

UNIVERSITY OF CAPE COST

ASSESSING INTERNAL AUDIT QUALITY IN QUASI-GOVERNMENT  
INSTITUTIONS: EVIDENCE FROM CHRISTIAN HEALTH ASSOCIATION  
OF GHANA HOSPITALS

FESTUS ELI AGBODZIE

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OF GHANA HOSPITALS

BY

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Business, College of Humanities and Legal Studies, University of Cape Coast in  
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**DECLARATION**

**Candidate's Declaration**

I hereby declare that this dissertation 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 Signature ..... Date .....

Name: .....

**Supervisor's Declaration**

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature ..... Date .....

Name: .....

## ABSTRACT

The Auditor General of Ghana's reports on the public accounts of Ghana takes a direction of consistently reporting of malpractices. The role of internal auditors in preventing these occurrences constantly comes into the spotlight. Other researchers found that internal auditors devoted less time to productive activities. The study therefore sought to evaluate the quality of internal audit in the quasi-public sector institutions in preventing mass financial malpractices. Specific attention was given to areas of audit coverage obtained, independence and value adding benefits provided to the organisations auditors work for and challenges faced by internal auditors in performing their duties. Using a purposive sampling technique, seventy - (70) respondents from ten (10) CHAG facilities in BA Region of Ghana were selected for data. The respondents comprised of members of institutional management in the various CHAG hospitals. Data were collected using close-ended questionnaires and in the case of internal audit executives, follow-up interviews were conducted on specific issues for better understanding of the issues involved. The findings of the research showed that internal auditors in the health facilities obtained an average of eighty percent (80%) coverage on issues of internal controls in the health facilities. The setbacks of the function was that auditors reported to and were appraised by the Administrators/CEOs of the health institutions due to the absence of audit committees. This cast doubt on the independence of the professionals in their duties. Their challenges were on non-availability of training programs and logistics to work with. The research recommends that audit committees be established to liaise with the internal audit in their duties.

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**DEDICATION**

To my son,

Titus Paul Kekeli Agbodzie

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## LIST OF ACRONYMS

ACCA	Association of Chartered Certified Accountants
BAR	Brong Ahafo Region
BOD	Board of Directors
CAGD	Controller and Accountant General Department
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CHAG	Christian Health Association of Ghana
CIMA	Chartered Institute of Management Accountants
CPE	Continuous Professional Education
IAF	Internal Audit Function
ICAG	Institute of Chartered Accountants, Ghana
IGF	Internally Generated Fund
MMDA	Metropolitan, Municipal and District Assemblies
NHIA	National Health Insurance Authority
PWC	PricewaterhouseCoopers

## CHAPTER ONE

### INTRODUCTION

In recent times, because of corporate governance problems, the issue of internal auditing has become of great concern to all stakeholders in both the private and public sector of every economy. These concerns are as a result of the growing need and concerns for transparency in the management of corporate bodies. In many instances however, the performance of internal auditors has become a problem that stakeholders are eager to find out because of continuous reported instances of wrong management practices in corporations, resulting in malperformance of these institutions and in some cases, loss of funds (Fung, 2014).

In the Auditor General's report for 2014 Financial year, among many issues reported included embezzlement of funds in excess of GH¢ 549,245.59 by eight district assemblies. The report further stated that amounts in excess of one million Ghana Cedis were not properly accounted for by 43 staff of some district assemblies because of lack of effective supervision, and failure on the part of management to sanction the people involved (Auditor General Report, 2014). In the Auditor General's report for the 2016 fiscal year, it was also reported that management and staff of various MMDAs continued to violate various procedures and policy guidelines in place, which were to ensure effective, economic and efficient management of resources allocated to them. In the same report, financial irregularities in the public sector for the fiscal year was about GH¢2,165,542,375.14, which was an increase in the previous year's irregularities (Auditor General Report, 2016). These and other similar cases in the various public sector institutions calls for concerns to be raised about how well internal controls have been designed, implemented and monitored in the various government organisations.

Previous studies however, in an attempt to help address the issue, have focused attention on assessing how internal auditors in public sector institutions that have total government control, monitor institutionalised internal controls and the audit coverage they obtained. It was therefore worth knowing how the situation is in the institutions with traits of both private and public ownership.

### **Background of the Study**

Globally, the level of stakeholder expectations matching skills and capabilities help internal auditors to enhance the value they deliver to the organisation (PWC, 2014). Internal audit has become a growing wing in the managerial setup of many businesses, both private and government with many expectations in respect of performance, reportage and value adding.

Research suggests that many organisations around the world recruit new graduates into this very important function and use it as a training ground for future managerial positions. Thus, globally, the internal audit function in many organisations has become the incubator hub where most organisations equip new graduates with the skills to perform well as managers in the institution in the future.

This is reported as being a policy that the internal audit profession holds key (IIARF, 2014). This is because internal auditing cut across all aspects of the organisation, ranging from finances to human resources.

According to PWC (2014), the nature of African economies and the diverse nature of industries on the continent, make it daunting doing business and performing internal audit across the continent. These challenges notwithstanding, the internal audit on the continent seem to be navigating its way through in difficult business environments. The continuous changes in the world and business environment requires that internal auditing also change. Internal auditing in all aspects is no longer

compliance driven, but risk based, and therefore must be seen to be adding value to an organisation.

Studies conducted in some South African companies suggest that, the reporting lines of internal auditors do not conform to best practices so far as corporate governance is concerned. Significantly, in many organisations, internal auditors and audit executives report to the Chief Finance Officers (Erasmus and Coetzee, 2018). This practice will invariably affect the independence of the audit executives, the quality of their work and reporting system.

In Ghana, the Institute of Internal Auditors reports that, the Internal Audit Agency Act 2003, Act 658, has established the Internal Audit Agency, which is a statutory body to be part of the public governance improvement programme, aimed at ensuring the active and mandatory development and practise of internal audit as a key function in the Public Sector. The Agency since its inauguration in 2005, has become part of the administrative structures of many public institutions including the MMDAs in their operations. Internal auditing in the public sector has therefore become a system of reducing malpractices and fraudulent conducts among civil servants.

In the private sector however, internal auditing has been a part of the corporate governance process for a long time. As part of best practices and improving transparency in the organisational practices, corporate governance practices have made prescription for the establishment of proper internal controls and monitoring systems of which the internal auditors and audit committees are part. This practice of corporate governance principles has ensured proper management of private sector institutions ensuring that, the agency relationship that exist between directors and shareholders are well protected (Omolaye & Jacob, 2017).

In Ghana, even though internal audit departments have been well established and are operational in the various government and quasi-government institutions, the Auditor General continuously reports in his annual report, instances of malpractices in government corporations and departments. The Auditor General's reports since the year 2011, continuously reports of instances of poor cash management; resulting in poor revenue collected on behalf of government to be paid into the consolidated fund, issues of tax irregularities and un-authorized payments as well as non-availability of adequate records on revenue collected. The Auditor General's department continuously reports on improper internal controls at the various MMDAs and government enterprises. These errors are the very things the internal auditors in the various departments are supposed to check and prevent (Auditor General's reports, 2011-2015).

### **Statement of the Problem**

The significance of the internal audit task has been greatly recognised in the private sector largely than that of the public sector (Goodwin, 2004). This notwithstanding, the issue of internal auditing in all government agencies has become a very topical issue for discussion on all platforms, and a vital part of the public sector, in terms of monetary management and improvements in government agencies (Heier, Dugan & Sayers, 2005). Internal auditing has become a fundamental instrument in government financial management and administration in government departments, as well as in institutions in which government has an interest in their operations, such as the quasi-government institutions (Ozuomba, Nwadiolor & Ifureze, 2016; Hoitash, Hoitash, & Bedard, 2009).

The Auditor General's report on the financial performance and conducts within the public sector and quasi-public sector institutions in the country each year, is almost



becoming predictable, because, each year the Auditor General continuously reports on poor internal controls and financial malfeasances in the sector. The situation is painting a gloomy picture about the performance of the setup agency of internal auditors in the country to see to the avoidance of these irregularities in public institutions (“Auditor-General’s Report Becoming Predictable – IEA”, 2014).

In review of relevant literature on how the internal auditors’ performances in these institutions of government interest are assessed, it was noticed that, previous researchers have focused on the purely government institutions.

Researchers like Abdulaziz and Gwillian (2014), Onumah and Krah (2012), and Dessalegn and Aderajew (2007), have all given attention to the MMDAs with no attention given to the quasi-government institutions in the country, especially in the Brong Ahafo Region. Therefore, there was the need to investigate or research internal auditing in quasi-government institutions in Brong Ahafo. There are Three Hundred and Twenty-Six (326) health facilities in the Brong Ahafo Region. This number is made of 226 Hospitals/Health Centres/Clinics/CHPs facilities, 52 Pharmacies, 6 Laboratories, 1 Ultrasound Scan facility, 1 Dental facility, 3 Eye Clinics, and 37 Maternity Homes. The ownership of the organisations are government – 177, Missionary – 23 and private – 126 (Facility Listing for Brong Ahafo Region, 2012).

In a research carried out by Van (2000) on obstacles in establishing and operating a public sector internal auditing function in South Africa, it was realised that, the lack of professionalism and proficiency among internal auditors in the public sector, impeded the establishment of this vital unit in many public sector organisations. In another study however, Dessalegn and Aderajew (2007) placed the quality of work done by internal auditors in the ambit of management support for the work of internal audit staff. There was an agreement however that, the effectiveness of internal auditors

in the public sector was also dependent on the quality of work done by the management. The quality of audit work carried out by internal auditors was necessary to reduce cases of malpractices and ineffectiveness associated with the public institutions (McMullen, Raghunandan & Rama, 1996). Reports indicate that internal auditors in Ghana spend less productive time on their work than was required. Onumah and Krah (2012) estimated that, internal auditors' activities in the public sector of Ghana cover only about 74% of the productive audit time. The researchers realised that, factors such as low professionalism hindered the activities of the internal auditors.

All previous researches on the activities and the performance of internal auditors, have given much focus to the purely public sector. None of the researchers has tried looking at the performance of these professionals in the quasi-public institutions in Ghana, and more specifically in the Brong Ahafo Region of Ghana. It will be important to find out how effective internal audit in quasi-government institutions is, in terms of audit coverage attained and professionalism among auditors. It was important to carry out this research, to assess effectiveness of the audit function in the quasi-government setups, and add to existing literature.

