

*Full Length Research Paper*

## **Expectation – performance of internal auditors: Examining views from Ghana**

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The study examines the audit expectation-performance gap from the standpoint of the internal audit function from the perspective of a developing economy. It evaluates the audit expectation-performance gap from the perspective of internal audit with the view to providing useful insights, interesting dimensions and innovative perspectives to the Audit Expectation Gap (AEG) debate. A questionnaire survey method was used to elicit and analyze the views of four main stakeholders in the financial reporting supply chain. These were; (1) external auditors, (2) Senior Management, (3) Audit Committee Members and (4) Professional Bodies. The independent sample t-test technique was used. This technique compares the means of two independent groups, (the users of internal auditors reports group and the internal auditors group) so as to determine whether or not there was statistical evidence that their associated population means were significantly different, relative to questions of responsibility of internal auditors; proactiveness of internal auditors; and professionalism and quality of internal audit work. The results show that the views of stakeholders (that is, users of financial information) on the expectation-performance of internal auditors do not differ significantly from those of internal auditors on the issues of responsibility of internal auditors, proactiveness of internal auditors, the level of professionalism of internal auditors and the quality of internal audit work. As demonstrated in the findings and discussions section of this paper, the paper evinces that the application of the agency theory to issues concerning internal auditing is practicable and supported in the context of the economic environment of developing countries. The paper provides some empirical evidence based on the survey on stakeholder perceptions on the expectation-performance of internal auditors from an AEG perspective. The study thus rekindles and adds to the myriad of discourses on the longstanding AEG phenomenon as it relates to the internal audit function from the viewpoint of different stakeholders.

**Key words:** Audit, expectation-performance gap, internal audit, agency, corporate governance, Ghana.

### **INTRODUCTION**

Internal auditing has become an ever-present feature in corporate governance discourses and practice. In nearly

all organizations, be they private or public, profit or not-for-profit, large or small, local or international, internal

audits are instituted as functions in support of the operational activities of management and/or those in charge of governance. According to Sarens and De Beelde (2006), senior management expects internal audit to; (1) make amends for managements loss of control over organizational activities due to complexity, (2) be the vanguards of corporate culture, (3) monitor and improve risks management processes and internal control systems, (4) train future managers and (5) act as an effective conduit and collaborator in external audits. In addition, internal auditing is expected to provide assurance on operational efficiency of organisations and secure the integrity of operating and financial systems (Cooper et al., 1996). Internal auditors achieve these by applying a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes (IIA-USA, 2000). Due to the foregoing, many advocates of good corporate governance practices have acclaimed the IA functions as one of the most efficacious component of any system of internal controls. Accordingly, for the internal audit function to remain relevant, its performance should satisfy the expectations of stakeholders. The expectations of stakeholders usually come in the form of demand for assurance of operational efficiency, integrity of financial reporting, sound risk control and management protocols etc. In cases where expectation-performance mismatch occurs, then a gap arises. This gap is generally termed audit expectation-performance gap (Porter, 1993). Research on this issue of audit expectation-performance gap tends to focus nearly exclusively on external audits. This assertion is evident from the myriad of works on AEG across jurisdictions of the world (Humphrey et al., 1993 in the UK; Porter, 1993 in New Zealand; Best et al. 2001 in Singapore; Frank et al., 2001; and Epstein and Geiger, 2004 in the USA; Monroe and Woodliff, 1993 in Australia; Dixon et al., 2006 in Egypt; Onumah et al., 2009 in Ghana etc.). This is the case in spite of the fact that internal audit is relatively broader in scope and concerns employees, actions and inactions in the adherence to corporate policies and procedures and the development and evaluation of sound internal controls. It directly deals with activities such as auditing for fraud; ensuring compliance with legal, ethical and operational standards etc. This apparent exclusivity of attention on expectation-performance gap in external audits tends to ignore the potential of an expectation-performance gap in internal audits.

