

UNIVERSITY OF CAPE COAST

THE EFFECTIVENESS OF INTERNAL AUDIT IN THE KETA
MUNICIPAL EDUCATION OFFICE

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MUNICIPAL EDUCATION OFFICE

BY

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requirements for the award of Master of Business Administration Degree in
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DECLARATION

Candidate's Declaration

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

Candidate's Signature: Date.....

Name:.....

Supervisor's Declaration

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

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

Name:.....

ABSTRACT

This study examines the effectiveness of internal audit in the Keta Municipal Education office. The objectives of the study were to examine the effectiveness of internal auditors in identifying non-compliance activities in the Keta Municipal Education office, determine the extent of management support for internal auditors in the Keta Municipal Education office, examine the independence of internal auditors in the Keta Municipal Education office, to determine whether the Keta Municipal Education office have adequate and competent internal audit staff and finally to determine how operational level of internal audit and internal control measures in the Keta Municipal Education Office. The study used purposive sampling method to sample sixty (60) respondents including 8 management members, 8 internal auditors and 44 heads of departments. However, only 56 questionnaires were retrieved and analyzed using the SPSS software and results displayed in tables, pie chart and bar graph. Two questionnaires were adapted and used to collect data. The finding of this research proved that the management support, the existence of adequate and competent Internal Audit staff, and approved Internal Audit standards and legislations were statistically significant and positively related with the Internal Audit Effectiveness in the public education offices. Thus, the education office should give more support for the internal audit functions by facilitating the Internal Audit work and give sufficient in-service training and resources for the existing Internal Audit staff.

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DEDICATION

To Mr. D. K. Sedanu-Kwawu and Mrs. Angelina Kutin-Tandoh

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LIST OF ACRONYMS

AICPA	American Institute of Certified Public Accountants
ANAO	Australian National Audit Office
CEO	Chief Executive Officer
GES	Ghana Education Service
IAA	Institute of Audit Agency
IIA	Institute of Internal Auditors
ISSAI	International Standard of Supreme Audit Institutions
MDA	Ministries Departments Agencies
MMDA	Metropolitan, Municipal and District Assemblies
PUFMARP	Public Financial Management Reform Programme
UK	United Kingdom

CHAPTER ONE

INTRODUCTION

Background to the Study

Internal Auditing is a profession and activity involved in advising organisations regarding how to better achieve their objectives through managing risk and improving internal control. Internal Auditing involves the utilization of a systematic methodology for analyzing business processes or organisational problems and recommending solutions (Asare, 2008).

The International Standard of Supreme Audit Institutions (ISSAIs) (2007) also asserted that, internal auditing has become a factor of the new accountability and control era. The manner in which public sector entities maintain internal control and how they are held accountable has evolved to require more transparency and more accountability from these organisations that spend investor or tax payer funds. This trend has significantly impacted how management implement, monitors, and report on internal control. When the Turnbull report came in 1999 in the United Kingdom (UK), emphasizing on risk handling within the whole organisation, and when companies like Enron and WorldCom shocked the world, internal auditing expanded in a big way.

The Internal Audit Agency (IAA) was also established by the Internal Audit Agency Act, 2003 (Act 658) with the mandate to coordinate, facilitate and provide assurance for internal Audit Units in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) such as the education offices. The ultimate goal of the Agency is to

ensure accountability and performance in the public sector of Ghana (Nomo, 2009).

The creation of the Internal Audit Agency (IAA) was predicated on the need for the Government to put in place a structure that could support the eventual transfer of budgetary authority and expenditure control to the municipal and district education offices. These initiatives are part of the government's effort under the Public Financial Management Reform Programme (PUFMARP). The Act received presidential assent on 31 December 2003, Administrative transition was allowed up to 31 August 2004 and effective implementation started in 2005 (Abbey, 2010). As part of the reforms under the Public Financial Management Reform Programme, a scoping study for the establishment of internal control audit functions in Municipal and District Education Offices was carried out.

Municipal and district education offices are decentralized departments of the Ghana Education Service (GES) headed by the Director General. The decentralisation policy to embark on by the government in the public sector means delegation of authority and decision making to MMDAs. For decentralisation to be felt and seen, budgetary allocation and funding to decentralized departments had been increased. A lot of resources both human and financial are allocated to this department. There is the need to safeguard these resources by enactment of laws, rules and regulations. The policing of these rules and regulations are done through internal audit department by internal auditors, therefore there is the need to strengthen these departments.

With the increased emphasis on accountability, transparency and improvement in municipal and district education office performance especially

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

Professional practice of internal auditing in the municipal and district education offices is a new phenomenon. The management of internal audit function in any organisation will largely impact on its effectiveness. The profile of internal auditors has changed significantly in recent years and there has been increased emphasis on accountability and improvement in public sector performance (Asare, 2008).

Statement of the Problem

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

both internal and external auditors at the Ghana Education Service that caused a huge financial loss to the state.

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

There have been many incidents of fraud and embezzlement in recent times in some cases as a result of ineffective internal control systems being put in place. For example, the Daily Graphic (2016, p. 33, March 10) reported the embezzlement of GH 549,245.59 of some 8 assemblies in 2014 as a result of cash flows and insertions on cheques after endorsement. This was reported according to the Auditor General's Report for 2014.

From this background, this study intends to assess the effectiveness of internal audit in the Keta Municipal Education office in the Volta region. This is because so far no research has been focused on the internal audit effectiveness under the Internal Audit Agency Act that came into being to curb the inefficiencies existing prior to the establishment of the Act in the municipal and district education offices.

Objectives

The main objective of the study is to assess internal audit effectiveness in the Keta Municipal Education office in the Volta region. The specific objectives are to;

1. Examine the effectiveness of internal auditors in identifying non-compliance activities in the Keta Municipal Education office.
2. determine the extent of management support for internal auditors in the Keta Municipal Education office.
3. examine the independence of internal auditors in the Keta Municipal Education office.;
4. to determine whether the Keta Municipal Education office have adequate and competent internal audit staff.
5. to determine how operational level of internal audit and internal control measures in the Keta Municipal Education Office .

Research Questions

1. How effective are internal auditors in the identification of non-compliance activities?
2. What is the extent of management support for internal auditors in the Keta Municipal Education office?
3. What is the level of independence of internal auditors in the Keta Municipal Education office?
4. How adequate and competent is the internal audit staff in the Keta Municipal Education office?
5. How operational are the internal audit and internal control in the Keta Municipal Education office?

Significance of the Study

The findings from the study revealed the success of the enactment of the Internal Audit Agency Act 2003 (Act 658) to foresee internal auditing in MMDAs. The findings would also enable management of the municipal and district education offices to come out with pragmatic policies for improving the quality of their internal audit engagements. The findings are expected to remind the government of the implication of effective internal audit on the operations of their policies. The findings of this study would also be seen as a contribution to existing works on internal audit. Indeed, this would contribute immensely in building up academic knowledge on a wide range of issues. The study would also play a significant role of internal audit further research into other aspects of the topic under consideration or other related topics in the auditing. The study will further help shape policies concerning financial control and internal structure in Ghana.

