

UNIVERSITY OF CAPE COAST

**INTERNAL AUDIT PRACTICES OF TAMALE METROPOLITAN
ASSEMBLY OF GHANA**

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2015

UNIVERSITY OF CAPE COAST

INTERNAL AUDIT PRACTICES OF TAMALE METROPOLITAN
ASSEMBLY OF GHANA

BY

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DISSERTATION SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE OF THE SCHOOL OF BUSINESS,
UNIVERSITY OF CAPE COAST, IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS
ADMINISTRATION (GENERAL MANAGEMENT)

AUGUST, 2015

DECLARATION

Candidate's Declaration

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

Candidate's Signature.....

Date.....

Name: Haruna Hubeidatu

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: Mr. Stephen Asante

ABSTRACT

Internal auditing plays a significant role in the management of most modern organizations. In the public sector of Ghana, internal auditing is meant to drive greater efficiency and help in the delivery of public services. Metropolitan, Municipal and District Assemblies (MMDAs) have Internal Audit Units (IAU) as independent appraisal functions to examine and evaluate their financial and operational activities. Despite the potential roles of IAUs in MMDAs, the 2013 Auditor General report of Ghana found irregularities in the accounts of the Tamale Metropolitan Assembly (TaMA) in the Northern Region of Ghana. Thus this study examined internal audit practices of TaMA whether they are effective in helping to ensure proper management and accountability of public financial resources. The agency theory served as the framework for understanding the problem. Using a purposive sampling technique, seven key staff formed the sample of the study. Interviews were done to gather data for the study. All interview transcripts were transcribed and analysed according to the study objectives.

The results show that the IAU in TaMA carries out its functions as stipulated by the Internal Audit Agency. However delays in the assignment of audits to internal auditors in TaMA as well as inadequate and untimely supervision of their work by the Head of the IAU in TaMA are challenges.

It is recommended that the Head of the IAU in TaMA ensure that internal auditors have the duties assigned to them when necessary, and ensure they have all resources they need to be effective in their work. The Head of the IAU must always follow up on the staff to ensure they are carrying out their duties properly.

ACKNOWLEDGEMENTS

It is my pleasure to acknowledge those who contributed to make this dissertation a success.

First and foremost, I am grateful to my supervisor, Mr. Stephen Asante, School of Business Studies, University of Cape Coast, for his expert supervision; constructive comments and suggestions that were the necessary guidance in the making of this dissertation. The completion of this work would not have been possible without his supervision.

I also wish to acknowledge the contributions of those working in the organization that was the focus of this work including the management and staff. More especially, I wish to thank all those working in the internal audit unit of Tamale Metropolitan Assembly.

My special appreciation goes to Mr. Shayibu Musah, Head of the Department of Accountancy of the Tamale Polytechnic for reading through the work and making useful suggestions.

I also wish to acknowledge the contributions of Mr. Mahama Mutari of Tamale Polytechnic.

I also thank all my friends and MBA programme mates for the shared support and knowledge transfer partnerships we enjoyed during the time of our stay and study in the University of Cape Coast. In particular, I cannot forget the companionship and wonderful times I had with Safuratu M. Adani and Philip Ali.

My final acknowledgments go to all persons who in diverse ways contributed to the success of this dissertation whose names I have not mentioned here.

DEDICATION

This work is dedicated to my parents, Mr Haruna Sulemana and Mrs Rabiatu Haruna, for their love and support.

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CHAPTER ONE

INTRODUCTION

Background to the Study

Internal auditing plays a significant role in the management of most modern organizations. It is proven that the existence of an effective internal audit function is associated with superior organizational performance (Hermanson & Rittenberg, 2003). Organizational performance can be jeopardized by poor internal systems of control and risk management which internal auditing helps ensure. Organizations with ineffective internal audit functions face great danger of survival as corporate entities. According to Okezie (2004, p.42) “an enterprise’s internal audit function can significantly affect the operations of the enterprise and may have an impact on the ability of the entity to remain a going-concern”. Organizations need internal audit functions to improve the effectiveness of risk management and internal control systems.

According to Hald (1944 quoted in Flesher, 1996, pp. 1-3) “Necessity created internal auditing and is making it an integral part of modern business. No large business can escape it. If they haven’t get it now, they will have to have it sooner or later, and, if events keep developing as they do at present, they will have to have it sooner”. In a similar vein, Rittenberg and Schwieger (1997) noted that “internal auditing is taking on increased importance in many of today’s global organizations by assisting management in evaluating controls and operations and thereby providing an important element of global control”. Internal auditing is critical in systematically addressing a range of

organizational risks given that it has a set of expanded opportunities to support management's work in meeting organizational goals in a fast-changing organizational environment (Hass, Abdul mohammadi, & Burnaby, 2006).