It was argued that in view of the similarity in nature of the internal audit function and external audit, and insofar as both audits employ similar techniques and processes in the delivery of assurance services, the potential for a

similar gap if not, a wider one is highly plausible. The proposition of a gap existing in internal audit seems justifiable given the fact that internal audit is relatively broader in scope, CIAGFS, (2013) and concerns employees, actions and inactions in the adherence to corporate policies and procedures and the development and evaluation of sound internal controls. It directly deals with activities such as auditing for fraud and ensuring compliance with legal, ethical and operational standards (Mihret and Yismaw, 2007) among other activities. Internal audit provides assurance to top management about the efficiency and effectiveness of almost any aspect of the reporting entity. Thus the performance of internal audit could engender expectations from the viewpoint of internal auditors and other stakeholders and is thus worthy of empirical examination. This paper therefore examines the views of stakeholders (users of financial information) in the financial reporting supply chain regarding the expectations-performance match of internal auditors. The main objective is to ascertain and examine the dimensions, if any, of potential gaps and to evaluate the potential areas in which this gap may manifest. It is believed that this could contribute to unearthing useful insights pertaining to the discourses in the field of audit expectation-performance gaps. In particular, this could provide added bases for assessing some of the concerns that seek to suggest that internal auditing is just an additional operational cost, which duplicates all that the external auditor would have otherwise done at no extra costs. Thus, the finding could assist in evaluating the perceptions of the performance and value relevance of the internal audit function. The rest of the paper is organized as follows: the next section deals with the literature and theoretical overview of internal auditing. The research methodology employed in the study is expatiated in detail in the following section. The penultimate section deals with the analysis and discussions of the key findings. The last section gives conclusions, including policy implications and suggestions for further research.

## LITERATURE AND THEORETICAL OVERVIEW

Several theories have been employed in the auditing literatures to justify the need for the conduct of audits. Some of these are the agency theory, stakeholder theory, the policeman theory, the expectations theory, the lending credibility theory, etc. This paper relies on the agency and expectations theories as the frameworks to examine the internal audit expectation- performance gap. These two theories have been blended for this study due to the 'third party objective assurance' role of internal

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auditing on the one hand and the conception of internal auditing as a value-adding function on the other. Internal auditors are placed as checks on corporate activities, and to police the actions of managers as a first-hand feedback mechanism to the board in the detection and prevention of fraud (Michael, 1994). Internal auditing from this point of view can be conceived of as a mechanism to partly curtail the agency problem, by being a deterrent or internal whistleblower on managerial corruption, fraud and general maladministration. Internal auditors are agents of the Board/Audit Committee, and are expected to represent its conscience and eye over managers. The user community of the work of internal auditors is not limited to senior management or those in charge of governance.

External auditors in the performance of audit procedures also rely on the work of IA (IFAC, 2013). In consequence, external auditors have some expectations of the level of performance of internal auditors in discharging their duties. It would thus be apt to gauge the continuous relevance of the IA function by examining the performance of internal auditors as compared to the expectations of users. There is also the need for attempts at understanding the extent to which the quality of performance of internal auditors measures up to the standard envisioned by the main professional regulatory body (The Institute of Internal Auditors), as laid down in the Code for the Professional Practice of Internal Auditing. Especially relevant will be evidence of practice from a developing country viewpoint. Michael (1994) has aptly captured these assertions when he opined, "agency theory can provide for richer and more meaningful research in the internal audit discipline". This thinking grounds and motivates the application of the agency and expectation theories for the study.

Berle and Means (1933) were the first to systematically analyse and apply agency theory in the context of the modern corporation. In their view the modern corporation is composed of two main stakeholder groups; the owners (principals) and the managers (agents) with each group pursuing their self interest in the performance of their designated functions. These functions are 'that of having interests in an enterprise, that of having power over it, and that of acting with respect to it (Berle and Means, 1933: 119). In the modern corporate system the function of having power over an enterprise has become separated from that of having interests in it. As a result, the position of owners has been reduced to that of having a set of legal and factual interests in the enterprise whilst that of managers (controllers) are in the position of having legal and factual power over it (Berle and Means, 1933: 120). This separation accordingly creates a parallelism of interests that need to be contained, through various contractual arrangements. Another condition associated with the agency theory is information asymmetry which adversely affects the ability of the principals to monitor the opportunistic behaviour of agents (Michael, 1994).