In addition, researchers like Onumah and Krah (2012), Van (2000), Khaled and Mustapha (2013) Deshpande and Webster (1989) and Dessalegn and Aderajew (2007) have adopted the use of the agency theory and the institutional theory on the subject matter, none has given attention to its use in the quasi-government sector and the coverage in work obtained. This study aimed at filling this gap by adopting the theory in this new area

### **Objectives of the Study**

The overall objective of the study was to ascertain the quality of internal audit in the quasi-government institutions in the Brong Ahafo Region of Ghana. The specific objectives of the study are to:

1. assess audit work coverage by Internal Auditors in the quasi-public sector facilities in Brong Ahafo Region.
2. determine how the independence of internal auditors is ensured in the quasi-public sector facilities in Brong Ahafo Region.
3. assess challenges faced by quasi-public sector Internal Auditors in the Brong Ahafo Region in carrying out their duties.
4. assess the means of reporting used by internal auditors in the quasi-public sector institutions in Brong Ahafo Region.

### **Research Questions**

The following research questions were formulated in attempt to gain answers to the above research objectives.

1. What audit coverage do internal auditors in the quasi-public sector institutions in the Brong Ahafo Region achieve?
2. How is the independence of internal auditors in the quasi-public sector institutions in the Brong Ahafo Region ensured?
3. What are the challenges faced by quasi-public sector Internal Auditors in the Brong Ahafo Region in carrying out of their duties?
4. What are the means of reporting used by internal auditors in the quasi-public sector facilities in Brong Ahafo?

### **Significance of the Study**

The output of this study seeks to contribute to knowledge and literature in the subject under investigation. It will serve as a source of reference to researchers, academics, students, policy makers, and other stakeholders interested in assessing the performance of internal auditors and quality of internal audit in quasi-public sector institutions in Ghana.

The study seeks to assist government and other stakeholders in the financial management of the public sector and quasi-public institutions, in the area of evaluating the work of internal auditors, and adequately resourcing and restructuring them to deliver quality service to the nation in protecting the public purse.

It also seeks to provide empirical support to the internal audit agency, the Ministry of Finance and Chief Audit Officers on strategic decisions in several critical areas of their operations, as well as provide a justifiable guide to designing workable internal audit practices in all government and quasi-government agencies aimed at ensuring value for all stakeholders.

### **Delimitation**

The study was conducted within the parameter of assessing the performance of internal auditors in quasi-government institution like mission hospitals in the Brong Ahafo Region of Ghana in terms of their audit coverage attained, reporting lines used and how their independence was ensured. It used a descriptive study approach to explain how internal auditing processes were performed in the Christian Health facilities, which are government sub-vented in the Brong Ahafo region. The results of the study can be extrapolated to reflect the situation existing in other institutions in the region not captured.

### **Limitation**

The study is a descriptive study, seeking to measure the performance of a category of professionals (internal auditors), in the quasi-public sector in properly carrying out their duties towards securing stakeholder interest in these institutions. The behaviours and conducts of people are however, subject to change, and the measurement of such qualitative issues as was the focus of this study are sometimes subjective.

### **Definition of Key Concept**

#### **Internal audit quality**

The quality of internal audit is looked at from the perspective of the independence of internal auditors in their operations within the organisation, work coverage obtained and status within organisation. According to Arena and Azzonne (2009), the quality and effectiveness of internal audit in an organisation can be looked at from the direction of the characteristics of the internal audit team in terms of their qualifications, the audit processes and activities and the organisational links and channels for the flow of authority and control.

### **Organisation of the Study**

The study is structured into five main chapters; Chapter One is on the background of the study, the statement of the problem, objectives, research questions and the significance of the study. Chapter Two looks at the Review of related literature, theoretical and conceptual framework for the study. Chapter Three is on the research design and methodology adopted for the study. Chapter Four focuses on analysis and discussion of the data collected for the study. Chapter Five is the final chapter which looks at the summary of findings, conclusions and recommendations based on results obtained.

## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

The literature review chapter is the chapter in which the researcher makes detailed analysis of what researchers have done and made available in the field under study. In this chapter, a review of the works of scholars has been done to ascertain their strengths and weaknesses as well as demonstrate familiarity with what is known about the topic of research (Quansah, 2015).

In this chapter, a critical review of literature has been done looking at the concepts of internal audit as part of the corporate governance systems of organisations in order to bring into perspective the idea of quality internal audit in the management and monitoring of stakeholder interest in institutions.

Theoretical review of the agency and the institutional theories supporting the concept of internal auditing has been performed. The chapter also includes empirical review literature on internal auditing in terms of responsibilities, risk management, control instruments, coverage of work, independence, challenges and reporting lines in organisations. The chapter also includes the conceptual framework for the research.

#### **Theoretical Framework**

##### **Agency Theory**

The agency theory has been widely used by many researchers to understand and appreciate the concept of internal auditing within the functions of management of organisations. The split between ownership of institutions and their management, the responsibility of top management and subordinates or other lower managers within the same institutions has at different levels, resulted in many conflicts in interest and directional goals. According to Adams (1994), the agency theory has been extensively

used in accounting literature to explain the need for and the appointment of auditors, especially the need for external auditors. It is argued that the agency theory provided the most theoretical framework for appreciating the internal auditing function. The theory not only predicts and explains the role and responsibilities assigned to internal auditors by the organisation, but it also helps to understand how the internal audit function is likely to be affected by any organisational change. He argues that the agency theory is the rich basis for studying the role and performance of the internal audit function.

Khaled and Mustafa (2013) however challenges that agency problems could occur in the organisation when the audit committee is inefficient, and hence the senior management becomes very powerful and therefore is able to have influence over the internal audit. They identified that the complex nature of authority and reportage in organisations sometimes creates a dilemma for the internal audit function. The more complex the organisational structure and the reporting lines of the organisation is, the more difficult it becomes for internal auditors to effectively perform their duties and report on activities appropriately.

Khaled and Mustafa (2013) further identified that, internal auditors although acts as agents of the board and therefore report to the Board of Directors through the audit committee, may have varying motives to act against the Board of Director's interest. These motives were identified to include financial rewards from senior managers, personal relationship with them and the power of senior management in shaping the future position of internal auditors and their remunerations in the organisation. This is partly because, although internal auditors work as agents of the board, the senior managers employ them, and as a result, in such environments, auditors may have incentives to be bias in their information flow. In effect, this defeats the rationale of the

agency theory and relations between the parties and against the stands of the institute of chartered accountants, England and Wales, that the establishment of internal audit functions is a means of dealing with the agency challenges as may be envisaged to exist in organisations.

According to Khaled and Mustafa (2013), it will take more than only the agency theory to explain the theoretical foundation of internal audit performance and effectiveness. The researchers explored the use of the institutional theory as well as the communication theory in building the strong theoretical foundation for understanding the effectiveness of internal audit.

### **Institutional Theory**

The institutional theories look at how the organisation's structures and procedures are shaped by norms, rules and routines occurring both within the internal and external environment. It considers how the norms of the organisation and its internal structures influence the performance of the internal audit function within the organisation. Their studies revealed that the limited research about internal audit effectiveness is related to the lack of sufficient attention to theories and on the new research area (Deshpande & Webster, 1989).

### **Communication Theory**

The communication theory of internal auditing looks at how internal auditors communicate within an organisation. In analysing the use of communication theory in internal auditing, Uwaleke and Ubaka (2016) observed that effective communication skills among internal auditors was an indispensable tool in achieving set targets of internal auditing in institutions. The researchers explained that, internal auditing will be meaningful when reports are communicated devoid of technical jargon that usually do not make sense to management or users of the report. This view was corroborated



by Narkchai and Fadzil (2017) who identified a positive relationship between the communication skills of internal auditors and their performance in organisations. The researchers noted that, the performance of internal auditors can be significantly affected by the level of ambiguity in their communications of results of work performed.

## **Empirical Studies**

### **Internal auditors' responsibility and role**

According to Kamal, Ahmad, Abdulla and Rana (2013), in their studies of how audit fees charged by external auditors could be influenced by the effectiveness of the internal audit function in the organisation, it was noticed that there was a negative relationship between the audit fees charged and the effectiveness of the internal audit function of the organisation. Where the internal audit function of the organisation was found to be very good, using the substitution theory, the researchers explain that, effective corporate governance represented by effective internal audit and audit committee substitutes for external audit work by reducing external auditors' risk and hence their fees. According to Jenny (2004), internal auditors in the private sector usually leads to reduction in audit fees and therefore much saving to their organisations.

According to Gerrit and Ignace (2006), among many expectations, CEOs and CFOs expect internal auditors to work and compensate for their loss of control resulting from organisational complexity. Senior managers expect internal auditors to provide independent assurance on the effectiveness and efficiency of processes and organisational internal controls as well as contributing effectively to their improvements. Internal auditors are also expected to assist in the formalisation of the risk management systems of the organisations.

The researchers also observe that, senior managers used the internal audit departments, especially those staffed with more than one internal auditor, to be the training ground for future managers (Christ, Masli, Sharp & Wood, 2012).

Tang, Yang and Gan (2017), provided another perspective to the issues by explaining that, managers' reliance on the work of the internal auditors and their consulting services was dependent on the reputation of the internal audit function for performing assurance engagements.

### **Internal audit as a risk management tool in organisations**

Studies into the staffing of internal audit staff suggest that, internal audit departments in organisations are usually filled with employees with no previous professional working experience. It is realised that people with professional background will usually prefer accounting roles in organisations to occupying internal audit roles, all other things being equal. Burton, Starliper, Summers and Wood (2014), observed that, when jobs were advertised as being internal auditing in nature, the only mechanism that increased experienced job applicants' willingness to apply for the position was when the internal audit function was being used as a management training goal and also performs primarily as a consulting service. This is because most experienced professionals have negative perceptions about people in the profession, which usually stem from their experience in the professional world.

Risk management in all aspects of organisation requires skills and experience to be properly carried out for the benefit of all stakeholders of the organisation especially the board of directors and the managerial team. It is therefore a challenge as reported by Burton et al., (2014), to see professionals with the much experience shun such jobs and roles in organisation. This concern notwithstanding, research suggests that, the

readiness of the internal audit function to report on some risk factors in the organisation is dependent on their involvement in the general risk assessment of the organisation.

Research conducted by Laura, Jenny and Nava (2011) indicates that, there are other factors that influences internal auditors' willingness to continuously monitor and report to management on breakdowns in organisational risk procedures. A high involvement of the internal auditors in the risk management processes and assessments in their institutions influences their willingness to continuously monitor and report breakdown in risk procedures to the audit committee, and not just a close relationship maintained with the audit committee.

According to Gerrit and Ignace (2006), the internal audit function's focus on the acute shortfalls in the risk management system gives them the opportunity to demonstrate the value they add. In Belgium, researchers noticed that internal auditors were playing various pioneering roles in the creation of higher risk and control awareness and a more formalised risk management system. It is realised that in the US, internal auditors' objective opinions and evaluations of the risk management system is a valuable input for the internal control review and disclosure requirement of the Sarbanes Oxley Act.