Since its beginning, internal auditing has undergone dramatic changes that have expanded its scope and significance in a way that allows it to make greater contributions to organizational success in both public and private sectors. Having evolved from a function of independent evaluation to a function of risk management, internal audit is now the primary need of any organization (Munro & Stewart, 2011). With its scope extending beyond accounting and finance to include management, commercial, technical, production and other functions within an organization, internal audit has become more significant. The Institute of Internal Auditors (IIA) in 2006 engaged researchers from around the world "to better understand the expanding scope of internal audit practice" (Cooper, Leung & Wong, 2006) and commissioned the 2006 *Global Common Body of Knowledge Study*. This report revealed that internal auditing helps in achieving organizational objectives because it introduces a systematic approach to the evaluation and improvement of efficiency of risk management, control, and processes management (Louwers, Ramsay, Sinason, & Strawser, 2008).

In the public sector, internal auditors perform important functions in those aspects of governance that are crucial in promoting credibility, equity, and appropriate behaviour of government officials while reducing the risk of public corruption (Zekele, 2007). It can support and enhance the system of fiduciary responsibility that organizations in the public sector have towards citizens in terms of managing public funds. It helps solve the agency problem

and enhance public sector financial management which, according to Nkuah, Tanyeh and Asante (2013, p.210), is “concerned with the economic behaviour of government with regards to the methodologies, rules, regulations and policies that shapes the planning, budgeting, forecasting, coordinating, directing, influencing and governing the inflow and outflow of funds in order to maximize the objective of the institution. Inevitably, finance and its prudent management are the bedrock of effective functioning of local government”.

According to the Internal Audit Institute (IIA, 1999); “risk is the probability that an event or action, or inaction, may adversely affect the organization or activity under review.” Fraud and corruption among other financial irregularities are key risks that need to be managed in the public sector to ensure judicious use of public funds or resources. Internal auditors exist to detect these practices. However in the public sector of some countries there are reports of misappropriation of funds and corruption due to weak internal control systems in public sector organizations (Van Gansberghe, 2005). In Ghana, improper management and appropriation of public funds at the Metropolitan, Municipal and District Assemblies (MMDAs) is one of the biggest problems in the local governance and decentralization effort.

Ghanaians as owners of national economic resources and as tax payers expect Metropolitan, Municipal and District Assemblies (MMDAs) to ensure that public assets entrusted in their care are well managed and protected and safeguarded against frauds, errors and other forms of irregularities so that when they are called to account for their stewardship of their organizations they will not be found wanting. Thus internal audit has been integrated into public sector financial management in Ghana as part of efforts to improve the

performance of public sector organizations. Section 16(1) of the internal Audit Agency Act, 2003 (Act 658), provides that each MMDA shall have an Internal Audit Unit (IAU) which shall constitute part of the MMDA.

Internal audit units in MMDAs help to detect fraud and irregularities and ensure the effectiveness of internal control mechanisms. IAUs audit accounting activities prior to external auditing by the Auditor General. The Auditor General has responsibility to audit public expenditure at all levels to ensure public sector accountability in MDAs, MMDAs and other public sector organizations. Internal auditing in public sector organizations enhances the work of the Auditor General. Khan (2006, p.21) points to the role internal auditing can play in the overall financial accountability process in the public sector by stating that: “Internal auditors can play a vital role assisting the agencies responsible for investigation of alleged cases of corruption in public sector organizations 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 organization than the investigating agency staff that are deployed only for a particular case”.

Internal auditing is meant to drive greater efficiency in public sector organizations and help in the delivery of public services. MMDAs support Internal Audit Units (IAU) as independent appraisal functions to examine and evaluate the financial and operational activities of the Assemblies. “It is an important and integral part of the control system of the Assembly, which ensures that necessary controls are in place in financial and operational activities of the Assembly” (Internal Audit Agency, 2003). However, the 2014

Auditor General report of Ghana found irregularities in the accounts of Metropolitan, Municipal and District Assemblies (MMDAs) including the Tamale Metropolitan Assembly (TaMA) in the Northern Region of Ghana. Cash and payroll irregularities as well as the failure to submit financial statements for validation among other things were found. These raise questions about the internal audit practices in TaMA. Thus this study examined internal audit practices of Tamale Metropolitan Assembly (TaMA) in the Northern Region of Ghana to see how they helping to ensure proper management and accountability of national financial resources as part of the overall effort of driving greater efficiency in public sector organizations.

Statement of the Problem

The Auditor General expressed concern about the state of affairs in some MMDAs in Ghana including TaMA given findings of fraud and misappropriation of public funds. At the local government level, fraud and misappropriation of public funds results in huge government budget deficit, low standard of living and poor economic performance (Centre for Democracy and Development, 2000). In particular, the 2014 Report of the Auditor-General on the management and utilisation of district Assemblies' common fund and other statutory funds for the year ended 31 December 2013 showed some irregularities in the Tamale Metropolitan Assembly.