Agents are assumed to have more information than principals, and in the pursuit of their self interests, agents may fail to act for the benefit of their principals. The problem of asymmetric information further breeds the problem of 'adverse-selection'. Adverse selection occurs when principals are unable to determine the propriety of management actions due to their inability to access all available information known to managers at the time a decision is to be made (Berle and Means, 1933: 9). In all these cases, the containment of the conflict by the principals is not only considered necessary but it is also deemed rational (Kren and Kerr, 1993). Containing the agency problem could be done through an assortment of contractual arrangements between agents and principals, (Schanze, 1987) or a more direct independent monitoring mechanism such as audits (Messier et al., 2006).

Internal audit provides assurance to top management about the efficiency and effectiveness of almost any aspect of the reporting entity. The need for an effective internal audit function has been recognized by a panoply of studies, as a fundamental tenet of good corporate governance (Cadbury Committee Report, 1992; COSO Framework, 1992; Jackson, 2000.). Chambers and Odar (2015) recognised the pivotal role of the IA in governance, by asserting that 'internal audit needs to move firmly into the corporate governance space to provide more dependable assurance to boards'. The IIAF (2013) in conceptualising the IA function defined it as "...an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." This definition radically shifts the focus of internal auditing from the traditional adjunct function of 'audit for management' to a strategic value-adding activity with an eye over management (Ramamoorti, 2003), and as an activity in the pursuit of corporate objectives (Lenz and Ulrich, 2015). In the discharge of their monitoring functions, the board of directors often form committees composed of independent non-executive directors. Following the leads of Watts (1988) and Michael (1994) reconceptualised internal auditing as coming within the ambit of agency and raised substantive areas of research within that milieu. He contended that agency-theory perspective to the internal audit research could have substantive benefits for both academics and practitioners. It was submitted that being employees of management (the principals), internal auditors (the agents) are expected to meet the performance expectations of the various stakeholders given the ever complexifying dimensions of operational risks that businesses face in a globalised world and the increasing reliance on the internal audit function by to provide assurance on risk management.

Mat-Zain and Subramanian (2007) examined the

relationship of IA to the audit committee in Malaysian public sector corporations. That study revealed among other things that audit committees enjoyed unquestionable authority. Audit committees are expected to take leading roles in inquiring into management decisions and support internal audits via both formal and informal means [ibid]. Sarens and De Beelde (2006) also investigated the relationship between IA and senior management, in which they concluded that both internal audit and senior management have expectations of each other.

Senior management's expectations has a significant influence on internal audits. Internal auditors usually meet senior managements' expectations, but IA's also expected senior management to take a leading role in the formalisation of risk management systems. This position seems to be in line with both the Cadbury Committee's Report (1992) and the COSO Framework (1992) as both of these reports directly charge directors to institute and report on the effectiveness of internal controls. Similarly, Nagy and Cenker (2002) assessed the internal audit function in terms of four factors vis; audit scope, organisational structure, risk management and audit committees. They found a general shift in focus of the internal audit function towards an operational or consulting orientation. Unlike Mat-Zain and Subramanian (2007) and Nagy and Cenker (2002) found that audit committees contributed little-to-no effort in determining internal audit plans. Other studies evaluated the role of internal audits in governemnet financial management. Notably, Diamond (2002) conducted an international comparison of internal audit practices. This work revealed marked differences in IA practices, but found that there was a general acceptibility in the public sector regarding the critical monitoring role internal audits could play in achieving sound public sector financial management.

From the review of the literature, the evidence of expectation-performance of internal auditors appears to be skewed towards the public sector. There seems to be a pausity of empirical work on the subject matter in the context of private sector entities. Given the growing recognition and acceptance and in some cases institutionalisation of the internal audit function, an investigation of the expectation-performance of internal auditors could unearth useful and intererstring insights. It is particularly aserted that such knowedege could have useful practical appliaction from the perspective of professional practice as well as policy dimensions. Therefore, with the view to investigating the existence of any potential performance gap in internal audits from the view points of its stakeholders.