### **Internal audit as a control instrument**

Various organisational boards continue to keep in check their internal control monitoring systems as well as their organisations' operational and financial controls. These systems form part of the institutional risk management system. Faudziah, Hasnah, and Muhamad (2005), indicates that the management of the internal audit department, its professional ability, objectivity and reviews significantly has influence on the monitoring of internal controls in the organisation. The level of work done and how the internal audit is performed itself has influence on the information and

communication aspects of the internal control system while the performance of the audit, professional skill and objectivity also influence the control environment as well as the internal control system of the organisation.

According to Ege (2015), the quality of the internal audit unit in monitoring and maintaining strong internal control system in the organisation is an effective way of preventing management misconduct. According to the researcher, management abuses are tamed when the internal audit function is able to properly liaise with the audit committee to ensure that proper systems of internal controls are maintained. Brown-Liburd, Mason and Shelton (2014), reports that external auditors will want to assess the levels of internal controls and the ability of the internal audit function to maintain a close monitoring of the systems to place reliance on them for assurance assignments. The research established that, firms with good systems of internal financial and operational controls on which external auditors could rely on eventually enjoyed lower audit fees because of timesaving in assurance services received.

### **Coverage of work**

Gerrit and Ignace (2006) report that the effectiveness of internal audit within an organisation is strongly dependent on the support that the internal audit department gets from senior management and their input in audit planning and ad hoc request within the year, follow-ups on works of the internal audit and the support for the extension of the internal audit function. They realised that the enhanced attention of corporate governance and some fraud cases within companies have contributed to an increase in the appreciation of internal audit in organisations.

In some sub Saharan public organisations, such as that of Libya, Wahid, Dessalegn, Kieran and Peter (2015), reports that, the scope of internal audit has not been sufficiently wide ranging so as to be considered as a value adding service to the

organisation. The researchers observed that organisations needed to expand the scope of this function before they can offer value-adding services to their stakeholders. Andrew and Morjan (2015), adds that internal auditing has not gained its full purpose in organisational and the governance framework, and therefore needs to be enhanced. They assert that the low expectation of the internal audit is addressed by a number of guidelines from parties who are connected to this function. They recommend that internal audit needs to move firmly into the arena of corporate governance, audit the governance framework more firmly and provide levels of assurance that the board can depend on.

Similarly, Dominic and Nonna (2015), in investigating the nature and extent of internal audit functions' involvement in environmental, social and governance assurance services in Australia observed that, governance issues have become paramount in the area of focus for stakeholders in the internal audit function. It was obtained that, while governance issues were of great importance to various stakeholders, there was the expectation of an increase in concerns over environmental issues in the medium term and therefore the need for development of internal audit functions' skills and expertise to be able to handle these emerging needs. These concerns bring out the need to study and properly appreciate the situation in the Ghanaian quasi-public sector institutions.

However, contrary to the view of Wahid, Dessalegn, Kieran and Peter (2015), on the situation of internal auditors in Libya, Quansah (2015), in studying internal audit practices and corporate governance at Ghana Post Company Limited, reports that internal audit activities had a high coverage of about 83.09% of activities of the organisation. The researcher identified that the internal audit covered mainly areas of internal control monitoring and risk assessment and mitigation.

Johl and Subramaniam (2013), also adds up that there is a negative relationship between internal audit quality and abnormal accruals of organisations. The paper explains that, when issues of outsourcing of the internal audit function and other political links with some functions of the internal audit department are excluded, the association between internal audit quality and abnormal accruals of organisations is negative. This is an affirmation that internal audit as a check on management eventually leads to cost reduction in the operation of the organisation as a result of management expenditure disciplines, that is, the value adding function of the internal audit function of the firm.

### **Independence of internal auditors**

The various professional accounting bodies like the ACCA, ICAG and the CIMA continue to advocate for auditor independence in their work and report as part of their training programmes. Although independence is widely upheld at the training of accountants, the problem of independence persists in many organisations because of poor institutional structures. The research reported on the need for firms as a measure of controlling auditor independence to ensure timely rotation of auditors as well as mandatory rotation of audit firms on assignments. This was a significant way dealing with issues of familiarity associated with various assurance engagements. In effect, organisations who outsourced their internal audit function could rotate internal audit firms as a means of dealing with the familiarity threat leading to loss of independence (Mohammed & Habib, 2013).

The research work however did not indicate how issues of intimidation resulting in loss of independence of the audit firms could be resolved. Firms may kowtow to the dictates of organisation as a means of protecting their early rotation.

Contrary to the disclosure made by Mohammed and Habib (2013), about auditor independence, Ahmad and Taylor (2009), suggest that, issues of role ambiguity and role conflicts were the contributing factors to internal auditor independence. They disclosed that, the significant issues to the independence of internal auditors resulted from the ambiguity in the exercise of the authority of the internal auditor and time pressure that is usually faced by the practitioners in their lines of assignment. It was also noticed that, conflicting personal values of the internal audit staff to that of management and their profession's expectations and requirements was another cause of threat to the independence of internal auditors. Whiles professional bodies recommend specific values systems for members of the profession for the purposes of performing their functions, management on the other looked forward to varying performances and conducts from the internal audit function. This posed great challenges to the proper performance of duty.

However, on a more divergent note, Chiang (2016), promulgates the view that, auditor independence is impossible to attain due to the auditor-client structure that exist and both conscious and unconscious personal biases. It is asserted that, threats to auditor independence are very powerful incentives that reduce auditor's professional scepticism in relation to their work and makes it more difficult for auditors, especially internal auditors, to exercise a degree of professional scepticism while making professional judgements as required of them.

As a mitigation factor to the continuous issues of threat to the work of the internal audit function, Romero (2010) proposes that, internal auditors should be hired and paid by an external third party; an advocacy for outsourcing the internal audit function. The researcher proses that, quality control systems should be maintained and made part of the control measures for the internal audit system of organisations. These systems

should include the need for continuous professional education (CPE) programs all geared towards enriching the skills and knowledge for the audit executives for their functions.

### **Challenges of internal audit**

According to Quansah (2015), internal auditors, especially those in the public sector face challenges which borders much on issues of corporate governance. According to the researcher, the challenges faced by internal auditors' boards on noncompliance with laws and ethical standards, which include the inability to establish a sound system of oversight to management potential conflicts of interest. Issues of governance and risk management are usually inadequately resolved and therefore results in disagreement with management about matters that individually or in their aggregate, could affect their finances. He reports that, some of the challenges faced by the internal audit function is management interference in the work of the internal audit, lack of logistics and lack of training for the audit personnel on current practices in the profession.

### **Reporting lines**

As a conscious means of protecting internal auditors in their lines of duty and ensuring some amount of professionalism among internal audit professionals, audit textbooks and training manuals of professional bodies recommend that, internal auditors should report and be accountable to the board of directors through the audit committee. This was a conscious recommendation to prevent internal auditors from intimidation and influence of management in their duties. However, Jenny (2004), while comparing internal audit in the public to private sector reports that, there exist differences in their activities and reporting lines. He indicates that, internal auditors in



the public sector were more likely not to report on their activities and findings to the chief finance officer as compared to their colleagues in the private sector.

Therefore, in ensuring that the internal audit function continuously meets the needs of the board of directors, Bowes (1991) proposed that, internal auditors should be made to understand into detail how their organisations operate, who has control, who needs their services and also report directly to the board through the audit committee of the board of directors.

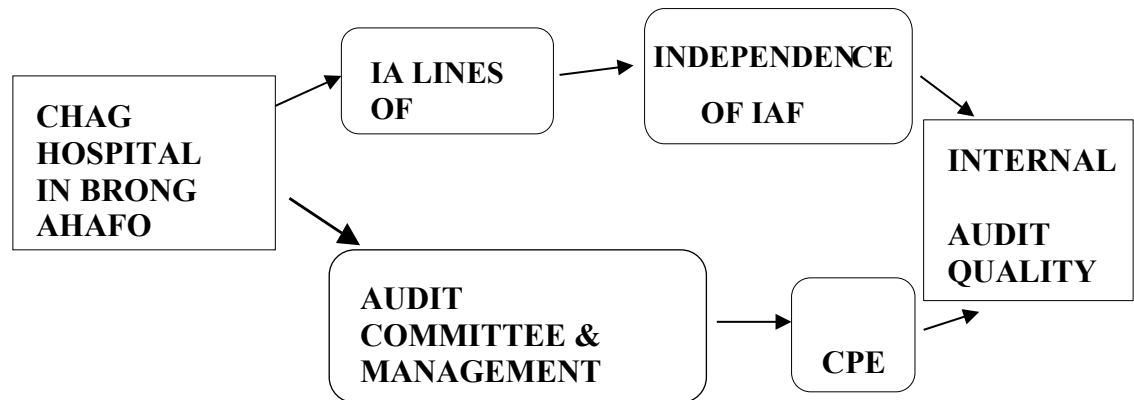
## **Conceptual Framework**

### **Concept of Internal Audit**

Internal auditing in organisation is the carved-out unit which gives independent, consulting and objective assurance services to management in improving the organisation's operational and financial performance (Nagy & Cenker, 2002). Internal auditing function in organisations therefore seek to monitor and advise management on issues of accounting and finances, as well as other operational parts of the organisations they work for, as a measure for reducing problems associated internal controls, management reporting and challenges of financial reporting (McMullen, Raghunandan & Rama, 1996)

Internal audit and the audit department in many organisations in the global scene has been used as the training section where talents and skill of new recruits are enhanced. This function is used as a training section where new staff are trained to get deeper understanding of their organisation's culture and to equip them for possible managerial positions in the future within the organisation (Selim, Melville, D'Onza, Pelligrini, and Kotoupis, 2014). The internal audit department however, is the department in organisations, which is expected to check and monitor the effectiveness of internal controls. Internal auditors, as part of the governance structure of

organisations, are expected to verify and report to the board on the strengths and weaknesses in internal controls. This function is exercised in a manner prescribed by independent evaluation of internal controls, which specifically compete with good risk control (Petrascu, n.d). Because of this function performed, in some corporate institutions, the term internal control auditors are used to refer to this group of professional.



**Figure 1: Conceptual Framework**

A cause and effect relationship may be deduced from the issues and from the performance of the internal audit function in organisations, as well as in appreciating the concept of internal audit effectiveness in the quasi-public sector organisations in the Brong Ahafo region of Ghana. With the CHAG hospitals being the independent variables in the study, and the quality of internal audit as the dependent variable. The factors influencing the quality of internal audit in the organisation settings include Internal Auditors’ Lines of Reporting, which affects the Independence of the Internal Audit Function and then further influence the dependent variable, which is Internal Audit quality.

Audit Committee and Management Support for the internal audit function also affects availability of Continuous Professional Education programmes that also

influences the Internal audit quality in the quasi-public institution in the region (Dessalegn & Aderajew, 2007).