Delimitation

The study covers the effectiveness of internal audit function within the Keta Municipal Education office. There are a good number of municipal and district education offices in the region. The study focuses on the internal audit effectiveness in Keta Municipal Education office. This is because Keta Municipal Education office has a large number of senior officers and other stakeholders than any other education office in the southern sector of Volta region. The time bound nature and the limited resources available for this study necessitated the narrowing of the scope. The findings were most relevant to other municipal and district education offices across the region and country as a whole. It is also for the attention of management in general who will want to increase their internal audit to achieve organizational goals. In determining

the effectiveness of the internal audit function in the Keta Municipal Education office the focus of the study was primarily based on the effectiveness of the audit work of internal auditors, the support internal auditors receive from top management, the independence of the internal audit staff, adequacy and competence of the internal auditors and conformity of planning and procedures of the operational internal audit function to professional standards.

Limitations

The researcher was confronted with the non-availability of time by the staff of the Keta Municipal Education office to provide the needed information in much detail. Another limitation was that the respondents were reluctant to give out information for the fear that it will be used as evidence against them.

Organisation of the Study

Chapter One introduces the research topic with the background, the problem statement, and the objectives. It provides information on the scope, significance, organisation and the limitations of the study. Chapter Two discusses the definitions, history, evolution, theories of internal auditing and decentralisation. It further discusses the structures of internal audit in Ghana and the passage of the Internal Audit Agency Act (658) and the establishment of the Internal Audit Agency as a central body to oversee professional internal audit practice in Ghana. It also presents the academics and practitioners views on internal auditing. It empirically reviews literature on effectiveness of internal audit by researchers and also gives a conceptual framework.

The chapter outlines the role of internal auditing in governance, risk management and control. The chapter in addition examines internal audit

effectiveness and the determinants of internal audit effectiveness. Chapter Three examines the methodology which includes the design, and strategy adopted in undertaking the research. The population and sample, the research instruments and the procedures applied in data collection. Chapter four presents the results from the study and discussion. Chapter Five summarises the study and generates summary of findings, conclusion and discusses the recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

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

Theoretical Review

Public Sector Internal Auditing

Asare (2009), asserted that, as is true for all internal auditors, public sector internal auditors are called upon to assist organisations' in improving their operations. The public sector internal audit function is an element of a

strong public sector governance foundation. Most public sector internal auditors also play a role in their entity's accountability to the public as part of the check-and-balance process.

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

The Structure of Internal Audit in Ghana

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

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

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

Internal Audit under the Internal Audit Agency

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

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

The function of the Agency is to set standards and procedures for an effective internal audit function within MDAs and MMDAs and to ensure among others the following: accurate, reliable and timely reporting of financial, managerial as well as operation information both internally and

externally. Compliance with laws, policies, plans standards and procedures of the financial activities of MDAs and MMDAs; the safeguarding of national resources; national resources are expended economically, effectively and efficiently; adequate management of risks by MDAs and MMDAs and to facilitate the prevention and detection of fraud (Internal Audit Agency, 2003, (Act 658) of Ghana as quoted in Abbey, 2010).

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

Role of Internal Auditing

Asare (2009) asserted that the role of internal audit can be identified as involving three main elements, namely the evaluation and improvement of risk management, control and governance process. The three elements are further discussed below as reinforcements of the fundamentals of an internal audit function in the public sector. Risk management, control and governance encompass the policy and procedures established to ensure the achievement of objectives and include the appropriate assess of risk, the reliability of internal

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

Risk management

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

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment, ever increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of an entity involved in the implementation of national development strategies.

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

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

Internal audit adds value through improving the control and monitoring environment within organisations to detect fraud (Coram, Ferguson & Moroney, 2007). The very presence of internal audit review in an institution serves as a deterrent measure on the assumption that any fraud perpetrated may be uncovered. Good governance principles require that audit committees or similar bodies, work closely with internal auditors in fraud risk evaluation and investigation especially when recent trends suggests perpetration by senior management in collusion with other employees.

Griffiths (2006), identified the useful role internal auditing could play in the investigation process and made the following suggestions 'internal auditors can play a vital role assisting alleged cases of corruption in public

sector organisations by way of interpretation of various rules, explanation of various practices, and the sharing some of the confidential information that they may possess as they usually have more diversified and detailed knowledge of the operations in different parts of the organisation than the investigating agency staff that are deployed only for a particular case.’

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

Control

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

According to Baltaci and Yilmaz (2006), the effort to reform a fiscal system should include internal control and audit due to crucial role they play in enhancing accountability and effectiveness. Internal auditing provides both government and related parties with powerful tool for understanding the extent

to which the public institution in question has delivered on budget and effective services. Internal auditing activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors. Internal Auditors in the public sector work with management to improve internal controls and to ensure compliance with applicable laws.

Internal audit activities further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement which constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials (Asare, 2009). According to Szymanski (2007) as cited in Abbey (2010), control systems play an important role in enhancing the accountability and transparency of public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms. However, internal auditing as a control measure does not only minimise the opportunities for corruption through the verification of procurement processes but also ensure effective physical monitoring of capital items procured and actual utilisation to avoid fraud and abuse.

Governance

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

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

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

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

The Institute of Internal Auditors Standard 2130 on the role of Internal

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

Internal Audit Effectiveness

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

In the same vein, Shoosmuangpak and Ussahawanitchakit (2009) provided that audit effectiveness refers to “achieving audit’s objective by gathering of sufficient and appropriate audit evidence in order to reasonable opinion regarding the financial statements compliance with generally accepted accounting principles”. Similarly, Beckmerhagen, Berg, Karapetrovic and Willborn, 2004; Karapetrovic and Willborn (2000) also considered audit effectiveness as “the joint probability that the audit will be reliable, available,

suitable, maintainable and valuable". Therefore, going by the above definitions of effectiveness and audit effectiveness, it's clear that audit effectiveness or internal audit effectiveness means the same thing because they all have central target which is 'the ability of achieving established objective.'

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

The effectiveness of the internal auditing largely depends on its official recognition to enable the function contribute to the organisational goals and

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

There are two main approaches to the concept of IA effectiveness. According to the first approach, the effectiveness of internal auditing is determined by the fit between the audit and some set of universal standards extrapolated from the characteristics of IA (White 1976). Such an approach was presented by Sawyer (1988), who advanced five standards for internal auditing: interdependence, professional proficiency, and scope of work, the performance of the audit and management of the internal audit department. This approach was also followed by Anderson (1983). The second approach, which is used, follows the arguments of Albrecht, Howe, Schueler and Stocks (1988) that the effectiveness of internal auditing is not a computable reality, but rather is determined by the subjective evaluations assigned to this function by management. In other words, the success of any internal audit can only be measured against the expectation of the relevant stakeholders (Albrecht et al., 1988). This approach requires the development of systematic and generally valid measures by which to gauge IA effectiveness (Dittenhofer, 2001).

