

UNIVERSITY OF CAPE COAST

PERFORMANCE AUDITS IN THE PUBLIC SECTOR OF GHANA: A CASE
OF A GOVERNMENT MINISTRY



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OF A GOVERNMENT MINISTRY

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 this has been presented for another degree in this university or elsewhere.

Candidate's Signature.....Date

Name: Kate Nana Goodlow

Supervisor's Declaration

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

Supervisor's Signature Date

Name: Mrs Comfort Ama Akorfa Anipa

ABSTRACT

The public sector has implemented policies to fulfil the New Public Management strategy. In Ghana, the performance of public sector organisations has been the focus of the New Public Management agenda. Consequently, performance audits have been introduced by the Auditor-General to examine the use of resources to achieve organisational goals. This study examines the use of performance audits, the perception of the usefulness of performance audits, and the challenges in conducting performance audits in the Ghanaian public sector. The study adopted a qualitative approach. The data was collected using six key respondents who are auditors and management members of a government ministry in Ghana. The study found that public sector organisations conduct performance audits utilising the expertise of the Ghana Audit Service. The study found that the Three E's, namely economy, efficiency, and effectiveness, are primary criteria for assessments. The study also found that the competency of auditors, perception of audit quality, and the agreement of audit reports are factors that affect the perception of the usefulness of performance audits. Performance audits were found to lead to changes in budgetary allocations, changes in strategies, internal controls, and staff training. The study also identified that the lack of support from the management of organisations and disagreements with audit reports are the main challenges facing performance audits. This study recommends using performance audits as a means of enhancing public sector performance in developing economies. This study contributes to knowledge of performance audits in the Ghanaian public sector.

KEYWORDS

Economy

Effectiveness

Efficiency

Performance Audit

Public Sector

Value-for-Money

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DEDICATION

To my husband and children

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CHAPTER ONE

INTRODUCTION

The public sector has been acknowledged as essential in providing vital products and services to citizens (Tsourgiannis et al., 2018; Androutsopoulou et al., 2019). As a result, governments through the New Public Management (NPM) policies have introduced initiatives to enhance public sector performance. In the literature, a way to improve public sector performance is through performance audits (Parker, Jacobs & Schmitz, 2019). Performance audits have, therefore, become a way of ensuring that public sector organisations utilise resources in an economical, efficient and effective way (Raudla et al., 2016; Pollitt, 2003).

In Ghana, the Auditor Service conduct performance audits in public sector organisations to ensure the judicious use of resources to achieve objectives (Ghana Audit Service, 2018). Despite the importance of performance audits acknowledged by studies in developed economies (Raudla et al., 2016, Parker et al., 2019), there is little research on the effectiveness of performance audits in developing economies like Ghana. This study, therefore, takes a critical look at the use of performance audits, factors affecting performance audit usefulness, the usefulness of performance audits, and challenges of performance audits in the Ghanaian public sector.

Background to the Study

Recently, governments are spending more time, effort, and money on performance measures and evaluations in the public sector. The promotion of performance measurement and evaluation has long been implemented by governments. Raudla, Taro, and Agu (2016) posit that the public sector has been

under pressure to improve its performance. The improvement in public sector performance has been a focus of the New Public Management (NPM). Parker et al. (2019) asserts that the NPM has been linked with increasing public sector audits. Public sector auditing is particularly directed at public sector performance auditing to ensure ‘value for money’ and efficiency auditing (Parker *et al.*, 2019).

Under the NPM, the attention of stakeholders has shifted towards public resources management and the efficiency and effectiveness of public sector management performance (Parker *et al.*, 2019). Achieving the right results in any given situation requires following due processes religiously. Often, adhering to lay down procedures minimizes error while facilitating the ability to obtain the right results (Raudla et al., 2016). However, increasingly becoming relevant, especially in the public sector, for ongoing audit assessment to be incorporated into the due process and procedure laid down to streamline the activities of the sector.

Performance audit offers an opportunity for the independent assessment and verification of whether specific programs or functions are on course to achieve their stipulated objectives (Tsourgiannis et al., 2018). Performance audits are usually associated with government agencies at all levels. The rationale behind performance audits in today’s ever-changing global world is the popular concept of the three E’s. These are the economy, efficiency and effectiveness (Pollitt, 2003; Torres, Yetano & Pina, 2019). These concepts form the basis of performance audits. In the view of Loke et al. (2016), a performance audit is also known as a “value for money” audit. It refers to an independent

evaluation of public sector entities' performance in achieving stated goals and objectives.

A performance audit aims to efficiently utilise the yearly budget allocation of government entities and provide greater public accountability and transparency (Loke et al., 2016). Also, Johnsen (2019) asserts that the reforms implemented in the public sector aim to ensure the level of transparency, accountability, and public sector improvements. Also, there is great interest in the role played by audit agencies and audit technologies in ensuring that public audit reforms are implemented. Auditing in the public sector involves many activities such as financial audits, performance audits, and financial reporting (Johnsen, 2019).

In the context of the public sector financial system and reporting, Brusca et al. (2017) assert that financial reporting is obtained from accounting systems that are used to prepare financial statements. Budgetary reporting allows for controlling and monitoring the use of public sector resources. In the European context, performance audit is implemented by several Supreme and Regional Audit Institutions (SAI and RA1). It has the legal obligation to perform audit activities (Torres et al., 2019). Johnsen et al. (2019) provide an example of supreme audit institutions (SAIs) in carrying out a performance audit of public administrations in Denmark, Finland, Norway, and Sweden.

In the Ghanaian context, a "value-for-money" audit leading to accountability and performance management in the public sector has been proposed (Bawole & Ibrahim, 2017). Also, the Functional Organizational Assessment Tool (FOAT) is the value-for-money audit for local government performance in Ghana (Bawole & Ibrahim, 2017). Therefore, the foci of studies

on how performance audits affect public sector performance are needed. According to the Ghana Audit Service, auditing in Ghana has shifted from financial auditing to audit performance within the past few years (Ghana Audit Service, 2018). The Ghana Audit Service (2018) states that performance audit goes beyond mere examination of public financial accounts; it rather focuses on using their resources and the resulting impact of their operations. In other words, the value for money spent by government Institutions, Ministries, Departments and Agencies. Performance audit analyse whether these government Institutions are working right and in a less expensive manner. The audit service further suggests that the audit criteria for performance audit are subjective, and auditors use unique criteria for each audit.

It is worth noting that, undoubtedly, performance audit assist government institutions in addressing their shortfalls and increase accountability in pursuance of their mandates. When government institutions implement auditors' recommendations, it will positively improve their activities, core mandates and programs. The Audit Service Bulletin (2022) stated that section 13(e) of the Audit Service Act 2000, Act 584 and article 187 of the 1992 Constitution give the Auditor General the authority to audit the programs and activities of all the public institutions and organisations established an Act of Parliament. The auditor General selects areas to audit based on parliament interest, public interest and environmental impact of an activity.

There is evidence to show that the audit department of Ghana conducts performance audits. The Auditor-General in 2006 presented a performance audit on human resources management by the Ghana Health Service (Ghana

Audit Service, 2006). A report by the Audit Service (2022) provided the latest reports of performance audit of public institutions including the Mental Health Management and Care Delivery, Management of Education of Children with Special Needs, Fleet management of the National Ambulance Service, Flood Control Drains by Hydrological Service Department, Regulating Reclamation Activities at Small-Scale Mining sites, Blood Transfusion Services, Adoption Services by Central Adoption Authority and Department of Social Welfare, and Capital projects in 30 MMDAs in Ghana.

Statement of the Problem

The trajectory of New Public Management (NPM) reforms and the development of public sector audits have garnered significant research attention over the years (Raudla et al., 2016; Johnsen, 2019). These reforms have aimed at improving efficiency, effectiveness, and accountability within public organizations. Hay and Cordery (2020) noted that public sector auditing represents a substantial and intricate area of auditing practice that remains relatively underexplored. This complexity and the need for enhanced performance in public organizations underscore the importance of studying performance audits. Performance audits, as a tool, hold the potential to significantly boost the efficiency and accountability of public sector entities. Consequently, there is a compelling rationale for conducting further research on how performance audits can be leveraged to improve the performance of public organisations.

Given the growing relevance and increasing expectations about what performance audit should achieve, there is enough justification for finding out the performance level and the attendant impact of audit (Raudla et al., 2016).

According to their study, a performance audit is perceived as holding ministries and agencies accountable and improving the officials' activities in the audited entities. The study addressed some questions, including auditees' perception of the usefulness of performance audits, whether performance audits lead to changes in the audited organisations, factors that increase the perceived use of performance audits, and factors that facilitate the undertaking of changes in the audited organisations. Also, a study by Loke *et al.* (2016) sought to address the public sector audit performance in Malaysia by focusing on the effectiveness of performance audit, constraints in the performance audit, and how performance audit affects public accountability. The findings of Raudla *et al.* (2016) and Loke *et al.* (2016) indicate that there are instances where performance audits did not meet their intended objectives. This result implies that studies must be conducted to examine the effectiveness of performance audits in other countries.