The Auditor General found that for the year ended 31 December 2013 Tamale Metropolitan Assembly failed to adequately support payment vouchers used in disbursing a total of GH¢39,934.00. This is contrary to Part IX Section 7 of the Financial Memoranda for District Assemblies which provides that “where applicable, the original invoices and statements shall be

attached to a payment voucher, if the original document has been lost, a duplicate shall be obtained which shall be certified by the appropriate officer that he has taken all possible steps to ensure that no payment has been made on the original document” and Section 14 of the same instrument which stipulates that official receipts shall be obtained in support of payments to Government Departments, State Enterprises and other Assemblies .

The Auditor General’s 2014 Report on the management and utilisation of District Assemblies’ Common Fund (DACF) and Other Statutory Funds for the year ended 31 December 2013 revealed that Tamale Metropolitan Assembly disbursed a total amount of GH¢387,472.50 from its Common Fund allocations on recurrent expenditure not related to the developmental projects. This is contrary to Section 87(2) of the Local Government Act, 1993 (Act 462) which stipulates that the main purpose for establishment of the Common Funds was to assist the Assemblies to solely undertake development projects and not for recurrent expenditure. Regulation 179 of the FAR 2004 (LI 1802) prohibits a head of department from authorizing payments to be made out of funds earmarked for specific activities for purposes other than those activities.

These two examples among others stated in the Auditor General 2014 Report prompted calls for an assessment of the internal audit practices in the Tamale Metropolitan Assembly (TaMA). This is to ascertain the effectiveness of the practices and the credibility of the work of the internal audit unit. Little is known about the internal audit practices of TaMA and how they are helping in efficient management of public funds. Reports of financial mismanagement in TaMA called for this study which attempted to fill the knowledge gap.

Objectives of the Study

The general objective of the study is to examine the internal audit practices of TaMA.

The specific objectives the study is to:

1. assess the internal audit practices in TaMA as stipulated in the Internal Audit Agency Act.
2. assess effectiveness of the IAU in TaMA in checking compliance to rules, regulations, systems, policies, and procedures prescribed by the Assembly and/or by regulatory authorities.
3. identify challenges internal auditors face in their practice in TaMA.

Research Questions

To help meet the study objectives, the following questions were asked.

1. How well is internal audit practiced in TaMA as stipulated in the Internal Audit Agency Act?
2. How effective is the IAU in TaMA in checking compliance to rules, regulations, systems, policies, and procedures prescribed by the Assembly and/or by regulatory authorities?
3. What challenges do internal auditors face in their practice in TaMA?

Significance of the Study

This study is significant and will benefit a wide spectrum of people and organization including officials of TaMA, the Northern Regional Coordinating Council and National Government, the Internal Audit Agency, the Auditor General and the general public. It will especially help strengthen the internal audit unit in TaMA given that it has made recommendations for good internal audit practices. It will help officials of TaMA to evaluate and improve its risk

management, control and governance processes for effective and efficient public service delivery. It will help in the design of performance management systems that incorporate internal audit practices and work to fulfil TaMA's objectives. It will help ensure proper financial discipline that had hitherto was not practised. It will help safeguard assets, detect and deter financial misappropriation and corruption which has become a canker in most MMDAs.

Delimitations of the Study

The delimitations are about the concept borders as well as space and time boundaries of the study. The conceptual boundaries of the study were shaped by the Standards for the Professional Practice of Internal Auditing (SPPIA). Internal Audit Units must follow the International Standards of Professional Practice of Internal Auditing. SPPIA are criteria by which the operations of internal auditors are evaluated and measured. SPPIA are intended to represent the internal audit profession as it should be and to serve the entire profession of internal auditing. Thus the framework of analysis was shaped by the SPPIA. This framework helped assess the quality of the internal audit, the presence of internal audit committees in the organizations, and the practices of internal audit among other things. The conceptual parameters of the study included issues relating to the research objectives.

The study was about TaMA. Its purpose was to empirically assess the practices of the internal audit unit in this Assembly given reports of fraud and misappropriation of public funds which are evidences of poor and ineffective IAU as an internal control and risk management system in this Assembly.

Limitations of the Study

The study was limited by the data collection procedures. The researcher encountered difficulties in collecting data as some of respondents were not initially willing to participate in the study. This delayed the study. Despite these limitations, the study was successful in meeting its objectives.