Following from the literature, three broad measures were developed and tested on the emerging thematic areas. These include, the levels of implementation of internal audit recommendations (quality of IA work serving management expectations), perception of levels of proactiveness of internal auditors in the area of risk

assessment, and the perceptions regarding professionalism of internal auditors. Thus, expectation-performance revolves around these key issues. Examining views on these issues could thus be useful in providing insights into the subject matter. In the light of the foregoing, the following hypothesis are formulated and evaluated.

H<sub>1</sub>: The views of users on the expectation-performance of internal audit do not differ significantly from those of internal auditors regarding the responsibility of internal auditors.

H<sub>2</sub>: The views of users on the expectation-performance of internal audit do not differ significantly from those of internal auditors regarding proactiveness of internal auditors.

H<sub>3</sub>: The views of users on the expectation-performance of internal audit do not differ significantly from those of internal auditors regarding professionalism and quality of internal audit work.

## MATERIALS AND METHODS

The study uses the survey strategy. Questionnaires containing statements on the three broad issues were administered. Responses were rated on a five-point Likert-scale, ranging from strongly disagree (1) to strongly agree (5). It was administered to two groups of respondents (users of financial information) and internal auditors. The users of financial information comprises external auditors, senior management of companies, audit committee members, professional regulatory bodies. The internal auditors are sampled from among heads of internal audit units of companies. They were purposively selected given their direct and/or indirect involvement with the internal audit function. The sampling method was judgemental in nature because the study seeks to obtain relevant information from persons considered competent in that regard, so as to facilitate a meaningful evaluation of the phenomenon at hand. The views of respondents on some specific performance related statements bordering on the responsibility of internal auditors; proactiveness of internal auditors; as well as professionalism and quality of internal audit work were tested. Descriptive statistics were computed from the responses obtained. Inferential statistical analysis was also conducted testing the significance of the differences in the mean responses of the users in comparison with those of internal auditors concerning the expectation-performance of internal auditors using the independent sample t-test.

Two hundred questionnaires were hand delivered by a team of 4 research assistants at from the University of Professional Studies Accra-Ghana, to 2 categories of respondents for eliciting views on the thematic areas of perceptions. Out of the administered questinnaires, 123 were returned completed, representing about 61.50% response rate. This is considered useful for the analysis. The details of the composition of the various Stakeholder groups and respective response rates are shown in Table 1. The external auditors class of respondents consisted of accountants in practice drawn from the Big4 accountancy firms (these are transnational in nature) and selected Small and Medium Size Practitioners - SMPs (these are local based practioners). On the average the auditors class of respondents had at least 8 years of professional practice. They therefore consist of persons with fairly good degree



**Table 1.** Stakeholder groups and response rate.

Stakeholder group	Number sampled	Number responding	
<b>Users:</b>			%
External Auditors	25	20	80.00
Senior Management <sup>*</sup>	25	14	56.00
Audit Committees	25	14	56.00
Professional Bodies <sup>**</sup>	25	18	72.00
<b>Internal Auditors</b>	100	57	57.00
<b>Total</b>	<b>200</b>	<b>123</b>	<b>61.50</b>

<sup>\*</sup>Senior management group were composed of CEO's/Managing Directors and Chief Financial Controllers.

<sup>\*\*</sup>Professional bodies included members of The Institute of Internal Auditors, Ghana and The Institute of Chartered Accountants Ghana, the Securities and Exchange Commission.

Source: Fieldwork and Authors' Computation (2016).

of experience. Thus, their views could conveniently proxy the views of the accounting profession regarding the expected performance of internal auditors. Also, out of the 14 senior management respondents, 10 of them, representing 71.43% of that class of respondents have had experience within a multinational corporation context. They have also held their current positions for not less than 3 years. Therefore, they could be deemed to have the relevant exposure to the issues being examined with respect to the internal audit function. Audit committee members were also persons with diverse work experiences ranging from banking, insurance, and law. All the internal auditors who responded to the questionnaires were Chartered Accountants with an average of 9 years of post qualification experience. They could thus demonstrate a fairly good understanding of the framework for the professional practice of internal auditing. In view of their multisectoral background, they can be considered as well placed to express valid opinions, including but not limited to the ethical principles and demands of the internal auditing function.

