

Internal Audit Effectiveness in Public Sector Organizations

Inghana: A Case Study of Wa Municipal Assembly

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ABSTRACT: This research analyses internal audit effectiveness in public sector organizations in Ghana with the use of the institutional and resourcecapability-based theories. This has attracted the attention of both academicians and practitioners to evaluate the effectiveness of internal audit functions (IAFs) in achieving their goals. But, there is no harmony among researchers about the antecedents of effectiveness. The study explores the internal and external factors that have an effect on internal audit effectiveness. To achieve this, the study followed the qualitative approach for this study. The findings of the study discovered that, from the external surroundings, internal audit effectiveness is stimulated by means of government laws and regulatory institutions through coercive isomorphism. Similarly, the expert power of professional bodies and specialists additionally have an effect on internal audit effectiveness through normative isomorphism whiles mimetic isomorphism impact internal audit effectiveness when the internal audit functions of the public sector organizations in these instances replicate the structure, approaches and useful resource requirements of perceived successful organizations so one can be seen as doing nicely. Moreover, the study located that organizational characteristics, departmental characteristics, employee characteristics and managerial practices are internal elements that influence internal audit effectiveness. Within these internal factors are problems like poor auditee relationships, poor management control supports and high political circumvention, which impedes internal audit effectiveness in those public sector organizations. It is recommended that top managements of these organizations should exert extra interest to the aid needs of the internal audit functions that will render their required services to their respective corporations. It is also encouraged that the internal audit agency need to step up its attentions to the internal audit functions of the various public sector organizations

I. Background to the study

The effectiveness of internal audit work has been a worry of numerous organizations because of the dynamic idea of the modern business environment. Present day organizations are faced with pressure from socio-political factors, universal regulations, professional standards, and economic pressure (Raymond, July 2016). These environmental phenomena pose opportunities and threats to organizations (Hass, Abdsolmohamadi & Burnaby, 2006), depending on the strength and weaknesses of the internal structures and functions (of which internal audit is a critical component). Globally, it is noted that, the internal audit practice provide significantly a high impact on administration to management in the execution of their obligation. Advances have been made in achieving what audit standards, governments offices ought to apply (Spencer 2008). Consistently, Ahmad (2015) indicates that, environmental changes and recent development in governance requirement brought a great transformation in internal audit functions with increased deliberations on internal audit effectiveness. It is

fundamental to note that, both the international organization of supreme audit institutions (INTOSAI) and the institute of internal audit have issue guideline to manage inspecting in the general population area.

In contemporary organizational situation, internal audit is a strategic corporate governance mechanism (Anderson, Christ, John Stone & Rittenburg, 2010), and has uncounted much expansion in its duties over the years as organizations become complex (Chambers & Odar, 2015). Internal audit got a worldwide expert acknowledgment in 1941 when the requirement for institutionalization and advancement of a common body of knowledge was recognized and this required the foundation of the organization of internal auditor (IIA) in New York by some groups of internal auditor (Papageorgiou, Yasseen, and Padia, 2012 ; Asare, 2009). From that point forward, internal audit has turned into a profitable instrument in the administration of both public and the private sectors (Dittenhofer, 2001). Subsequently, these extensions in the extent of internal auditing capacities at first reflected in the IIA (1999) amended meaning of Internal inspecting as follows; "Internal auditing is an independent, objective assurance and consulting activity designed to add value and enhance an organizations operations. It enables an organization to achieve its targets by bringing a systematic approach to evaluate and enhance the effectiveness of risk management, control, and governance processes". Moreover, Code of Practice for Internal Audit for Local Government for the UK (CIPFA), (2006, p.2) defines internal audit to mean: "An assurance function that gives an independent and objective opinion to the organization on the control environment, by assessing its effectiveness in accomplishing the organizations goal. It dispassionately analyzes, assesses and gives an account of the sufficiency of the control condition as a commitment to the best possible, economic, and productive usage of resources".

The above definitions suggest that IA is a value adding corporate management tool acting as a consultancy service to the organization (Anderson & Svare, 2011; Onumah & Krah, 2012). Also, an effective internal auditing focuses on improving risk management, managerial control, and governance processes (Ahmad, 2015). In effect, an organization's success is threatened if there is no effective IAF. Enyue (1997) emphasizes this point by arguing that internal audit functions are not and cannot be substituted by government or public audit institutions thus must be continuously strengthened. This means that even though governments try as much as possible to establish strong Internal Audit Agency (IAA), such agency, given its functions cannot prevent public enterprises from establishing an IA department. In Ghana, for instance, section 16 (1) of the Internal Audit Agency Act, 2003 (Act 658) indicates that "there should be established in each MDA and MMDA an internal audit unit which might constitute a part of the MDA or MMDA".

IA is, along these lines, helpful for a wide range of organizations and considerably more in public sector organization where objectives are hard to quantify. The literature point out that in the past, desires for internal auditing in the public sector were smaller than in the private sector; in any case, internal auditing has turned into a basic part of public sector governance given its vital measurement in contemporary management needs (Asare, 2009). Reliably, Barrett (2002) affects that public sector changes have fundamentally reduced the contrast between the two sectors when looking at corporate governance specifically.

1.1 Problem statement

This area gives a general perspective of the issues that our study expects to address. IA effectiveness has been comprehensively talked about in existing literature over the periods essentially because of the expanding significance of the part internal auditors' play in accomplishing organizational objectives. However, till date, there remains an unceasing call in extant literature for further studies on this important concept in other jurisdictions (e.g., Lenz & Hahn, 2015; Ahmad, 2015; Arena & Azzone, 2009; Cohen & Sayag, 2010; Mihret, James & Mula, 2010), since what is currently known is just the tip of an iceberg (Lenz, 2013), and there is no agreement in IA literature about the factors impacting on IA effectiveness (Endaya and Hanefah, 2013). While the private sector has gotten moderately higher consideration in the topic (e.g., Arena and Azzone, 2009; Cohen and Sayag, 2010; George, Karagiorgos and Konstantinos, 2015; Hung and Han, 2012; Lenz and Saren, 2012; Sarens, Abdolmohammadi and Lenz, 2012), public sector specifically remains a region with slightest

consideration, particularly in developing nations (e.g., Alzeban and Gwilliam, 2014; Badara and Saidin, 2013; Soh and Martinov, Bennie, 2011; Ahmad, Othman, Othman and Jusoff, 2009). Thus, there is a call for extra research in IA effectiveness with an attention on developing nations. The importance of context cannot be exaggerated when considering IA effectiveness. Consistent with this argument, extant literature posits that, at best, IA effectiveness is contextually dependent - meaning different thing to different people at different times and in different places (Endaya & Hanefah, 2013; Lenz & Hahn, 2015;

Lenz, 2013). Similarly, Mihret et al. (2010) argued that the prevailing impetus in a particular IA setting influences IA effectiveness.

Additionally, the extant literature on IA effectiveness is worried about the absence of a single theory that can be utilized to best build up a theoretical framework for assessing IA effectiveness (Ahmad, 2015; Endaya and Hanefah, 2013).

The occurrence of prominent corporate disappointments, highlighted grave shortcomings in corporate administration structures exemplified by misrepresentation, poor book keeping and the disappointment of internal controls (Turner, 2007). These call for the analysis of internal audit effectiveness. Accordingly, there is the imperative need for a study that would test the validity of IA effectiveness propositions.

1.2 Research questions

In order to realize the objectives of the study, the following research questions are very relevant since a critical part of a research is the question being asked.

- 1) What are the internal and external factors that influence internal audit effectiveness?
- 2) How and why are these factors critical to IA effectiveness?
- 3) How do the internal and external factors link together?

1.3 Objective of the study

The objective of the study is to analyze the internal audit effectiveness in Public Organizations in Ghana, specifically Wa municipal assembly.

1.3.1 Specific objectives Specific objectives are;

1. To analyze the factors that influence internal audit effectiveness.
2. To determine how and why these factors are key to IA effectiveness
3. To establish the link between the internal and external factors

1.4 Significance of the study

It is expected that the study will contribute to knowledge and policy. The study will contribute to knowledge by giving extra proof of the factors that impact internal audit effectiveness.

The study will contribute to policy by highlighting the substantial areas that policymakers must emphasize in ensuring IA effectiveness. It is expected that the regulatory bodies in charge of IA practices in the Ghanaian public sector, for example, would be very much educated by the discoveries of this study while assessing the implications of specific activities they leave on.

1.5 Organization of the study

The study has been organized into five sections. Part one features the general introduction to the study. Survey of surviving literature is exhibited in Chapter two. Section three contains methodologies of the research. The fourth section deals with the presentation, analysis, and discussion of findings. Summary, conclusions, recommendations are captured in section five. References and appendices follow this chapter.

1.6 Limitation of the Study

The studies method followed for this study is the qualitative case study technique that's criticized for its incapability to generalize the outcome or findings of the study. This implies that the findings of this study won't reproduce itself in any other vicinity.

However, the method is constant with the argument that IA effectiveness is contextually established for this reason this work does no longer intend to generalize the findings and conclusions reached. Another challenge worth noting in any qualitative study is the issue of reliability of records gathered. Therefore to ensure that the facts collected for this study are dependable, the researcher accumulated records from a couple of resources along with questionnaires, interviews, observations as well as an evaluation of files for additional evidence. But, it must be referred to that qualitative researchers admit the truth that the interpretation of qualitative information will be inspired with the aid of the biases of the researcher. Also there was time constraint on both the group's part and that of the assembly's part since most of our questions were answered whiles been very busy. The case study approach is being followed for this research, because of this there is the chance that issues to be discussed in the case study at the Wa municipal assembly might not practice in other public sector organizations in Ghana. Once more the sensitivity and confidentiality of management information concerning internal audit and other management assessment reviews and responses will make it hard getting easy access to the needed statistics from the case study at the assembly., intends to find suitable antidotes to overcome these in order that they do no longer have an effect on the findings of this research work in any manner.