The interviews conducted by Parker, Jacobs, and Schmitz (2019) in Australia found that auditors commonly examine the effective dimension of performance audit and do not focus on the economy and efficiency aspects. An explanation for this result is that auditors in the public sector cannot conduct audits on the economy and efficiency due to limited skills and expertise. This finding indicates the performance audit practice using the economy, efficiency, and effectiveness principles may not be practicable. Some studies have found that Norway's performance audits may not fully consider the 3 Es framework (Raudla *et al.*, 2016; Reichborn-Kjennerud., 2013). Therefore, studies in other countries must be interested in whether the 3 E's (economy, efficiency, effectiveness) perspective of a performance audit is used in the public sector.

Another research gap is the paucity of research on performance audit in Ghana. Despite some studies in this area, there seems to be little research attention given to performance audit in Ghana. One of the few studies that have focused on performance audit and public sector performance audit effectiveness is by Bawole and Ibrahim (2017). Another study by Asiedu and Deffor (2017) examined the role of the internal audit function in fighting corruption using managers of public sector organisations. The study of Onumah and Krah (2012) took a look at the barriers and catalysts of audit in the Ghanaian public sector. It can be reckoned that there is the need for further studies into the effectiveness of performance audits, constraints of performance audits and effectiveness of using performance audit to improve public accountability in Ghana.

Asare (2009) asserts that auditing has failed in many developing countries due to weak audit committees, narrowed scope of work, inability to attract and retain competent internal audit staff, etc., making a compelling case for future studies. The Ghana Audit Service (2018) asserts that although the agency has been spearheading the use of performance audits in the Ghana Public sector, it appears government agencies are yet to appreciate the concept of performance audit and its benefits. The problem according to the Ghana Audit Service (2018) is that the deficiencies in performance audits have created challenges in these audits. Aside the limitations in terms of studies around this subject in Ghana, it is believed that performance audit in the public sector is essential in order to enhance the proper functioning of public sector institutions. This study, therefore, seeks to examine and ascertain how performance audit is conducted, the factors affecting the usefulness of performance audits, and

identify the constraints hampering performance audit in the public sector institutions in Ghana.

Purpose of the Study

The purpose of this study is to understand the conduct of performance audits in the Ghanaian public sector. The study seeks to examine the effect of performance audits on the economy, effectiveness and efficiency of public sector organisations.

Research Objectives

The objectives of the study are:

1. To examine how performance audit has been conducted using the economy, efficiency, and effectiveness (3 Es) framework in public institutions in Ghana?
2. To explore the factors affecting the usefulness of performance audit of public institutions in Ghana?
3. To examine the usefulness of performance audits of public sector institutions in Ghana?
4. To identify the challenges affecting the use of performance audits in Ghana's public institutions?

Research Questions

The study proposed the following questions:

1. How is performance audit conducted using the economy, efficiency, and effectiveness (3 Es) framework in public Institutions in Ghana?
2. What factors affect the usefulness of public institutions' performance audit in Ghana?

3. What is the perception of the usefulness of performance audits of public sector institutions in Ghana?
4. What are the challenges affecting the use of performance audits in the Public Institutions in Ghana?

Significance of the Study

The study aims to examine the extant use of the 3 Es performance audit framework in the public sector of Ghana. It is important to understand in the Ghanaian public sector whether auditors are able to perform audit assessments using proven approaches. Also, the achievement of performance audit objectives will depend on the factors that enhance performance audits' usefulness. Through literature review and data collected from public officials and auditors, this study will indicate what factors must be pursued to enhance the usefulness of performance audits. This study will further identify the challenges of implementing performance audit.

This study provides insight into how auditors and auditees adhere to performance audit guidelines from a policy point of view. Policymakers and management of public sector institutions will be informed about how performance audits are performed using the 3 Es framework. Policymakers and management can also use this study to understand the factors that must be put in place to ensure the usefulness of performance audit. The challenges facing performance audit assessments will be exposed to policymakers and the management of public sector institutions.

For literature, this study contributes to knowledge of performance audit from a developing country's perspective. Specifically, the findings of this study will contribute to the empirical literature on performance audits in Ghana.

Researchers and students can rely on the information provided in this study to understand how performance audit is conducted, the factors affecting its usefulness, its usefulness, and the challenges.

Delimitations

Despite seeking to understand performance audits in the public sector, the data collection was focused on a particular government ministry. The study focused on the performance audit conducted by the auditors and auditees within the ministry were involved. As a result, experts involved in performance audits provided vital information on the phenomenon.

Limitations

This study adopted a qualitative approach using interviews with key informants from a government ministry. Therefore, the study did not use a survey design to collect data from auditors and auditees from other government agencies. The results, therefore, cannot be used for generalisation.

Definition of Terms

1. **Performance Audit:** this examines the economy, efficiency and effectiveness of the use of resources in performing responsibilities and the impact of the activities.
2. **Economy:** The ability to minimise the cost of resources for performing activities while ensuring quality.
3. **Efficiency:** achieving a good balance between the output (goods and services) and the resources used.
4. **Effectiveness:** the extent to which organisations are achieving the objectives in terms of the impact of their activities.

Organisation of the Study

This study is organised into five chapters. Chapter one introduces the study. The chapter presents the background to the study, statement of the problem, the purpose of the study, the significance of the study, delimitation, limitations, definition of terms, and organisation of the study. Chapter two presents the literature review. The chapter focuses on the conceptual base of the study and the empirical review. Chapter three discusses the research methods. The chapter explains the research approach, research design, population, sampling procedure, data source, data collection instrument, data collection procedure, data analysis, and ethical consideration. Chapter Four focuses on the findings and the discussions of the results. Chapter five provides the summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter looked into related literature and studies on the impact of performance audits and the performance of public sector institutions in Ghana. Related literature on performance audits and their effect on public sector institutions were reviewed. The study of other researchers on the effect of performance audits on the performance of public sector institutions and constraints affecting the use of performance audits in public institutions as identified by other researchers.

Theoretical Review

Several theories such as the agency theory, public accountability theory, institutional theory, stewardship theory, resource dependency theory, stakeholder theory and systems theory have been advanced to explain the rationale, implementation, and impact of performance audits in the public sector. However, the present study employed the agency theory as a theoretical lens to address the understanding the conduct of performance audits in the Ghanaian public sector. The study seeks to examine the effect of performance audits on the economy, effectiveness and efficiency of public sector organisations.

Agency Theory

The Agency Theory primarily examines the relationship between two parties: the principal, who delegates tasks, and the agent, who performs these tasks on behalf of the principal. It was introduced to address the problems that arise when there's a separation between ownership and control. This theory is

particularly relevant in contexts like public administration, corporate governance, and financial auditing, where there may be a potential for conflict of interest, information asymmetry, or moral hazard. The theory was initially formulated by economists Michael Jensen and William Meckling in their 1976 paper, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*. However, aspects of agency relationships were earlier explored by Stephen Ross and Barry Mitnick in the early 1970s, making them foundational contributors to Agency Theory as well.

Agency Theory is grounded in several core axioms and concepts. The first is the principal-agent relationship. In this relationship, the principal is the party that delegates authority to another party (e.g., shareholders, or citizens in a public sector context), while the agent acts on behalf of the principal (e.g., managers or government officials) (Waring & Morgan, 2007). This relationship is based on the principal entrusting the agent to act in the principal's best interest, despite potentially differing objectives. Goal Conflict is a central assumption in agency theory, as it posits that principals and agents often have different interests, which may conflict. Agents might prioritize their objectives over those of the principal, especially when their actions are not fully observable or regulated. Information asymmetry is another core concept, referring to situations where the agent has more information about their actions and capabilities than the principal. This imbalance can lead to moral hazard, where agents may take risky actions that the principal wouldn't endorse, and adverse selection, where agents misrepresent information to secure their position.

Agency Costs arise from efforts to align the agent's interests with those of the principal. These include monitoring costs incurred by the principal to oversee the agent's performance (e.g., audits, reporting requirements), bonding costs incurred by the agent to signal their alignment with the principal's interests (e.g., performance guarantees, certifications), and residual loss which represents any remaining loss when agents act in ways that deviate from the principal's best interests even after monitoring and bonding efforts (Hood & Dixon, 2013). To mitigate the potential for agents to act against the principal's interest, contracts are structured to align incentives. These contracts might include performance-based pay, bonuses, or other incentives aimed at aligning the agent's objectives with those of the principal. Principals tend to be risk-neutral, as they are the ultimate beneficiaries, whereas agents may be more risk-averse since their position or compensation could be jeopardized by taking risks (Agbo & Aruomoaghe, 2014).

Agency theory has wide applications in sectors with principal-agent structures. Shareholders (principals) hire managers (agents) to run companies on their behalf. In Public Sector Audits, citizens (principals) expect government officials (agents) to act in the public interest, requiring performance audits to ensure that resources are used efficiently. The agency theory justifies audits as a way to reduce information asymmetry between owners and managers. The agency theory provides a framework for understanding relationships where delegated authority and differing goals could create friction. By managing information asymmetry and designing contracts that align incentives, it seeks to mitigate these agency problems, promoting better alignment between principal and agent interests.