Organization of the Study

The study is organized into five chapters. Chapter one is the introduction. It includes the background of the study, statement of the problem, objectives of the study and research questions, significance of the study, limitations and delimitations of the study. Chapter two focuses on the literature review. The definition and evolution of the concept of internal audit and issues of internal audit effectiveness were reviewed. Chapter three is the methodology employed for the study. It discusses the research design, approach and methods as well as the population and sampling procedures of the study. Chapter four presents the results and discussion of the study arranged under key themes drawn from the analysis of data based on the research objectives. Chapter five is summary, conclusions and recommendations as well as suggestions for future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter focuses on the literature review of the study. The definition of internal audit put forward by the Internal Audit Institute (IIA) is reviewed as part of the evolution of the concept of internal auditing. The practices, effectiveness and challenges of internal audit relating to the public sector are also reviewed to provide context and understanding to the study. Agency theory is reviewed to establish a theoretical foundation for the study.

Agency Theory

Principal-agent relationship is common in human activities (Mitnick 2008, p.44). It is a relationship in which one person or entity (the agent) acts for another (the principal) and typically under conditions of information asymmetries favouring the agent. This calls for some checks. Brown (ed) stated that; *“Whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another the advisability of some kind of check upon the fidelity of the former would become apparent”* (in *A History of Accounting and Accountants*, T.T. and E.C. Jack, 1905, page 75.). This is the basis of internal auditing.

The study is situated in the framework of agency theory. The theory provides a useful theoretical framework for the study of the internal auditing practices in TaMA because it unravels the potential for fraud by agents that robs principals of the benefit of the resources. Without proper internal control systems, information asymmetries and self-interest make the owners of resources (the principals) lack reasons to trust their managers (the agents) who

are charged with using and controlling those resources. Thus to ensure the effectiveness of internal control systems and reduce fraud, principals put in place mechanisms to align the interests of agents with their own interests and to reduce the scope for information asymmetries and opportunistic behaviour.

The agency theory also helps to explain and predict the existence of internal audit in public sector organizations. In public organizations there is the potential for conflict in fiduciary and stewardship roles. The fiduciary role involves the relationship between management and shareowners. The stewardship role involves the relationship between management and the organization as an entity and the multiple stakeholders involved with the organization (Preston 1998).

The public sector represents a unique case of principal-agent relationship. The government officials must periodically account to the citizens for their use and stewardship of resources and the extent to which the public's objectives have been accomplished. The citizens do not have confidence in the information that the management of public organization provide and therefore, rely on auditor's report to ensure credibility. This explains the need for both internal and external auditing. In Ghana, citizens rely upon internal auditors and the Auditor General to provide an independent, objective evaluation of the accuracy of the accounting and report on whether public resources have been used in accordance with what is stated in development policies and plans and proper procedures have been followed in accounting and reporting the public expenditure.

Definitions of Internal Auditing

There are many definitions of internal auditing. Sebbowa (2009) defined internal auditing as “... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations” (p.23). Sawyer and Dittenhofer (1996) define internal auditing as “a systematic, objective appraisal of the diverse operations and controls within an organization to determine whether financial and operating information is accurate and reliable, risks to the enterprise are identified and minimized, external regulations and acceptable internal policies and procedures are followed, satisfactory standards are met, resources are used efficiently and economically, and organization’s objectives are effectively achieved” (p.7). However the widely cited definition of internal auditing is given by the Institute of Internal Auditors (IIA) in 1999:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The definition highlights internal auditors’ role in providing both assurance services within organizations and consultancy services to managers of organizations to help in risk management and internal control (The Institute of Chartered Accountants in England & Wales, 2011). It also highlights the role of internal audit in internal control. Ekwonu (1996, p.35) defines control as “the measurement of the performance of the activities of subordinates in

order to make sure that objectives and plans devised to attain them are being accomplished”. Reid and Shelby (2002) argued that internal audit helps to provide management with re-assurance that internal control systems are adequate for the need of the organisation and are operating satisfactorily.

Evolution and Developments of Internal Auditing

Internal auditing evolved as the field of auditing developed and the Accounting practice expanded. The need for independent verification to reduce record-keeping errors, asset misappropriation, and fraud within profit and not-for profit organizations necessitated the development of both external and internal auditing. According to Brown (1905, quoted in Mautz & Sharaf, 1961) “the origin of auditing goes back to times scarcely less remote than that of accounting...Whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent”. In its development, internal auditing has had different phases, emphasis and roles. The concept started becoming a mainstream with the emergence of large, dispersed, complex corporations in the twentieth century many of which needed an internal audit unit. However acceleration in the development of the internal audit functions in organizations came about with the establishment of the Institute of Internal Auditors (IIA) in 1941. The IIA shaped the development of the concept and its meaning.