II. LITERATURE REVIEW

2.1 Introduction

Literature review examines the important issues in the literature that are of value to our study and reviews the existing knowledge in the area of our study. The purpose is to aid the group to reach a conclusion on ideas that would help us in the analysis of our findings. As a result of this, this chapter studies the literature on public organizations and relevant on-going developments in the public organizations, specifically in the context of internal auditing. It will help the group in the identification and selection of thematic players in the public organizations for a possible interview (as the major means for data collection).

Again, this chapter gives an existing body of knowledge on the concepts that are in connection with IA and IA effectiveness. Particular attention is also given to the factors that can influence IA effectiveness and the classification of these factors. An understanding of these factors and their further categorization help to provide the link between the factors and their subsequent influence on the IA effectiveness.

In order to achieve the aforementioned, the chapter is organized as follows: an overview of the public sector environment within which the public organizations exists is discussed. The next section presents a literature review on the concept and nature of public organizations in any political jurisdiction.

The various Ways of organizing public organizations around the globe is highlighted as well as the relationships that exist in the public organizations in the next section. Following this is a review of the body of knowledge on the concepts associated with IA function in the public sector. The second to last section presents a literature review on IA effectiveness whiles the final section presents a summary of the chapter.

2.2 Nature of public sector organizations

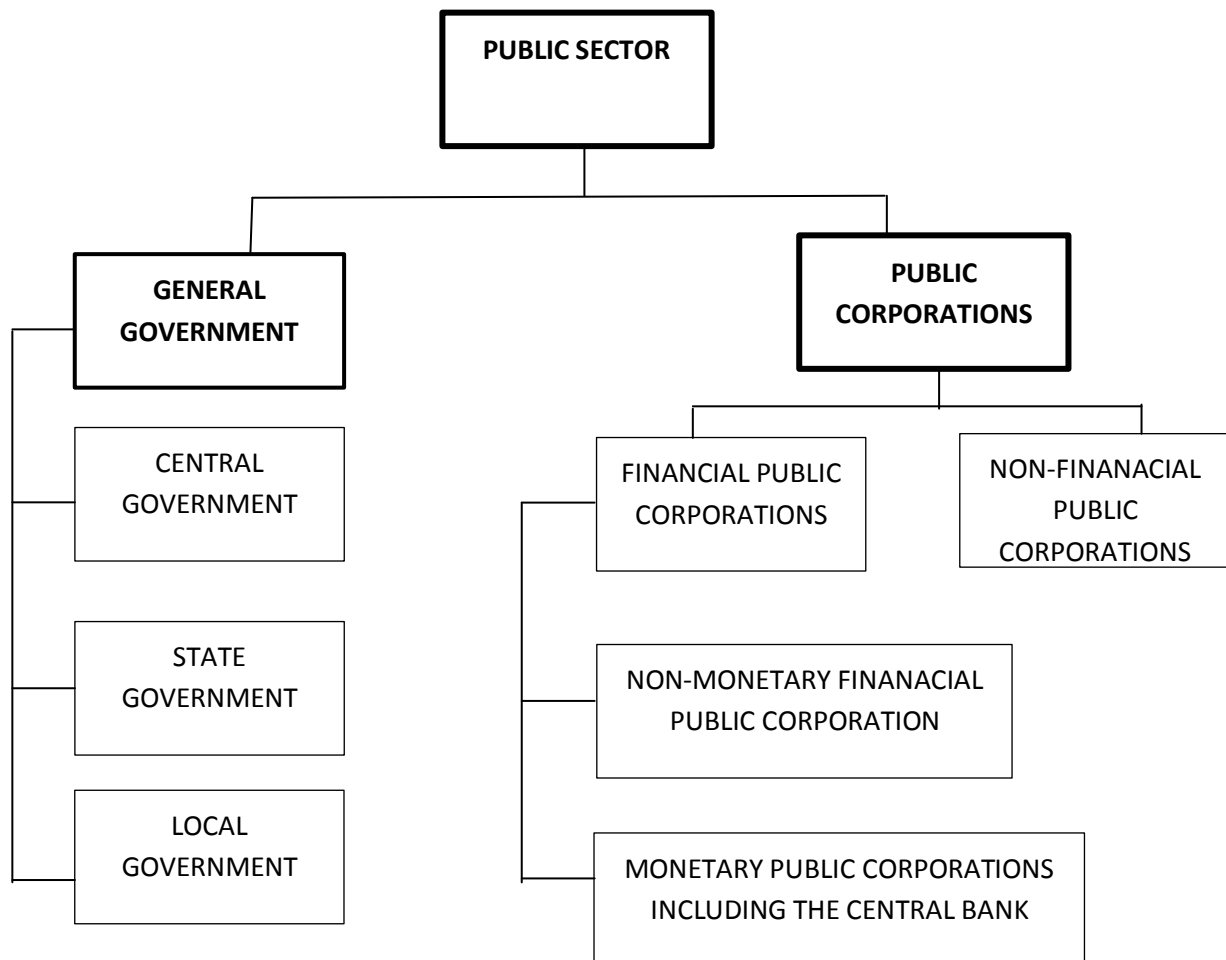
Numerous approaches have been made in literature to elaborate what public sector organizations entail. These diverse descriptions of the sector suggest that it is highly eclectic. The continuous changes of the public sector organization necessitate the relevance of public administration, thus, the phrase governmental entities, public services and public administration are often synonymous to „public sector“ (Broadbent & Guthrie, 2008; Simpson, 2013 as sited by Raymond, JULY 2016). Generally, some characteristics of the public sector organizations include the understanding of the nature of control or ownership, functions, existence of multiple

principals, lack of competition, existence of multiple tasks and the existence of motivated agents (Broadbent & Guthrie, 2008; Koch & Hauknes, 2006; IMF, 2001; Dziobek, Lucio & Chan, 2013; Dexit, 2002; Frumkin & Galaskiewicz, 2004; Lienert, 2009; Broadbent & Guthrie, 1992). Products and services produced and provided by the public sector organizations are non-rivalry and non-excludable (Koch & Hauknes, 2006).

From the above assessments, Broadbent and Guthrie (1992) indicate that it has become a difficult task in clearly identifying the public sector as a result of continuous structural changes. This is because, the ambiguity associated with differentiating activities classified as a market from non-market activities create boundary problems both within the public sector and between the public and private sectors (Lienert, 2009). However, in describing the public sector organization, this study depends on some important definitions by international organizations, researchers and professional bodies that rely on legal frameworks, accounting standards and others are presented as follows. The public sector “comprises of all resident institutional units controlled directly, or indirectly, by resident government units; that is, all units of the general government sector and resident public corporations” (IMF, 2014; p.28) and International/multistate entities/ partnership (IIA, 2011). Furthermore, the IMF points out that, the public sector organization have two broad arms namely the general government and the public corporations (IMF, 2001; 2014). The definition given by the IMF has also been adopted by the International Public Sector Accounting Standard Board (IPSASB), (IFAC, 2010 cited in Simpson, 2013). The general government units comprise of the central government, state/ provincial/regional government, local government and not-for-profit public institutions. The central government consist of ministries departments and agencies that have the overall political authority over the entire boundaries of a country (IMF, 2001;

2014). IIA (2011) indicates that the public sector organization is a combination of all Public Departments, Ministries, Legislature, Council, Cabinet, Agencies, Public Enterprises, State Business and Public Contractors. Nevertheless, Broadbent & Guthrie (2008) increased the domains of the public sector by adding Public Private Partnership (PPP)/ Private Finance Initiative (PFI) arguing that very significant changes in funding, governance and accounting for control and operation including their systems of accounting and auditing give rise to what is termed Public Service (PS). For the purpose of this research, the group adopted the definition and composition of public sector suggested by IMF (2001) and it is shown in the figure below.

Figure 2.1 Boundaries of the public sector



2.2.1 Public sector organizations Pros and Cons

The following are some of the merits of Public sector organizations (public corporations);

- 1) Public sector organization is an independent setup. On this regard, it enjoys independence and flexibility in its operations. Tasks can be taken to tap opportunities and to improve efficiency. Public sector organizations are set up to curb economic inefficiency and unequal distribution of economic profits in areas of natural monopoly.
- 2) Externalities which explain the fact that private investor would not finance industries that benefit other industries without receiving returns.
- 3) Equity which explains that given the nature of certain goods and services, if left in the hands of private investors, would render the less profitable unserved. Expanding this argument, Chavez and Torres (2004) highlight that in most jurisdictions; Public sector organizations are not necessarily established for the purpose of big economic planning but for problem-solving and / or are the result of internal politics. For instance, in developing economies where there is a lack of capital pools, Public sector organizations play critical roles during the development process of any sector by providing the required capital pool for undertaking large projects such as power, transport, and health (Chavez & Torres, 2014; UN 2008).

- 4) Protection of public interest: public sector organizations can formulate and implement policies which promote public welfare. Policies of the corporations are subjected to ministerial review and parliamentary scrutiny. Therefore it will be ensured that, public interest is protected and promoted.
- 5) Considering that public quarter companies are government owned statutory bodies, they can increase funds by Way of issuing bonds.

On the contrary, there are some of demerits of public region organizations:

- 1) Misuse of power: it enjoys immunity from parliamentary inquiry into its everyday functions. Such immunity may result in some officials to misuse their power and indulge in corrupt practices. It takes huge quantity of effort and time to unearth corrupt acts and employer losses precious resources.
- 2) Economic burden: when a public sector enterprise incurs losses, the government offers subsidies to make desirable the loss. Such provision of subsidies onfrequentconsumes much of government budget, more so within the case of a growing economy like Ghana.
- 3) Customer hobby ignored: many public companies operates as monopolies. Absence of competition leads lethargic functioning, reduced consciousness on performance improvements and innovation and bad customer services with the result that, purchaser hobby are left out.
- 4) Political interference: public groups are state firms. Though autonomy in functioning is stated to be one the robust factor in public corporations, the truth is otherwise. They are afflicted political interference and ought to act in keeping with their political masters.