Empirical Review

Mihret and Yismaw (2007), Bota-Avram and Palfi (2009), Marika Arena and Giovanni Azzone (2009), Cohen and Sayag (2010), and Karagiorgos et al (2011) have all researched on the effectiveness of internal audit. Mihret and Yismaw (2007), attempted to introduce a new approach for the evaluation

of the internal audit effectiveness by identifying factors within an organisation that has an impact on audit effectiveness. As a result, the model considered four potential factors; internal audit quality, management support, organisational setting, and auditee attributes to describe audit effectiveness, and revealed the way the interaction of these factors improves audit effectiveness. Their findings indicate that both the internal audit quality and management support have a strong influence on internal audit effectiveness. The researchers also suggest a need for future research to understand the internal audit effectiveness by using other variables.

Bota-Avram and Palfi (2009) examined the efficiency and the effectiveness of internal audit. The main output from their research was the fact that there is a large amount of methods and instruments that could combine qualitative with quantitative elements. However, the researcher stated, the choice of used method depends on the settlement of the main objective of trying to obtain the best reflection of internal audit's relevancy and efficiency, in order to obtain a good developing of internal audit department.

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

of individual internal auditors working in the IA units; and the organisational environment.

Their analysis showed that different factors are important to drive IA effectiveness. However, not all of them are under the internal auditors' control. Among controllable factors, the most relevant deal with competence and professional proficiency of internal auditors, an adequate "promotion" of internal audit at company level, and the modes of interaction between auditors during audit interventions. Instead, factors which are not completely under internal auditors' control include resources available to the audit function (budget and people of the audit team); on the other hand, the risk profile of the organisation and its Key Performance Indicator. Moreover, the authors highlight the need for more detailed analysis to understand the impact of internal auditors' competencies on internal audit effectiveness.

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

In relation to Ghana, only one study has been focused on the

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

Determinants of Internal Audit Effectiveness

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

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

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

Adequate and competent internal audit staff

Adequate staffing is essential for a system to its full capability. Weakness in staffing can lead to mismanagement, error and abuse, which can negate the effect of other controls. The size of IA staff and the competency of internal audit are the critical characteristics of IA quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors.

The empirical findings by Al-Twaijry et al. (2003), based on questionnaire and interview responses from internal and external auditors, working in Saudi Arabia, suggests that the external auditors believe that IA staff size is an important indicator of its quality. In addition, large size of IA staff has many benefits for internal operations of IA unit. For instant, larger sized functional units, there will be more opportunity and flexibility to have a staff rotation schedule that can also influence IA effectiveness by promoting a more healthy relationship and resulting in more objective audit investigations.

Furthermore, Zain et al. (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit. Likewise, the quality of IA work is likely to be higher in internal audit units with a larger proportion of staff with audit experience than those with a lower proportion of audit experience.

Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twaijry et al, 2004). Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organizations (IIA, 2001).

The IIA's standard 1210, on proficiency of the auditor require that the internal auditors should possess the knowledge, skill and other competencies need to perform their responsibilities (IIA, 2001). Additionally, the critical dimensions of IAF is the quality of its internal auditing staff measured in terms of internal auditors skill (Seol et al., 2011; Leung and Cooper, 2009; Seol & Sarkis, 2006). As part of this, Competency Framework for Internal Auditing (CFIA) focuses on the skills needed by an individual person to be an efficient internal auditor.

The literature review specifically conducted on the communication skills (Smith, 2005) stated that the development of effective communication skills (such as listening, interpersonal, written and oral communication skills)

is an important part of internal auditor's advancement potential. Internal auditors must possess highly developed communication level skills to become a successful professional. The development of these skills is not only enhances the auditor's potential, but will also improve the quality of audits produced.

In addition to the above dimension of IA quality, the competence of internal auditors can be measured in terms of academic level, experience and the efforts of staff for continuous professional development and compliance with audit standards. Both the quantity of audit effort and the quality of professional care exercised will determine the overall quality of the internal audit work (Cohen & Sayag, 2010; Leung & Cooper, 2009; Belay 2007). Arena and Azzone (2009) also stated that IA effectiveness increase in particular when the ratio between the number of skilled internal auditors and employees grows. This shows that sufficiently large number of skilled professionals enables the IA to do its duties.

Top management support

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

A number of empirical studies have found top management support for

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

Given this, it is not surprising that management acceptance of, and support for the internal audit function has long been seen as critical to the success of that function (Sawyer, 1973). Some studies have demonstrated that support for internal auditing by top management is an important determinant of its effectiveness (Jill, 1998; Nixon, 2005). Funding, of course, is an important measure of such support: IA departments must have the resources needed to keep up-to-date in training and development, to acquire and maintain physical resources like computers, and soon.

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

Sarens and De Beelde (2006) have reported on the development of a similar attitude in Belgium, where as a consequence of recent changes in national and international corporate governance regulations, the internal audit

function now gets more attention and support from boards and managers. As discussed above, the relationship between the internal audit staff and the organisation's management is clearly important in determining the independence and objectivity of the internal auditor (IIA 2006). Management support for IA is thus important both in the abstract (managers must see the activity of the audit department as legitimate) and in ensuring that IA departments have the resources needed to do their jobs.

Conceptual Framework

The study's conceptual framework on internal audit effectiveness is the added contribution (value) to the organizations activities from the work done by the internal audit unit. From this backdrop the study expects internal audit scope of work should include risk management, compliance audit, financial and regulatory audit, safeguarding, prevention and detection of fraud. The most highly performed internal audit activities should include; compliance audit, financial and regulatory audit, checking budget implementation, evaluation of accounting records, protection of assets and fraud detection (Smyth, 2002), However, the audit areas that internal auditors would pay attention to depend on the objectives of the organisation and the potential risk that would hinder the achievement of the objectives. The scope of internal audit work should include audit activities that would enhance good governance.

- Auditors competency
- Independence/ objectivity of Internal Audit
- Management support



Effectiveness of internal audit

Figure 1: Conceptual framework

Source: Author's construct 2016.

Chapter Summary

This chapter discussed the definitions of the main variables used in the study and reviews some theories of internal auditing and decentralisation. It further discussed the structures of internal audit in Ghana according to the Internal Audit Agency Act (658) and the establishment of the Internal Audit Agency as a central body to oversee professional internal audit practice in Ghana. This section also reviewed empirical literature on effectiveness of internal audit and its determinants. Also the role of internal auditing in governance, risk management and control were examined in addition to the internal audit and its effectiveness in safeguarding resources.

CHAPTER THREE

RESEARCH METHODS

Introduction

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

Research Design

The study is a case study which assesses internal audit effectiveness in Keta Municipal Education office in the Volta Region. The study used questionnaires as quantitative tools to gather data for the study. This style was used because it is a satisfactory means of collecting data from the sample population.

Population

In Volta Region there are over 25 municipal and district education offices, while all of them have internal audit unit manned by internal auditors. Due to the difficulty of covering all the total existing municipal and district education sector, the researcher is obliged to minimize its study area by focusing only on Keta Municipal Education office which is expected to be used as a representative of other offices.