## ANALYSIS OF RESULTS AND DISCUSSION

### Respondents views on the responsibilities of internal auditors

Internal auditors have specific responsibilities that they execute within the financial reporting supply chain. Using the respective mean responses in Table 2 the following analysis are made on statements concerning responsibilities of internal auditors. The respondents (that is both users and internal auditors) indicated their disagreement to the following statements that: It is the internal auditors' duty to institute internal controls in a firm; and the scope of internal audit work should be independently determined devoid of management's inputs. They thus sought to articulate clearly that internal auditors do not have a duty to institute internal controls; and that the scope of internal audit work should not be independently determined without management's inputs. By this response, users and internal auditors alike are of the view that the soundness of internal controls and the scope of the internal audit function are not under the purview of only internal auditors. All respondents agree

that it is the responsibility of management to establish and maintain a sound internal control system and the duty of internal auditors is to continuously monitor and evaluate they control system and report whether or not it is working throughout. All respondents also agree that management has a duty to make inputs into the scope of the internal audit function. Interestingly, both users and internal auditors agree that internal auditors shall ensure their own professional development through training; internal auditors should certify all annual financial statements before they are subjected to external auditing; and internal audit reports should guarantee the soundness of operating policies and procedures. Accordingly, there has been some allusion to some of the statements as enumerated, but they are quite uncertain as regards the internal auditors' duty to monitor and evaluate all possible risks the entity may face; and internal auditors should be held accountable when external auditors detect fraud.

However, there seem to be no significant differences in expectations between users of internal audit work and the internal auditors. This is regarding the expectation – performance of internal auditors in the design and implementation of controls, monitoring and evaluation of risks, responsibility on fraud detection, the guarantee of internal audit reports on the soundness of operating policies and procedures, responsibility for professional development and the scope of internal audit work. This is reflected in the respective summarised t-test shown in Table 3. Even though per their mean responses respondents agree that internal auditors should certify all annual financial statements before they are subject to external auditing, there were significant difference in their average responses.

### Respondents views on the proactiveness of internal auditors

Risk anticipation or 'risk alertness' and the development

**Table 2.** Descriptive Statistics and t-test: Performance Expectations of Internal Auditors

Statement	Stakeholder	N	Mean	Std. deviation	Std. error mean	t-test for Equality of Means		
						T	Df	Sig. (2-tailed)
(i) Internal audit reports should guarantee the soundness of operating policies and procedures	Internal auditors	57	3.95	1.32	0.17	-1.64	121.00	0.10
	Users	66	4.30	1.10	0.13	-1.61	109.36	0.11
(ii) Internal auditors shall ensure their own professional development through training.	Internal auditors	57	3.74	1.37	0.18	-0.55	121.00	0.58
	Users	66	3.86	1.19	0.15	-0.54	111.77	0.59
(iii) It is the internal auditors' duty to monitor and evaluate all possible risks the entity may face	Internal auditors	57	3.19	1.39	0.18	1.50	121.00	0.14
	Users	66	2.80	1.47	0.18	1.51	119.91	0.13
(iv) It is the internal auditors' duty to institute internal controls	Internal auditors	57	1.72	0.75	0.10	-0.63	121.00	0.53
	Users	66	1.82	0.96	0.12	-0.64	119.87	0.52
(v) Internal auditors should be held accountable when fraud is detected by external auditors.	Internal auditors	57	2.61	1.56	0.21	1.33	121.00	0.19
	Users	66	2.29	1.16	0.14	1.30	102.39	0.20
(vi) The scope of internal audit work should be independently determined devoid of management's input	Internal auditors	57	1.82	1.20	0.16	0.60	121.00	0.55
	Users	66	1.71	0.87	0.11	0.59	100.91	0.56
(vii) Internal auditors should certify all annual financial statements before they are they are subject to external auditing	Internal auditors	57	3.67	0.97	0.13	-1.77	121.00	0.08*
	Users	66	3.98	1.02	0.12	-1.78	119.75	0.08*