2.3 Internal Auditing in the Public Sector Organizations

Studies regarding IA in the public sector organizations indicate that, the level of IA practices is different across nations and even across sectors. The Institute of Internal Auditors (IIA) confirms this fact by indicating that the cultural and legal environment in which IA operates varies and that issues of organizational complexity, size, purpose and structure may affect the practice of internal auditing (IIA, 2012 cited by Raymond, JULY 2016). Studies that looked at the similarities and differences between the IAF in the public and private sectors showed that the two sectors share several similarities in terms of amount of work outsourced (Papageorgiou, Yasseen & Padia, 2012; Barret, 2002; Goodwin, 2004), role of IA in entity governance (Barret, 2002), but differs in terms of framework and area of operation (Carhill & Kincaid, 1989; Coupland, 1993 cited in Calu, Stefanescu, Turlea, Dobrin & Serban, 2011).

Studies on the comparison of internal audit in the private and public sectors by Goodwin (2004) describes the situation as follows: IA status in both sectors defers in terms of whom the internal auditor reports to; IAF is more likely to be outsourced to external auditor in public sector than in private sector; IA is perceived to reduce external audit fees in private sector than in public sector. From the above, we can say that, IA in the public sector has some unique features that need to be the concern of public enterprise managers. An empirical study of IA role in effective management of public organizations by Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013) suggest that IA plays a critical role in enhancing effective management in the public sector. However, an effective IAF does not, on its own influence management effectiveness in the public sector (Enofe, Mgbame, Osa-Erhabor & Ehiorobo, 2013; Barret, 2002). Equally, as cited by Raymond, Asare (2009) poses that in the

past, public sector IAF Was given a narrow range of expectation than in the private sector. In other words, given the strategic status reached by IA in contemporary organizational governance, IA is equally playing an essential role in public sector governance and financial management reforms aimed at improving performance in the government sector of developing economies (Diamond, 2002; Asare, 2009 cited by Raymond).

Organizational Arrangements of IA in the Public sector organizations

In Diamond (2002), he recognizes two kinds of models within which IA operate; the centralized model and the decentralized model. In the decentralized model, IA control systems (i.e. the range of ex-ante controls, systems, performance and IT audits) ensures the highest economic, efficient and effective employment of resources by focusing on the overall system of organization, procedures, controls, rules and regulations (Diamond, 2002 cited by Simpson 2003). In the centralized model, "IA is centered on a specific organization performing certain control functions, traditionally a centralized ex-ante financial control organization, an inspectorate general, or a treasury external audit service"(Diamond, 2002 p.10).

2.3.2 The role and importance of IA in the public sector organizations

The general parts of IA as expressed by the IAA and furthermore known as the "three pillars" of internal auditing are to enhance risk management, control and administration forms. That is, IA extensively guarantees that authoritative goals are accomplished by focusing on consistence with important laws, directions, moral and behavioral principles, and fitting appraisal of risk (Asare, 2009 as cited by Josephine, JULY 2015). IA serves as the basis in the open division administration given its capacity to give target risk assessment and controls that guarantee the powerful and proficient utilization of open assets (Spanhove, Saren, van Gils and Verhoest, 2008). Spanhove et al. (2008) examined the part IA in Belgian public sector using the IIA typology. Their discoveries ordered the part of IA into three distinct classes in particular assurance, suggestions and recommendations, and consultancy. Their discoveries demonstrate that, out of these three parts, assurance commands as the real part of IA, trailed by formulation of recommendations and suggestions while consultancy services remain the minimum performed part. In addition, they distinguished consistence, execution, operational, money related and IT audit as IA exercises that are for the most part performed in public sector, however IT audit is normally outsourced while the monetary audit is performed by an external auditor.

2.3.3 Internal Auditing in Ghanaian Public Sector

Any association, regardless of whether private or public can profit by an internal audit in two routes; thus, benefits from performance audit to guarantee economy, efficiency and effectiveness; benefits from the conventional audit of money related frameworks and controls that guarantee identification and aversion of inconsistencies (Al-TWajry, Brierley and Gwilliam, 2003). The constitution of Ghana (1992) and the Internal Audit Agency Act, 2003 (Act 658) mandates the Auditor General to audit and report on the general records of Ghana including public corporations and other bodies built up by an act of parliament. Regardless of this provision, Onumah and Krah (2012) show that internal audit Ghana Was failing by the absence of authoritative and managerial acknowledgment until 2004. Predictable with this contention, Simpson (2012) featured that the foundation of the Ghana Audit Agency was a reaction to the absence of appropriate bookkeeping and auditing systems in the public sector during the 1990s. After its foundation, the Ghana internal audit agency involved in the establishment of internal audit units (IAUs) in MDAs and MMDAs and also the issuance of internal audit standards for practicing IA in the MDAs and MMDAs. Onumah and Krah (2012) defined the public sector to include MDAs, MMDAs, commissions educational and research institutions, boards, authorities, and Public Corporations or State-Owned Enterprises. Other than the Agency's contribution in public sector, the SEC under the law building up it is obliged to encourage the establishment of IAFs in SOEs in Ghana (PNDC Law 170, Sec. 2 j). Once more, similar to any profession, internal auditing picked up an expert acknowledgment in 1941 when the requirement for standardization and common body of knowledge Was recognized and this encouraged the establishment of the IIA in New York by some group of internal auditors (Dittenhofer, 2001; Asare, 2009; Chambers and Odar, 2015 cited by Raymond, JULY 2016).

2.4 IA Effectiveness

For the most part, effectiveness is used to depict the accomplishment of targets or yields. The Oxford dictionary of current English defines effectiveness as creating an expected outcome. Once more, Dittenhofer (2001) features that effectiveness is the fulfillment of objectives utilizing the factor measures provided for determining such accomplishment. Regarding an organization, Yutchman and Seashore (1967) demonstrate that an organization is effective when it gets the highest quality of resource acquisition by maximizing its bargaining position.

Ridley (2008) contends that IAF execution is estimated using the "3Es" – efficiency, economy, and effectiveness. In his view, economy measures how best IAF uses restricted assets to perform its work; efficiency takes a look at the connection between IAF execution and the assets utilized, and effectiveness focuses on the accomplishment of the yield of IAF. In any case, Lenz and Hahn (2015) and Lenz (2013) feature that, paying little respect to how economically or efficiently the service is being rendered, internal auditing is at least useless in the event that it was inadequate. Additionally, Ahmad (2015) argued that the control, administration, accountability and execution of an association is fortified and reinforced if the internal audit function is compelling. Drawing from the IIAs meaning of internal audit, the study demonstrates that the target of internal auditing is to guarantee the adequacy of risk management, management control and administration forms (e.g. Ahmad, 2015; Cohen and Sayag, 2010 cited by Josephine, JULY 2015).

2.4.1 Measuring IA effectiveness

The basic activity guaranteeing IA effectiveness is creating strategies of how effective must be measured and evaluated (Đukić and Đorđević, 2014), and this obligation rests upon the chief audit executives (Bota-Avram and Palfi, 2009; Zureigat and Al-Moshaigeh, 2014). Also, the significance of estimating and assessing the execution of IA by utilizing the most proper techniques has turned into a worldwide test as a result of the expanded consciousness of its capacity as an esteem supplier (Boța-Avram, Popa and Ștefănescu, 2010). Reliably, Lenz (2013) features that the capacity to quantify the effectiveness of IA builds its apparent pertinence and authenticity according to partners. Therefore, two methods are accessible from the viewpoints of the two experts and academicians specifically quantitative and qualitative techniques (Bota-Avram and Palfi, 2009; Boța-Avram, Popa and Ștefănescu, 2010; Ernst and Young, 2007; Zureigat and Al-Moshaigeh, 2014 cited by Richmond, JUNE 2009).

Utilizing the quantitative strategy, Bota-Avram and Palfi (2009) distinguished some particular factors by which IA effectiveness are estimated and these include; determination of the extent to which internal audit plans for a given period and a given activity are realized; identification of the time lag between the end of the audit work to the date of the issuance of the last audit report; identifying and monitoring the time span important for unraveling of audit discoveries with emphasis on number of deficiencies solved as compared with those unsolved; an evaluation of the number of audit employees with professional capability or with professional experience as a result of performing internal audit work; and a correlation of the time spent for authoritative exercises in respect to time committed for internal audit exercises.

Additionally, The Global Internal Audit Survey, (a report distributed by Ernst and Young 2007 as cited by Raymond, JULY 2016) took a look at IA works through the viewpoint of governance, individuals, and infrastructure and activities inside 138 multinational public organizations with incomes above US\$ 4 billion, which are individuals from the Global Business Week 1000 and highlighted in the Standard and Poor's Global 1200 from 24 nations. They investigated the overview information utilizing Ernst and Young's Internal Audit Framework which is utilized by driving multinational organizations in examining their IAF. Their outcomes feature that 89% measure IA effectiveness utilizing extent of finished internal audit works in respect to internal audit plan, and 72% utilize time allotment it take to issue IA reports, around 32% utilize period of time it takes to determine IA discoveries, and 23% utilize IAF bolster for key business activities.

2.5 Factors that Influence IA Effectiveness

Survey of observational investigations in IA effectiveness demonstrates that few components, contingent upon how they are overseen could make an effective IAF. This segment centers on the result of the survey of literature in connection to some vital components that impact IA effectiveness in public sector organizations. meanwhile, Goodwin (2004) proposes IA practices in public and private sectors inside Australia and New Zealand are similar as far as the extent of IA work outsourced, however dissimilar with respect to the hierarchical status of IAF, frequency of outsourcing IAF, and the idea of IA activities.

Management Support

Management support is a standout amongst the most basic factors that impacts IA effectiveness

(Ahmad, Othman, Othman and Jusoff, 2009; Alzeban and Gwilliam, 2014; Arena and Azzone, 2009; Cohen and Sayag, 2010; George and Konstantinos, 2015; Mihret and Yismaw, 2007; Hung and Han, 1998; Modibbo, 2015). Management support is characterized regarding top management reaction to audit discoveries and foundation of audit panel to encourage IAF. For example, Mihret and Yismaw (2007) contemplated IA effectiveness in an Ethiopian state funded college and understood that out of four variables, management support was critical to IA effectiveness in that locale. Likewise, Onumah and Krah (2012) took a look at the hindrances and impetuses to IA effectiveness in 40 services, divisions and organizations (MDAs) inside the Ghanaian public sector and understand that the absence of management ownership and support for the IAF was a key obstruction to IA effectiveness. Another vital study by Ahmad et al. (2009) which took a look at IA effectiveness in Malaysian public sector demonstrates that management as arrangement of required audit staff with proper assets and compensations is basic to IA effectiveness. Likewise the capacity of management to guarantee consistent preparing and formative projects are accessible to IA staff, guarantee vital arranging of audit work in a given period was essential to IA effectiveness in Israeli public sector (Sayag, 2014 cited by Raymond, JULY 2016). Moreover, top management is in charge of guaranteeing the autonomy of the IAF which persuades them to work effectively (Modibbo, 2015).