In the 1940s, internal auditing was seen as a mechanism to double-check the thousands of financial transactions that were posted to the account each week. In the 1950s and 1960s, it only consisted of basic test of the accounts with a view to isolating errors and irregularities. In this period,

organizations set up a small team of people to in the accounts division to examine as many financial transactions as possible and determine whether they were correct or not. With time there was a move away from checking to compliance. That is the focus of the team was not only on the financial aspects of transactions but including assessing the extent to which operations staff complied with financial and basic office procedures and regulations. The duties of the team expanded and their place of work became more rules based. Then the practice reached a stage where auditing procedures were followed. At this stage, the audit team would review files and records and upon finding problems, try to suggest improvement and list the errors for correction.

Further development of internal auditing came when the focus on procedures was broadened to include the concept of controls. Here proper performance was seen as to relate to more than simply following the procedures manual. Performance included the interaction of all measures that ensured that staffs was equipped and able to set targets, perform and measure the extent to which they have been successful. The Code of Ethics was issued in 1968 by the IIA. A more advanced stage in the development appeared in the form of the auditors providing an independent view on various systems of internal control employed by the organisation. By the 1970s internal auditing was defined by the Institute of Internal Auditors as; “an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources”.

Further expansion of the scope of internal audit activities and the professionalization of the internal audit practice called for a revised definition of the concept and a refocusing and extension of its meaning. The revised definition of internal audit was given by the IIA in 1999 to show that internal audit has moved beyond emphasizing accountability about the past to improving future outcomes to help organizations operate more efficiently (Nagy & Cenker, 2002). This definition was necessary as internal audit moved towards risk management since many organisations had been damaged by scandals, mismanagement, or event that had a adverse impact on their business. The revised definition re-enforces the core role of internal auditing but extends its meaning to include value addition and improvement of an organisation's operations, risk management and internal control effectiveness.

Standards for the Professional Practice of Internal Auditing (SPPIA)

Internal audit practices refer to compliance to Standards for the Professional Practice of Internal Auditing (SPPIA). SPPIA are criteria by which the activities of internal auditors are evaluated and measured. They represent the internal audit practice and serve the entire profession of internal auditing. SPPIA was developed in 1978, at the internal auditors' international conference in San Francisco. SPPIA consist of five Standards including; independence of the audit, professional proficiency, scope of the work, performance of the audit work and management of internal audit department.

Independence of Audit

Independence is the freedom from the control and direct influence of management. Under Standard 100 of internal auditing standards, Independence is ability to make objective judgment and be free from direct

management control for to the scope of work. The auditor is allowed access to all necessary information to come up with informal judgments (Standard 100). Independence enhances internal audit's objectivity and integrity. Internal auditors should be independent form the activity they are auditing. In Ghana, internal auditors are not employed by MMDAs but by the Internal Audit Agency. This helps ensure their independence and allows internal auditors to perform the impartial and unbiased judgments. Independence helps the proper conduct of audit which augurs well for organizational success (Simon, 1995).

Professional Proficiency

Standard of 200 of SPPIA professional efficiency assumes that the audit staff must have professional knowledge and skills and professional care and appropriate technical competence as well as sufficient knowledge of internal auditing function (Diamond, 2002). As internal auditors' roles shift through in changing organizational contexts so too are the skills they need to do their work (Amato, 2013). The professional proficiency of internal auditor refers to knowledge, skills, and other competencies needed by internal auditors to perform their individual responsibilities. In Ghana internal auditors operating by virtue of the Internal Audit Agency Act (section 18);

- a) shall exhibit the highest level of professionalism in the gathering, evaluation and communication of information when auditing and shall act only in areas for which they have the necessary knowledge, skills, experience and competence;
- b) shall perform internal auditing in accordance with Generally Accepted Principles of Internal Auditing and the standard and guidelines of the Agency as established under section 3(1) and

- c) Shall in the performance of their work make a balanced assessment of all issues of relevance to the work and should not be influenced by their personal interest or the interests of other persons.

Scope of Internal Audit Activities

The statement of responsibility of internal audit issued at Institute of Internal Auditor in 1993 noted that the scope of internal auditing is to investigate and assess the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibility. The scope of internal audit activities defines the work to be undertaken by internal auditors in an organization with regard to evaluating the efficacy of operations with regard to compliance, checking for reliability of financial reporting, detecting and investigating fraud, safeguarding assets and compliance with laws and regulations among other things. Thus the scope of work refers to relevant systems, records, personnel, and physical properties, including those under the control of third parties.

