ashanti Region. The internal auditors' possess the appropriate professional skills, qualifications and experience and also participate in professional programme of continue education. The result from the study also indicates a negative and a significant relationship between professional proficiency and internal audit effectiveness. This means that professional proficiency of internal auditors has a negative effect on internal audit effectiveness. This suggests that an increase in professional proficiency will not improve the effectiveness of the internal audit unit.

The study also revealed that there exists a quality audit work by the internal audit unit of the MMDAs in the Ashanti Region. The internal auditors adhere to IIA code of ethics, comply with the international auditing standards and for that matter their reports are clear and accurate. Also, the evaluation of internal audit report by external auditors is positive. The result from the study shows that there is a significantly positive relationship between quality of audit work and the effectiveness of internal audit unit. This means that the quality of audit work have a positive effect on internal audit effectiveness. The implication is that the higher the quality of audit work, the higher the effectiveness of IA unit.

The study further revealed that internal auditors have organisational independence in that they have the authority to audit all parts of the assembly, they also operates independently. Internal auditors participate in major decisions affecting the unit and also take part in designing systems in the MMDAs. The result

from the study indicates a negative and a significant relationship between organisational independence and internal audit effectiveness. This means that organisational independence of internal auditors have a negative effect on internal audit effectiveness.

The study revealed that internal auditors' have career and advancement opportunities in MMDAs. Internal auditors have the opportunity to participate in professional development training to enhance their audit skills and also IA unit is highly regarded and respected within the MMDAs. The result from study shows that there was a significantly positive relationship between Career opportunities and the effectiveness of internal audit unit. This result means that career and advancement for internal auditors have a positive effect on internal audit effectiveness.

Finally, the study revealed that top management do not support internal auditors in the sense that, management do not provide internal audit unit with the encouragement expected and usually assign small budget to the unit. Top Management do not provide assistance and encouragement for training and development for audit staff. Internal auditors do not get the attention of top management and focus on issues audited by the unit. It was also clear from the findings that the internal auditors receive little support of management and the organisation settings are restricting their work. The result indicates a positive and an insignificant relationship between support from top management and internal audit effectiveness. This means that support from top management do not have effect on internal audit effectiveness.

Recommendations

On the basis of the findings of the study and conclusions reached, the following recommendations are proposed for the consideration of Internal Audit Agency, management of the MMDAs.

The internal audit units need to be adequately resourced by management including the use of appropriate resources. The availability of resources would enable the internal auditors to do quality work within the time frame.

There should be regular in-service training and short term courses for internal auditors. This would help them to upgrade themselves in order to meet challenges of modern internal audit.

The promotion for internal audit staff should not be prolonged and interfered. Their promotion should be given them by management as and when they fall due so as to be more effective as evidenced by the study.

The internal auditors should be given high status in the MMDAs so that they cannot be influenced by management. The chief internal auditors should be placed at a level that is recognised in the MMDAs, preferably the level with the finance officers and other key influential persons in the assemblies.

The internal audit agency should monitor the internal audit units on regular basis. Monitoring would help the agency to know whether the units are achieving the desired results. Monitoring includes addressing internal audit findings and recommendations and ensures that the management of the MMDAs take corrective actions.

Further research area

For the purpose of further research, implementation of the core internal audit principles should be critically assessed and a comparative study of public and private sector organisations should be carried out. To ascertain which MMDA internal audit unit is effective, a comparative analysis should be under taken.

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APPENDICES

Appendix A: LETTER OF INTRODUCTION

**UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS DEPARTMENT OF
ACCOUNTING AND FINANCE**

Telephone 0332132440/32444 Ext. 219/220

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Our Ref: SB/DAF/IL/V.1/96

**UNIVERSITY POST OFFICE
CAPE COAST, GHANA**



13th January, 2014

All MMDAs

Ashanti Region

Dear Sir/Madam,

LETTER OF INTRODUCTION: MR. ACHINA SAMPSON

The bearer of this letter, Mr. Achina Sampson, is a Master of Commerce (Accounting) student at the department of Accounting and Finance, School of Business, University of Cape Coast. He is conducting a research on the topic "Effectiveness of internal audit in Metropolitan, Municipal and District Assemblies in the Ashanti Region".

We humbly request that you provide him with the necessary assistance he needs to facilitate completion of his research work.

Thank you.

Yours faithfully,

Signed

Patrick kwashie Akorsu

HEAD

APPENDIX B: COVER LETTER

**UNIVERSITY OF CAPE COAST
DEPARTMENT OF ACCOUNTING AND FINANCE**

**THE HEAD
INTERNAL AUDIT UNIT**

Dear Sir/Madam,

PERMISSION TO ADMINISTER QUESTIONNAIRE

I am a Master of Commerce (M Com) student in the above mentioned university conducting research on effectiveness of internal audit in MMDAs in the Ashanti Region of Ghana. I am by this letter seeking permission to administer questionnaire in your outfit.

Your response is mostly needed for the conduct of this research, and will be kept anonymous and confidential and would be used purposely for this research. The result of the study is expected to contribute to the understanding of internal audit effectiveness in Ghana. Therefore, I believe you will assist in the completion of the study by participating.