Internal Audit Quality

Research has distinguished the nature of internal audit as a critical determinant of IA effectiveness (e.g. Ahmad et al., 2009; Mihret and Yismaw, 2007; Sayag, 2014). The research by Sayag (2014) recognized the degree to which the IAF makes subsequent meetups on activities intended to adjust issues distinguished in the audit report and the capacity of the IAF to legitimately design and execute convenient audit without anyone else as key audit quality traits that guarantee IA effectiveness. Furthermore, Ahmad et al. (2009) understood that the skill, objectivity and nature of IA work are basic intermediaries to audit quality which is a determinant of IA effectiveness in the Malaysian public sector. Mihret and Yismaw (2007) demonstrated that staff expertise, effective communication of audit plan and report and scope of IA work are import considerations of audit quality. They likewise feature that audit quality was the second most critical determinant of IA effectiveness in the Ethiopian public sector.

Organizational Setting

The internal arrangement, and also external conditions, is imperative factors that decide IA effectiveness. Therefore, Enofe et al. (2013) and Mihret and Yismaw (2007) underscore that the status of the IAF inside the organizational structure, budget authority and status of IAF and the existence of clearly defined criteria for evaluating auditees' practices are essential factors of organizational setting that deliver IA effectiveness. They reasoned that IA effectiveness relies on the promulgation of policies and procedures against which organizational practices are analyzed. Also, Ahmad et al. (2009) discoveries clarified that full collaboration of auditees" is positioned third most significant factor in guaranteeing IA effectiveness since the absence of participation limits IAF access to records, activities and properties. Additionally, Onumah and Krah (2012) note that IAF role misinterpretation adds to poor auditee cooperation whiles political limitations obstructs IA

effectiveness in MDAs. Mihret and Yismaw (2007) feature that for IA to be effective, independence of individual auditors, independence on budget and internal organization of structure and procedures must be clung to.

Size, Competence, and Composition of IAF

The measure of the IAF as far as the number of staff members compared with the scope of work is key for its effectiveness. Competence alludes to the educational and professional capabilities of IA staff, while composition clarifies the different background of IA staff. For example, Alzeban and Gwilliam (2014) report a positive connection between staff size, competence and IA effectiveness. Reliably, in Ahmad et al. (2009), respondents positioned lacking audit staff as shocking to IA effectiveness. Regarding staff structure, Soh and Martinov_Bennie (2011) perceive the requirement for IAF to be loaded with extensive variety of skills, for example, engineering, economics, technology, accounting as well as law. Put in an unexpected Way, Onumah and Krah (2012) demonstrated that IAF in the MDAs were staffed with personnel with accounting background accordingly skewing the nature of IA work to accounting checks with little thoughtfulness regarding risk management and good corporate governance. They likewise feature understaffing of IAFs as a noteworthy obstruction to its effectiveness.

2.6 Chapter Summary

This part starts with a more extensive thought of the setting of the public and private sector by highlighting critical definitions, contrasts, and similarities. This is critical since it was contended all through IA literature that IA effectiveness is logically needy. Also, the section examines in detail the idea of internal auditing, significance, effectiveness with a specific spotlight on public sector organizations. The ambiguities related with estimating IA effectiveness and empirical examinations on the variables that impact IA effectiveness were discussed in detail.

III. METHODOLOGY

3.0 Introduction

This chapter discusses the methodology adopted to achieve the objectives of the study. This research is a non-experimental exploratory study designed to determine the effectiveness of internal audit in public sector organization specifically the Wa Municipal Assembly. The chapter mainly elaborate the research design and methodology for achieving the objective of the study, the study population, sampling techniques, research tools, data collection processes and ethical procedures.

3.1 Research design

The research design involves plans that were used to study the problem. Qualitative design which considers the cross-sectional descriptive design is the most appropriate design for this study; this means that data was collected from the subsets of the total population at specific point in time which helped in considering the characteristics, attitudes and behavior of the population.

3.2 Target Population

The population of the study is the management and other staff of Wa Municipal Assembly.

3.3 Sampling Technique and Sample Size

Sampling is broadly categorized into probability and non- probability sampling. Wilton [2005] suggested that qualitative research employs non-probability sampling techniques. Also, studies shows that convenience sampling, purposeful sampling, and theoretical sampling as the three main sampling techniques used in qualitative research [Winmot, 2005; Marshal, 1996 as sited by Raymond, JULY 2016]. Due to the extraordinary

nature of the pattern populace, purposive strategies is used to pick out the sample from both the management and different staff of the Wa municipal assembly. The sample size selected was made up of five (5) management staff members and twenty five (25) different body of workers. The staff taken from Wa municipal assembly were from the finance, budget, administration, procurement, and the planning and monitoring section.

3.3.1 Field Work

The studies questionnaires were designed by the group, the interviews with the key respondents and personalities of WMA was also conducted by the group with the assurance to the organization of the study that the confidentiality of data provided for the research would be maintained.

3.4 Data sources and collection

Data was collected from two sources for this study with the purpose of producing objective and valid conclusions. Thesedata was accumulated mainly primary and secondary sources. As said by using (yin, 1994), no single source of data has complete gain over all different sources. For this reason most researchers agree that qualitative research must try to use as many extraordinary sources as viable. The group used open-ended interviews, questionnaires, observations, assessment of relevant documentations for our study.

3.4.1 Sources of Data

Primary data

Questionnaires and interview guide, face-to-face interviews using open-ended interview questions have been the principle studies units used to collect the primary data for the research. The interview questions have been drafted on the subject of the theoretical framework used for the studies. Structured questionnaires have been used to attain impartial opinion of respondents and the interview guide to clarify uncertain problems to respondents.

3.5 Data collection tools/techniques

Questionnaires

This technique helped in gathering primary records through some of questions, which was given to a number of respondents. The questions were both open and close ended with the questionnaire mainly primarily based on predetermined and standardized questions. They focused specially on the effect of internal audit on public region employer the usage of Wa municipal assembly as a case observe.

3.5.1 Interview guide

Structured interviews were used to accumulate information from the workforce of the Wa municipal assembly. This allowed the group interaction in soliciting pertinent records from the respondent. Self-administered questionnaires have been extensively utilized because it is easy to distribute, more flexible and time saving.

Secondary Data

A number of Secondary data from the annual reports and monthly statements and returns of the Wa Municipal Assembly were used to obtain additional information on the subject to buttress responses gathered from the questionnaires. The secondary data consisted of issues in internal and external audit reports on the accounts and operations of the Wa Municipal Assembly for the past three years, and other audit reports implementation related issues.

3.5.2 Observation

Observation method was used to enable the collection of data from the field so as to compile the report. Items that were observed included, review of relevant documents, facial reaction of the respondents as they were being interviewed and others. We also used this method to find out the reliability of some responses by the respondent.

3.6 Data Analysis/Presentation

Emory and cooper (2003) states that, raw information obtained from a research is vain, unless it is transformed for the motive of decision-making. Data analysis commonly entails decreasing the raw information right into a potential size, developing summaries and making use of statistical inferences. The result was analyzed using figures.

3.7 Ethical considerations

The group ensured that every vital moral issues are observed. During the process of data collection, the group diagnosed the ethical troubles related to the assembly. The group wrote a letter to the meeting inquiring for their help on the situation beneath the study. The assembly then demanded of an introductory letter from our institution to realize and authenticate the group's personality. This is due the reality that modern companies operates in an aggressive surroundings for this reason would do anything to guard themselves from other competitors. With this in thoughts, the group ensued that every information accrued are treated with the highest level of confidentiality.

3.8 Background of Wa Municipal Assembly (Wa municipal assembly)

1. Establishment of the Municipality

Wa Municipal Assembly Was created out of the then Wa Municipality in 2004 with legislative instrument (L1) 1800 in pursuant of the policy of decentralization started in 1988. The Assembly is empowered as the highest political and administrative body in the Municipality charged with the responsibility of facilitating the implementation of national policies. Under section 10 of the Local Government Act 1993 (Act 426), the Assembly exercises deliberative, legislative and executive functions in the Municipality. By this act, the Assembly is responsible for the overall development of the Municipality.

The Municipal Assembly is composed of the General Assembly and its Secretariat, Departments of the Assembly, 4 Zonal, 1 Urban Council and 73 Unit Committees. The General Assembly has a membership of 45, 31 elected and 13 appointed by government in consultation with traditional authorities of the Municipality.

2. Location and Size

The Wa Municipality is one of the eleven administrative areas (Municipality Assemblies) that make up the Upper West Region (UWR) of Ghana. It shares administrative boundaries with the Nadowli Municipality Assembly to the North, the Wa East Municipality Assembly to the East and South and the Wa West Municipality Assembly to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W

3. Population

Total estimated population is 127, 284 (GSS, Wa 2010) Female 64,914 and Male 62,370. It is the highest Populated local administrative area with the largest affluent population in the region. This is as a result of perceived high growth rate between 2.7% and 4%. By implication business will have a very large market because of the high and wide variety of demand for goods and services. The growing population therefore beacon for investment opportunities. Market and labour is therefore available for production in all sectors

4. Mission Statement

The Wa Municipal Assembly exists to improve the quality of life of the people through harnessing human and material resources for the provision of basic infrastructure and Socio- Economic Services.

This shall be achieved by:

- a. Formulating and executing plans, programs and strategies for the overall development of the municipality
- b. Initiating programs for the development of basic socio-economic infrastructure in the municipality
- c. Maintaining security and public safety in co-operation with the appropriate national and local security agencies
- d. Promoting and supporting environmental issues by productive activities/ventures in the municipality
- e. Encouraging popular grassroots participation in planning, plan implementation and monitoring.