The Concept of Performance Audit/ Value for Money Audit

Several scholars have defined performance audit (Grönlund, Svärdsten, & Öhman, 2011; Ghana Audit Service, 2018). The Ghana Audit Service (2018) defines a performance audit as examining the economy, efficiency and effectiveness of the use of resources in performing responsibilities and the impact of the activities. Also, Grönlund et al. (2011) assert that performance audits are often perceived to be synonymous with value for money (VFM) audits, and traditional elements in such audits are economy, efficiency and effectiveness, which are often referred to as the “Three Es”. These definitions allude to the role of performance audits in ensuring economic, efficient, and effective government projects. Performance audit refers to the autonomous, objective and trustworthy examination of whether activities, systems, programmes and operations of an organisation are per the principles of economy, efficiency and effectiveness and whether there are available avenues to improve.

According to the International Organisation of Supreme Audit Institution (INTOSAI) (2019, p.8), “performance audits are carried out by state audit institutions that are independent, objective, and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating by the principles of economy, efficiency, and effectiveness”. The objective of a performance audit is to generate new knowledge and insight about financial resources and the use of funds to provide recommendations for improvement. INTOSAI (2019) asserts that performance audits provide new analytical insights, making existing information more accessible to various stakeholders, disseminating authoritative and independent

views on audit evidence, and providing recommendations based on audit findings.

The World Bank also acknowledges that performance auditing aims to ensure the attainment of the three E's (Waring & Morgan, 2007). Waring and Morgan (2007, p.448) refer to performance auditing as "a systematic, objective assessment of the accomplishments or processes of a government program or activity to determine its effectiveness, economy, or efficiency". The public sector functions typically involve planning, budgeting, approval of budgets, implementation of projects, monitoring, and accounting (Chinedu & Peters, 2019). After budgets are approved, government agencies are provided with funds to carry out specific duties and jobs, including purchasing goods, services, renovation, new construction, and new constructions (Chinedu & Peters, 2019). Performance for value or value for money audit is, therefore, used to establish regulations and guidelines for government agencies to follow to achieve the satisfaction of stakeholders (Chinedu & Peters, 2019). In the Ghanaian context, Ameyaw, Adjei-Kumi, and Owusu-Manu (2015) assert that a Value-for-money audit aims to ensure cost minimisation, output maximisation, and the use of resources for the full attainment of intended results.

Performance audit looks at how available resources employed by the government or non-profit entity have been used to achieve economy, effectiveness and efficiency. An example of a performance audit conducted in Ghana is by the Auditor General to ascertain the preparedness of Ghana for the attainment of Sustainable Development Goals (SDGs) by 2030 (Auditor-General Ghana, 2018). The performance audit report prepared by the Auditor

General sought to examine the actions taken by government agencies and the resources provided to ensure the attainment of the SDGs.

Performance auditing differs in many ways from financial statement auditing. To provide a clear difference between performance audit and traditional financial audits, this study relies on the study of Agbo and Aruomoaghe (2014), which demonstrate that several issues create this difference. The first issue is that a performance audit does not entirely focus on using financial data to express an opinion on the financial position and compliance with rules and regulations. Performance audit also considers non-financial data to assess the economy, efficiency, and effectiveness in the management's use of resources.

A second difference is that traditional auditing aims to identify errors, fraud, omissions, and impropriety, while performance audit is focused on assessing the overall performance of an organisation (Agbo & Aruomoaghe, 2014). However, performance audits are still used to detect errors, fraud, and omissions, but this is not the main focus. Third, traditional auditing does not focus on assessing whether government organisations are achieving the expectations their target groups have for them. On the other hand, a performance audit attempts to evaluate the performance of government agencies and departments that are meeting the expectations of target groups. Finally, traditional auditing is not a way of reporting on the economy, efficiency and effectiveness of government activities and procurements. Also, traditional auditing does not provide detailed recommendations to enhance the utilisation of resources and the attainment of organisational objectives, while performance

audit aims at recommending ways to enhance the economy, efficiency, and effectiveness of government departments.

The Process of Performance Audit

Many steps and techniques are employed in the performance audit. Ameyaw *et al.* (2015) identified the following as four major methods used to conduct the performance audit.

Full cost-benefit analysis

Cellini and Kee (2015) explain cost-benefit analysis (CBA) as a cost-effectiveness measure used for programme evaluation. Cost-effectiveness analysis relates to evaluating the cost of a programme and the key outcomes and benefits associated with it (Cellini & Kee, 2015).

Assessing the cost-of-service delivery to the government

The value-for-money audits also provide clear financial estimates of government projects. In the public sector, evaluation of cost components can lead to cost-cutting initiatives (Hood & Dixon, 2013). This practice is necessary due to the long period of fiscal expansion, financial crises, and growing debt crisis in the public sector to reduce government operating costs (Hood & Dixon, 2013).

Comparing private alternatives

Performance audits also take into consideration alternative costs of projects by government entities. Creedy and Passi (2018) posit that value-for-money analysis usually compares the cost of activity by government entities to private alternatives. The cost of public sector projects that are seen as very high can be replaced with private sector projects, which may provide a better

alternative. Performance audits may recommend using private alternatives in cases where the use of government entities may increase the cost.

Confirming the viability of the chosen project

There is a possibility that government projects can be affected by inaccurate estimates of cash inflows (revenue) and cash outflows (cost). These analyses can be done using economic appraisal, financial analysis, and commercial viability (Almarri & Boussabaine, 2017). Economic analysis entails an appraisal to determine the proposed project's impact on the entity's cash flow and overall financial standing (Almarri & Boussabaine, 2017). Also, the financial analysis aids in providing funding solutions to affordability and the finances of the government entity (Almarri & Boussabaine, 2017). Khan and Chowdry (2008) think that the process of performance audit involves:

1. Evaluating and monitoring to determine whether the projects that government ministries and departments have carried out are following the money spent. This audit will simply ascertain whether the projects have been undertaken based on the stated amount of money spent.
2. Performance audits are also concerned about the value of the project delivered. The project's estimated value to be delivered to the general public must be commensurate with the project's actual value.
3. Performance audits are also interested in the manner in which government entities appropriate the bills and budgets. This audit seeks to ascertain whether spending regulations were followed for each project.
4. Finally, performance audits are interested in determining the level of satisfaction of the stakeholders interested in the project.

Performance Audit Process in the Ghanaian Context

The Ghana Audit Service (2018) provides a clear understanding of the performance audit process. In the Ghana Audit Service (2018) report, there are two main processes: a pre-study phase and a study phase. The pre-study phase involves activities such as the audit team holding an initial meeting with officials of the organisation to be audited, briefing sessions, coming up with communication channels and contact persons, and recording documents. The main performance audit study stage involves the data gathering and analysis stage. The audit team during the audit may alter the scope of the audit and present findings to the management of the audited organisation promptly. The audit team is also expected to require validation and confirmation of the audited entity's information. The final stage of the performance audit process is the reporting stage. According to the Ghana Audit Service (2018), a draft audit will present recommendations for organisations to drive changes. Senior management of audited organisations must provide recommendations and an exit meeting.

The Three Elements of Performance Audits – 3 ES

Scholars' conceptualisation of performance audits has predominantly been done using the assessment of transactions and projects based on economy, efficiency, and effectiveness (3 Es). INFOSAI (2019) provides a framework to guide the practice of executing performance audits, which focuses on the 3 Es. Based on the framework proposed by INTOSAI (2019), the assessment of performance audits in line with the 3 Es, according to Reichborn-Kjennerud and Johnsen (2011), is operationalised as:

1. An assessment to examine whether the resources are used by the approving authority decisions;
2. An assessment to examine whether the measures applied by the organisation efficiently contribute to the attainment of goals;
3. An assessment to determine whether there is compliance with rules and regulations;
4. To examine whether measures of management and control are appropriate;
5. An assessment to determine whether results are achieved, and goals realised.

Economy

The concept of economy relating to performance audit explains the careful management of available resources. The economy involves the production and consumption of goods and services. It explains how government entities spend resources to produce goods and services for consumption. Daujotaite and Macerinskiene (2008) stated that a performance audit refers to administrative activities that are under acceptable management practices, principles, and policies. INTOSAI (2019, p.9) defines the economy as a way of minimising the cost of resources so that the resources can be made available in due time and acceptable quantity and quality at the best price.

A prominent issue relating to the economic concept of a performance audit is cost reduction. Shrivastava (2009) states that the economy aims to ensure a cost-effective way of performing an activity while maintaining high quality. Therefore, a performance audit will ascertain whether government institutions implement enough cost-cutting mechanisms. This implies that with

various procurement activities, government institutions must ensure they do their best to minimise costs. However, care must also be taken to ensure high quality since the economy only occurs when quality is achieved through lower cost (Shrivastava, 2009).