This office is selected purposively, because the use of it enables the researcher to generate meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants that is satisfactory to its specific needs. The total population of the office staff members is eighty (80).

Sixty (60) respondents participated in the study. They include eight (8) management members namely Municipal Director of Education, Municipal Accountant, Municipal Budget Officer, Municipal Procurement Officer, Municipal Supply Officer, Municipal Public Relations Officer, Municipal IPPD Coordinator and the Municipal Internal Auditor. All heads of departments numbering forty four (44) also took part in the study and the internal audit unit which has eight (8) staff members. The respondents were chosen on the basis of their involvement in the auditing process. During auditing all departments are audited.

Sample Size

A total of 60 respondents from Keta Municipal Education office were used for the study. To obtain the adequate responses through questionnaire the researcher believes that distributing the questionnaire to management, heads of departments, their respective deputies and all internal auditors.

Data Collection Instrument

The primary data was collected through the use of questionnaires. The questionnaires were distributed to management members, the internal auditors and other staff members of the Education offices. The questions are different for the management members, the IA and other staff members according to their responsibility. The questionnaire for the Management dealt with the effectiveness of the internal auditing process, operation, their support for internal auditors and the effectiveness of internal auditors while the questionnaires for the internal auditors were about their independence.

The questionnaires were adopted and modified from the prior author and literature review (Mihret & Yismaw, 2007; Cohen & Sayag, 2010; Arena & Azzone, 2009), an approach which is recommended in methodological literature for studies of this nature (Bryman & Bell, 2007) and those questionnaires are prepared in the form of Likert-Scale type (showing respondents agreement or disagreement) by constructing into five point scale where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). The questionnaires distributed to the respondent are organized in to two parts; the first part comprises the demographic question regarding the respondents, and the second part contains items relating to the effectiveness of IA and its determinants. Each respondent had two weeks to answer the questionnaires.

Reliability and Validity

When conducting a research, it is important that secondary sources are viewed with the same caution as primary sources. It is also important that the dissertation collect empirical findings that reflect the reality of situations.

According to Saunders et al. (2007) one needs to be sure that the data will answer the research questions or objectives and the data will be easily accessible. One way to evaluate primary and secondary sources is to use the concepts of validity and reliability. The degree of reliability measures the extent to which data collection can be trusted (Saunders et al. (2007). Christensen et al. (2001) further states a limitation with the measure of reliability. All the questionnaires were pretested before being finally developed to get the desired results.

Data Processing and Analysis

Data analyses are conducted through a descriptive statistics to provide details regarding the demographic question and the various factors that affect the effectiveness of IA in the education offices. Also, the Statistical Package for Social Scientists (SPSS) version 20 and Excel were used for the data analysis. The results were presented in pie charts, bar graphs and tables

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the analysis and discussions for research findings obtained from the questionnaire. It reported the investigation results obtained from management members and heads of departments and internal auditors of the Keta Municipal Education office covered in the questionnaire. The copies of questionnaire were distributed to management, internal auditors and subordinates. For these, 60 copies of questionnaire were distributed both to the senior managers and internal auditors and from which 56 copies questionnaire were collected giving the response rate of 93.33%. This showed good response rate. The analysis was therefore based on 56 questionnaires.

Demographics

To do the analysis on the data collected to answer the research questions, a preliminary analysis was carried out on the respondents' demographic characteristics to aid in the analysis because these characteristics have been found to influence the results of the discussion and in terms of aiding in the relevance of the generalisation of the findings of the study. The first four figures discuss the demographic characteristics of respondents from the Keta Municipal Education office in the Volta Region of Ghana to provide a general overview of the respondents in the study. The demographic characteristics of the respondents studied were the name of gender, age, academic qualification and number of years in the service. These characteristics were studied to serve as the basis for the study and to put the study in context.

From the study 44 (78.6%) of the respondents were males and 12 (21.4%) were females. This implied that there were more male representation than that of female.

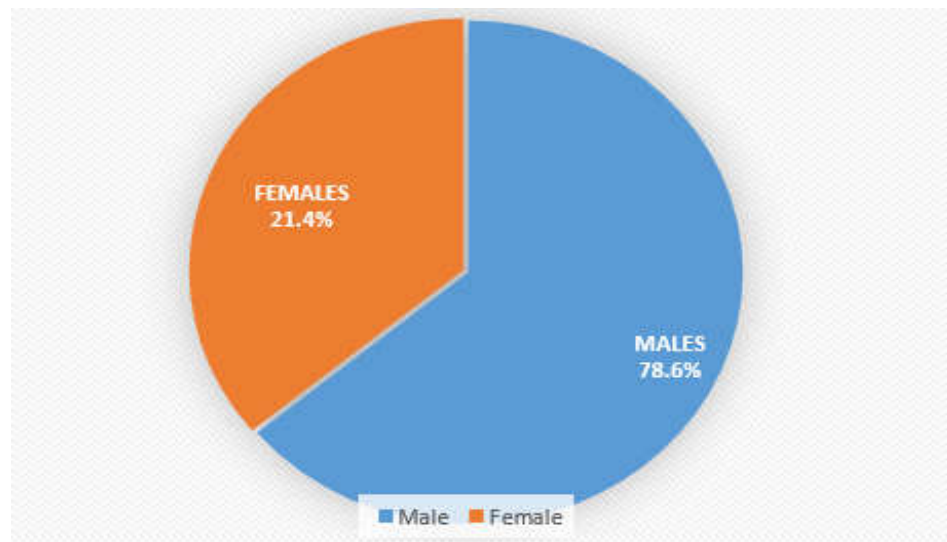


Figure 2. Gender of respondents

Source: Fieldwork 2016

In Figure 3, the majority of the ages of respondents have fallen under the age of 40-49 (23, 41%). 30-39 (20, 36%), and the rest have fallen in the age interval of 50-59 (8, 14%) and 20-29 (5, 9%); but unfortunately there were no respondents who were aged above 60 years. This implies a youthful population size of the staff of the education office.

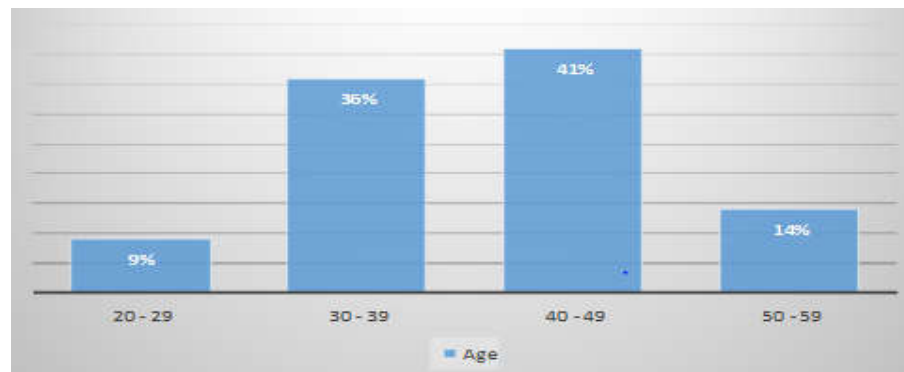


Figure 3. Age of respondents
Source: Fieldwork 2016

In terms of the level of educational background, most of the respondents representing 79% had bachelor's degree followed by master's degree representing (21%) of the respondents. There were no respondents who had other level of educations. These show the majorities of the respondents were educated/or professional and can contribute more for the effectiveness of their intended work.