Note: (a) (1) = Strongly Disagree (2) = Disagree (3) = Uncertain (4) = Agree (5) = Strongly Agree, (b) \*\*\*, \*\* and \* denotes significance levels of 1, 5 and 10%, respectively

Source: Fieldwork and Authors' Computation (2016).

of counter measures remain a fundamental prerequisite in the risk management role of internal auditors (Spira and Page, 2003). In effect the 'value added' element of internal audits could best be justified if the internal audit function helps the corporation to mitigate risks which would otherwise derail the company's short and long term goals. In view of this, how stakeholders' perceive the IA function in Ghana was evaluated (Table 3). The mean responses of the users and Internal auditors appeared to be in agreement; that Internal auditing methodologies should be appropriate in identifying corporate risks; Internal audit input should always be taken during all corporate planning processes; and Internal auditors should be relied upon to accurately and timely evaluate present and future risks of the firm. On the other hand, they are quite evasive on whether internal auditors deserve a role in top-management. The results of the t-test shown in Table 3 shows that there are no significant statistical differences in views regarding the extent to

which internal auditors in Ghana are perceived to be proactive, as all p-values > 10%. There is an indication from the analysis that users and internal auditors have similar opinion on the proactiveness of the internal audit function. Generally, per this analyses, the internal audit function as pertains in Ghanaian corporate circles is quite proactive and hands-on.

#### **Respondents views on professionalism and quality of internal audit work**

Conformance with professional standards is a vital element in all professional and consultancy engagements. A more effective internal audit activity would therefore seek to apply and promote the highest level of professionalism in the conduct of audit activities, as this would enhance the organisational support for the function (Ridley, 2004). Six statements are used to evaluate the

**Table 3.** Descriptive statistics and t-test: Views on proactiveness of internal auditors.

Statement	Stakeholder	N	Mean	Std. deviation	Std. error mean	t-test for equality of means		
						T	Df	Sig. (2-tailed)
(i) Internal auditing methodologies should be appropriate in identifying corporate risks	Internal auditors	57	4.30	1.30	0.17	0.23	121.00	0.82
	Users	66	4.24	1.40	0.17	0.23	120.46	0.82
(ii) Internal audit input should always be taken during all corporate planning processes	Internal auditors	57	3.70	1.25	0.17	-0.30	121.00	0.76
	Users	66	3.77	1.35	0.17	-0.30	120.29	0.76
(iii) Internal auditors should be relied upon to accurately and timely evaluate present and future risks of the firm	Internal auditors	57	3.84	1.45	0.19	-0.99	121.00	0.32
	Users	66	4.09	1.33	0.16	-0.99	114.89	0.33
(iv) Internal auditors deserve a role in top-management	Internal auditors	57	3.28	1.97	0.26	0.66	121.00	0.51
	Users	66	3.05	1.99	0.24	0.66	118.70	0.51

Note: (a) (1) = Strongly Disagree (2) = Disagree (3) = Uncertain (4) = Agree (5) = Strongly Agree, (b) \*\*\*, \*\* and \* denotes significance levels of 1, 5 and 10% respectively

Source: Fieldwork and Authors' Computation (2016).

views of respondents on the professionalism of internal auditors (Table 4). The respondents (that is users and internal auditors) came to an agreement that internal auditors should conform to professional standards most of the time. In addition, that professional standards should generally promote and support a good corporate governance culture, internal auditors should demonstrate objectivity and independence always, and internal audit recommendations always add value even if they relate to negative aspects of management decisions. On the issue of whether internal audit recommendations must suitably address all control risk factors, users are uncertain whilst internal auditors agree. Furthermore, on whether internal auditors should report directly to the Audit Committee, users agreed, while internal auditors appear uncertain. The t-test results in Table 4 indicate that there is no significant statistical differences in the opinion of internal auditors and users on the Professionalism and Quality of Internal audit work, as the p-values are not significant at the various significant levels, for all the statements except the last statement. Therefore, users and internal auditors' views differ on whether internal auditors should report directly to the Audit Committee. There appears to be AEG in the context of the latter.