In line with the conceptualisation of economy underperformance audit (INFOSAI, 2019), Parker et al. (2019) interviewed auditors on the use of the economic dimension in performing audits in a study in Australia. The interview on the economy was focused on issues of minimising cost. Therefore, this study focuses on using performance audits to minimise the cost of procurement and projects. The auditing team performs audits for public sector institutions to minimise the cost of projects initiated by agencies.

Efficiency

Another important aspect of a performance audit is efficiency. The efficiency aspect of a performance audit is to determine whether government organisations can achieve the desired result or output while properly using the expected resources. INTOSAI (2019) of performance audit refer to efficiency as getting the most from the available resources. Efficiency explains the link between the available resources. This view is expressed by Mihaiu, Opreana, and Cristescu (2010) that efficiency is the reduction of waste of resources to produce a given output. Also, Daujotaite and Macerinskiene (2008) explain that the efficiency of performance audit entails the use of standards in using financial and human resources and the ability to provide remedies for deficiencies in the use of resources. Therefore, efficiency explains the nexus between organisational outputs (goods and services) and the resources required to achieve them (Shrivastava, 2009).

With government entities, performance audits will seek to determine the ability to use the limited human, financial, physical, and information resources to achieve optimal outputs. This aspect of performance audit will be assessed by looking at the quantities and quality of projects and goods while considering the resources available. Parker et al. (2019) measure efficiency as the ratio of outputs to inputs. Daujotaitė and Mačerinskienė (2008) assert that the efficiency of the use of resources can be achieved by comparing achieved results with norms and standards. This means that the organisation's internal mechanisms and standards must guide the procurement processes. A performance audit relating to efficiency will assess whether the entity adheres to the set rules.

Drawing from the conceptualisation that the efficiency aspect of performance audit relates to maximising the ratio of outputs to inputs (Parker et al., 2019). Therefore, this study acknowledges that efficiency considers the extent of the use of resources (inputs) and the results (output) gained. Public sector organisations in auditing the projects may focus on examining the efficiency of the use of resources.

Effectiveness

Performance audits also take a critical look at the effectiveness of projects and activities. From the available literature, the concept of effective performance audit explains how projects and activities lead to desired results. Daujotaitė & Mačerinskienė (2008) assert that the effectiveness of a performance audit is related to the audit to ascertain the attainment of the objectives of the entity. INTOSAI (2019) asserts that the effectiveness dimension of a performance audit is concerned with achieving the expected results and objectives.

According to Shrivastava (2009), organisational profitability is not only the key determinant of performance but also the effective use of public funds and the attainment of objectives necessary for the growth and success of the organisation. Some of the expected outcomes are the timeliness of performing an activity and the level of customer satisfaction (Daujotaitė & Mačerinskienė, 2008). In a study in Australia, Parker et al. (2019) examined effectiveness audits as the extent to which a project's intended outcomes were achieved.

Factors Affecting the Usefulness of Performance Audit

The review of related literature on factors affecting the effectiveness of audits has consistently recognised some factors. These factors enhance the ability of performance audits to achieve their intended purposes. The following factors are explained:

Perceived competence and expertise of auditors

Auditor competence is regarded as one factor that influences the quality of audits (Zahmatkesk & Rezazadeh, 2017; Mansouri, Pirayesh, & Salehi., 2009). In the view of Gamayuni (2018), the auditor's objectivity, performance, and competence strengthen the internal auditing process. Raudla *et al.* (2016) assert that the perception of auditees that the performance auditors have the expertise and competency to do their job, they are more likely to recognise the audit as useful and may be more likely to implement the recommendations.

Perceived quality of performance audit

The perception of the quality of financial information in public affects its use for decision-making (da Silva Nogueira & Jorge, 2017). A factor that determines the perceived usefulness of an audit is the perception of audit

quality. De Angelo (1981) refers to audit quality as the ability to detect material misstatements and report these misstatements. Raudla *et al.* (2016), using the context of performance audit in the public sector, state that if the audit report is viewed to be of high quality will influence the auditees to accept the recommendations.

The Implementation of performance audit recommendation

The perception that performance audits will cause a change in the management of a project or how a government entity manages resources can be achieved when there is dialogue and deliberations. In the first place, the auditors must gain the support of the government entity being audited and must take into account the observations of the auditees (Raudla *et al.*, 2016). It is expected that better communication between the auditor and auditees will lead to a better understanding of the issues and will follow the audit recommendation (Reichborn-Kjennerud, 2013; Raudla *et al.*, 2016). The participation of the auditees will lead to a higher likelihood that the recommendations will be implemented.

The extent of agreement of audit report and criteria

The performance audit may resolve financial mismanagement challenges through an agreement between auditors and auditees. In the view of Raudla *et al.* (2016) and Reichborn-Kjennerud (2013), it was found that auditors perceived performance audits to be more useful when they perceived the audit report to be of high quality agreed with the audit criteria and were allowed to influence the audit process. Also, the study by Raudla *et al.* (2016) found that the ability of auditors to be open to communication makes the auditees more open and sees the recommendations as needed to have an impact.

The Usefulness of Performance Audits

The study of Raudla et al. (2016) proposes that a performance audit's usefulness depends on the factors that enhance the quality and acceptability of audits in the public sector. The usefulness of performance audits has been focused on the changes that performance audits generate in the public sector. Raudla et al. (2016), for instance, identified that some of the usefulness of performance audits are changes in laws and regulations, changes in the management of the organisation, changes in how documents are reported, changes in personnel, changes in budgetary allocations, and changes in internal control and risk management.

Challenges of Performance Audit

Performance audits have been identified as having several obstacles. The literature on constraints of performance audits relates to issues that prevent performance audits from meeting objectives. In Norway, it was indicated that the top five constraints of performance audit are: lack of cooperation and commitment on the part of audited institutions during the performance, inadequate management information, public sector auditees may not implement the recommendations, the unavailability of experts to help in performance audit assessments (engineers, lawyers, doctors).

Reichborn-Kjennerud and Johnsen (2011) expressed concern about performance auditors' dilemmas when auditing public sector institutions. The first is about maintaining auditor independence while performing as an improvement agent. The second challenge identified is using pre-designed audit criteria, which limit the nature of evidence the auditors can document. The use of pre-existing criteria affects the type of information that auditors can access.

Empirical Review

The study reviewed the empirical literature on the objectives formulated in this study. The review focuses on the results of studies on the extent of use of the 3Es framework, the factors affecting the usefulness of performance audits, the usefulness of performance audits, and finally, the challenges of performance audits.

Adoption of 3Es Dimensions and Performance Audits in Public Institutions

The literature provides a clear base to assume that performance audit entails performing audits by focusing on the economy, efficiency, and effectiveness. Researchers have sought to examine among public sector auditors whether this framework has been used (Parker et al., 2019; Loke et al., 2016). The study of Parker et al. (2019) focused on using the 3 Es approach to examine whether public sector auditors conduct an audit on the economy, efficiency, and effectiveness. The study adopted a qualitative approach using interviews with auditors in the public sector. The study found that performance audits were on the effectiveness dimension. The empirical result indicated that the audit staff could evaluate effectiveness and outcomes. The respondents indicated that the staff do not have the skills to evaluate the efficiency and economy.

In a study in Malaysia, Loke et al. (2016) sought to examine whether the 3Es are used in performance audits. The study used a survey to collect data from auditors. The results indicate that public sector auditors somewhat disagreed that performance audit is primarily concerned with an audit of economy and efficiency rather than the audit of effectiveness. The study also found that about 70 per cent of the respondents indicated that performance audits must be concerned about the effectiveness element.

Factors affecting the Usefulness of performance audits of public institutions

Reichborn-Kjennerud (2013) found that the effectiveness of a performance audit is widely dependent on objectives set by the institution in which the audit will be performed. Similarly, a study by Torres *et al.* (2019) found that countries in the Nordic region, including Denmark, Norway, and Sweden achieve more audit outcomes relating to effectiveness, efficiency, and economy since these countries have a clear objective set to achieve performance audit objectives.

Consequently, Reichborn-Kjennerud's (2013) study in Norway found that auditors perceive performance audits as effective due to consideration given to comments regarding audit questions, the agreement of audit criteria by auditees, the extent of agreement with the audit assessments, good quality of audit reports, perception of expertise of auditors, and the ability of audit to make changes to systems that previously did not work.

The study of Raudla *et al.* (2016) identified seven factors affecting the usefulness of performance audits. The factors affecting the usefulness of performance audit are the sector experience of the auditor, good quality audit report, agreement with the audit criteria and the way they are used, agreement with the conclusions of the audit, concrete recommendations, and the willingness to make changes to as a consequence of assessment of the audit report.

The perception of the usefulness of performance audits on public sector institutions

A study in Norway found that about 57 per cent of study participants indicated that performance audit has been useful to public sector institutions, while 24 per cent indicated too little or to a large extent the usefulness of performance audit. More specifically, the study found that 47 per cent of study participants indicated that performance audits were used to hold officeholders accountable.