The questionnaire includes all the directions necessary to complete the response without assistance. Since the success of this study depends on the cooperation of all targeted respondents, the information that will be obtained from the questionnaire will not identify individual respondents in the study. Hence, your response will be used in aggregate terms. I would also like to assure you that the information you provide will be accessible only to the undersigned researcher.

I am counting on your co-operation.

Yours faithfully,

.....

ACHINA SAMPSON.

STATEMENT	SA [1]	A [2]	N [3]	D [4]	SD [5]
1. Internal audit unit possess the appropriate professional skills, qualifications and experience.					
2. Internal audit unit have the right mix and competencies in specialist areas such as IT and treasury.					
3. Internal audit team have an appropriate programme of continuing education.					
4. Members of the team participate in professional development training programmes.					

2. QUALITY OF AUDIT WORK

This refers to the degree or extent of excellence of the audit work. That is, the audit work is conducted based on generally accepted standards and procedures expected of internal auditing.

You are kindly requested to indicate your degree of agreement and disagreement with each of the following statements on a five-point Likert response scale that ranged from “Strongly Agree” (scored as 1) to “Strongly Disagree” (scored as 5).

STATEMENT	SA [1]	A [2]	N [3]	D [4]	SD [5]
1. Internal audit unit adhere to the Institute of Internal Auditors (IIA) code of ethics					
2. Internal audits are conducted in conformance with the international standard for professional practice of internal auditing					
3. Internal audit unit has a quality assurance and improvement program					
4. Internal audit unit organizes or performs peer reviews or self- assessment of its performance					
5. Internal audit unit do regular follow-up to examine actions taken to correct problems identified					
6. Internal audit plan is aligned to the key risks of the MMDA and other assurance activities					
7. The evaluation of internal audit report by external auditors and other external authorities is positive					

8. Internal audit reports are clear and accurate					
9. The work of Internal audit is timely and proactive in the conduct and reporting of issues and addressing the management					
10. Management decision making process is strongly affected by reports, findings and recommendations of internal audit unit					

3. ORGANISATIONAL INDEPENDENCE

This means the state, condition, quality or process of being independent through the organizational placement and reporting lines of the internal audit unit.

You are kindly requested to indicate your degree of agreement and disagreement with each of the following statements on a five-point Likert response scale that ranged from “Strongly Agree” (scored as 1) to “Strongly Disagree” (scored as 5).

STATEMENT	SA [1]	A [2]	N [3]	D [4]	SD [5]
1. Internal audit unit is an autonomous and independent body					
2. Internal audit unit has the authority to audit all parts of the MMDA					
3. Detailed budget proposals are included in the annual work plan of the internal audit unit					
4. Internal audit performs other activities even if they are not defined as its direct responsibility					
5. Internal audit operates totally independently, can audit any issue it considers necessary of auditing					
6. Internal audit staff have free access to information and data about the MMDA					
7. Internal auditor takes part in designing systems in the MMDA and in developing procedures for regulating their operations					

8. Internal auditor participates in major decisions affecting the unit					
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4. CAREER AND ADVANCEMENT

This is an individuals' journey through learning, work and professional life. It is one's progress in one's job, progress and development, promotion in rank or improvement in status.

You are kindly requested to indicate your degree of agreement and disagreement with each of the following statements on a five-point Likert response scale that ranged from "Strongly Agree" (scored as 1) to "Strongly Disagree" (scored as 5).

STATEMENT	SA [1]	A [2]	N [3]	D [4]	SD [5]
1. Internal audit staff have the opportunity to participate in professional development training to enhance audit skills					
2. Internal audit unit is highly regarded and respected within the MMDA					
3. Promotion for internal audit staff are not prolonged and interfered					

5. TOP MANAGEMENT SUPPORT

This is when high level managers in an organization seek to help workers. That is, to give active approval, encouragement, assistance, funds etc.; to advocate something.

This means to provide someone with the means necessary for living or existing.

You are kindly requested to indicate your degree of agreement and disagreement with each of the following statements on a five-point Likert response scale that ranged from "Strongly Agree" (scored as 1) to "Strongly Disagree" (scored as 5).

STATEMENT	SA [1]	A [2]	N [3]	D [4]	SD [5]
1. Top management does not provide internal audit unit with the encouragement expected					
2. Management usually assign a small budget to the unit					
3. Management does not provide assistance and encouragement for training and development for internal audit staff					
4. Internal audit gets the attention of top management and focuses on issues audited by internal audit unit					
5. The number of employees in the internal audit unit is limited given the amount of auditing work planned and needed to be done in the near future					

SECTION C: INTERNAL AUDIT EFFECTIVENESS

1. Has internal audit added value to the operations of the Assembly?
 YES []

 NO []

2. If yes, in which areas have internal audit added value (improved)

3. What other form of effectiveness has IA unit achieved apart from adding value to the Assemblies operations?

4. How do you assess the effectiveness of the IA unit?
 Very effective []
 Satisfactory []
 Need improvement []
 Unsatisfactory []

5. How does the unit contribute to the improvement in Assembly' operations, and is it perceived by stakeholders to add value?

.....
.....

SECTION D: OTHER

What are the challenges you encounter in the performance of your work?

.....
.....
.....
.....
.....

Thanks for your co-operation.