Before the 1950's, internal audit activities in many organisations focused on financial audit, and internal audit departments were heavily involved in the review of financial statements. But in today's business environment marked by constant change that brings opportunities as well as risks, internal audit activities cannot be limited to accounting and finance functions. The sheer volume of organization's operations and activities has led to the expansion of internal audit activities and its extension to other functions (commercial, technical, production) within the company. Internal audit now takes on a much broader and deeper perspective of issues (Cai, 1997). Thus internal auditors, besides assuring that the information contained in the books

accurately reflects the facts, also evaluate policy, procedures, guidelines, quality of management, effectiveness of methods, and other functions.

The broad scope of internal audit activity is reflected in its ability to monitor the system, process, or operations, ignoring the boundaries between parts of the company which are often a limitation. Internal auditors focus on business processes and systems rather than transactions, as was the case with traditional auditing (Soh, Martinov-Bennie, 2011).

In the public sector of Ghana, the scope of the IAU's work in the MMDAs is to determine whether the Assembly's network of risk management, control and governance processes, as designed and presented by Management, is adequate and functioning in a manner to ensure that: risks are appropriately identified and managed; interaction with the various governance groups occur as needed; significant financial; managerial and operating information is accurate, reliable and timely; employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; resources are acquired economically, used efficiently and adequately protected; programmes, plans and objectives are achieved; quality and continuous improvement are fostered in the Assembly and are recognised and addressed appropriately; accounting procedures are effective and Opportunities for improving management control, and the Assembly's image may be identified during audits and communicated to the appropriate level of management (The Internal Audit Agency, 2003).

Performance of Internal Audit Work

Performance of internal audit work refers to identifying, analysing, evaluating and recording sufficient information to achieve internal auditing

objectives. Performance standards state the nature of internal audit service and provide quality criteria intended to measure audit service. The internal auditing focus on specific organization performing certain control function, procedures, rules and regulations set up to ensure the most economic efficiency and effective use of resource (Diamond, 2002).

In Ghana, the primary objective of Internal Audit function in the MMDAs is to assist the Management in the effective discharge of their responsibilities. According to the Internal Audit Agency (2003), in order to carry out this responsibility, the Internal Audit Unit shall:

- Develop a three year strategic plan, discuss it with management and present it to the ARIC for its review and approval.
- Develop an annual audit plan and submit the plan to Management for review.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by the Management of the Assembly and the Audit Report Implementation Committee.
- Maintain professional audit staff with sufficient knowledge, skills, and experience and professional certifications to meet the requirements of the audit function in the Assembly.
- Keep abreast of relevant best practice and new developments affecting their work and in matters affecting [the Assembly's] activities.
- Respond to [the Assembly's] changing needs, and strive for continuous improvement and maintain integrity in carrying out their activities.
- Issue reports to management summarising results of audit activities.

- Assist in the investigation of significant suspected fraudulent activities within the Assembly and notify management of the results.

Management of Internal Auditing Department

Internal audit departments play vital functions in the management process of organizations. However, internal audit departments are not responsible for the execution of an organization's activities. Their work includes advising Management and the Board of Directors regarding how to execute their responsibilities. Management of internal auditing is important because it is required of internal auditing departments to help manage internal control systems. Any compromise in the work of internal audit department can breed disaster in management of the organization. Internal auditor cannot be expected to enforce good governance on its own, without the existence of workable controlling mechanism to enforce accountability (Diamond, 2002).

Managing the internal audit department is the responsibility of the Chief Audit Executive (CAE) who together with the internal audit team has to run the internal audit department to ensure it adds value to the organisation. In Ghana's public sector, the Head of the Internal Audit Unit has the responsibility to properly manage the IAU including:

- Establishing risk-based plans to determine the priorities of the audit activity consistent with the Assembly's goals.
- Ensuring that professional internal auditing standards and practices are followed.
- Ensuring that a strategic plan is devised and implemented through annual plans for the Assembly.

- Ensuring that financial and human resources are appropriate, sufficient and allocated for the effective implementation of the annual audit plans.
- Ensuring that audit planning, fieldwork, reporting and follow-up are performed in accordance with the Internal Audit Agency standards and monthly financial statements reporting and other fundamental controls.
- Adopting and maintaining the IAU quality assurance policy for internal and external reviews developed by the IAA.
- Determining the extent of coordination with external auditors to avoid duplication of audit effort.
- Reviewing to find out the working papers contain a time budget analysis for the project that identifies: hours budgeted by audit segment, actual hours by audit segment, variances between budget and actual hours with explanations of material variances.
- Ensuring the timely and efficient completion of internal audit engagements.
- Preparing IAU annual activity report. This should be submitted to the Internal Audit Agency and copied to the Coordinating Director.