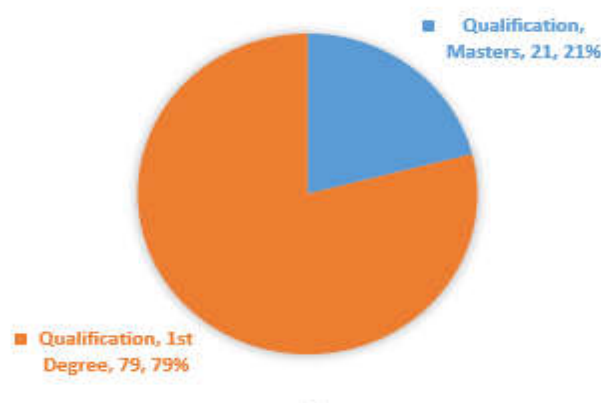


Figure 4. Educational level of respondents

Source: Fieldwork 2016

The respondents' work experience ranged from 1 year up to 25 years, but the majority of the respondents were in the range of 5-10 years representing 41%, and 11-15 years of work experience representing (29%) of the respondents followed by participants having less than five years representing (10%) and above 20 years of work experience representing (11%) respectively and participants having work experience of 16-20 years represents (9%). Here the majority of the respondents were well experienced and can perform their auditing activities by using their past audit experiences.

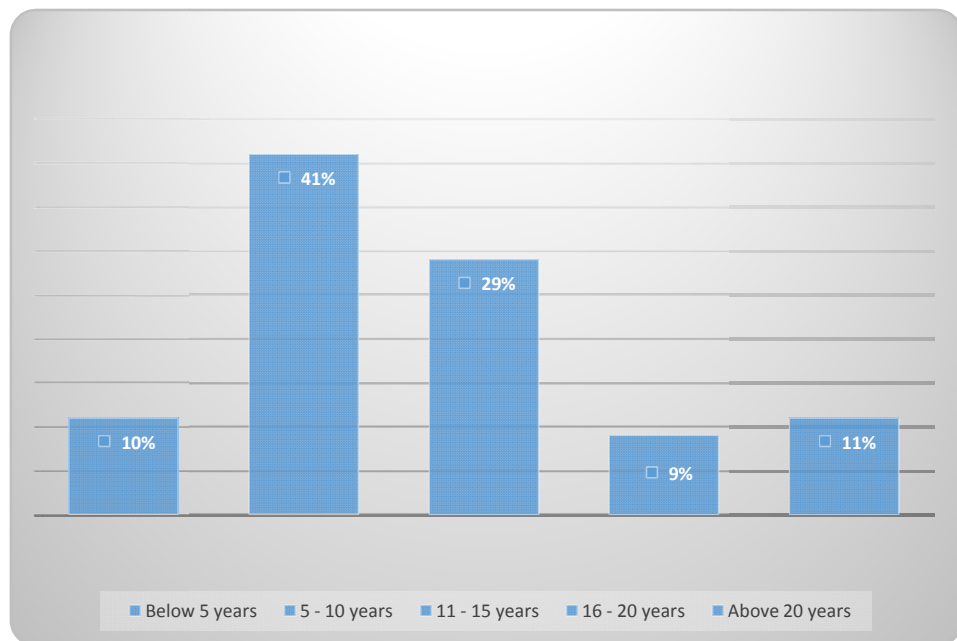


Figure 5. Work experiences of respondents

Main Results

Table1: *The Effectiveness of Internal Auditors' in Identifying Noncompliance Activities*

Statement`	SD	D	N	A	SA
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	N (%)	N (%)	N (%)	N %	N%
Internal auditors can effectively identify and report any noncompliance activities of policies and procedures within the Education offices	-	5(10.4)	3(6.2)	15(31.3)	25(52.1)
Internal Auditors provide useful recommendations and constructive criticisms on non-compliances activities or control systems of the Education Offices	-	3(6.2)	6(12.5)	10(20.8)	29(60.5)
I use the recommendations, criticisms and information provided by internal auditor for decision making.	-	2(4.2)	2(4.2)	10(20.8)	34(70.8)

Table 1 (Continued)

My office has put its confidence on internal audit staff.	5(10.4)	6(12.5)	4(8.3)	13(27.1)	20(41.7)
The non-compliance reports provided by internal auditors are reliable and significant to my office.	-	5(10.4)	3(6.3)	15(31.3)	25(52)

Source: Field Data, 2016

Table 1 indicates the effectiveness of internal auditors' in identifying noncompliance activities as a means of safeguarding resources. This question was directed to management members and heads of departments only. From the findings of the study, 31.3% of the respondents indicated that they agree and 52.1% strongly agree to the accession that internal auditors can effectively identify and report any noncompliance activities within policies and procedures of the Education offices. 6.2 percent of the respondents were neutral to the statement whilst the 10.4% disagrees.

On the other hand, 20.8% and 60.5% of the respondents agreed and strongly agreed respectively that Internal Auditors provided useful recommendations and constructive criticisms on non-compliances activities or control systems of the offices. 6.2 percent of the respondents disagreed while 12.5% are neutral to the accession.

20.8 percent of the respondents agree and 70.8% strongly agree that they use the recommendations, criticisms and information provided by internal auditor for decision making. 4.2 percent of the respondents said they neither used the recommendations provided by the internal auditors while 4.2% disagrees.

The study indicated that 27.1% and 41.7% of the respondents agreed and strongly agreed respectively that their offices have put its confidence on internal audit staffs. 8.3 percent of the respondents neither agree nor disagree, meanwhile 12.5% of the respondents disagree and 10.4% strongly disagreed to the statement.

31.3 percent and 52% of the respondents agreed and strongly agreed respectively that the non-compliance reports provided by internal auditors are reliable and significant to their offices. 6.3 percent of the respondents neither agree nor disagree while same 10.4% disagree with the statement.

Table 2: *The Management Support for Internal Auditors*

Statements	SD	D	N	A	SA
	N (%)	N (%)	N (%)	N %	N %
I receive full cooperation, access to records and information from my office	-	-	-	4(50)	4(50)

I can get the necessary resources (facilities) that help me to perform auditing activities as needed.	-	3(37.5)	-	2(25)	3(37.5)
The office supports me by providing training in order to improve my skill and update on the field of audit	-	2(25)	-	3(37.5)	3(37.5)
The office supports me by introducing me to new technology, policy or procedures when it is necessary	-	4(50)	-	2(25)	2(25)

Table 2 (Continued)

The office supports Internal Auditing staffs by budgeting funds for further studies in auditing.	4(50)	2(25)	-	2(25)	-
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Source: Field Data, 2016

Table 2 is a response from the study that solicits answers on management support to the auditing staff. The question was directed to internal auditors only. Management support was expressed in terms of supporting the auditing process by fulfilling the necessary resources, finance, transport if required, providing training, introducing auditors with new technology and procedures, budgeting funds for further studies and other facilities that facilitate the internal auditing works.