Based on Reichborn-Kjennerud's (2013) study, Raudla et al. (2016) also examined the usefulness of a performance audit and the factors affecting its usefulness. On the usefulness of performance audits, Raudla et al. (2016) found that 8.5 per cent perceived that performance audits are useful to a very small extent. On the other hand, the study found that 36.6 per cent perceived that performance audit is useful to a large extent, while 21.5 perceived that performance audit is useful to a very large extent.

Reichborn-Kjennerud and Vabo (2017) found that performance audit recommendations led to changes in how organisational practices were used to improve operations in the audited entities. The study also reports that performance audits led to increased documentation and reporting, changes in strategies, improved planning and management of entities, enhanced internal control, changes in staff training, and increased funding.

Similarly, the study by Raudla et al. (2016) found that 32.8 percent of public service officers indicated that performance audits led to changes in procedures of coordination. Also, 39.3 percent of study respondents indicated that performance audit resulted in changes in strategies, performance

management, and planning. The study also found that changes in personnel, layoffs, changes in staff training, and increases in budgetary allocation were not common effects experienced as a result of performance audits.

The constraints affecting performance audits in the Public Institutions

In their study to identify factors affecting the success of government audits, Masood and Lodhi (2015) found that massive corruption, conservative methods in auditing, lack of financial independence, low morale of auditors, lack of power to take action against malpractices and many more are constraints for ineffective audits makes it difficult to bring transparency and accountability in the public sector. Based on these constraints, they recommended that government auditors be equipped with sufficient resources, training and growth opportunities.

The study of Raudla *et al.* (2016) found that a challenge of a performance audit is the lack of adherence to audit recommendations. The reasons provided for this challenge include the perception of the inaccurate report, auditees not agreeing to the auditor's assessment, and the entity did not agree they are responsible for the changes recommended. Another study reports that performance audit recommendations were not followed for reasons such as auditees did not agree with the assessment, and the facts presented are not accurate (Reichborn-Kjennerud & Vabo, 2017).

The study of Loke *et al.* (2016) identified several challenges of performance audit in the public sector. In all, ten challenges including lack of cooperation and commitment from auditees in conducting performance audit, auditees do not take necessary actions upon recommendations, public sector auditors' lack of skills and expertise to conduct the performance audit, and lack

of good rapport between public sector auditors and auditees were identified. Funnell, Wade, and Jupe (2016) found that the vulnerability of the auditee team due to their independence, the lack of technical competence of the auditing team, and the perception that audit reports may not be useful were some of the challenges facing performance audits.

In the Ghanaian context, Bawole and Ibrahim (2017) found that performance audits have suffered some setbacks despite providing useful information. Interviews with officials of public sector institutions identified that there is less perception of the credibility of performance audits as a result of the determination of Assembly officers to attain high ratings of projects. There are arguments between Assembly officers and audit teams since Assembly officers present new information to ensure the projects meet the standards. There is also a challenge of time available for consultants to present the assessment and report of the audit, and inconsistency and accuracy of the reports.

Chapter Summary

The chapter explored some underpinning concepts that guided the performance of the study. They helped shape and determine the parameters of the study. Also, an empirical literature analysis was performed to discover the gaps in the extant literature. This was done in line with the various objectives of the study.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter discusses the methods that were used to conduct the study. It comprises how data was collected and analysed. The research approach adopted, research design and strategy, sample and sampling size selection technique, data collection, research instrument, data analysis, ethical considerations, and limitations of the study are all presented in this chapter.

Research Design

For every research, it is relevant to develop an appropriate way to collect data and accurately analyse same. According to Saunders, Lewis and Thornhill (2012), a research design may be descriptive, explanatory or exploratory. First, researchers must choose a research strategy to recognise the appropriate way to gather data. For this study, an exploratory method will be used to understand the use of performance audits in the Ghanaian public sector. Saunders et al. (2012) explain that exploratory research is a valuable approach to finding out what is happening or seeking to generate insight into a phenomenon. It is useful to clarify understanding of a problem. Three ways have been proposed to conduct exploratory research: namely, a search of the literature (systematic research), interviewing experts on the subject and conducting focus group interviews (Saunders et al., 2012). In the study of value for money, experts such as public sector managers and auditors are the main focus to understand the phenomenon better. Therefore, this study interviewed experts on value-for-money audits. In line with Saunders et al. (2012), it is best described as an exploratory approach since this study adopted interviews.

Research Approach

Research design is the blueprint for researching to ensure the validity of the findings (Barnes, Grove & Burns, 2003). It provides information on the necessary procedures to gather relevant information to solve or structure research issues. The research design may be qualitative and/or quantitative. Patton (2002) explains that qualitative research entails seeking to understand the uniqueness of a particular situation. Creswell (1998) also states that qualitative research is focused on exploring a social phenomenon. The researcher builds a complex, holistic picture, analyses words, reports detailed informants' views, and conducts the study in a natural setting." Qualitative research encompasses how the researcher would seek and analyse detailed information and views from respondents in their natural settings. A quantitative research design, in contrast, adopts a positivist philosophy of knowing. Quantitative approaches are conducted through the use of numbers, statistics and experimental control to measure and analyse a phenomenon (McMillan & Schumacher, 1993).

This study employed a case study. A case study is a form of qualitative research design. According to Miles et al. (1994), a case study is a thorough investigation of a single individual, group, or event to explore causation to unearth underlying principles. According to Yin (1994), a case study is appropriate to address descriptive and exploratory questions. The work examines the value for money auditing using the auditors and auditees from the Ministry of Foreign Affairs as a case. Another justification for employing the case study approach is that the study benefits from multiple data sources.

According to Yin (1994), good studies are the ones that benefit from multiple sources of evidence.

Population

The study population includes public sector organisations. All the respondents used in this study are auditors and auditees for public organisations. The auditees and auditors in public sector organisations are experts and managers involved in the value-for-money audits in government institutions. However, the study relied on respondents who are managers and experts in auditing from a Ministry.

Sampling Procedure

The study of Sim et al. (2018) states that qualitative researchers, as a rule of thumb, recommend that qualitative studies' sample sizes range from 5 to 35. However, it is not the number of cases that matters; it depends on the quality of information retrieved from the cases. Guest, Bunce, and Johnson (2006) also argue that the sample size in qualitative studies is based on data saturation. It is recommended that guidelines for determining sample size for qualitative studies and non-probabilistic sample sizes are non-existent (Guest et al., 2006). Data saturation involves using additional study respondents until no new information is obtained (Guest et al., 2006).

The study of Morse (2000) recommends that qualitative studies have a sample of 6 to 10, and for grounded theory studies, 20 to 30 respondents. Through a simulation study in Ghana and Nigeria to determine the sample size to attain data saturation, Guest et al. (2006) found that 6 to 12 is appropriate for qualitative study. Based on these assumptions regarding sample size for qualitative studies, this study used six respondents. The respondents are four (4)

senior audit officers, a senior manager at the ministry of the case company, an accountant at the ministry, and a senior manager at the ministry.

The study adopted purposive sampling because it selects auditing experts from the Ministry under investigation. Saunders et al. (2012) believe that non-probability sampling is appropriate when there is the absence of an appropriate sampling frame to answer research questions and the need to use respondents who possess unique knowledge about the subject matter. Malhotra (2007) indicated that non-probability sampling is the most convenient least expensive and least time-consuming. Also, auditing experts were selected for this study because of their knowledge of the auditing of the ministry.

Data Source

There are two basic types of data collection methods; primary data collection method and secondary data collection method. The critical distinction between the types of data is that the researcher collects primary data specifically for the purpose for which the data are required. Secondary data is data that has been collected for another primary purpose (i.e., all secondary data have been primary data themselves for other earlier studies). It must be noted that both primary and secondary data sources can yield either qualitative or quantitative data (Kothari, 2004). While primary data may be collected using observation, interviews, or questionnaires, secondary data may include both raw and published summaries such as data collected by other researchers, organisations, governments, and other statistical institutions. Routine data collected by institutions participating in activity could be exceptionally good sources of secondary data which could be replicated by primary data collection without unreasonable expense. The use of secondary data could result in cost and time

savings. Secondary data, however, have limitations including the researcher's inability to assess the opinions of respondents involved in a given study (Kothari, 2004). Because of this, the researcher resorted to the use of primary data, to be generated from self-administered questionnaires.

Data Collection Instrument

An interview guide was used as the data collection instrument. The use of a qualitative approach demands that data be collected through interviews with respondents. The interview guide represented a primary source of data collection which collects first-hand data from respondents. The interview questions were unstructured to encourage the respondents to talk freely and openly about their experiences. In all, there are four (4) questions. The first question was about the profile of the respondents. The second question focuses on the use of performance audits. The third question sought to understand how performance audit is conducted and the factors affecting the usefulness of performance audits. The final question is on the challenges of conducting performance audits. One major challenge was finding a suitable time to interview the various respondents.