### **Quasi-Government Institutions**

Moe and Kosar (2005) explains the concept of quasi-government institutions as those entities with legal characteristics of both the government and public sector in their formation, operations or financing. They explained these institutions usually take the form of congressionally chartered non-profit organisations, agency related non-profit organisations and government sponsored enterprises. These institutions according to Thiel (2004) are more preferred by politician and top government officials for the implementation of social intervention programs and projects because of expected level of professionalism in these organisations.

### **Chapter Summary**

This chapter reviewed various literature that relate the concept of internal auditing and audit quality in organisation. Theoretical review of the agency theory, institutional theory and the communication theory were performed to appreciate the unlinking theories to internal audit quality. The chapter attempts to fill the research gap created by previous researchers for not searching into the use of the quality of internal audit in the quasi-public sector institutions in Ghana using the agency and institutional theories.

The chapter also performed an empirical study of internal auditing in terms work coverage obtained, independence, risk management and reporting within an organisation. The researcher attempted to relate the studies to situations of the quasi-public sector institutions.

The chapter concludes with the conceptual framework the underlines this research. It looks at the concept of internal audit and what quasi-government institutions are.

## CHAPTER THREE

### RESEACH METHODS

#### **Introduction**

The study sought to ascertain the quality of work done by internal auditors in quasi-government institution in the Brong Ahafo Region of Ghana with emphasis on Christian Health Association of Ghana (CHAG) hospitals. This chapter is on the research approach adopted by the researcher in collecting the relevant data for the study. The chapter consist of the research design, a look at the study area, the population for the study, sampling procedure, data collection instruments employed, data collection procedures used and how the data was processed and analysed as well as a summary of the chapter.

#### **Research Design**

The research design is about how various conditions have been properly arranged, and the strategy chosen to integrate the different components of the study in a coherent and logical way thereby ensuring the research problem was addressed.

The researcher employed descriptive study approach to explain the issues of internal audit quality in the public sector. In effect, primary data for the study was gathered using a set of questionnaires and follow-up questions; questionnaire and follow-up questions for the internal audit executives and the set of questionnaires for management of the hospitals that formed part of the sample studied. This approach was chosen in order to ascertain the situation as really pertains to the quasi-public sector and in the Brong Ahafo region of Ghana. Because of the expected intellectuality of the target respondents, the data collection instruments used was a self-administered questionnaire, because, respondents were expected to be in the position to be able to read, understand and respond to questions without any assistance from the researcher.

The researcher adopted a descriptive research approach and the use of primary data for the research so that the study could bring to light the real issue of the quality of internal audit in the quasi-public institutions in the BA region. The study sought to highlight internal audit processes in the institutions.

### **Study Area**

According to Gariba (2007) the Brong Ahafo Region is one of the ten (10) Administrative Regions in the republic of Ghana with Sunyani as its administrative capital. The Region was created out of the former Ashanti Province on 4<sup>th</sup> April 1959 when the Brong Ahafo Bill was passed into Act No. 18 by Parliament. The Brong Ahafo Act was enacted after receiving the Governor General's assent (2010 population and housing census report, 2013). The region can be located at the south-western part of Ghana. The region is bordered to the north by the Black Volta River and in the east by the lake Volta. It also borders to the south by the Ashanti region, eastern region, and western region and finally to the west with La Cote d'ivoire.

There are 22 Administrative Districts and Municipal authorities in the Region, each headed by a District or Municipal Chief Executive (DCE/MCE) who, in turn, is under the political and administrative jurisdiction of the Regional Minister. The region has 37 Town Councils and 106 Area Councils, distributed within Districts. Another aspect of the political and administrative structure relates to constituencies and electoral areas for electoral purposes. The Region is divided into 24 constituencies, which are further subdivided into 582 electoral areas, which are also subdivided into 2,739 polling stations (2010 population and housing census report, 2013).

According to the report of the 2010 population and housing census of Ghana, the Akan ethnic group in all the Districts except in Sene, where Guans constitute the largest ethnic group, predominantly inhabits the region. The MoleDagbon group constitutes

the second largest ethnic group except in Sene and Atebubu. Three out of every five Akans in the region are Brong (Bono). The Region upholds chieftaincy as an honoured and development institution. In all, there are 45 Paramount seats and traditional councils. Some owe allegiance to the Asantehene while others govern themselves. Traditionally, drumming and dancing are a medium of entertaining and unifying the population. Several traditional drumming and dancing groups are found in virtually all Districts. Following the Adinkra tradition of the Kingdom of Gyaman, visual arts are a common practice of the people of the Region.

The report indicates that Brong Ahafo is richly endowed with natural resources, particularly tourist attraction sites, mineral deposits, forest and timber species, rich soil and good climatic conditions. The Region has a tropical climate, with high temperatures averaging 23.9°C (75°F) and a double maxima rainfall pattern. Rainfall ranges from an average of 1000 mm in the northern parts to 1400 mm in the southern parts. Described as the 'bread basket' of Ghana, the region contributes about 30 percent of the local food requirements of the country (2010 population and housing census report, 2013).

On the health of the region, it is reported by the Ministry of Health through its facilities listing that, the Brong Ahafo region has 226 hospitals, 37 maternity homes, 3 eye clinics, 52 pharmacies, 6 laboratories, 1 ultrasound scan facility, and 1 dental clinic facility all spread across various districts of the region providing health care to the population. Out of these health facilities, 177 are owned by the government, 23 by missionary organisations and 126 by private individuals (Facility listing in the Brong Ahafo region, 2012).

### **Population**

The research population is the collection of the individuals for the research known to have similar characteristics. The targeted population for the research was

obtained from the Christian Health Association of Ghana (CHAG) Hospitals in the Brong Ahafo Region of Ghana. There was a total of Ten (10) CHAG hospitals in the region. The researcher intended to involve respondents from all the hospitals in the research, therefore the population for the research was top management and internal audit staff of the ten CHAG hospitals in Brong Ahafo region.

The target population for the research was ninety-two (92), comprising of management members, internal audit and accounting staff of ten (10) Christian Health Association of Ghana (CHAG) hospital in the Brong Ahafo region of Ghana.

### **Sampling Procedure**

The sample for the population was determined using the sample size

Determination Formula below.

$$Z^2 * (p) * (1-p)$$

—————

$$C^2$$

Where:

Z = Z value (1.96 for 95% confidence level)

p = percentage picking a choice, expressed as decimal (.5  
used for sample size needed)

c = confidence interval,

With the population of 92, and a confidence level of 95% and the appropriate sample to be used for the research was 75.

### **Sampling Technique**

Purposive and simple random techniques was used for the study. Purposive sampling was used for selection of the facilities and convenience sampling was used for selecting the respondents. Purposive sampling technique was used for the sampling



in order to get access to personnel who are knowledgeable in internal auditing and issues of internal auditing so that a good insight can be obtained in assessing the quality of internal audit in the quasi-public sector institutions.

Purposive sampling method is the sampling method where the researcher selects the sample due to the qualities that the sample possesses. According to Tongco, 2007, when carrying out research involving human beings, there is always the need to use informants. According to the researcher, purposive sampling represents a practical and efficient tool when used properly, and can be just as effective and efficient as random sampling.

### **Data Collection Instrument**

The study made an extensive use of primary data. Data for the study was collected with the help of questionnaires. Self-administered questionnaires were designed and distributed among respondents within the hospitals under study. This was to allow the respondents the opportunity to provide information at their own convenience. Self-administered questionnaires were used with the expectation that with the intellectual background of the targeted respondents, much assistance may not be required to respond appropriately to questions.

The questionnaires were designed by the researcher in line with the objectives of the research in order to tap into the actual situation of internal auditors in the sector studied. Questionnaires instruments were the most appropriate instruments to collect the right data required to obtain first-hand information about the situation pertaining to internal audit practices and effectiveness in CHAG hospitals in Brong Ahafo region of Ghana.

### **Data Collection Procedure**

In collecting the required data for the study, the designed questionnaires were distributed among internal audit practitioners in the CHAG hospitals and head of facilities; Administrators. The researcher issued the questionnaires to the respondents and allowed them a minimum of two weeks to return filled questionnaires to the researcher for analysis.

### **Data Processing and Analysis**

Data collected was analysed with the assistance of SPSS software package (version 20). The data was coded in line with the designed questionnaires, edited and then inputted into the software for analysis of commonalities and viewpoints. Results of the analysis have been presented in tables and charts in the chapter four of the research paper.

### **Chapter Summary**

The chapter looked at the approaches adopted by the researcher to gather data from the field for the study. It gives a brief profile of the Brong Ahafo region. The population for the study was 92 management members and internal audit staff of ten CHAG hospital in the Brong Ahafo region. The sample size of 75 from the population was determined using the formulae for determining sample size.

Data for the study was collected using self-administered questionnaire, and analysed with the aid of SPSS software package (version 20). The limitation of the research was that the human behaviour that it seeks to measure is subject to change and may not in its totality reflect the situation at all times due to changes in human behaviour and institutional policies.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### **Introduction**

This chapter makes a presentation of the data collected from respondents and their analysis. It makes detailed analysis and discussion of the data gathered and provides information on the findings of the study by making analysis of the responses obtained from the various questions directed to the respondents as well as analysis of the findings made. The research adopted the use of descriptive statistics and narratives to explain the important findings and issues from the study.

Analysis of data has been made on internal audit coverage in CHAG health facilities, means/ mediums for reporting used by internal auditors, factors affecting the independence of internal auditors, dealing with internal auditor independence, benefits of internal audit to the health facilities, and how management evaluate the performance of the internal audit.

#### **Basis of Data Collected**

The purpose of the study was to assess the quality of internal auditing in the quasi-government institution in the Brong Ahafo region of Ghana, taking evidence from the Christian Health Association Ghana Hospital in the BA region. The assessment of the performance of this administrative and financial function of the institutions was done in the light of their audit coverage obtained, their independence, challenges faced and any mitigation processes to the challenges and finally, the reporting processes of this function of the organisations.

Adopting a purposive sample method for gathering respondents, a total sample size of 70 respondents was used for the collection of data from the various CHAG hospitals in the BA region. Respondents were from professional groupings of Accountants, Internal Auditors, Administrators, Medical Directors, CEOs and Personnel Managers in the various hospitals. The professionals, who mostly made up the management team of the hospitals or directly connected to the auditing function of the institutions, were used because they were deemed to possess the relevant knowledge and information necessary for the achievement of the stated research objectives. The main instrument used for the collection of data was a self-administered questionnaire that was made up of close-ended questions, which were centred on the work coverage, independence, reporting, and benefits of the internal auditing function to the organisation. Follow-up questions were asked to Internal Auditors by the researcher in some cases to better appreciate the situation from their level.