From the findings, 50% and 50% of the respondents agreed and strongly agreed respectively that they received full cooperation, access to

records and information from the office. 25 percent and 37.5% of the respondents agreed and strongly agreed respectively that they can get the necessary resources (facilities) that helped them to perform auditing activities as needed. This finding was in agreement with Sarens and Beelde (2006), who argued that the overall acceptance and appreciation of internal audit within the company is strongly dependent upon the support they received from senior management. Internal audit actively seeks management support with resources, commitment to promote and communicate their added value.

However, 37.5% of them disagreed with the statement. 37.5 percent of the respondents strongly agreed that the office supported them by providing training in order to improve their skill and update on the field. 37.5 percent also agreed to the statement. This was normally done when short courses and workshops were organized to enhance the capabilities of the internal auditors. 25 percent of the respondents disagreed. 25 percent of the respondents strongly agreed that the office supports them by introducing them to new technology, policy or procedures when it is necessary. 25 percent of the respondents also agreed to the statement. 50 percent of the respondents disagree to the statement.

From the study findings, it is indicated that 25% agreed, 25 disagreed and 50% strongly disagreed that the office supports Internal Auditing Staff by budgeting funds for certification to have relevant education in auditing that allows them to audit all the offices. As part of this, Competency Framework for Internal Auditing (CFIA) focuses on the skills needed by an individual person to be an efficient internal auditor. This came in the form of sponsorship from the office for individual auditors to go and study abroad/short courses

within the country. It could also be in the form of student loans that are granted to individual auditors who wants to pursue further studies.

Table 3: *Independence of Internal Auditors*

Statements	SD N (%)	D N (%)	N N (%)	A N %	SA N %
I perform the auditing activities without any interference from authority and without any influence from the office.	-	2(25)	1(12.5)	2(25)	3(37.5)

Table 3 (Continued)

I freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's policy.	-	-	-	3(37.5)	5(62.5)
I objectively examine auditing issues based on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values	-	2(25)	-	3(37.5)	3(37.5)
I feel free to include any audit finding in my audit work and report directly to responsible body	-	-	1(12.5)	4(50)	3(37.5)

I can freely access necessary documents, information and data about the office's assets for my audit work	-	-	1(12.5)	5(62.5)	2(25)
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Source: Field Data, 2016

Independence has no single meaning and interpretation across the people; hence the concept is subject to ambiguity and uncertainty (Wines, 2012). However, for the purpose of this study independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report (Ahmad & Taylor, 2009; Belay, 2007). Independence is fundamental to the reliability of auditor's reports. If reports are credible, investors and creditors will have confidence in them.

Table 3 indicates the independence of the internal auditing activities. This question was directed to internal auditors only. From the findings, 25% of the respondents agreed that they performed the auditing activities without any interference from authorities and without any influence from the office whiles 37.5% strongly agreed to the statement. 12.5 percent of the respondents neither agree nor disagree to the statement of been granted independence in their auditing activities

37.5 percent of the respondents agree that they freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's policy whiles 62.5% strongly agreed to the statement. In this case, conflict of interest will also exist when a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the auditor, or a professional member of the audit team, is not capable of

exercising objective and impartial judgment in relation to the conduct of the audit of the audited body.

According to Cohen and Sayag (2010), auditors should be sufficiently independent from those they are required to audit in order to conduct their work without interference. Coupled with objectivity, IA independence contributes to the accuracy of the auditor's work and gives employers confidence that they can rely on the results and the reports. This is in agreement to the findings of the study which indicated that 37.5% agreeing, 37.5% strongly agreeing and 25% disagreeing to the statement that they objectively examine auditing issues based on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values

50 percent of the respondents agreed and 50% strongly agreed that they feel free to include any audit finding in their audit work and reported directly to responsible body while 12.5% were indifferent about the statement. 62.5 percent of the respondent agree that they can freely access necessary documents, information and data about the office for audit work while 25% strongly agreed and 12.5% disagreed.

Table 4: *The Adequate and Competent Internal Audit Staff*

Statements	SD	D	N	A	SA
	N (%)	N (%)	N (%)	N %	N %
My office has sufficient skilled internal auditors. Most of them have certification in auditing	-	10(20.8)	-	15(31.3)	23(47.9)
It is possible to audit and review each activity on time, and cover the planned scope of auditing activities	-	5(10.4)	3(6.4)	20(41.6)	20(41.6)

The audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available	-	15(31.3)	5(10.4)	18(37.5)	10(20.8)
The internal audit staff number & their skill matches the scope of office's internal operations.	15(31.3)	5(10.4)	5(10.4)	10(20.8)	13(27.1)
The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software	20(41.7)	10(20.8)	8(16.7)	10(20.8)	-

Source: Field Data, 2016

Adequate staffing is essential for proper planning of auditing for field work. Weakness in staffing can lead to mismanagement, error and abuse, which can negate the effect of other controls. The size of IA staff and the competency of internal audit are the critical characteristics of IA quality that cannot be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors

This question was directed to management members and heads of departments only. The findings from the study indicated that 31.3% of the respondents agreed, 47.9% strongly agreed and 20.8% disagreed to the statement that their office has sufficient skilled internal auditors. This findings is in conformity with the study of (Cohen & Sayag, 2010; Leung & Cooper, 2009; Belay, 2007) which states that the competence of internal auditors can be measured in terms of academic level, experience and the efforts of staff for continuous professional development and compliance with audit standards. Both the quantity of audit effort and the quality of professional care exercised will determine the overall quality of the internal audit work.

The study also showed that 41.6% of the respondents agreed and 41.6% strongly agreed to the statement that it is possible to audit and review each activity on time, and cover the planned scope of auditing activities. 6.4% of the respondents neither agrees nor disagreed with the statement while 10.4% of the respondents disagreed.

37.5 percent of the respondents agreed that the audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available and 20.8% strongly agreed to the statement. 31.3 percent disagree that the audit procedure and evidence collections were completed on time and 10.4% were neutral. They believed that there are a couple of bottle necks and some impediments that hindered their work to expedite action by virtue of staff strength. Zain et al. (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit. Likewise, the quality of IA work is likely to be higher in internal audit units with a larger proportion of staff with audit experience than those with a lower proportion of audit experience.

20.8 percent of the respondents agreed to the statement that the internal audit staff number and their skill matches the scope of office's internal operations while 27.1% strongly agreed to the statement. 10.4 percent of the respondents disagreed because they believe the internal audit office is not adequately staff and 31.3% also strongly disagreed. 10.4 percent of the respondents are neutral on the situation. Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit. An audit requires a professional staff that

collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twajjry et al., 2004).

The study findings indicated that 16.7% of the respondent were neither of the view that the work of internal audit is performed with modern technology that uses computerized data tools and specific IA software. Meanwhile 20.8% and 20.8% respectively agreed and disagreed to the statement. 41.7 % however disagreed strongly with the statement.