5. Vision

Wa Municipal Assembly has a vision to achieve overall socio-economic development of the Municipality so that living standards of the people would be improved in line with the National vision on Social and Economic Development.

6. Economy of the Wa municipality

The structure of the economy of the municipality dominated by agriculture (about 70%), followed by commerce (about 9%) and industry (about 3%). Other key sectors of the economy are transport, tourism, communication and energy.

i. Agriculture

The agriculture sector provides more than 60% of the municipal population sources of jobs, livelihood and business. Despite its strategic role in fighting poverty, it is under modernized. Traditional technologies still dominates agriculture production, processing, storage and marketing. Programs are therefore required to enhance development of sustainable agriculture production systems e.g. irrigation systems, enhanced farmer education and training, enhanced technology transfer in agriculture production, storage and enhance corporate development for marketing.

ii. Services

This sector is about the second largest in terms of employment. The key players in this sector are public institutions, utilities services providers, consultancy firms and financial institutions. This sector drives the local economy. As such initiatives are tailored at enhancing professionalism and integrating activities of these institutions in the municipality

iii. Trade/commerce

Trade/commerce is the third largest sector of the local economy. The major activity is retailing in primary and secondary goods.

The municipality is currently the regional commercial/service Centre with average trading/ office facilities (infrastructure However, the market/trading facilities; however do not meet the volume of trade. Shopping facilities lack space and selling on the street is common. Shopping malls and one-stop-shopping centres are therefore required.

iv. Tourism

Tourism is one of the fast growing sectors in the Municipality of Wa and awaits a lot of investment.

Some of the notable tourists' attractions are:

the Wa-Naa Palace (a symbol of authority of one of the three epical authorities of traditional Wa), the Dzenden Pool, George E. Ferguson Tomb (the first agent of the Governor of the Gold Coast Colony to reach Wa, May 4th 1894), the Centenarian Mosque at Nakori , chegli crocodile pond.

IV. RESULTS AND DISCUSSIONS

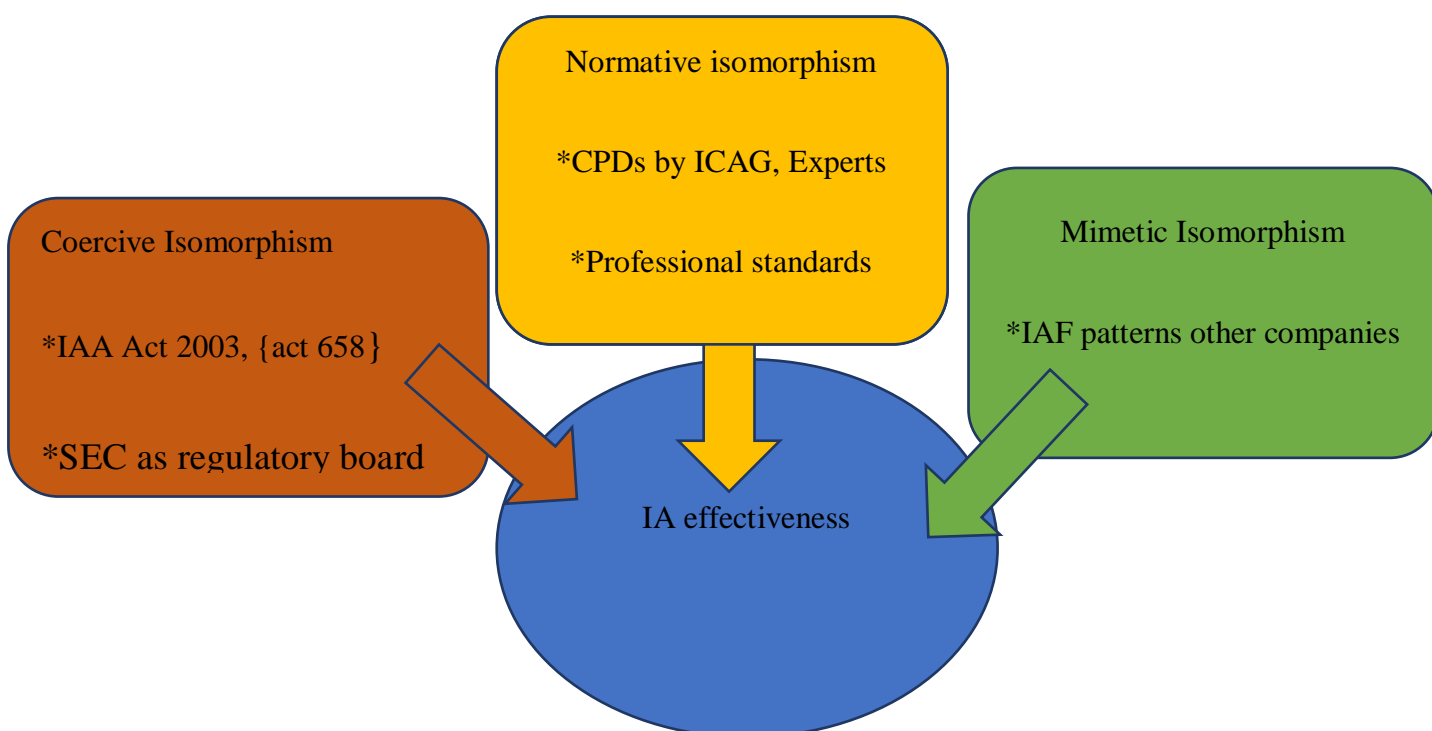
4.0 Introduction

This chapter presents the analysis and discussion of the findings from the data collected from the Wa Municipal Assembly in relation to the objective of the study. The data addresses the following questions; what are the internal and external factors that influence IA effectiveness? How do these factors influence IA effectiveness? Why are these factors critical to IA effectiveness? How do the internal and external factors link together? The chapter has been presented in four broad sections namely; external factors that influence IA effectiveness; internal factors that influence IA effectiveness; linking the external and internal factors, and chapter summary. The first three sections comprise the areas identified from field data. This was based on the theoretical framework employed thus all major themes are made up of several sub-themes that emerged from data collected. Embed in the discussions of findings are extant literature that is either consistent or inconsistent with the findings of this study.

4.1 External Factors that Influence IA Effectiveness

External factors are the elements within the external boundaries of the organization that have to impact on its internal process and programs. Drawing from the institutional theory, the evidence from the findings revealed three levels of isomorphism as the major external factors that influence organizational IA effectiveness. These are coercive isomorphism, mimetic isomorphism, and normative isomorphism. The relationship between these three factors has been pictured in the figure blow:

Figure 4.1: External Factors that Influence IA Effectiveness



4.1.1 Coercive Isomorphism

The practice of IA inside the Ghanaian public area and for that matter, public sector organizations dates lower back to the colonial era, when most of those public sector organizations established, however became characterized by means of the lack of legislative authority and independent status. As a result, the government in 2003 recognized the need for a legal and regulatory authority for the establishment and practice of IA in the Ghanaian public sector. Therefore, the internal audit agency (IAA) act, 2003 (act 658) was enacted to see to the establishment of the IAA as a regulatory body liable for the establishment and practice of IA across the Ghanaian public sector. Therefore, most public sector organizations are pressured to establish IAF and ensure their proper functioning. Similarly, state enterprise commission (SEC) which functions as an permanent external auditor for most of the public sector organizations also has a responsibility to ensure that public sector organizations set up IAF. Based on interviews from respondents using questionnaires, the consequences show that the passage of act 658 introduced existence into the practice of IA in the public sector organizations area. It offers the IAF the legal authority to undertake their capabilities and also increases the repute of IAF within the public sector organizations zone. In public sector organizations specifically Wa municipal assembly as an instance, the act is the foremost backbone of the practice of IAF. A respondent in the Wa municipal assembly acknowledged that: "As a matter of fact, the government regulatory framework clearly influences our functions. That is what we base upon as it remains as the source that we quote. The internal audit act performs a primary role which greater or less to me it forces each public sector organization to set up an internal audit feature/branch. That is our foundation, without the act we would now not have been in existence and that gives us the audit charter to empower us to perform our audit function. Because, if we go to the other departments or other functions to invite of a selected book or a report to investigate or any facts and that they fail or they're seeking to hesitate to launch the document we have the right to persist and if they need to insist, we most effective quote the act that empowers us and the act is a law so we constantly function underneath the act." Another respondent added that, "we use the internal audit corporation act to work and there has not been any change. We go with the aid of the authority's guidelines, the internal audit act considering the fact that it is widely used." Facts amassed from audit managers of the Wa municipal assembly disclosed that, the IAA which is the frame that supervises IA practice within the Ghanaian public sector has great impact with regards to IAF within the public sector organizations. Accordingly, the IAA commonly makes a specialty of the critical authorities companies and departments in addition to the metropolitan, municipal and district assemblies (MMDAs). Thus the finding is inconsistent with the general perception that the IAA has oversight duty in all public zone enterprises and that act 658 is applicable in all public sector organizations in Ghana (Onumah & Krah, 2012).

4.1.2 Normative Isomorphism

Evaluation of field information suggests that the establishment of IAF in the public sector organizations region prior to the promulgation of act 658 was in largely due to the efforts of consultants, experts and professional bodies who had been engaged to deliver services through outsourcing, professional training and external audits and assurance. During those periods, the IAF had been best functioning as subordinate units under the accounts or finance division. These professional bodies include the institute of chartered accountants Ghana (ICAG) and the institute of internal auditors (IAA) which collaborate to organize training programs for accounts and audit officers. Besides, accounting firms consisting of PWC, KPMG, ERNST & YOUNG, and different local firms are engaged to provide professional and expert advice on the established order and the operation of IAF. A respondent indicated that: "we depend at the professional requirements for our code of ethics because we follow their principles so we rely upon the overall requirements. In reality, certainly one of them is the exit conference and the opening conference. We learnt them from the professional requirements. Government also play a role through training programs organized for internal auditors"

Moreover, the extent of normative isomorphism became moderate in the Wa municipal assembly for the reason that its IAF rely upon act 658. Therefore the established order and practice of internal auditing are in large part informed by using the expert requirements in place of act 658. Whilst requested how and why professional our bodies have an impact on IAF, this is what one of the respondents emphasized: "We depend greater on the

requirements, the internal auditing standards because it is a limited liability organization. Also, IAA in 2014 came to organize a training on risk management. The way we present our report has changed due to the fact we attend courses, there is training organized, we had education on reporting, we go to leadership training and that is equipping us.”