Data Collection Procedure

The researcher personally did the interviews through visits to the premises and offices of the Ministry of Foreign Affairs. The respondents were made aware of the need to record the interviews. The interviews were recorded using audio devices and they were subsequently transcribed into texts. The responses provided by respondents formed the main source of data subjected to analysis.

Data Processing and Analysis

This study adopted thematic analysis in analysing the data. Braun & Clarke (2006) explain that thematic analysis is conducted through the identification, analysis, and reporting patterns within data. Additionally, the thematic analysis interprets all facets of the research phenomena (Boyatzis, 1998). A theme is a collection of related categories with comparable meanings that typically emerge through the qualitative paradigm's inductive analytic process. The themes generate clues, which are subsequently adapted or connected to the raw data to serve as summary indicators for postponed investigation (Alhojailan, 2012). Braun and Clarke (2006) assert that thematic analysis is a valuable and adaptable technique for qualitative research. According to Alhojailan (2012), this makes thematic analysis a more appropriate method for analyzing data when the research objective is to extract information to determine the relationship between variables and to compare different sets of evidence from different situations within the same study.

Thematic analysis was then performed on the transcribed data. The researcher categorizes the responses according to several common themes. Thematic analysis is used in qualitative research to give analysis based on the categories into which varied replies can be divided. Braun and Clark (2006) state that theme analyses are typically used in research when no pre-existing theory guides the data design. This means that theme analysis is ideal for research with dispersed findings and for those that lack predefined variables or frameworks.

Miles et al. (1994) propose that qualitative data analysis is quite different from quantitative data analysis. Qualitative data analysis involves data

reduction and data display. In the view of Baxter and Jack (2008), qualitative data collection and analysis occur concurrently. Yin (2003) proposes that qualitative study must apply pattern-matching techniques from concepts and theories from literature to organise qualitative data. Analysing the qualitative data in themes ensures that the data is not presented under predetermined themes, limiting the results to what the researcher sought to achieve.

Ethical Consideration

This study ensured that ethical issues were considered. The information relating to audits in the public sector, and specifically, in this case, a Ministry in Ghana, is very sensitive. Given this, the public service employees may not be willing to give commentary about their perceptions and concerns to researchers. In this study, the researcher made sure respondents understood it was an academic exercise and that their views would not be made public. They were therefore assured of non-disclosure of their identity. Also, the researcher sought permission from the Ministry from which respondents were drawn. The respondents were made to understand that their views do not represent those of their organisation. Also, the researcher assured respondents of the confidentiality and anonymity of the research. Therefore, the identity of the respondents and their positions were kept anonymous.

Chapter Summary

This chapter presented the methodology that was adopted for the study. Specifically, the qualitative approach was employed and the case study design was adopted. Six respondents were purposively selected for the study while thematic analysis was used to analyse the data gathered from the use of an interview guide. The subsequent chapter discusses the results of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the results of the study. The results are a thematic analysis of the qualitative interviews conducted with auditors and directors of a public sector institution in Ghana. The results are presented in four main sections. The first section provides details about how performance audits are performed in the selected organisation. A major part of this result includes the use of the 3Es criteria in performance audits. The second section of the results presents factors affecting the usefulness or effectiveness of performance audits. This section is followed by the results on the perceived usefulness of performance audits. Section four presents the challenges of conducting performance audits in the Ghanaian public sector. Finally, the chapter discusses the results of existing literature.

Profile of Respondents

The study respondents are three auditors of the Ghana Audit Services and three directors in the departments of the case Ministry. All six key informants were used for the study. The profile of these respondents is presented in Table 1.

Table 1: Profile of Key Respondents

Respondent	Profile
Respondent A (RES A)	Senior Auditor (Audit Service)
Respondent B (RES B)	Senior Auditor (Audit Service)
Respondent C (RES C)	Senior auditor (Audit Service)
Respondent D (RES D)	Director, Ministry of Foreign Affairs
Respondent E (RES E)	Director, Ministry of Foreign Affairs
Respondent F (RES F)	Director, Ministry of Foreign Affairs

Source: Field Study (2021)

The key informants include Three (3) auditors from the Auditor General department. Also, the other three key informants are directors at the Ministry where the study was conducted.

To Examine How Performance Audits are Conducted in the Public Sector

The study's first objective is to examine the use of performance audits by the Ministry as the study case. The study examined how often performance audits are conducted or performed. This objective also aided in understanding the departments and officers responsible for performance audits. The study also examined the use of the 3Es (economy, efficiency, and effectiveness) in performing performance audits.

How often are Performance Audit Conducted?

The study findings indicate that the ministry under investigation performs performance audits. The results also indicated that there are no times and periods for performance audits. They are done when the auditor general and management of public sector institutions agree it must be done.

RES C commented that *“the Ministry of foreign affairs usually performs performance audits on Ghana Missions across the world and departments and some agencies under the Ministry. In performing our work, we have looked at performance audits at some departments under our Ministry.*

RES F commented that *“there is no particular time for conducting performance audits. Unlike the general financial audits that are carried out and reported at the end of the year, performance audits are done as and when management decides. They are performed for particular projects and departments.*

RES E, manager at the Ministry, provided an example of the use of performance audits. RES E commented that *“some performance audits I remember we have done is at the Passport Office, Accra International Conference Center, and the Legal bureau. We examined how the service delivery at these departments met the expectations of the general public and the objective set for them. For instance, the performance audit at the Passport Office revealed that the Ministry is not covering the cost of securing a passport”*.

Which Group of People are Responsible for Performance Audits

The performance of performance Audits is done by a number of parties. The interviews revealed that external auditors, internal auditors, management of departments of public sector organisations, and users of the services are usually the parties involved in performance audits.

RES C stated that: *performance audits are more of controls. Internal auditors mainly focus on internal controls, which are more on performance audits.*

A respondent indicated the role played by the Auditor General. RES A commented that: ... *“external auditors working for the Auditor General usually call for performance audits in government institutions. For this Ministry, we have performed a performance audit by working with internal auditors and auditees who are managers of the departments.*

RES F commented that: the audit service in performing performance audits even goes beyond the management to include customers of the services we provide. These audits are done by interviewing customers as they access the service”.

The Criteria for Assessing Performance Audits (3Es)

The issue of performing performance management in relation to the Economy, Efficiency, and Effectiveness was examined. Study participants were asked to explain how performance audits are conducted based on the 3Es. The results indicate that the audits are performed using these criteria. It can be indicated that performance audits in the Ghanaian public sector are done using the 3Es criteria.

In relation to the economy criterion, which is concerned about the delivery of projects and services at a cost that is acceptable, the respondents indicated it is a major issue for the Ministry.

RES C commented that ...; *“internal audits are focused on identifying ways of reducing cost of operations and advising management to develop ways to achieve lower cost of operation. Audit reports provide detailed analysis of various cost options that management can use. for instance, performance audit reports have looked at abandoning paper-based processes to electronic, which has aggressively been pursued by the Ministry”*.

RES F supported the use of the economy criteria by the Auditor General department in assessing the performance of projects. RES F stated that: *“the value for money audit performed in our units are always about the cost of the materials. For instance, the cost issues relating to providing a particular essential service to citizens is very high. Attempts have been made to use more of technology and extend the number of years citizens can come for renewal to resolve this challenge”*.

The efficiency criterion was found to be used in performing value for money audits. The interviews with the key informants revealed that efficiency

is always part of the audits. The results indicate that performance audits carried out by the Ministry aim to assess whether the objectives are met. The responses from two key informants indicate the importance of the efficiency criteria in performance audits.

RES D commented that: *“the auditor general department is interested in whether our Ministry is using the resources provided by the government to achieve the proposed objectives. The basic issue whether the targets that have been set for our missions, units, and departments are achieved”*.

Another key informant from the Auditor General Department supported the assertion that efficiency criteria is always part of the performance audits. RES B commented that: *“the efficiency criteria is always part of every performance audit. For this Ministry we examine how the departments and units are using the resources they have to achieve the objectives of the Ministry and the government”*.

The study result also shows that the performance audit conducted by the Ministry also considers the effectiveness criteria. All the study participants involved in the audits indicated that the effectiveness criterion involves following the basic requirement and laid down procedures to achieve the organisation’s objectives.

RES B indicated that the performance audits examine how the various stakeholders perceive the departments and units to be achieving the desired results. RES B stated that: *“when performing audits, we check from management of the Ministry and customers how the departments and Ministry is meeting desired objectives. We use surveys and interviews to ascertain this.*

We also check the objectives of projects and evaluate whether these objectives have been met”.

Another respondent (RES D) stated that: *“performance audits are done to ascertain whether the departments and units are achieving the objectives of the Ministry. The auditor’s report to management of the Ministry how the resources, policies, and activities are achieving the objectives of the Ministry”.*

Factors Affecting the Usefulness of Performance Audits

Objective two of the study sought to examine the factors affecting the usefulness of performance audits. The study’s findings identified that the competency of auditors, audit quality, independence of auditors, and the acceptance or agreement with audit reports are factors affecting the perceived usefulness of performance audits.