Table 5: *Operational Internal Audit and Internal Control*

Statements	SD	D	N	A	SA
	N (%)	N (%)	N (%)	N %	N %
The operational internal audit process is planned in conjunction with both senior management/board and the line management	-	3(5.4)	12(21.4)	24(42.9)	17(30.4)
All risks are properly identified and included in the audit plan	-	8(14.3)	8(14.3)	26(46.4)	14(25)
There is a proper quality control procedure in place within the operational internal audit function	-	12(21.4)	15(26.8)	23(41.1)	6 (10.7)
Operational internal audit is independent of day to day management operations	-	11(19.6)	16(28.6)	25(44.6)	4(7.1)
The Organization has procedures to deal with ethical problems	-	9(16.1)	3(5.4)	21(37.5)	23(41.1)

The planning and procedures of the operational internal audit function conform to the professional standards. - - 5(8.9) 40(71.4) 11(19.6)

Source: Field Data, 2016

Operational internal controls are vitally important and the absence of these types of controls represents a significant weakness in the management of any organization that employs a significant number of people. Operational internal controls are controls designed to prevent organizations suffering financial damage as a result of a member of the organization making an inappropriate operational decision.

This question was directed at all the respondents. Forty two point nine percent of the respondents agreed that the operational internal audit process is planned in conjunction with both senior management/board and the line management and 30.4% strongly agreed to the statement. Twenty one point four percent are neutral of the statement whilst 5.4% disagrees. It is established from literature that internal auditing is an operation within an organization, generally undertaken by staff (employees) of the organization as a service to management.

Findings again from the study indicates that 46.4% of the respondents agrees 25% strongly agreed that all risks are properly identified and included in the audit plan whilst 14.3% of the respondents were neutral and same disagreed with the statement. Failure to have proper controls in place and functioning is seen by some as a key cause of business failure (Heller, 2005). It is considered that control of a business includes control of the risks of that business, and the best way to ensure proper control is for management to

understand what is involved in the risk (McLoughlin, 2005). Management thus needs to control risk effectively to ensure that the influence of risk on financial risk is properly managed.

The management and directors of an entity adopt the process of internal control. This process gives assurance about the achievement of the entity's objectives regarding financial reporting, operations and compliance with the regulations (COSO Report, 1992). Forty one point one percent of the respondents agreed and 10.7% strongly agreed to the statement that there was a proper quality control procedure in place within the operational internal audit function. Twenty one point four percent of the respondents disagreed that there is proper quality control procedure. On the other hand, 26.8% of the respondents showed neutrality to the statement.

Auditor independence is fundamental to public confidence in the reporting and auditing process as well as the reliability of the auditors' report (Turley et al.,2011). Due to its indefinable characteristics, regulatory authorities have provided numerous code of ethics and professional codes of conduct for their members to abide by, in the hopes to maintain independence. In conformity to the earlier studies, the findings of this study reveal that 44.6% of the respondents agree to the statement that the operational internal audit is independent of day to day management operations and 7.1% strongly agreed to the statement. Twenty eight point six percent of the respondents are neutral and 19.6% of the respondents disagree to the statement due to some management interference.

On the issue of ethics, 37.5% of the respondents agreed and 41.1% strongly agreed to the statement that the Organization has procedures to deal with ethical problems. Sixteen point one percent disagree to this statement.

Seventy one point four percent of the respondents agreed and 19.6% strongly agreed that the planning and procedures of the operational internal audit function conform to the professional standards.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

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

Summary of the Study

The purpose of this study was to examine the effectiveness of the internal audit in the Keta Municipal Education office in the Volta Region. The motivation of the study was derived from the fact that, there has been an increased interest in the internal audit function in the municipal and district education offices to enhance corporate governance. The public demand responsibility and precision from government in relation to the use of funds and the government can protect itself by improving the internal audit unit

procedures that will provide some level of assurance that government is not misapplying the nation's resources.

Key Findings

A review of the function of the internal audit units revealed limitations on the scope of the audit function and unsatisfactory reporting relationship. This resulted in the establishment of a central Internal Audit Agency to enhance efficiency, accountability and transparency in the management of resources in the public sector (Internal Audit Agency Act 2003 (Act 658) as cited in Nomo, 2009). Previous studies have been focused on the other sectors, from this background, there exists a gap that this study intends to bridge by looking at internal audit effectiveness in the Keta Municipal Education office. None of the researchers studied on internal audit effectiveness under the Internal Audit Agency Act that came into being to curb the inefficiencies existing prior to the establishment of the Act in the municipal and district education offices in the Volta Region.

To this end, this study was carried out in the Keta Municipal Education office. The data were collected through the use of questionnaire. The study revealed that there is professional proficiency in the internal audit of the Keta Municipal Education office in the Volta Region. The implication of which is that the internal audit units and the practice of internal audit techniques are up to standard because they adhere to the principles of the internal audit. The internal control activities of the internal audit unit in the Keta Municipal Education office focus mainly on the traditional paradigm of internal audit functions that focuses on compliance with laws and regulations,

evaluating accounting errors and fraud rather than addressing risk management and productivity.

The result also indicate that there exist a quality audit work by the unit due to its strong compliances with the international auditing standards and for that matter their output is not only quality but also very effective in safeguarding resources. Management do give the internal auditors the necessary support. The internal audit recommendations are implemented and the units have adequate resources. Management at few times interferes with the work of internal auditors. However, the respondents indicated that audit committee is necessary in the Keta Municipal Education office in order to ensure organisational independence of the internal auditors. In general, the internal auditors have experience and they also have professional qualification in accounting and auditing field. The factors identified as ensuring effective internal audit in the public sector are existence of audit committee, expertise and experience of internal auditor, management support, approved internal audit mandate and standards, unrestricted access to records, implementation of audit recommendations, adequate resources, organisational independence, regular training and quality of leadership of chief internal audit staff. Also quality of audit work and career advancement were found to have a positive impact on the effectiveness of the internal audit department.

Conclusions

The evidence from the study indicates that the internal auditors are focusing their activities on compliance with laws and regulations, competence and adequacy, quality of audit duties and that organisational independence is key for an effective internal audit department. From this evidence, it can be

concluded that the scope of the internal audit activities is wide. Such that attention is being given to other areas that do not have direct influence on the functions. Risk management and revenue mobilisation is the modern trend of internal audit and if internal audit unit does not pay much attention to it, corporate governance system will not be effective.

It was also clear from the findings that the internal auditors receive some support of management and the organisation settings sometimes restrict their work. The internal auditors use their experience and expertise to provide quality work which is enhancing the effectiveness of the internal audit function in safeguarding resources. It is relevant to note that, professional proficiency and organisational independence affect the effectiveness of an internal audit department but not at all times. Quality of audit work and career advancement and competence were found to have a positive impact on the effectiveness of the internal audit department.

Recommendations

On the basis of the findings, the following recommendations are proposed for the consideration of Internal Audit Agency, management of the Keta Municipal Education office.