4.1.3 Mimetic Isomorphism

IAF practices modelled some successful establishments, in particular from the public area. The consequences showed that IAF in Wa municipal assembly patterned how IA is practiced in different corporations that were deemed to have a success IAF in operation. The respondents highlighted that they deemed those organizations as best practices therefore copying them and most of these companies are multinationals. As an example one of the respondent remarked:

“We do not ignore the best practices that we see in the different organizations or other assemblies.”

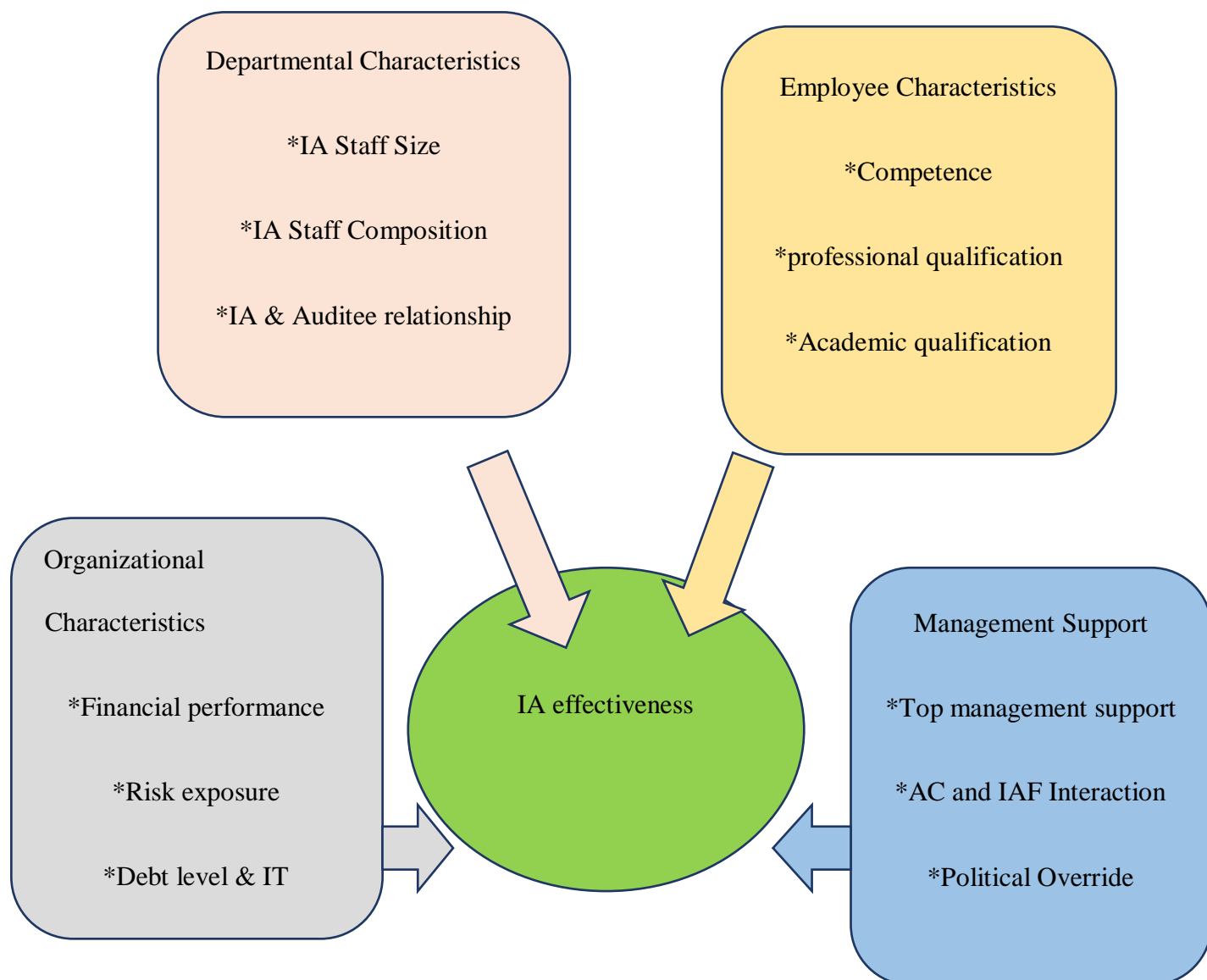
When asked why IAF models some other group, a respondent noted:

“We look at international practices and follow the regulated practices”. A respondent also stated that: “We follow the Way other MMDAs perform their audit work and also follow audit requirement” These findings verify other research that determined elements of isomorphism within the practice of internal auditing in public sector organizations. For instance in Arena and Azzone (2007), the establishment of IAFs was inspired with the aid of external environmental pressures which resulted to 3 categories of IAFs in response to those pressures. They diagnosed institutional IA adopters which are IAFs that fully shows all the 3 tiers of isomorphism, normative IA adopters which constitute agencies where normative pressures were more potent, and non-institutional IA adopters that replicate agencies with least institutional pressures. But, from the consequences of this study the non-institutional IA adopters had not been discovered. It is able to be due to the fact all the public sector organizations in the Ghanaian public region are required to set up IAFs as enshrined in act 658 whiles Arena and Azzone (2007) was based totally on Italian private corporations. Besides, the findings confirm the need for strong government regulatory body that is capable of liaising with expert bodies to make sure IA effectiveness as recommended by Al-TWajry et al. (2003).

4.2 Internal factors that influence IA effectiveness

This segment focuses on the elements in the Wa municipal assembly that influence IA effectiveness. This is the specific organizational assets and skills that blend to ensure IA effectiveness. Proof from the evaluation of information recognized 4 of such resources and abilities that might have an impact on IA effectiveness. Therefore, 4 sub-issues were diagnosed from the analysis of consequences received. Those are organizational characteristics, departmental characteristics, employee characteristics and managerial characteristics. Also, those sub-themes have extra sub-topics which have been developed due to continuous analysis and comparison of field facts. The connection that exists among these elements is shown in the parent under.

Figure 4.2 Internal Factors that Influence IA Effectiveness



4.2.1 Organizational characteristics

The general structure and resources availability to a corporation can have impacts on how effective its functions together with IAF will be. From records collected, it was disclosed that the general organizational characteristics such as financial performance, risk exposure, debt levels and level of IT usage of the Wa municipal assembly, in this case, were perceived to have an influence on how effective the IAF can be

Financial performance and debt level

IA plays both direct and indirect roles in the financial performance of an entity which also reinforces the integrity of management. The public sector organizations in this case observed are purported to perform on commercial basis thereby making profits and paying dividends to the state that's the sole shareholder. The financial overall performance, therefore, checked out whether or not those public sector organizations had been making a profit and how it influences IA. The findings of this study show that, the availability of budget

allocations to the IAFs was consistent with the allocation from the District assembly common fund. A respondent stated that: “we have been receiving revenues from the various agencies and we pay dividends to the government. Our budgetary allocations were quite proper, we get what we want for now even though more would have been okay.” The proof from the evaluation of records revealed some other way by which IAF advantages from monetary performance. This shape of advantage, referred to as benefit-primarily based overall performance gain calls for departments to meet certain overall performance targets set by using pinnacle control. Consequently, every individual worker and their respective departments as a whole enjoy overall performance rewards after they meet their targets. One of the audit managers pointed out that this method has helped the IAF very well due to the fact that measuring its direct effect on income was difficult. Whilst asked how this coverage has advanced IAF effectiveness, a respondent stated: “we're glad with the present day measure as it exposes which department is doing well and which isn't. My branch, as an example, was rewarded 2 years ago. So we received performance bonuses and we are hoping to keep to achieve the targets.” Another respondent stated that, “what we do is, you're given advantage increase based totally on your overall performance. Supposing the department performs well, the department as an entire and the individual so based on your assessment you get economic rewards, what we call merit-boom.” This finding is consistent with the argument that enterprises with higher-running cash flows make investments extra of their IAFs according to carcello et al. (2005).

Risk exposure

The chance is the relative stage of uncertainty that the organization is confronted with and IA has as one in all its center duties to enhance organizational hazard assessment. The extent of threat exposure will determine the level of attention top control will supply to the IAF. The effects showed that the instances on this examine face the IA work effectively but their IAF are not appropriately located to minimize or mitigate the consequences of those risks. Interviewees cited managerial override of controls and political circumventions as ordinary examples of weak spot in controls. When requested how entity risk exposure influences IA effectiveness, the subsequent feedback had been given by way of response

“We are prone to high stage of risk so the IAF performs a crucial position but we aren't appropriately empowered. Due to the fact if we are going you acquire those machines and inventories, internal audit will make sure that it isn't always sole sourcing but competitive enough to make sure that we are getting the best out of it. But occasionally we are not given any previous observe. So the internal audit have to be empowered.”

In addition, it turned into discovered that a pertinent threat is a managerial disregard of internal controls where people who have set up the controls are sidestepping it for this reason the IAF is seen as a thorn within the flesh after they raised any alarm. This changed into evidenced in an interviewee with the response “I can describe the interference as intimidation and permit's say occupational threat. That is due to the fact, as an IAF we make sure that things are done right, meanwhile, any individual is trying to bypass the controls and you are also insisting on your right.” consequently, a respondent remarked:

“Management most often interferes due to the fact they could constantly want to do matters in a quick way or matters so as to convenient them. As an instance, like we made noted of sole sourcing, you need things to skip through competitive bidding however management needs things quickly, they need things without difficulty so going through competitive bidding wastes time so occasionally management takes selections that affect the IAF. Management interferes by slicing things brief, they do no longer need to comply with the procedure. Why because of convenience. But something like sole sourcing conflicts with the internal audit capabilities so there's management override.” which will recognize the particular motives behind the superiority of management control push aside of the manage processes, the study probed in addition to find out why the chance assessment approaches were susceptible and that is what a respondent stated:

“because it state owned, there had been times where so-referred to as emergency calls from political circus require the operations department to move and do something and communicate channel could be broken, protocols are broken so the audit is not aware in any respect.”