### **Internal audit work coverage**

The researcher used frequency table and percentages to illustrate the pattern of responses gathered from the field data collected in relation to activities that were deemed to be related to the internal audit unit/department in organisations. The significance of responses in relation to a particular set of question was set at 50% on the basis of majority view in relation to a particular function in the institutions.

**Table 1: Audit coverage achieved by Internal Auditor in CHAG health facilities in BA**

No	Variable	Frequency	Percentage %
1	Does the internal audit unit audit past financial statements?		
	Yes	34	48.6
	No	30	42.9
	Don't know	6	8.5
	Total	70	100
2	Does the internal audit unit issue report on the final accounts of the organisation?		
	Yes	32	45.7
	No	35	50.0
	Don't know	3	4.3
	Total	70	100
3	Does the internal audit unit give approval before transactions are carried out?		
	Yes	56	80.0
	No	9	12.9
	Don't know	5	7.1
	Total	70	100
4	Are payments in the hospital/health institution pre-audited?		
	Yes	60	85.7
	No	8	11.4
	Don't know	2	2.9
	Total	70	100
5	Does the internal audit unit verify purchases in the hospital / health facility?		
	Yes	62	88.6
	No	7	10.0
	Don't know	1	1.4
	Total	70	100
6	Does the internal audit/ department perform post transaction audit?		
	Yes	58	82.9
	No	7	10.0
	Don't know	5	7.1
	Total	70	100

Table 1 continued

7	Does the internal audit unit verify the purchase of fixed assets into the organisation?		
	Yes	59	84.3
	No	7	10.0
	Don't know	4	5.7
	Total	70	100
8	Does the internal audit verify the disposal of fixed assets from the hospital/ health facility?		
	Yes	63	90.0
	No	4	5.7
	Don't know	3	4.3
9.	Is the internal audit unit involved in the decision to dispose off fixed assets from the organisation?		
	Yes	54	77.2
	No	8	11.4
	Don't know	8	11.4
	Total	70	100
10.	Is the internal audit unit involved in the management of the organisation's physical assets?		
	Yes	55	78.6
	No	13	18.6
	Don't know	2	2.9
	Total	70	100
11.	Is the internal Audit unit involved in the procurement processes of the hospital/ health institution?		
	Yes	45	64.3
	No	23	32.8
	Don't know	2	2.9
	Total	70	100
12.	Are internal auditors involved in the design and implementation of organisational internal controls?		
	Yes	58	82.8
	No	6	8.6
	Don't know	6	8.6
	Total	70	100

Source: Field data (2018).

In the quest to achieve the first objective of the study, which was to find out the internal audit coverage achieved by internal auditors in the CHAG health facilities in the BA region, 12 questions on audit activities were asked and the results were as presented in the Table 1. With the exception of the first two questions on whether the internal audit unit audits past financial statements of the organisation and whether internal audit unit issues report on the final account of the organisation, the significant percentage (average of 81.44%) of respondents indicated in each case that the internal audit function performs the various functions asked in their organisation. Less than 50% of the respondents indicated in the case of first two questions that the internal auditors in their facilities audit the financial statement and also issue reports on the final accounts of their organisation. In each of the other ten (10) cases, more than 64% significant majority of the respondents indicated that the internal audit function of their health facility performed such functions.

With the responses, the internal auditors in the various quasi-government hospital in the BA region obtains audit coverage that has to do with the internal processes and verification of transactions. The use of internal auditors for the audit of the final accounts of the organisation is minimal and not widely spread in the various institutions. A follow-up question that the researcher asked various internal auditors in the facilities studied on the issue of internal audit coverage showed that, in the majority of the cases, the audit of the final accounts and such documents that were for external stakeholder were left for the external auditors of these institutions to audit. In most the of the cases, Internal Auditors were limited from assessing information on these issues/ reports because they were considered as staff who were to be allowed access to only limited information.

The study indicates that internal audit unit in the various health institutions is used for the management of the internal control risk and strengthening the processes of internal control in operation in the health facilities. This became known in the response rate for the questions that bothered very much on the processes of internal control, especially financial controls at the line management level of the institutions. More than 80% of respondents in each of the cases of 'Does the internal audit unit give approval before transactions are carried out?', 'Are payments in the hospital/health institution pre-audited?', 'Does the internal audit verify purchases in the hospital/ health facility?', and 'Does the internal audit perform post transaction audit?', indicated that the internal audit department performed these functions.

These finding fall in line with the finding of Gerrit and Ignace (2006) and Quansah (2015) which stated that, CEOs and CFOs expectation from internal auditors was on their compensation for the lost in internal controls in their organisations. The Management of health institutions have limited the activities of the internal audit department to supplementation for checks on the effectiveness of internal control in operation in the organisations. This is also manifest in Table 7 where over 58% of the respondents described 'correction of loss of control over all aspects of the organisation' as one the benefits that the organisation has obtained from the internal audit department. Just as identified by Quansah (2015), the internal audit activities bordered on internal control monitoring, risk assessment and mitigation within the health facilities with much emphasis on activities involving finances of the organisation.



### Means of reporting used by internal auditors

Reporting on work or assignments carried out was considered a necessary factor by the researcher as a way of assessing internal audit quality in quasi-public health facilities in the BA region of Ghana. As a result, data was collected on the various reporting processes that were used by the internal audit unit/ department in their institution. For analysis purposes, the significance of the views expressed by respondents was set at an average of 50% significance of each of the methods adopted for reporting purposes. Cases that were less than 50% were considered not significant.

**Table 2: The means of reporting used by internal auditors quasi-public health facilities in BA**

The mediums of communication used by internal auditors	Frequency	Percentage %
Verbal discussions	58	82.9
Memos	57	81.4
Quarterly document reports	46	65.7
Insight reports	29	41.4
Half year reports	39	55.7
Annual reports	31	44.3

Source: Field data (2018)

The data displayed in Table 2 are geared towards the objective of assessing the means/ avenues used by internal auditors in the quasi-health facilities in BA region to communicate within the organisation on their audits works performed.

From Table 2, it is evidenced that internal auditors explored the use of verbal discussions, Memos, quarterly document reports, insight reports and half-year reports in their communication processes in the various institutions. The tables however indicated that, among these various mediums of communication, internal auditors used

insight reports and annual reports at a minimal level. The percentages of respondents being 41.40% and 44.30% respectively for the use of these avenues indicate that, the popularity of the use of these two mediums of communicating audit reports is on the lower side within the health facilities in the region. As per responses communicated in the table, the main tools used by the internal auditors is the use of Verbal Discussion - 82.90%, Memos - 81.40% and Quarterly Documents Reports issued on work done 65.70%. Follow-up interviews on the subject matter conducted on internal audit practitioners in the facilities indicated that majority of them were not familiar with insight reports on assignments.

The responses indicate that within the health organisation, there is not much attention given to official communication of results on assignments put in official documentation for referencing and management action, as found in the case of external audit where management letters are issued as part of the audit reports. In the greater sense, infractions identified during assignments were discussed with the department or officer involved and that ended the issue. The contributing cause of this occurrence can be seen in the reporting channels of internal auditors and also the responsibility for the appraisal of internal auditors as seen in Figures 2 and 3.

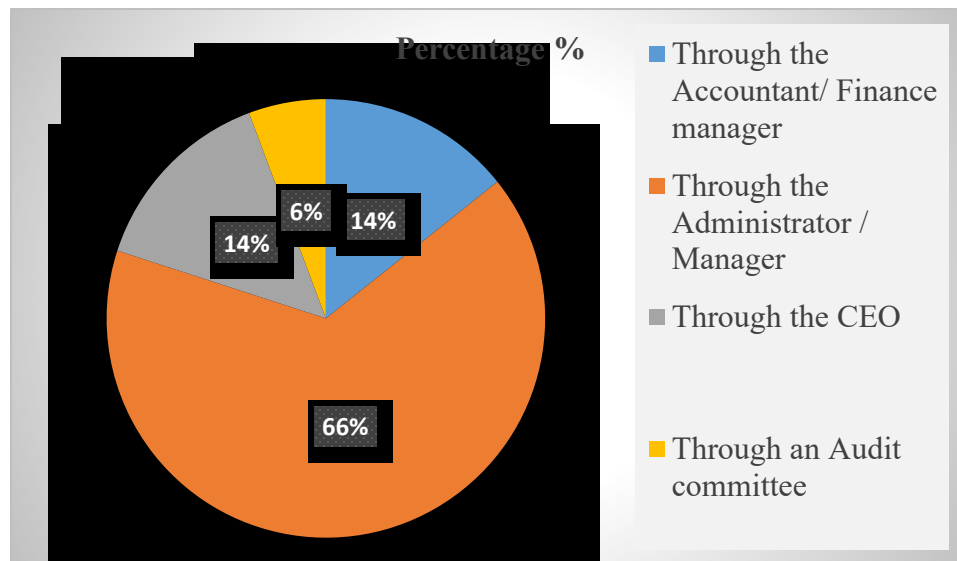
As presented in Figures 2 and 3, internal auditors in the health organisation submit reports to the Administrator and Head of Finance in the organisation on official assignments performed. The same officers also appraise the work of the internal audit department. This may put them in a very compromising situation in their reporting, especially, with issues of financial and administrative operational infractions identified as part of audit activities. Internal auditors in such situation are left with no option than to discuss findings with their bosses and drop the issues for their optional action. Interviews conducted on the internal auditors indicated that, the issuing of quarterly

documented reports was done as a management requirement for the department. Internal auditors who also reported to an audit committee also issued documented reports for the action of the audit committee. In addition, because the immediate bosses at the facilities, Administrators and Finance Managers, appraised internal auditors, they needed to discuss their findings with them as a way of updating and making them understand the progresses of their work.

### **Independence of the internal audit**

The independence of the internal audit is central to assessing the performance of this function among quasi-public sectors practitioners in the Brong Ahafo region of Ghana. The independence of the internal audit function is considered to have a great influence on their outcome. As reported in the situation of Ghana Post Company Limited by Quansah (2015) where internal auditors are hired and directed on what work to perform by the Managing Directors, their objectivity and independence in their line of duty may be compromised.

The reporting channel adopted by the internal audit departments or institutionalised for reporting of official communiques of the internal audit department was therefore exploited as a means of assessing the independence of the set-up unit/departments in executing its mandate. Data was collected from persons who happened to be key players in internal audit activities in the various institutions on the channel of communication used by the internal audit unit/department of their organisation to report on official matters. The data is presented in the pie chart as indicated in the Figure 2.