Competency of auditors

RES C indicated that: *the internal auditors of the Ministry have the competency to conduct performance audits. This competency is due to the fact that we have been trained to handle such audits. We have a number of chartered accountants in our department who are qualified to provide performance audit reports. However, I cannot say we have academic qualifications in performance audits.*

RES A commented that: *the Auditor General Department that overseas performance audits in Ministries and departments in Ghana have a specialised performance audit department that handles performance audits. We have a team that have been trained in this kind of audit.*

The Perception of Auditing Quality

RES C commented that: *in the Ministry, there is an audit committee that is chaired by the Minister. All the audit reports are presented to the audit committee for discussions and approval. The performance audits we have done are always part of the reports we present to the audit committee. The committee ensures that the reports are provided on time and are able to detect the right information.*

RES E stated that: *the management of the Ministry have over the years have some issues from our performance audits. Some of these audits report issues that does not truly reflect the state of the Ministry and its departments. However, we always have the opportunity to sit down with the external auditors to settle these misunderstandings. We have also officially requested meetings with the Auditor General Department of some performance audit reports in some departments. We do this in order to ensure the right information is reported.*

RES B commented that: *performance audits reports are usually published and communicated to the government and general public. Therefore, we ensure that due diligence is done before we come out with these reports. The ministry's audit committee and management are briefed during audit interviews for an agreement to be met. This ensure that our audits are of high quality.*

The Independence of Auditors

RES C commented that: *the auditors in this ministry are very independent. We have been empowered to do our job without fear. I also believe that the independence of the auditor is about the state of mind of the auditor. We carry out our responsibilities in such a way that we do not even have a good*

name in the ministry. We are very firm. For instance, in every department we go to work employees refer to my team as difficult and non-compromising. But we enjoy been called firm and fair.

RES A stated that: before we are assigned to perform audits in ministries, we are asked to declare any interest. Sometimes we experience situations where we have to audit places where our friends and relatives work. In those instances, we recuse ourselves due to ethical bases.

The Acceptance/Agreement with Audit Report

RES B stated that: we use what we call the five Cs in coming out with our report. So, the criteria, condition, cause, consequence, and correction action are always provided in our report. We also give the opportunity for another criteria, which is management response. This offers the management the opportunity to make inputs and agree to the performance audits.

RES F commented that: for all the audit that we do, we usually have exit conference with auditors to discuss issues included in the report. Very senior managers are offered the opportunity to meet auditors after they been briefed by their subordinates on the details of the performance audits. We usually ensure that answers and concerns are included in the final audit reports.

RES B stated that: we always give the opportunity to management to agree to the reports or make inputs. We are always flexible to accept any inputs even after the legal acceptable ten days. We make sure the managers are aware of the content and we do not include any new information.

The Usefulness of Performance Audits in the Public Sector

Objective three examines the perception of how useful performance audits are in the Ghanaian public sector. The results identified that performance

audit leads to changes in organisational strategies, staff training, enhanced internal controls, and increased funding or budgetary allocation.

Changes in Organisational Strategies

The first usefulness of the performance audit identified in the study was the effect on changes in organisational strategies. The study participants believe that many strategic changes in the Ministry result from performance audits. Two of these views are presented as the data.

RES D indicated that “services of the Ministry has improved drastically. Management such as our chief Director has taken keen interests in performance audits. Now all departments have been proactive in our performance audits. It is true that now you will have many departments heads responding to queries within a week”.

RES E stated that: “the ministry now has an audit report implementation committee. The organisation through the directive of the Minister has a committee to ensure that the issues raised in audit reports are implemented. For instance, performance audits at the Passport Offices identified some deficiencies. The committee reports have led to a change in the delivery of services”.

Staff Training

From the results, it is found that performance audits have led to recommendations for the training of employees. As a regular practice, internal auditors of the Ministry do routine audits of all departments and units. The findings of the audits serve as a basis for correcting certain administrative and financial management practices.

RES F commented that “for accounting staff, revelations from audit reports has always led to training of accounting and audit staff. In the last two years, auditors have been sent to almost all missions abroad to train them on new audit standards”.

RES E stated that: “one of our units that was subjected to performance audits were advised to organise training for account officers. Also, our foreign missions recently were trained in reporting their finances to ensure accountability. The Auditor General Department have sent experts to the foreign missions in recent times to train staff to ensure proper financial reporting”.

Enhanced Internal Controls

The study results also indicate that key informants perceive performance audits as leading to enhanced internal controls. A response provided by a manager at the Ministry sums up the perception of stakeholders involved in performance audits.

RES F stated that “all employees and managers who are cited in performance audit reports are called to audit report implementation committee to provide clarifications. This has strengthened the internal controls in the Ministry. The budget process and implementation has been improved. The budget officers are provided with new formats and approaches to draw up budgets”.

Increased Funding or Budgetary Allocation

The study also found that performance audits have led to increased funding for some departments, which are of interest to the government and the Ministry. As a result, the recent performance audits identified some shortfalls

in operations and recommended funding to enhance the operations. The response of a manager at the Ministry is provided.

RES D commented that “the governments through performance audits by the Auditor General Department has made some investments in the delivery of services by Ministry. It is true that some new projects funded by the Ministry are based on the recommendations proposed in performance audits. The ineffective departments and units cited in audit report are usually resourced with qualified employees and funds to improve their performance”.

Challenges in Performance Audits in the Public Sector

Objective four of the study sought to examine public sector organisations’ challenges in handling performance audits. The challenges identified are lack of competent auditors in conducting performance audit, lack of support for performance audits by managers, and disagreement with performance audit reports.

Lack of competent performance auditors

RES A stated that: *“the Auditor General department has only one department that handles performance audits. It is not a good thing for only the department to initiate performance audits in many Ministries... we need to send our auditors to the public sector institution to conduct performance audits”.*

RES D, a key informant in the Ministry, also agreed that the Auditor General department experts perform performance audits. *RES D commented that: “we do not have an audit unit that are specialised in performance audits. The performance audits we have done was initiated by the ministry but we had to rely on auditors from the Auditor General department”.*

Lack of support for performance audits by managers

The study also found that managers of public sector institutions sometimes do not give support for performance audits. A reason provided by the study participants is that some managers perceive performance audits as a way to report on the inefficiencies within the departments. Auditors are, therefore, not given the very best cooperation. A key informant from the Auditor General Department provided vital information about this phenomenon. Therefore, the lack of rapport between auditees and auditors is a major challenge in conducting performance audits.

RES B stated that: *“the auditors that are sent to departments and foreign missions sometimes face some resistance from officers. Some employees see auditors as people who only wants to identify wrong doings and financial malpractices. Auditors are sometimes are frustrated in doing their work as they are not easily given information they need”*.

Lack of agreement with report recommendations

The study identified that misunderstanding and disagreements with performance audits are major challenges. Performance audit reports serve a state of public sector organisations and may cause some misunderstandings. Key informants are worried about some disagreements that exist due to the information that is reported.

RES E commented that: *“the performance audits I have been involved in our Ministry have generated reports that have some little misunderstanding. Despite meetings between auditors and management (auditees) there are usually some disagreements with some of the information provided”*.

RES A stated that: *“the Auditor General Department in presenting the final report sometimes encounter resistance in the kind of information that is included. We ensure we have meetings with management to agree on the information to be reported. However, there are instances management do not agree with the information reported. This makes our recommendations to suffer some resistance from management”*.

Discussion of Findings

This section of the chapter discusses the study results in relation to existing literature. In all, four objectives were examined.

Objective One: The use of Performance Audits

The use of performance audits in the public sector has been confirmed in this study. In the literature, public sector organisations have adopted the use of performance audits in the public sector (Parker et al., 2019; Gronlund et al., 2011). The use of performance audits to examine the economic, effective and efficient use of resources in the Ghanaian public sector is evident in the Ministry under study. On applying the Three Es of performance audit, the study found that auditors that perform the audits use these criteria. These findings support the findings of Yarong and Xin (2011). They found that the general objective of performance audits by government institutions for America, Sweden, Canada and Britain is based on the equity, economy, efficiency, and effectiveness criteria.

Objective Two: The factors affecting the effectiveness of Performance Audit

The study findings on the factors affecting the usefulness of performance audits lead to a conclusion that the competency of the auditors is

key. This result supports that of Raudla *et al.* (2016) that the perception that auditors are competent and possess the expertise to conduct performance audits makes it likely that managers will perceive the audits as useful. The study results indicate that auditors' ability to conduct performance audits is key in ensuring the usefulness of the audits.

The study also shared some understanding of what makes performance audits possess higher quality. The rigorous processes the audits go through and the quality control mechanisms help ensure the quality of the audits. As a result, the performance audits' usefulness is due to the audit quality level. This finding is supported by the recommendation proposed by scholars that audit quality perceptions by stakeholders will influence the perception of the usefulness of performance audits in the public sector (da Silva Nogueira & Jorge, 2017; Raudla *et al.*, 2016). It is, therefore, expected that public sector organisations will consider performance audits as useful when they perceive the audit to be of quality. The study also identified that the quality influences the agreement to the audit reports. Therefore, the perception of the quality of the performance audit report will influence the perception of usefulness, agreement with the audit report, and the willingness to implement the recommendations as proposed by Raudla *et al.* (2016).