Besides, most of the IAFs are not properly informed whilst sure actions that require adherence to controls had been worried. Interviewees indicated that they every so often get to realize some of those issues by using chance or in the course of informal discussions with colleagues in different departments. Consequently, those findings disconfirm Carcello et al. (2005) and Mihret et al. (2010) which suggest that businesses with higher chance could make investments greater of their IAFs. This may be due to the fact, in the instances of those public sector organizations, the belief of public ownership makes top management loosen up their attentions at the risks their facing for the reason that there may be no direct impact on their job safety and emoluments.

Level of information technology

The emergence of information and communication generation has greatly influenced several organizational techniques together with IA. Most organizations have mounted both hardware and critical software that facilitates their departments to work efficaciously and effectively. It has therefore turn out to be a vital strategic tool that affect IA effectiveness. From subject statistics, the outcomes confirmed that the level of facts generation (IT) has an influence on IAF performance. A respondent recounted that, “IT assets which includes laptop computers and laptops are available for us to enhance our paintings but what we Want now's specialized audit software with a purpose to speed up our work due to the fact our operations have expanded through the years and we've big consumer size too.” It became discovered that crucial improvements have been made in the area of IT inside the organization as one respondent acknowledged:

“We have step by step moved from manual system to computerized gadget and we're installing a software program known as the idea that's utilized in auditing.” The respondent emphasized the need for the software program because it became hard for them to work efficiently and efficiently manually considering that they need to cope with volumes of labor. This implies that as establishments grow in length and complexities, their risk exposures increases.

4.2.2 Departmental characteristics

The specific assets and talents available to an IAF in any organizational settings additionally impact its effectiveness. A number of the precise sub-themes diagnosed underneath this class are IAF staff size, IAF personnel composition and IAF relationships with auditees. The evaluation of area statistics confirmed that those topics impact IA effectiveness in all three instances under attention. Respondents disclosed that departmental traits are of high relevance because that is what enable them to carry out their day by day obligations.

IAF staff size: The variety of employees employed and running directly as internal auditors affect how effective the IAF might also perform its activities. Wherein the team of workers requirements are enough, IAF may be able to work efficiently and effectively. From the field information, most respondents stated: “no, the size of the staff is adequate for the work”

IAF staff composition: The obligations of IAF have extended beyond the boundaries of traditional accounting checks and controls to include value creation through improved risk evaluation strategies. Consequently, IA staffs are expected to possess ability and knowledge that permit them to attain this objective. The outcomes confirmed that IA body of workers composition in the Wa municipal assembly are predominantly accounting bias considering that nearly all of the IA staffs are accounting degree holders. Regarding this, a respondent stated: “The body of workers composition currently looks like almost everyone is accounting bias. Meanwhile, we do not only carry out financial audit, we perform an operational audit which includes the alternative non-financial departments. So there is the need for us to get different disciplines as properly and the new trend that's

arising is the IT which is the certified information system auditor (CISA). This implies the need for us to get at the least an expert in IT audit to be part of the group of workers in order that we can have that kind of combination. So that is what we're searching to date. Currently we do not have it.”

IAF and auditee relationship

In IA literature, the auditees are visible as IA customers thus, IA customer relationship is vital to its effectiveness. The extent to which the IAFs communicate and share information with other departments are examples of IA customer relationships that have an effect on IA effectiveness. Interviewees from the Wa municipal assembly expressed dissatisfactions with regards to auditee relationships particularly in which the respondents see it as very intricate. The respondents mentioned that the auditees regarded no longer to understand the jobs of the IAF so that they generally perceive them to be intruders. Concerning these findings, a respondent evidenced that: “That is a trouble region, a number of them try and be very defensive in that whilst you provide them a query, getting the reaction is a problem. Most of them do not apprehend the IAF, they think we are policemen that will arrest them. Some of them will try to shield themselves and on occasion they put off in responding. This delays our reporting schedules.”

4.2.3 Employee characteristics

In step with the aid-primarily based theorist, one of the most treasured assets available to businesses is the human capital which comprises the competence, reviews and professional or instructional qualifications of personnel. Thus, the competence and qualifications of IAF staffs might have a power on how effective it's going to operate. Responds from interviewees discovered that in the past IAFs lacked specialists and capable workforce participants however currently there have been enhancements. In keeping with this a respondent recounted, “we are enhancing the required competence of our group of workers with the aid of encouraging them to pursue higher qualifications and arranging education programs to deal with the expert requirements considering adherence to the requirements improves our competence.”

4.2.4 Managerial Practices

Top management characteristics and guide to IAF in the form of setting up audit committees (AC) with appropriate authority and assets to make certain non-stop interaction with IAF, independence of IAF, availability of different physical sources, are essential resources and abilities that mix to influence IA effectiveness. The findings from area data confirmed that managerial practices are weak because there are more political influence. These weaknesses are expressed in the existence of puny audit recommendation and implementation committee (ARIC) systems, inadequate AC interactions with IAFs, lack of IAFs independency, inadequate physical resources for IAFs, and delays in implementation of audit recommendations. Respondents indicated that the AC merely exists as a formality but it actually does no job for the IAF. Close to this issue, a respondent remarked: “the AC, I think is enormously ineffective so we infrequently have interaction with the AC. It is simply there as a structure however they hardly ever meet and this factor is quite apparent with most public sectors establishments.”

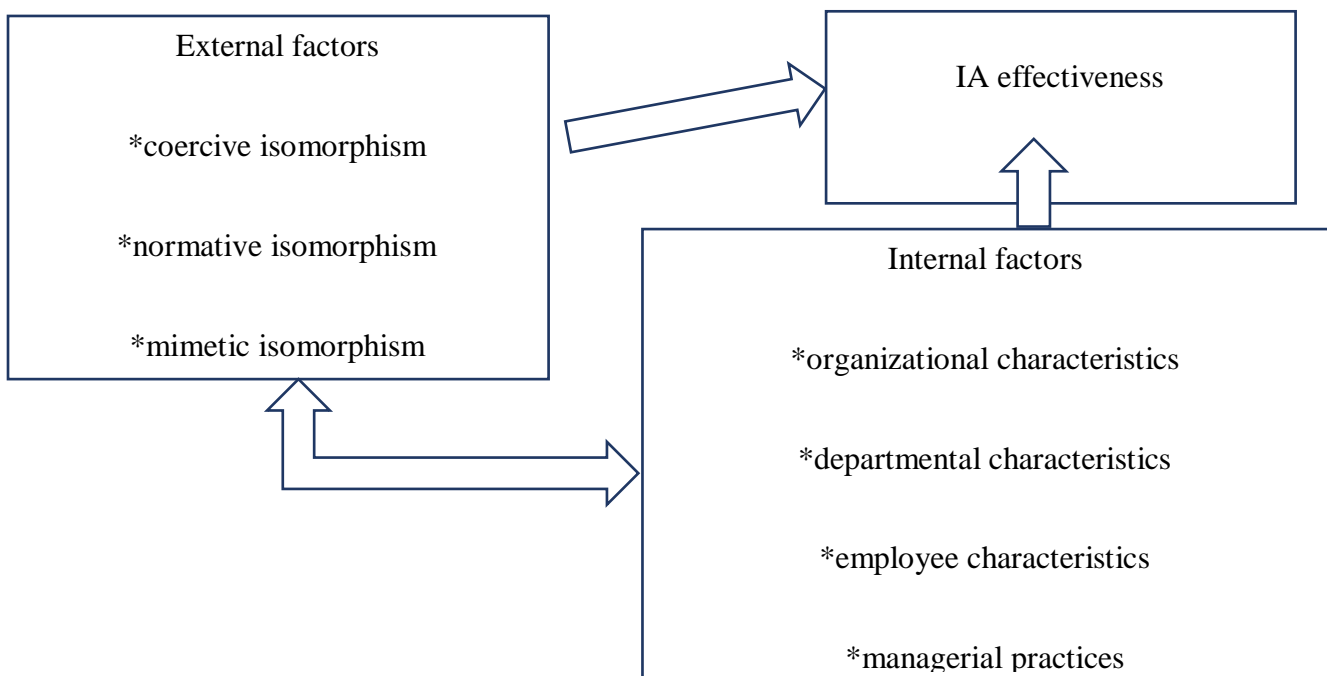
4.3 Linking the Internal and External Factors that Influence IA Effectiveness

The last objective of the study was to set up the relationship that exists among the internal and outside factors. Consequently, proof from facts gathered found out that while the internal and external factors operate to directly have an effect on IA effectiveness, the prevailing external factors additionally have an effect on the internal factors with a subsequent influence on IA effectiveness. This finding is consistent with public sectors settings where organizations are typically established under an act of parliament. From the analysis of data collected, it became determined that the factors of coercive isomorphism (i.e. enactment of IAA act; act 658, establishment of SEC as public sector organizations regulatory body and permanent external auditor) chiefly have an impact on the organizational shape of the instances in this study. Proof from documentations confirmed that the

government plays key function inside the appointment of the board of administrators (top control), and the board oversees the established order and functioning is IAFs in all three instances. Moreover, proof from the evaluation of statistics confirmed that the establishment of most of the IAFs turned into mandated by using act 658. Accordingly the act actually gave life to the IAFs in those public sector organizations. In relation so far, a respondent discovered that; “The government play a role right here. As an example the board is represented through the government so if there is any function that they [i.e. government] will play, it will likely be from the board due to the fact we do not have interaction with the government directly.” Besides, the evaluation of records revealed that normative pressures including reliance on advices of professional bodies, enterprise of CPDs, and training applications do now not simplest without delay have an effect on IA effectiveness however also have an effect on inner factors such as departmental and employee characteristics. Respondents indicated that though act 658 set up the IAFs, its actual operations and the caliber of staffs required are encouraged through the professional requirements and experts. In connection with this finding, a respondent stated:

“Now our recruitment specializes in people with professional and similar instructional qualifications due to the fact we accept as true with that as we are striving to be powerful in our operations, we want the right caliber of body of workers.” This proof suggests that top control of those understand that professional our bodies and academicians are liable for education and offering the specified human capital needs of the IAFs. Accordingly, the adaptation of the theoretical proposition by Ahmad (2015) is depicted in figure 4.3 below.