**Figure 2: Pie Chart Illustrating Reporting channels for the internal audit department**

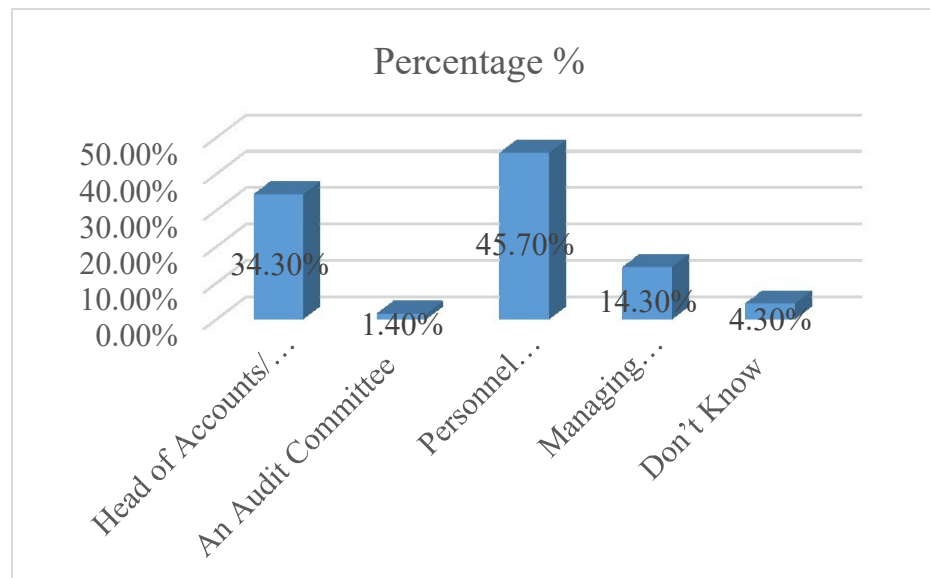
Source: Field data (2018).

The results as indicated in the pie chart shows that, the main channel for reporting on issues at the various Christian Health organisation by the internal audit staff is through the Administrator/ Manager of the institution (65.70%), followed by the Accountant/ Finance Manager and the CEO (14.30%) in the organisation. From the chart, communication of results through an audit committee is rarely practised at the various health facilities within the region. The results in this chart are geared towards achieving the objective of assessing how the independence of the internal auditors in the quasi-health facilities in the BA region is ensured. Although the reporting of the internal auditors through the CEO may appear small from the graphical presentation in the chart, this is very significant because only one (1) out of the organisations studied used the title CEO for the administrative head of the organisation. In all the other facilities, the Administrator was the administrative head of the health institution.

The presentation therefore commensurate with the finding that, the internal auditors in the health organisation reported to the administrative leadership of the

organisation other than through an audit committee which is usually advocated for by the various professional bodies and corporate governance principles.

The appraisal processes for the assessment of the work performance of public sector workers is known to have an effect on their output. In the same way, the researcher sought to assess how the appraisal process of internal auditors in the health institutions are done because, it was considered to have potential influence on the objectivity and the total work performance of the internal audit functions of these institutions. Assessment of employee performance is a key consideration for staff promotions and increase in salaries and allowances in the public sector of Ghana. In effect, the appraising authority of the internal auditors has a role to play in how the internal audit function in the organisation performs.



**Figure 3: Bar graph on who appraises performance of internal auditors**

Source: Field data. (2018).

The data as presented in the graph indicate that the Personnel Manager / Administrators and Head of Accounts and Finance as represented by 45.70% and 34.30% from the graph, mainly do the assessment of the work performance of internal auditors in Christian Health facilities in the Brong Ahafo Region. The appraisal of performance of the staff of the internal audit departments is done by the Accounts/Finance Managers or the Personnel Managers/Administrator and the CEO/Managing Directors who are directly responsible for the day-to-day financial and operational running of the organisation which the internal auditors constantly seek to review. They are the same people in the organisation that as per Figure 2, the internal auditors in the organisations also report to. In effect, the officers responsible for the day-to-day running of the organisation are responsible for assessing how well the internal control officers have performed in checking on their internal control compliance.

The use of an audit committee in the performance appraisal and assessment of work of the internal audit department is almost absent in the health facilities in Brong

Ahafo region. This is also noticed in Figure 2 where only 6% use the audit committee as a means of reporting on activities. The use of the audit committee was seemingly absent in the operations of the internal audit in the CHAG facilities in the region.

Figure 3 was used to support in evaluating how independent internal auditors in the quasi-health facilities in BA were when it came to performing their duties as internal auditors in the various CHAG quasi-health facilities.

As a follow-up to verify the independence of the internal auditors in the Christina health facilities in the Brong Ahafo Region of Ghana, enquiries were also made on who or to which office the official communications of the internal auditors are sent.

**Table 3: Who receives the official communication of the internal audit department**

To whom are official communications of the internal audit department sent?	Frequency	Percentage %
Head of Accounts/ Finance	9	12.9
Manager/ Administrator	50	71.4
Audit Committee	11	15.7
Total	70	100

Source: Field data. (2018).

From the data gathered from the professionals, 12.9% indicated that official communications of the audit department goes to the Head of Accounts/ Finance, 71.4% indicate they are sent to the Manager/Administrator of the facility, while

15.7%, which is the minority response, say they are sent to the Audit Committee. The responses indicate that the official means of communicating audit issues in the various CHAG facilities in the Brong Ahafo was through the Administrators or CEOs. The use of audit committees in this respect as well was not well exploited and used. As a follow-up question put only to the internal auditors among respondents, it was

identified that, out of the organisations studied, only internal auditors in three of these facilities knew of the existence of an audit committee in their organisation; majority of the internal auditors did not know of the existence of audit committee in their organisations.

This finding agrees with that of Khaled and Mustafa (2013) that where the audit committee in an organisation is inefficient, the senior managers become very powerful and are therefore able to influence the work of the internal audit department. The data gathered indicate that the audit committees in the health organisations in the region have not been effective, hence the power of management to control and grossly have influence on the activities of the internal audit function.

The findings gathered from the field under this objective put together shows that, the internal audit department in the CHAG facilities in the region are not independent from management influence and dictatorship. As said by Khaled and Mustapha (2013), the internal auditors may for the need to maintain their jobs and good appraisal recommendations from their bosses who are the Administrators and Finance Managers, may want to be biased in their reportage and activities so that they may gain the favour of their appraisers.

The results as shown defeats the rationale of the agency theory which serves as the backbone of the internal audit function in an organisation to be a corrective check on the activities of managers of the institutions. Internal auditors in this environment will therefore be biased in their information flow since they work under the directives of managers. Just as reported by the Auditor General in the 2014 audit report of the state, malpractices due to lack of supervision among the Top Management of the health facilities can only be prevented, if the internal audit staff are mandated to perform and



review activities that pertains to the top management dealings, and every aspect of the organisation as a whole.

### **Challenges faced by Internal Auditors in the BA Region in carrying out of their duties**

To appreciate the work and performance of internal auditors in the quasi-public health institution in the BA region, it was deemed important to evaluate the challenges they faced in their lines of duty. Therefore, to achieve the objective of identifying the challenges faced by the internal auditors as part of the research objectives, field data was collected from the various health facilities on challenges of the internal audit departments.

**Table 4: Challenges faced by Internal Auditors**

What will you consider as a challenge faced by Internal Auditors?	Frequency	Percentages %
Management interference in the work of the internal audit	22	31.4
Intimidation/ threats from senior officers/ management	20	28.6
Non-compliance or inability to comply with laws and ethical standards	19	27.1
Lack of logistics for work	34	48.6
Conflicting personal/ professional values with that of the organisation	3	4.3
Lack of training for internal audit staff on current practices	40	57.1
Conflicting interest between audit functions and other assignments	20	28.6

Source: Field data (2018)

Table 4 is geared towards addressing the research question ‘what are the challenges faced by Quasi-Public Hospital Internal Auditors in the Brong Ahafo region in carrying out their duties?’ Data obtained from the professionals in the institutions on

factors they considered a challenge faced by internal auditors in the various CHAG health facilities are as presented in the table. Respondents were given the opportunity to indicate as many as possible issues they considered a challenge to the internal audit function of their institutions, and add on to the list. From the data gathered, 57.1% of the respondents identified the lack of training for internal audit staff on current practices as a challenge faced by the internal audit staff in their CHAG facility in the BA. Among the challenges that respondents expressed their opinion on, 4.3% was on ‘conflicting personal/ professional values with that of the organisation’ as a challenge faced by the internal audit departments. This challenge represents the least response indicating that most respondents did not see this as challenge in the various facilities.

The distribution of the field data collected agreed with the finding of Quansah (2015) in the case of Ghana Post Company Ltd, which enumerated lack of logistics, lack of training for the internal audit on current professional issues and practices, as well as management interference in the work of the internal audit department as the main challenges that face the internal audit. From the field data, results confirm these three issues to be the top three challenges facing the internal audit departments of the health facilities in the region after which is the conflicting interest between different rolls assigned to the department within the organisation.

Following up on the data on lack of training for the internal audit staff, it was noticed that although the field data on the academic and professional qualification of Accounts and internal audit staff suggested that many of the staff are either university graduates, post graduates or chartered accountant with one of the professional bodies, the staff could not get support from the institutions for further professional training and developments.

The data also agrees with the findings of Ahmad and Taylor (2009) that identified conflicting interest between the audit function and other assignments performed by the internal audit as a challenge faced by the departments. The internal audit departments aside their assigned duties of internal auditing, were also assigned other additional duties that were performed on behalf of Management. The conflicting demands of these functions with that of the internal audit duties were considered a challenge by the practitioners.

### **Dealing with Internal Auditor Independence**

The issue of auditor independence especially when it comes to internal auditing is a necessary factor to consider when assessing the performance of internal auditors. Data from the health facilities in the region was therefore collected to assess how the institution handled/managed the problem of internal auditor independence in carrying out their duties.

**Table 5: How health facilities handle the problem of internal auditor independence**

How does the organisation deal with the problem of internal auditor independence	Frequency	Percentage %
Rotation of internal auditors	18	25.7
Auditors initiate audit schedules	40	57.1
Auditors report to audit committee	10	14.3
Internal auditors decide when to issue report on assignments	26	37.1
Internal auditing function is outsourced by the organisation	7	10.0

Source: Field data (2018)

Referencing to the field data collected, the Internal Auditors were allowed space by the institution to initiate their audit schedules as indicated by 57.1%.

‘Outsourcing the internal audit functions’ and internal auditors reporting to an ‘audit committee’ appears to be the least measure used by the organisations as expressed by 10% and 14.3% respectively. From the data collected from the professionals in the organisations, the option of rotating internal auditors periodically and allowing internal auditors the freedom to decide when to issues official reports on assignments carried out is not widely used. Internal auditor rotation was only present among only two of the institutions studied.

The results of the field data collected meets the need for the recommendation made by Mohammed and Habib (2013) that as a tool for dealing with and controlling auditor independence, firms should ensure timely rotation of internal auditors on assignments. However just as said by the researcher that companies that outsourced their internal auditors were in the better position to outsource their internal audit function, outsourcing the internal audit function among health facilities was very uncommon in the region. The internal auditors were employed staff of the organisation who were paid either by the CAGD or by the health facility through their IGF. The aspect of auditing that was outsourced by the organisations was that of external auditing.