It is the responsibility of the Head of the IAU to allocate the audit assignments taking into consideration the factors which influence the scheduling and assignment of audits. The head of the IAU assigns the audits and tasks to internal auditors according to the nature and complexity of the audit and internal auditor's experience and special preparation. The head of IAU checks the compliance of the completed work with the standards, the conclusions and evidence to the audit findings, as well as supervise to ensure

that the planned time-table is met and the time allocated for the audit is used effectively. The Head of the IAU of an MMDA shall at intervals of three months, prepare a report on the internal audit work carried out by his/her Unit during the period of three months immediately preceding the preparation of the report and submit the report to the Presiding Member of the Assembly.

The Head of the IAU in the district shall make in each report such observations as appear to him necessary as to the conduct of the financial affairs of the Assembly during the period to which the report relates. The head of the IAU of the MMDA shall send a copy of each quarterly report prepared by him to the Minister of the Ministry of Local Government and Rural Development, the Chief Executive of the Metropolitan, Municipal or District Assembly, the Regional Coordinating Council, the Director-General of the Internal Audit Agency, the Audit Report Implementation Committee (ARIC) and the Auditor-General (Internal Audit Agency, 2003).

Functions of Internal Auditing Department

The International Standards of Auditing (ISA) 610 enumerated functions of internal audit to include the following: reviewing the control system and to identify weaknesses, breakdown and to report to management with recommendations, designing checks to reveal the existence of frauds or to prevent frauds, rationalizing accounting policies within a group, and to implement a new accounting systems and, conducting managements efficiency audits and to post implementation audits of capital projects.

Internal audit is a cornerstone of good public sector governance. It is an essential part of any public expenditure management system and ensures that public spending is within budgetary provisions; disbursements comply

with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat, 2005).

In the public sector of Ghana, internal audit units (IAU) play vital functions in the Ministries, Departments (MDAs) and Agencies and the Metropolitan, Municipal and District Assemblies (MMDAs) as well as other organizations in the public sector. The Internal Audit Agency was established by the internal Audit Agency Act of 2003, Act 658. The creation of the Internal Audit Agency 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 MDAs and MMDAs. These initiatives are part of the government's efforts under the Public Financial Management Reform Programme (PUFMARP) which resulted in proposals for the establishment of a Central Internal Audit Agency to enhance the accountability, efficiency and transparency in the management of resources in the public sector. The functions of internal audit unit as enshrined in the Internal Audit Agency Act include the following:

1. Helping implement standards and procedures set by the board for the conduct of internal audit activities in the MDAs and MMDAs.
2. Internal audit units also assist the Internal Audit Agency by ensuring that; financial, managerial and operating information are reported internally and externally is accurate, reliable and timely; the financial activities of MDAs and MMDAs are in compliance with laws, policies, plans, standards and procedures; national resources are adequately safeguarded; national resources are used economically, effectively and

efficiently; plans, goals and objectives of MDAs and MMDAs are achieved; and risks are adequately managed in MDAs and MMDAs.

3. IAUs assist the Agency to; promote economy, efficiency and effectiveness in the administration of government programmes and operations; prepare plans to be approved by the Board for the development and maintenance of an efficient internal audit for the MDAs and MMDAs; facilitate the prevention and detection of fraud; and provide a means for keeping the MDAs and MMDAs fully and currently informed about problems and deficiencies related to the administration of their programmes and operations and the necessity for appropriate corrective action.
4. Assist the Internal Audit Agency to monitor, undertake inspections and evaluate the internal auditing of the MDAs and MMDAs.

Roles and Responsibilities of Internal Auditors

Internal auditors play a vital role in ensuring that an organization is efficiently run, morally sound, technologically advanced, cognizant of the environment and other areas of concern, and safe from unnecessary risk (IAA, 2000). Internal auditors play key roles in monitoring a company's risk profile and identifying areas to improve risk management (Goodwin-Stewart & Kent 2006). In the revised Statement of responsibilities of Internal Auditing issued by the Institute of Internal Auditors (1990, p. 3) it is stated that: "The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond accounting and financial records to obtain a full understanding of the operations under review."

The responsibility of internal auditors is similar to the responsibility of consultants. They are responsible for the technical quality of advice that they provide to management and are expected to make recommendations to improve the areas in which opportunities for improvement or deficiencies are identified. However, management decides whether or not to accept the advice in the light of a fuller understanding of the situation (Sobel, 2004). However, it should be noted that the evaluation risks is the responsibility of management.

Effectiveness of Internal Audit

Internal auditing is effective if it meets intended outcomes. Barrett (1986) notes that “effectiveness can be described, but it is difficult to quantify and in the final analysis, effectiveness is determined by the perception of auditees” (p.21). In organizational contexts, management is the most important auditee of the internal audit department’s effectiveness. Management will require no defects. Thus the work of the internal audit department is not done until defects are corrected and remained corrected (Sawyer, 1995).