## Conclusion

This study critically examines the expectation-performance of internal auditors from the perspective of the Audit Expectation Gap (AEG) concept. The study

uses data collected from two classes of respondents (users of financial information and internal auditors) in the financial reporting supply chain in Ghana. Specifically, this study analyses the extent to which the views of internal auditors on the Internal audit function differs from those of other stakeholders (that is users).

There is apparently no significant differences in expectation-performance between users and the internal auditors regarding the expectation-performance of internal auditors in the design and implementation of controls, monitoring and evaluation of risks, responsibility on fraud detection, the guarantee of internal audit reports on the soundness of operating policies and procedures, responsibility for professional development and the scope of internal audit work. Also, both users and internal auditors seem to articulate clearly that internal auditors do not have a duty to institute internal controls of the entity; and that the scope of internal audit work should not be independently determined devoid of management's inputs. Users and Internal Auditors opined that Internal Auditors shall ensure their own professional development; should certify all annual financial statements before they are subjected to external auditing; and internal audit reports should guarantee the soundness of operating policies and procedures. On the other hand, they are quite uncertain about whether it is the internal auditors' duty to monitor and evaluate all possible risks the entity may face and should be held accountable when external auditors detect fraud.

This means that in the minds of users and Internal Auditors, internal controls are to be instituted by

**Table 4.** Descriptive statistics and t-test: views on professionalism and quality of internal audit work.

Statement	Stakeholder	N	Mean	Std. deviation	Std. error mean	t-test for equality of means		
						T	df	Sig. (2-tailed)
(i) Internal auditors should conform to professional standards most of the time.	Internal auditors	57	3.72	1.53	0.20	0.45	121.00	0.66
	Users	66	3.59	1.65	0.20	0.45	120.29	0.66
(ii) Professional Standards should generally promote and support a good corporate governance culture.	Internal auditors	57	3.65	1.41	0.19	-1.32	121.00	0.19
	Users	66	3.98	1.41	0.17	-1.32	118.43	0.19
(iii) Internal auditors should demonstrate objectivity and independence always.	Internal auditors	57	3.70	1.25	0.17	-0.30	121.00	0.76
	Users	66	3.77	1.35	0.17	-0.30	120.29	0.76
(iv) Internal audit recommendations must suitably address all control risk factors.	Internal auditors	57	2.30	1.86	0.25	-0.94	121.00	0.35
	Users	66	2.62	1.95	0.24	-0.94	119.79	0.35
(v) Internal audit recommendations always add value even if they relate to negative aspects of managements decisions.	Internal auditors	57	4.30	1.30	0.17	0.23	121.00	0.82
	Users	66	4.24	1.40	0.17	0.23	120.46	0.82
(vi) Internal auditors should report directly to the Audit Committee	Internal auditors	57	3.44	1.55	0.20	-2.13	121.00	0.03**
	Users	66	4.00	1.37	0.17	-2.12	112.92	0.04**

Note: (a) (1) = Strongly Disagree (2) = Disagree (3) = Uncertain (4) = Agree (5) = Strongly Agree, (b) \*\*\*, \*\* and \* denotes significance levels of 1, 5 and 10%, respectively.

Source: Fieldwork and Authors' Computation (2016).

management as it is enshrined in corporate governance codes. In that regard, institutions should continue to allow Internal Auditors to contribute to determining the kinds of management and internal controls in a firm. It is believed that this could help free the control system in the firm and secure its independence from the persons who purport to assess and report on it for the perusal of management/board of directors.

The scope of the Internal audit work should be determined with direct management inputs as it could possibly be comprehensive than it would be without their inputs. In the Ghanaian setting, internal auditors are expected to be responsible for their own professional development. Internal Auditors are thus to attend practitioner based conferences, seminars, workshops and symposiums when they are confronted with such opportunities. In the particular context of Ghana, the ICAG could be a focal point for organizing training on contemporary issues in accounting and auditing that aimed at strengthening the professional competencies of Internal Auditors.