Figure 4.3: Adapted Theoretical Proposition



4.4 Chapter summary

The intention of this chapter was to present the results as obtained from the evaluation of subject records from primary and secondary sources a good way to achieve the objectives of the study. From the above, it's been evidenced that IA effectiveness is influenced by both internal and external factors subsequently the need for a comprehensive look at these factors. Therefore, the evaluation became offered in three wide sections being internal and outside elements and linking the internal and outside elements. Regarding the outside factors, it is validated on this chapter that, IAFs in public sector organizations have been prompted by the 3 tiers of isomorphism, specifically coercive, normative and mimetic. For that reason, government policies and regulatory

bodies, expert requirements and professional recommendation from experts in addition to modelling of other a success businesses had been confirmed to make a contribution to IA effectiveness. Focusing on the internal factors, it has been installed in this chapter that organizational unique resources and talents are essential factors that have an impact on IA effectiveness. Consequently, the chapter provided four classes of the internal factors, which can be organizational characteristics, departmental characteristics, employee characteristics and managerial practices. Furthermore, the chapter established that, although the internal and external factors immediately impact IA effectiveness, there's an indirect relationship among those two elements due to the fact proof from data collected discovered that the external factors also affects the internal factors. This has brought about the version of the original theoretical proposition made by way of Ahmad (2015).

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the primary findings of the study, conclusions in addition to recommendations are highlighted. In other to achieve this, the chapter has been divided into four essential sections. The first section provides the precis of key findings of the studies. The second one segment specializes in the conclusions drawn from the findings while the third phase emphasizes the recommendations for the study. Recommendations for future research also are furnished in phase four.

5.1 Summary of Key Findings

This section provides the key findings from data accumulated. As highlighted all through the previous chapters, this work used a theoretical framework that mixes institutional concept and resource-based idea to have a look at the external and internal elements that influence IA effectiveness. Therefore, this section presents the key findings on the subject of those elements. To perform this, the phase has been placed into two subsections. The primary segment pertains to the external elements and the second communicates the internal factors.

5.1.1 Key Findings Regarding External factors

The effectiveness of IA is relative and it is contextually based. Therefore, there is the need to understand the interplay of forces which are outside the bounds of a business enterprise but takes place to exert have an impact on the employer's internal structures and tactics of which IAF is prime. As a result, the three ranges of isomorphism were observed to be key external elements that affect IA effectiveness. With respect to coercive isomorphism, the results of the study showed that the practice of IA within the Ghanaian public area is essentially prompted by means of the government via the enactment laws and subsequent established order of regulatory bodies. The analysis of information discovered that, previous to the enactment of the act, IAFs existed as subunits below the accounting and finance features in the public sector organizations but the passage of the internal audit organization act, 2003, (act 658), added life into the exercise of IA. That is, in line with the necessities of act 658, each public sector organizations must make sure the established order of a self-reliant IAF that promotes the fulfillment of organizational objectives. Except, the IAA and SEC are regulatory authorities that feature to make sure that the practice of IA in the Ghanaian public sector organizations conforms to the provisions of act 658. Because of this there may be high coercive isomorphism in terms of the status quo and exercise of IA inside the public sector organizations. That specialize in normative isomorphism, they take study found that the role of expert bodies, professional standards, and different professionals are key to IA effectiveness. The evaluation of information found out that the IAFs within the public sector organizations derives their moral standards from the expert requirements. The expert bodies such as ICAG collaborates with other bodies together with the IAA to organize education applications for the IAF staffs in order that they are up to date with the applicable issues within the exercise of IA. The outcomes of the study also located mimetic isomorphism. The public sector organizations usually model the practices of IA in different corporations which can be seen as successful. The evaluation of records proven that during some cases, those public sector organizations train the IAF staffs so that you can learn different practices.

5.1.2 Key Findings Regarding Internal Factors

The useful resource-based concept indicates that individual businesses own resources and capabilities that make them to heterogeneous, and these sources assist them to create sustained aggressive gain. Most of these resources and skills are discovered at the practical stage of an enterprise, for which IAF is inclusive. From the evaluation of records, key internal resources and capabilities that influence IA effectiveness are summarized in the paragraphs below.

since the IAFs do not exist separately from the organization, the analysis of information revealed that the business enterprise's economic performance and debt level, the level of risk exposure, and the reliance on IT are key organizational traits that have an effect on IA effectiveness. However, the use of merit-based performance measurement now allows IAFs to enjoy some direct financial benefits. Moreover, the evaluation of records found out that despite the fact that the public sector organization are faced with distinct stages of risks, their IAFs aren't correctly placed to enhance their threat assessment tactics. In addition, the outcomes from the study indicated that, although there's the notice of the benefits of IT in assisting the operations of the IAFs, some public sector organization has taken steps to put in an audit software program. Additionally, it was argued by Carcello, et al. (2005) that management would invest more in the IAFs to lessen agency cost where there are high debt levels, however the analysis of data showed otherwise especially within the case of Wa municipal assembly because the government contracts loans on their behalf. The personnel size, staff composition of the IAFs, in addition to the connection between the IAFs and their auditees have been discovered to be key factors at the departmental stage that have an impact on IA effectiveness. The analysis of records disclosed that the IAFs staff are adequate for the work, workforce composition is accounting bias with relatively terrible auditee relationships. The unique worker characteristics which includes competence, professional qualifications, and educational qualifications are crucial elements that impact IA effectiveness. The effects as a result confirmed that group of workers competence is tied to the level of enjoy and expert or academic reveal in. At the managerial level, it became observed thru data evaluation that pinnacle control helps were highly susceptible. Predominantly, these weaknesses exist in the form of taunted ACs and ARICs, negative ac interactions with IAFs, lack of physical sources which includes vehicles separately for IAFs and a little autonomy of IA independence. The analyzed information indicated that audit suggestions aren't replied to on time. Additionally control override of internal controls threatens IAF independence.

5.2 conclusions

IA has turn out to be an imperative corporate governance tool in contemporary organizational settings in each public and personal sectors. Its consistent importance in the public region has been embraced through the enactment of laws and establishment of regulatory government to make certain the established order and operations of IAFs in most nations like Ghana. But the issues of both IA practitioners and academicians is an assessment of the effectiveness of the IAFs, that's the focal point of this study. From the evaluation of facts, it could be concluded that IA effectiveness is prompted by means of elements which might be within the businesses. But given that the idea of IA effectiveness is contextually structured, the outside environmental elements within which the company operates also have influences on IA effectiveness. This study, consequently, used theories to analyze how and why those internal and outside factors influence IA effectiveness. From the institutional principle angle, all the 3 levels of isomorphism, being coercive, normative and mimetic are key outside factors that affect IA effectiveness. Coercive isomorphism is proven through the passage of act 658, in addition to the establishment of regulatory bodies along with SEC and IAA has led to the rebirth of IA within the Ghanaian public sector organization. Hence, authority's tasks including legal guidelines and regulatory bodies have given the practice of IA in the public sector organization zone a legal support. Moreover, the hard work of professional bodies and representative has been duly recognized as normative isomorphic pressures from the outside environment. Besides, the working towards and structuring of IAFs in the public sector organization in these cases always follow the examples of different firms that are gave the impression to be appearing higher than them. This confirms the influence of the external surroundings through

mimetic isomorphism. Hence, the institutional concept remains as one of the beneficial theories that assist to explain the effects of the external environment on organizational IA effectiveness.

5.3 Contributions of the Study

This segment provides the contributions of the study. This study contributes to the existing literature within the location of IA effectiveness via answering the recommendations for future research of the issue of IA effectiveness with specific interest to the general public zone in growing countries. By analyzing IA effectiveness within the Ghanaian public sector organizations specifically Wa municipal assembly, this study was determined to fill this context gap. In addition, the literature on IA effectiveness is characterized by using a dearth of theories that can give an explanation for the internal and external elements that have an impact on IA effectiveness. Therefore, this study answers the recommendations by using Ahmad (2015) for a destiny study that combines the institutional and resource-primarily based theories to analyze IA effectiveness within the public sector. Thus, this study is the most excellent work that combines this theories for an empirical study. The study contributes to policy by means of emphasizing the importance of regulation and regulatory bodies, in addition to professional bodies in making sure IA is effective.

5.4 Recommendations

The findings of the study showed that there are critical internal and external factors that affect organizational IA effectiveness. Those elements, depending on how they're perceived and managed, can result in powerful or ineffective IA. It was noted that among the outside factors, there exist terrible interactions between the regulatory bodies inclusive of the IAA and the public sector organizations in this example. It's far consequently recommended that the IAA need to step up its attentions to the IAFs of the diverse public sector organizations. By so doing, the IAFs will be given the essential government supports to perform their mandate, for that reason being powerful. Management must set out a clear strategic view at the role of internal audit and its expected scope and thebest of the internal audit services. Individual internal audit services must adopt targeted operational requirements. Those need to define the anticipated scope, methodologies and overall performance criteria for internal audit, which might be not unusual across all MMDAs. Furthermore, it's far encouraged that top managements of the public sector organizations need to put in vicinity proper structures and resources including networked computer systems with productivity software that could facilitate the efficiency and effectiveness of the IAFs. This would also require the training and hiring of IAF staffs with it skills. Within the equal vein, IAFs want to be resourced with the specified number and composition of staff so that it is able to manage the different risks that the organization faces.

5.6 Future Research Direction

Drawing from the aforementioned barriers, the subsequent guidelines are made for future directions. There is the need for a quantitative study that would offer some measurements of the variables recognized on this study. By so doing, the study can enlarge the context so as to emphasize the credibility of the elements.

5.7 Chapter Summary

This chapter provides the summary of the key findings of the study, in addition to conclusions and recommendation. The key findings had been primarily based on the theoretical framework tailored, that's a mixture of the institutional idea and resource-based totally principle. Further, the limitations and recommendations for future research were detailed in this chapter.

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