Objective Three – Usefulness of Performance Audit

The attempt to understand the usefulness of performance audits led to several answers that are in line with the literature. The usefulness of a performance audit identified in this study includes changes in budgetary allocations, changes in internal control and risk management, and staff training. The usefulness of performance audits supports the findings of Raudla *et al.*

(2016). In Bonollo's (2019) study, the positive effects of performance audit in the public sector enhance the use of internal control systems to reduce corruption.

Objective Four – The Challenges of Performance Audit

The study results identified challenges facing performance audit in the public sector in Ghana. The challenges include managers' lack of support for performance audit and disagreement with audit reports. These challenges have been identified in the literature. Bawole and Ibrahim (2017) express concern about the disagreement with audit reports in the Ghanaian public sector. Also, the findings on the main challenge of performance audits include the discouragement and stress that managers, employees and auditees of public sector organisations face (Bonollo, 2019).

Chapter Summary

The thematic analysis of the data brought to light some interesting revelations that would guide practice subsequently. The use of performance audit in the Ghanaian context was confirmed. The study also identified that auditor's competency among others is a relevant determinant of effective performance audit. There are various benefits of the performance audit. Finally, challenges in the use of were inevitable as auditees may disagree with opinions expressed by the auditors.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, RECOMMENDATIONS

Introduction

This chapter provides the summary, conclusions, and recommendations. The summary highlights the key findings of the study based on the research objectives. The conclusion provides a general overview of the study context, the methodology and the main lessons. The recommendation section proffers some implications of the study result for the management of public sector organisations and future research directions.

Summary of the Study

The study sought to examine the use of performance audits, factors affecting the usefulness of performance audits, the perception of the usefulness of performance audits and the challenges of conducting performance audits in the Ghanaian public sector. Therefore, four main research objectives were formulated. The study adopted a qualitative research approach using an exploratory design.

Summary of Key Findings

The study results indicate that public sector organisations use performance audits. The case organisation used for this research provided empirical evidence on the use of performance audits. It was observed that performance audits are referred to as value-for-money audits. These audits are performed on public sector projects, ministries, departments, and units. They are carried out through a collaboration between external auditors (Auditor-General Department) and auditees. The audits are performed using the three Es (economy, efficiency, and effectiveness) criteria. With the economy,

performance audits ensure sound management of costs. The organisation under investigation conducts performance audits to identify ways to minimise costs in running departments and projects. The efficiency criterion audits how the limited human, financial, physical, and information resources are used to achieve an optimal output. The effectiveness criterion examines the ability of public sector organisations to achieve their objectives. The implication is that public sector organisations must adopt the three 3Es in conducting performance audits.

The second objective explored the factors affecting the usefulness of performance audits in the Ghanaian public sector. The study results found the factors to be the competency of auditors, the perception of audit quality, and the acceptance of audit reports. The results imply that public sector institutions seeking to promote performance audits must address the issues of auditors' competencies, the report's quality, and the agreement with the reports.

The study acknowledges that the perception of the usefulness of performance audits includes the use of the recommendations to advocate for changes in organisational strategies, employee training, enhanced internal controls, and increased funding. The findings imply that public sector organisations benefit from conducting performance audits. The audits provide bases for certain policies and actions to be introduced to enhance the performance of the institutions.

The study explored the challenges facing performance audits in the Ghanaian public sector. The study results found that the main challenges were the lack of competent auditors, lack of support for performance audits, and disagreement with audit reports. The study findings have implications for public

sector organisations to attempt to address these challenges in ensuring the use of performance audits.

Conclusions

The first issue that this study examined was related to how often the ministry undertakes performance audits. The main conclusion is that performance audits are not very common in public sector institutions. However, the ministry under investigation has embarked on some performance audits. The Auditor General Department usually initiate performance audits by focusing on ministries and departments of interest. The study found that performance audits are not performed annually but are only commissioned when management finds the need to do so.

On the question of identifying the officers that perform performance audits, it is also worth noting that performance audits in the Ghanaian public sector are conducted using the expertise of the Auditor General Department and supported by auditors and management of public sector organization

The study also sought to understand the criteria used in performing performance audits. Specifically, the case organisation in their performance audits use the three Es of performance audit (economy, effectiveness, and efficiency). It is expected that since the auditor general is involved in performance audits of public sector organisations, the use of the Three Es criteria will be the main framework.

The study also focused on assessing the factors that affect the usefulness of performance audits. The study identified that issues of auditor competencies relating to performance audits, independence of the auditors, the acceptance of

the audit report, the agreement between auditors and auditees, and the quality of audit reports were factors affecting usefulness of performance audits.

The second study objective on the usefulness of performance audits in the Ghanaian public sector found that performance audits lead to changes in organisational strategies, staff training, enhanced internal controls, and increased funding or budgetary allocation. The study, therefore, concludes that performance audits provide valuable benefits to organisations in the Ghanaian public sector.

The study also draws some conclusions on the challenges of performance audits in the public sector. The study findings lead to the conclusion that the lack of competent performance auditors, lack of support for performance audits by managers, and the lack of agreement with report recommendations, are the major challenges of performance audits.

Recommendations

The study based on the findings proffers the following recommendations for public sector organisations and future research.

Recommendations

The study proffers the following recommendations:

The use of performance audits by public sector institutions must be promoted. Financial audits, which are the common form of audits, must be augmented with performance audits to reduce the cost of projects and programmes in order to achieve established objectives. The conduct of performance audits in public sector institutions must be guided by the economy, effectiveness and efficiency framework. The adherence to these criteria will seek to audit the various aspects of projects and the performance of institutions.

There is a need to streamline performance audits to ensure an engagement between auditors and auditees to work together effectively to enhance audit quality and agreement with the audit reports.

Furthermore, there is a justified call for longitudinal research endeavours to monitor the trajectory of performance audit practices over time, thus casting light on the evolving patterns and areas of enhancement. Moreover, the exploration of viewpoints held by stakeholders, encompassing policymakers, citizens, and oversight bodies, holds the promise of unravelling the broader influence and significance of audit recommendations. Lastly, delving into the conceivable amalgamation of technology, ethical considerations, and cross-sector collaboration stands to contribute to the augmentation of the efficiency, transparency, and effectiveness of performance audits within the Ghanaian public sector.

Suggestion for Further Studies

Future studies could compare performance audit practices between the Ghanaian public sector and other countries with similar governance structures. This could reveal best practices and identify areas where the Ghanaian approach may be improved or adapted. Conducting a quantitative study on the measurable impacts of performance audits on financial efficiency, resource management, and goal achievement in various public sector institutions would offer a more concrete assessment of their value. Again, since auditor competency was highlighted as a critical factor, further research could focus on the effectiveness of current training programs and identify any gaps. This could include exploring specialized training models or competency frameworks that could be applied to enhance the auditors' skills specific to performance audits.

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APPENDIX: INTERVIEW GUIDE

Profile of Respondents

1. The position in the organisation – external auditor, senior manager, internal auditor
2. The number of years involved in the auditing process of the organisation

A. The use of Performance Audit

Please indicate the use of performance audits in your organisation.

- 1). How often are performance audits conducted? Provide examples of projects and procurements that have been subjected to performance audits.
- 2). Which group of people are responsible for performance audits in this organization?
- 3). Please indicate the assessment of performance audits on the following criteria:

- a. Economy – please comment on the performance audit to examine what measures were taken to minimise the cost of projects.
- b. Efficiency – please comment on whether performance audits focused on the appropriate use of resources, the relationship between the resources provided and the quantity, quality and time that projects or procurements were delivered.
- c. Effective – using limited resources to achieve organisational objectives

B. Please indicate what factors make performance audit useful in your organisation. What are your views on the following factors:

- 1). The competence and expertise of auditors
2. The quality of the performance audits – how does the report conform to professional standards and how vital is the information reported?

3. The independence of auditors
4. The agreement by auditees with the audit report, criteria, and recommendations

C. Please indicate the usefulness of performance audits in your organisation based on the following:

1. Do performance audits result in changes in organisational strategies?
2. Does performance audit result in changes in performance management and planning?
3. Does performance audit result in personnel changes, and changes in training of staff?
4. Does performance audit result in enhanced internal control?
5. Does performance audit result in increased funding or budgetary allocation

D. Please indicate some challenges faced in performance audits in the organization. Provide as many as possible including:

- 1). Indicate how independent are auditors
- 2). Are the auditors competent enough to perform an audit
- 3). Do your organisation see performance audits as not important or useful
- 4). How do you see time available to auditors to present audit reports
- 5). There is a bad rapport between auditees and auditors
- 6). Do auditees agree with recommendations and reports