Certification of all annual financial statements before they are subjected to external auditing could facilitate the

work of the external auditor. Similarly, it is now clear that stakeholders advocate that internal audit reports should guarantee the soundness of operating policies and procedures, which is not contrary to the stance in the extant literature. Once stakeholders are reasonably uncertain about whether it is the Internal Auditors' duty to monitor and evaluate all possible risks an entity faces and should be held accountable when external auditors detect fraud. It can be inferred that there is a need for the accounting profession to find ways and means of ironing out these issues to ensure that the value creation purpose of the Internal audit function is improved for the satisfaction of all stakeholders.

The results also show that there were no statistically significant differences in the views of the users and internal auditors regarding the extent to which internal auditors in Ghana have been perceived to be proactive. The stakeholders had consensual agreement on the issues that Internal auditing methodologies should be appropriate in identifying corporate risks; Internal audit input should always be taken during all corporate planning processes; and Internal auditors should be relied upon to accurately and timely evaluate present and



future risks of the firm. On the other hand, they are quite evasive on whether internal auditors deserve a role in top-management. This is in line with Spira and Page (2003) assert that risk anticipation and the development of counter measures remain a fundamental prerequisite in the risk management role of internal auditors. In effect the 'value added' element of internal audits could best be justified if the internal audit function helps the corporation to mitigate risks which would otherwise derail the company's short and long term goals.

Furthermore, the results indicate that the views of users and Internal Auditors on professionalism and quality of internal audit work are not diverse. For instance, as to the question of whether or not internal audit recommendations must suitably address all control risk factors and the internal auditors reporting directly to the audit committee, the views of internal auditors and users varied significantly. The two stakeholder groups largely agreed that internal auditors should conform to professional standards most of the time; professional standards should generally promote and support a good corporate governance culture; internal auditors should demonstrate objectivity and independence always; and internal audit recommendations always add value even if they relate to negative aspects of managements decisions. This aspect of the findings is consistent with Ridley (2004), which indicates that a more effective internal audit activity would therefore seek to apply and promote the highest level of professionalism in the conduct of audit activities. There is thus a subtle AEG among the stakeholders in Ghana concerning comprehensiveness of recommendations of Internal Auditors and lines of reportage regarding their work. This is likely to raise eyebrows concerning the work of internal auditors in the Ghanaian context.

By and large, the AEG concerning these issues of internal auditing reflecting the responsibility of internal auditors; proactiveness of internal auditors; and professionalism and quality of internal audit work is not wide in the financial reporting supply chain in Ghana. The study concludes that there is much evidence to support the agency and expectation theories in the Ghanaian corporate environment in respect of the Internal Audit function. It can be argued that the main motive behind these results seems to be a synthesis of internal audit functions, instigated by an absence of legislative backing to deliver uniformity in the implementation of best practices in the corporate world.

## LIMITATIONS OF THE STUDY

When interpreting the findings of this study, a number of limitations need to be taken into account. First and consistent with general trends in questionnaire-based research, is the limited number of respondents could be an impediment to the generalisation value of the results, thereby necessitating careful interpretation of the

findings.

Second, the questionnaires were sent to certain selected stakeholders and internal auditors. Thus, the views may not be representative of the perceptions of all actors in the financial reporting supply chain of the Ghanaian business and economic environment. Notwithstanding the limitations outlined in the preceding paragraphs, the study could have value relevance in its context, time and space. First, as one of the few studies to examine the concept of the expectation-performance gap of internal auditors in the context of an emerging developing economy in Subsaharan Africa, this study could open new avenues for future research in Ghana and in simialar other business and economic environments.

Second, it would be interesting and insightful, for example, to identify variables to explain AEG in the context of Internal audit from other contexts to facilitate both local and international comparative analyses.

Lastly, findings consistent with this study could provide bases and insights to professional, regulatory and training institutions and agencies to initiate policies and programmes supportive of improving theory and practice in Internal auditing. Future research is thus recommended on specific aspects to iron out the differences identified in the views of the stakeholder groups.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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