### **Benefits of internal audit to health facilities**

The benefits an organisation derives from a department will determine the level of support the top hierarchy will give it. As advocated by PWC (2014), there is the need for the internal audit function in organisation to move into value adding functions in the organisation’s activities and performance. The researcher therefore sought to identify the benefits that the services provided by the internal auditors is giving to the

health institutions. Data was gathered on benefits of internal auditing in the CHAG health facilities in the region.

**Table 6: Benefits of internal auditing to the health organisations**

What do you consider as a benefit of internal auditing to health organisations?	Frequency	Percentage %
Reduction in external audit fees	16	22.9
Reduction in the occurrence of fraudulent activities	54	77.1
Correction of loss of control over all aspects of the organisation	41	58.6
Design and implementation of proper internal controls	47	67.1
Reduction in rejected NHIA claims presented	11	15.7
Training ground for future managers of the organisation	17	24.3
Reduction in preventable losses	58	82.9

Source: Field data (2018)

Data collected on some benefits the internal audit function is adding to the operation of the CHAG facilities in Brong Ahafo are presented in Table 6. Data from professionals in the various health institutions was collected on as many as possible factors that could be considered as benefits of the internal audit function in the organisations. From the table, factors such as ‘reduction in the occurrences of fraudulent activities’, ‘correction of loss of control over all aspects of the organisation’, ‘design and implementation of proper internal controls’ and the ‘reduction in preventable losses’ were considered the benefits the health organisations derive from the work of their internal auditors. These are represented by 77.1%, 58.6%, 67.1% and 82.9% of respondents’ views as shown in Table 6. Less than comparatively significant percentage of the respondents indicated that internal audit department in their organisation has brought about ‘reduction in external audit fees’ – 22.9%, ‘reduction in

rejected NHIA claims presented' by the institution – 15.7%, and being a 'training ground for future managers of the organisation- 24.3%.

The field data collected stand contrary to the findings of Selim, Melville, D'Onza, Pelligrini, and Kotoupis (2014) and that of Gerrit and Ignace (2006), on the use of the internal audit function as a training ground for future management of organisations. From the field data gathered, only 24.3% of respondents indicated that the internal audit function is used to train staff for higher offices in the future. From the field observations made by the researcher, the various CHAG facilities in the region, especially, those owned by the Catholic Church have different processes for choosing the leadership of the institutions, which did not have much to do with internal audit department. Catholic Nuns mostly managed the facilities owned by the Catholic Church.

### **Health Management Evaluation of Internal Audit Performance**

In order to gain a full view of the issue of internal audit performance in the region, data was collected on how management evaluated the performance of the internal audit departments, grading from Excellent to Poor or undecided.

**Table 7: Evaluating the performance of the internal audit function**

How do you assess the performance of the internal audit function	Frequency	Percentage %
Excellent	4	5.7
Very good	37	52.9
Good	21	30.0
Satisfactory	6	8.6
Poor/bad	1	1.4
Undecided	1	1.4
Total	70	100

Source: Field data (2018)

Table 7 seeks to make an assessment of the performance of the internal audit function in the various hospitals by grading them as either ‘Excellent’, ‘Very Good’, ‘Good’, ‘Satisfactory’, ‘Poor/Bad’ or ‘undecided’. From the table, 52.9% of the data collected on performance assessment of the internal auditors sought to indicate that the performance of the audit function was Very Good, and 30% that it was Good. The other ratings were 5.7% for Excellent, 8.6% for Satisfactory, and 1.4% for Poor/Bad performance. Another 1.4% of the respondents were undecided on the performance of this function in the organisation. This is suggestive that more than 88% of the respondents were satisfied with the performance of the internal audit function and therefore graded it as either being excellent, very good or good.

### Chapter Summary

The chapter has given a discussion of data collected from the field on the performance of the internal audit function in the health organisations. In this chapter, similarities in findings, comparison and differences in views were made.

In relation to the objective of assessing the internal audit coverage attained by quasi-public sector organisations, the data analysed showed that internal auditors obtained coverage that was centred on internal control compliance. The work of the internal control departments were on verification of transactions and internal control compliance.

The researcher in answering the research question ‘what is the means of reporting for the internal audit departments in the health sector of the BA region’, the data collected showed that, the professionals reported on their works and findings using verbal communication, Memos and as an obligation, quarterly documented reports. The use of insight reports and other forms of documented reports other than quarterly reports was not widely used.

From the analysis, the independence of the internal audit departments in the region was not good. The internal audit function in the organisations reported to, were directed and appraised by the Administrators/CEO and the Finance Managers.

The use of the audit committee as an oversight body of the internal audit department in the region was almost absent. From their mode of operation and the field data collected on factors that relate to the independence of the internal audit function of the institutions, the analysis showed that the internal audit departments in the region were not separate from management interference and control in their work.

The challenges faced by quasi-public sector internal auditors in their duty to provide internal auditing services in their various organisations was analysed. The challenges of the internal control department of the institutions centred on lack of logistics, training on current professional practices and management interference in the work of the department. The measure used by the institutions to deal with challenges facing internal auditors was to allow them the space to draw their audit schedules and



execute them on their own. Other measures such as reporting through the audit committee and rotation of internal was not common among the health institutions.

From the field data analysed, the benefits if the internal audit departments to the organisation was in arrears of internal control monitoring and prevention of fraud. Factors such as correction in the loss of control, reduction in fraudulent activities, reduction in preventable losses and the design and implementation of internal controls were the benefits the organisations derived from their internal audit departments.

In all, the analysed field data indicated that, the health management team of the various institutions studied considered the performance of their internal audit function as either good or very good.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

#### **Introduction**

The chapter is the final chapter for the research work conducted. The chapter makes a summary presentation of findings made from the analysis of field data collected and analysed. Conclusions from the study based on findings and the necessary recommendation to improve on the performance and activities of internal audit in the quasi-public health institution in the Brong Ahafo Region of Ghana is made.

The study was on assessing the performance of internal auditors in quasi-public health institutions in the BA region of Ghana. The research was a measure geared towards assessing the operational ability of the internal audit structures, in addressing institutional failures constantly highlighted by the Auditor General of Ghana in his annual reports on the various government agencies in the country. As a result, research objectives and question on assessing audit coverage obtained, independence of the departments, reporting channels, and challenges faced by this important administrative and financial function were designed to assist in the study.

The researcher studied the situation of internal auditing in the quasi-health institutions in the BA region using the Christian Health Association of Ghana (CHAG) hospitals in the region a reference. There were Ten (10) Hospitals spread out across the region that were used for the purpose of the research.

#### **Summary of Findings**

##### **Internal Audit Coverage**

The study on the first objective, showed a high coverage of an average of 81.44% in internal audit procedures attained by the internal audit functions in the CHAG hospitals in the Brong Ahafo region. The coverage of the internal audit function was mainly centred on the processes of internal operational and financial controls in

the health facilities. Notable among the various functions performed by the setup unit were 'Pre-auditing of transactions', 'Approval of transactions before commitments were made', 'Verification of purchases into the health facility', 'Performed post transaction audits', 'Verification of the purchases and disposal of fixed assets', 'Involvement in the procurement processes of the health facility', and 'Involvement in the design and implementation of internal controls. The internal audit function was however not given much access to, and did not work on information used by external stakeholders such as the final accounts of the organisation.

From the study, the work of the internal auditors in the health facilities in the BA region was limited to the verification of transaction before, and after commitments were made by the institutions, and ensuring internal control compliance.

### **Internal Audit Medium for Communication**

The study on the area of the mediums for communicating reports exploited by the internal audit function showed that, internal auditors in the health facilities in the BA region relied more on the use of Verbal communication (82.90%) and Memos (81.40%) for communicating to superiors on works performed. Issuing of Quarterly Document Reports (65.70%) were done as a matter of obligation and requirements from management for the internal audit units in the organisations.

Other forms of reports such as Half Year Reports, Insight Reports, and Annual Reports, were not widely used by internal auditors in the health institutions. The study showed that, many of the internal auditors other than those who were having affiliation to some professional accounting bodies, were not familiar with insight reports. Insight reports were the least (41.4%) medium used by personnel in the internal audit function.

### **Independence of Internal Auditors**

As part of the efforts of assessing the independence of internal auditors in Christian health facilities in the BA region, the channels for reporting/ taking instructions, appraisal of activities and performance as well as to whom official communications were sent to, was studied and used for assessment.

The study indicated that, 80% of internal auditors in the health institutions in the BA region reports to the Administrators or CEO on their performance. The same people were also involved/responsible for appraising/evaluating the staff of the internal audit department on their work performance in the facilities for the purposes of promotions and other incentives. The study showed that the use of the audit committee for the evaluation and monitoring or as an oversight body for the internal audit function of the health institutions in the region was almost non-existent (6.0%).

The study indicated that the internal audit departments of the health institutions in the BA regions were not separated from management interference and dictatorship because of the institutional setups and mode of operations.

### **Challenges of the Internal Audit Function**

On identifying the challenges faced by the internal auditors and the internal audit department in the performance of their duties, it was realised that the main challenges faced by these professionals in this function were centred on Lack of logistics (48.60%), Lack of training on current professional practices (57.10%) and Management interference (31.40%) in the work of the department. Among challenges faced by the internal auditors, conflicting personal/ professional values of the internal auditors with that of the organisation was the least experienced by the internal audit staff and the department.

In dealing challenges of the internal audit departments in the CHAG health facilities, management interferences to mitigate the problem was in the direction of allowing internal auditors the space to draw and follow their own internal audit schedules. In the CHAG facilities, measures such as the use of the audit committee as an oversight board and rotation of staff of the internal audit unit/department was not common among the health facilities in the region.

### **Management assessment of the benefits of the internal Audit**

In assessing management evaluation of the performance of the internal audit and the benefits derived from the establishment of this function, it was realised that, the benefits of the department to the organisation was in monitoring of internal control. The internal audit department resulted in ‘Reduction in Occurrence of Fraudulent activities (77.1%)’, ‘Correction of Loss in Control (58.6%)’, ‘Reduction in Preventable Losses (82.9%)’, and ‘The Design and Implementation of internal controls (67.1%)’ for the health facility.

However, unlike as observed by other researchers and professional organisations, the use of the internal audit function as a training ground for the future leadership of the organisation was not the case in the CHAG health facilities in the region. The health facilities had different succession systems that were not related to the function and trainings obtained from being in an internal audit department.

### **Conclusion**

The strength of the internal audit function of quasi-health institutions in carrying out their task and duties is a way of reducing the occurrences of financial malpractices and under performance in work outputs as is usually associated with public organisations in Ghana. As a corporate governance tool in the health institutions, the strength of the internal audit department is required to ensure accountability systems and the achievement of institutional goals and objectives.