The internal audit units need to be more adequately resourced by being given separate budgetary allocations. The availability of resources would enable the internal auditors to do quality work within the timeframe and to become more independent.

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

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

Suggestions for Further Research

For the purpose of further research, implementation of the core internal audit principles should be critically assessed and a comparative study of public and private sector organisations should be carried out.

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APPENDICES

APPENDIX A

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

MASTER OF BUSINESS ADMINISTRATION - ACCOUNTING

QUESTIONNAIRE

MANAGEMENT AND HEAD OF DEPARTMENT ONLY

This questionnaire is to elicit information on the topic. ‘The effectiveness of internal audit in the Keta Municipal Education Office’ The results of the study are expected to contribute to identify the determinants of internal audit effectiveness. Please be assured that any information provided would be used for academic purposes only and will be held strictly confidential.

SECTION A: DEMOGRAPHICS

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

1. Sex/Gender/: Male (_____) Female (_____)
2. Age (in years): 20 to 29 (____), 30 to 39(____), 40to 49(____),
50 to 59(_____).
3. Your field of study: Accounting (_____),Management (_____),
Economics (_____) Other (specify)
4. Level of education: Diploma (_____), Bachelor's Degree (_____),
Master’s Degree (_____) or others specify.....
5. Current position in your office
6. Number of workers in your office

SECTION B

The Questionnaire is prepared in Likert-scale form with five (5) point scales. Tick (√) or circle the appropriate scale (point) that indicates your opinion in table below. The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree

The effectiveness of internal auditors’ in identifying noncompliance activities	SCALES				
Internal auditors can effectively identify and report any non-compliance activities of policies and procedures within the education offices.					
Internal Auditors provide useful recommendations and constructive criticisms on non-compliances activities or control systems of the education offices.					
I use the recommendations, criticisms and information provided by internal auditor for decision making.					

	My office has put its confidence on internal audit staffs.					
	The non-compliance reports provided by internal auditors are reliable and significant to my office.					
	The internal auditors have confidence to issue audit report because they are capable to determine the nature and frequency of noncompliance activities.					
	The number of complaints (doubts) about the internal auditors' finding (report) is very low because their report is correct and reasonable					
	Internal audit ensures the economical, effective and efficient use of resources in my office/sector.					
	In my office/sector internal audit ensures activity performed is compliance with established policies, procedures, laws and regulations.					
	The recommendations of internal audit department provide practical, cost-benefit solutions for correcting the problems that were found.					
	Internal auditors have the experience and expertise to address corporate risk management problems within the organization					
	The existing role that the internal audit is playing sufficient enough to address the very purpose for which it is established					
	Internal auditors in your company are capable of carrying out internal control function under current corporate governance rules					
	The existence and findings (reports) of Internal Auditors meet my expectations					
	The internal auditor reports are highly considered for decision making and internal controls by the management.					
The adequate and competent internal audit staff						
	The operational internal audit process is planned in conjunction with both senior management/board and the line management.					
	All risks are properly identified and included in the audit plan					
	There is a proper quality control					

	procedure in place within the operational internal audit function					
	Operational internal audit is independent of day to day management operations.					
	The Organization has procedures to deal with ethical problems.					
	The planning and procedures of the operational internal audit function conform to the professional standards.					
	The operational internal audit function is cost effective to the organization					
	The operational internal audit function is involved in the design of the financial internal controls.					
	Staff involved in carrying out processes are involved in the design of controls over those processes					
	The operational internal auditor has assisted the organization to reduce the incident of loss through fraud.					

Operational Internal Audit and Internal Control

	The operational internal audit process is planned in conjunction with both senior management/board and the line management.					
	All risks are properly identified and included in the audit plan					
	There is a proper quality control procedure in place within the operational internal audit function					
	Operational internal audit is independent of day to day management operations.					
	The Organization has procedures to deal with ethical problems.					
	The planning and procedures of the operational internal audit function conform to the professional standards.					
	The operational internal audit function is cost effective to the organization					
	The operational internal audit function					

	is involved in the design of the financial internal controls.					
	Staff involved in carrying out processes are involved in the design of controls over those processes					
	The operational internal auditor has assisted the organization to reduce the incident of loss through fraud.					

APPENDIX B
UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS
MASTER OF BUSINESS ADMINISTRATION - ACCOUNTING
QUESTIONNAIRE
INTERNAL AUDITORS ONLY

This questionnaire is to elicit information on the topic “The effectiveness of internal audit in the Keta Municipal Education Office”. The results of the study are expected to contribute to identify the determinants of internal audit effectiveness. Please be assured that any information provided would be used for academic purposes only and will be held strictly confidential.

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

1. Sex/Gender/: Male (_____) Female (_____)
2. Age (in years): 20 to 29 (____), 30 to 39(____), 40to 49(____),
50 to 59(_____),
3. Your field of study: Accounting (_____),Management (_____),
Economics (_____) Others, specify
4. Level of education: Diploma (_____), Bachelor's Degree (____),
Master’s Degree (____) or other, specify.....
5. Current position in your office
6. Number of workers in your office
7. Number of internal auditors in your office

SECTION B

The Questionnaire is prepared in Likert-scale form with five (5) point scales. Tick (√) or circle the appropriate scale (point) that indicates your opinion in table below. The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree

	The Management Support for Internal Auditors	SCALES				
	I receive full cooperation, access to records and information from my office.					
	I can get the necessary resources (facilities) that help me to perform auditing activities as needed.					
	The office supports me by providing training in order to improve my skill and update on the field of audit.					
	The office supports me by introducing					

	me to new technology, policy or procedures when it is necessary					
	The office/sector supports Internal Auditing staffs by budgeting funds for further studies in auditing.					
	I perform the auditing activities without any interference from authority and without any influence from the office					
	I freely decide the scope, time and extent of auditing procedures based on auditing standards and the office's policy.					
	I objectively examine auditing issues based on reliable audit evidence and no management interest is involved for adjustment beyond auditing standards & values.					
	I feel free to include any audit finding in my audit work and report directly to responsible body					
	I can freely access necessary documents, information and data about the office's assets for my audit work.					
Independence of Internal Auditors						
	My office has sufficient skilled internal auditors. Most of them have certification in auditing.					
	It is possible to audit and review each activity on time, and cover the planned scope of auditing activities					
	The audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available.					
	The internal audit staff number and their skill matches the scope of office's internal operations.					
	The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software					
Operational internal audit and Internal Control						
	The operational internal audit process is planned in conjunction with both senior management/board and the line management.					
	All risks are properly identified and included in the audit plan					
	There is a proper quality control					

	procedure in place within the operational internal audit function					
	Operational internal audit is independent of day to day management operations.					
	The Organization has procedures to deal with ethical problems.					
	The planning and procedures of the operational internal audit function conform to the professional standards.					
	The operational internal audit function is cost effective to the organization					
	The operational internal audit function is involved in the design of the financial internal controls.					
	Staff involved in carrying out processes are involved in the design of controls over those processes					
	The operational internal auditor has assisted the organization to reduce the incident of loss through fraud.					