The continuous monitoring of the internal financial and logistical controls in the CHAG facilities in the BA regions serves as a measure of reducing the occurrence of fraudulent practices among the junior management staff in the health facilities.

The performance of pre and post transaction audits minimises the occurrence and reoccurrence of unaccounted imprest and embezzlement of funds as existed in some districts in Ghana, according to the Auditor General's report on the public accounts of Ghana for the 2014 financial year.

The resultant effect of the work of the internal auditors in the monitoring of the internal controls for the financial and operational aspects of the organisation is as manifested in the benefits of the internal audit to the organisation. The reduction in the occurrence of fraudulent activities, reduction in preventable losses and loss of control in all aspects of the organisation is the resultant effect of the audit and activity coverage achieved by the internal auditors in the CHAG facilities in the region.

However, the reporting lines and the institutional lines for communicating issues by the internal audit may not be able to prevent bad practices among the top management team in the organisations. This is because the internal auditors reported to and were appraised by the Administrators/CEOs and Finance managers who formed the top management set for the health facilities. Infractions detected by the internal auditors that related to them was likely not to be reported at all by the internal audit or may be trashed by the same people to whom these reports were sent to. In effect, there was the likelihood of ineffectiveness with monitoring and reporting on infractions that were linked to members of the institutional management team.

In addition, with the institutional management serving as the oversight team for the work of the internal audit in the health institutions, the internal audit department could not be considered to have the required level of independence to exercise a high

degree of professionalism and objectivity in its work. With the institutional management responsible for appraising/ evaluating the work performance of the staff of the internal audit department for promotional purposes, they were likely to be biased in the reporting system in order to win the favour of their superiors. The departments are bound to face intimidation threat in their works and reports on works that pertained to the Administrators, CEOs and other members of the top management team of the institutions.

Contrary to the prescriptions of the various professional bodies and corporate governance principles for institutions to have established audit committees to perform the oversight responsibility for both internal and external auditors of organisations, CHAG health facilities in the BA region of Ghana used their management team to supervise and control the internal auditing system. The requirement to have the professionals rotated frequently to reduce threats of familiarity was non-existent in the CHAG health facilities in the region. This was because the internal auditors were employed permanent staff of the institutions; some of which are even paid from the health facility's IGF.

## **Recommendations**

### **Work Coverage of Internal Auditors**

For the work coverage obtained by the internal audit executives, it is recommended that the internal audit work be extended beyond processes that pertain to middle level management, but to all aspects of the health institutions. The BOD of the health institutions should come out with policies that will ensure that the work of the internal audit is extended to cover the work of the top management group.

For want of confidentiality about issues and information at the top management level, the internal audit staff should be made to sign documents of confidentiality with

all information obtained in the line of operation. This measure should be instituted at the entry level/ employment of internal auditors into the health facility. In this regard, the processes of the organisation, and malpractices as may exist at the senior management level will be reduced.

### **Training of Internal Auditors**

Management of the hospitals should assist internal auditors to obtain continuous training on current professional and performance issues that are necessary to enhance their capabilities. The staff of the internal audit should be given the opportunity to participate in continuous professional development programs necessary to build their capacity to discharge their duties diligently. The management of the health facilities should add in their budgets, allocations to resource or support for the internal audit department to participate in enhancement programs organised for professionals by the ICAG.

### **Logistics for the Internal Audit**

For the logistical needs of the internal audit function of the health institutions, it is recommended that both the BOD and management realise the need of the internal audit to the operations of the organisation and therefore adequately resource it for its functions. The internal audit in the hospitals in the BA region should be given the necessary logistical support which span from equipment, stationery and funding to carryout on-site and off-site investigations/ audits for the good interest of the facilities they work in. The needs of the internal audit should be considered in the institutional budgets for each financial year.

### **Independence of the Internal Audit**

The independence of the internal audit from management and from any other functions of the organisation is the necessity for the effective performance of the



function in the organisation. To get the best out of the internal audit, the internal audit function must be seen to be independent from the day to day processes of the institution.

An established audit committee should be responsible for the assessment of the performance of the work of the internal audit function. This will ensure that the department is freed from the influence of management and from kowtowing to the demands of Administrators, CEOs or Finance Managers for the quest of winning their favour. Besides, the internal audit must be free from reporting to and submitting audit findings to the Administrators/ CEOs or the Finance managers of the institutions. The internal audit function must be very independent from management with its activities and from reporting.

Finally, there should be clear established authority for the head of the internal audit department to communicate directly with the Board of Directors of the health facilities and with the audit committee on their initiatives and audit plans.

### **Reporting lines for the internal audit function**

For the reporting on work and findings of the internal audit function of the health institutions, it is recommended that, the internal audit undertakes/performs its duties and reports on its findings to the head of the BOD. In other cases, as exist in the Catholic Church's facilities, the internal audit function may issue its reports to the Executive Directors of Health of the particular diocese or directorate for consideration and possible implementation. Whichever is chosen, there should be the avenue for the head of the internal audit to meet the BOD to deliberate on the performance of his duties. This should however, must be done in the absence of management, unless, the meeting is on an interrogation on some audit queries or issues raised that relate to management performances and processes.

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### APPENDIX

### QUESTIONNAIRES

The researcher is a student of the University of Cape Coast Graduate School and in the School of Business (Department of Accounting). The researcher would like to solicit data/responses from you in carrying out a research on “Assessing Internal Audit Quality in Quasi-Government Institutions: Evidence from Christian Health Association of Ghana Hospital in Brong Ahafo”.

You are assured that the research is solely for academic purpose and that no part of this research is intended to be used for any other thing. All responses received are going to be treated with high level of confidentiality.

#### A: Background Information

Please Tick (☐) where appropriate.

1. Gender: Male ( ) Female ( )

2. Educational/Professional Qualification (Tick as many as applicable):

a. Senior High level ( )

b. HND or Diploma ( )

c. Graduate ( )

d. Post Graduate ( )

e. Professional Certificate (CIA, ACCA, ICA & CIMA) ( )

f. Other(s) Please specify.....

3. Position in Institution/Rank:

a. Director ( )

b. Deputy Director ( )



- c. Chief Administrator ( )
- d. Accountant/Auditor ( )
- e. Trainee Accountant/Auditor ( )
- f. Other(s) Please specify

.....

4. How long have you been working in/with previous and current Internal Auditing Units?

- a. 1 < 3 years ( )
- b. 3 < 5 years ( )
- c. 5 < 10 years ( )
- d. 10 years and above ( )

B: What audit coverage do internal auditors in the quasi-public health facilities in the Brong Ahafo Region achieve?

5. Please Tick YES, NO or DON'T KNOW in each case as may reflect your situation:

NO.	QUESTION	YES	NO	DON'T KNOW
i	Does the Internal Audit Unit audit past financial statements?			
ii	Does the Internal Audit Unit issue reports on final accounts of the organization?			
iv	Does the Internal Audit Unit give approval before transactions are carried out?			
v	Are payments in the hospital pre-audited?			

vi	Does the Internal Audit Unit/Department verify purchases in the hospital?			
vii	Does the Internal Audit Unit/Department perform post transaction audit?			
viii	Does the Internal Audit Unit verify the purchase of Fixed Assets into the organization?			
ix	Does the Internal Audit Unit verify the disposal of Fixed Assets from the hospital?			
x	Is the Internal Audit Unit involved in the decision to dispose of Fixed Assets from the organization?			
xi	Is the Internal Audit Unit involved in the management of the organization's physical assets?			
xii	Is the Internal Audit Unit involved in the procurement processes of the hospital?			
xiii	Are Internal Auditors involved in the design and implementation of organizational internal controls			

C: What are the means of reporting used by Internal Auditors in the Quasi-Public Health Facilities in Brong Ahafo?

6. What are the mediums of communication used by Internal Auditors in your health facility/hospital? (Tick as many as applicable):

- a. Verbal discussions/ reports ( )
- b. Memos ( )
- c. Quarterly document reports ( )
- d. Insight reports ( )

- e. Half year reports ( )
- f. Annual reports ( )
- g. Other(s) Please specify.....

D: How is the independence of Internal Auditors in the Quasi-Public Health Institutions in the Brong Ahafo Region ensured?

7. What is the reporting channel for the Internal Audit Unit/Department in your health facility?

- a. Through Accountant/Finance Manager ( )
- b. Through the Administrator/Manager ( )
- c. Through the CEO ( )
- d. Through an audit committee ( )
- e. Other(s) Please specify.....

8. Who does the appraisal of the performance of the Internal Audit Department?

- a. Head of Accounts/Finance ( )
- b. An Audit Committee ( )
- c. Personnel Manager/Administrator ( )
- d. Managing Director/CEO ( )
- e. Other(s) Please specify.....

9. To whom are official communications of the Internal Audit Department sent to?

- a. Head of Accounts/Finance ( )
- b. Manager/Administrator ( )

- c. Audit committee ( )
- d. Other(s) specify.....

E: What are the challenges faced by Quasi-Public Hospital Internal Auditors in the Brong Ahafo Region in carrying out of their duties?

10. Which of the following will you consider as a challenge faced by the Internal Auditors?

- a. Management interference in the work of the internal audit ( )
- b. Intimidations/ threats from senior officers/ management ( )
- c. Non-compliance or inability to comply with laws and ethical standards ( )
- d. Lack logistics for work ( )
- e. Conflicting personal/professional values with that the organisation ( )
- f. Lack of training for internal audit staff on current practices ( )
- g. Conflicting interest between audit functions and other assignments ( )
- h. Other(s) Please specify.....

.....

11. How does your organisation deal with the problem of Internal Auditor's independence? (Please select as many as applicable)

- a. Rotation of internal auditors ( )
- b. Auditors initiate audit schedules ( )
- c. Auditors report to and Audit Committee ( )
- d. Internal Auditors decide when to issue reports on assignments ( )
- e. Internal auditing function is outsourced by the organisation ( )
- f. Other(s) Please specify.....

.....

F: BENEFIT

12. Which of these will you consider as benefits of internal auditing to your organisation? (Please select as many as may apply)

- a. Reduction in external audit fees ( )
- b. Reduction in the occurrence of fraudulent activities ( )
- c. Correction of loss of control over all aspects of the organisation ( )
- d. Design and implementation of proper internal controls ( )
- e. Reduction in rejected NHIA claims presented ( )
- f. Training ground for future managers of the organisation ( )
- g. Reduction in preventable losses ( )
- h. Other(s) Please specify.....

13. In all how will you assess the performance of the Internal Audit function in your organisation?

- a. Excellent ( )
- b. Very good ( )
- c. Good ( )
- d. Satisfactory ( )
- e. Poor/Bad ( )
- f. Undecided ( )

THANK YOU