Van Gansberghe (2005) explains that internal audit effectiveness in the public sector should be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this drives the demand for improved internal audit service. According to Zeleke (2007) the internal audit activities help to prevent corruption, misappropriation of funds and other financial irregularities and ensure effective and efficient utilisation of resources to achieve the objectives of the organisation. Zeleke (2007) argues that an effective public sector audit activity strengthens governance by materially increasing citizens’ ability to hold their government accountable.

Emasu (2010) notes that “the effectiveness of internal audit function partly depends on; legal and regulatory framework, placement of the function and its independence, existence of audit committees, resources allocated to the function and professionalism of internal audit staff”. It is however a bitter reality that internal audit departments are rarely adequately facilitated.

Effectiveness is the achievement of goals and objectives using factor measures provided for in determining such achievement. However, it has been traditional in internal auditing that determination of internal auditing effectiveness can be accomplished by evaluating the quality and effectiveness of internal auditing procedures that result in determination by the internal auditors of the character and the quality of effectiveness of the auditee’s control operations and if the auditing procedures are effectively carried out, then the evaluative results are positive (Dittenhofer, 2001).

Zelege (2007) evaluate to what extent the current and planned internal audit function is positioned to contribute towards some of the major objective of the Civil Service Reform Program (CSRP) of ascertaining good organizational governance system in public sector for public accountability and service delivery improvement. The study findings reveal that for internal audit to be effective, there must be organisational independence, audit charter, in-servicing, qualify staff, top management support, logistics, etc.

Martin (1994) argues that efficiency and effectiveness of internal audit procedures is not a simple task, successful operation is governed by the extent to which the element of internal audit procedures receive attention which include; expertise, independence, objectivity and totality. Harvey (2004), effectiveness of internal audit procedures is a measure of the ability of the

programme to produce a desired effect or a result that can be qualitatively measured. Zabihollah (2001) argues that, there should be effective internal audit procedures to ensure reliability of financial statements, operational reports, safeguarding corporate assets and effective organisational controls.

Benston (2003) found that perception and ownership, organisation and governance framework, legislation, improved professionalism and resources were identified as functions in the public sector derived from the effectiveness of the internal audit procedures. According to Reid and Shelby (2002), how far internal audit procedures succeed in their effort of effectiveness is mainly judged by three factors that include; frequency of irregularities committed by the staff in the organisation in form of errors or fraud, the promptness with which such irregularities are detected by the authorities and the planning which makes possible repetition of such irregularities in future more difficult.

Challenges of Internal Auditing

In the private sector, internal auditors unlike external auditors are employees of the firm who are appointed and remunerated by management. The internal auditor's work is determined by management unlike that of external auditor which is laid down by statutes. The internal auditor is answerable to management by virtue of his status. Consequently, the work of the internal auditor is to a large extent influenced by management, in other words there is lack of total independence on the part of the internal auditor. Thus independence is not always easy to achieve. There is therefore a limitation on the powers and functions of the internal auditor. The absence of total independence on the part of internal auditors makes their work of prevention and detection of fraud and irregularities less effective. In instances

where the fraudulent act involves management, the internal auditor may not effectively deal with the situation since management has the power to terminate their appointments. This varies with public sector organisations.

In Ghana, internal auditors are recruited for the MMDAs by the Internal Audit Agency unit of the local government system. The IAUs in the MMDAs have the authority to audit all parts of Assembly and have complete access to any of the records, physical properties, and personnel relevant to the performance of an audit. This helps reduce their challenges (IAA, 2003).

CHAPTER THREE

METHODOLOGY

Introduction

This chapter is the methodology of the study. It discusses the research design, study population, sample and sampling procedure, data collection and instruments used as well as data analysis techniques. The ethical considerations the researcher observed in the study are also discussed.

Research Design

An explanatory research design was employed in the study since the study sought to explain the internal audit practices of TaMA. With the explanatory research design, the researcher could discover old and new insights about the phenomenon being studied. Explanatory design helps show a causal relationship between variables. It was thus appropriate for this study since the reasons for internal audit practices could be explained.

A qualitative research approach was used. It involves considerable flexibility (Maxwell, 1996) in data collection and analysis. The qualitative approach influenced the design. Thus soft data, opinions, gathered from respondents using qualitative techniques helped give context and understanding to the issues being investigated and perspectives being shared. The strength of qualitative research methods lies in their usefulness for understanding the meaning and context of the phenomena studied, and the particular events and processes that make up these phenomena over time, in real-life, natural settings (Maxwell, 1996).

The Study Area

Tamale Metropolis shares boundaries with Savelugu District to the north, Tolon District to the west, Central Gonja District to the south-west, East Gonja District to the south and Yendi District to the east. The Tamale Metropolis occupies approximately 750 sq km, which is 13 percent of the total area of the Northern Region. It is estimated that the population of the Tamale Metropolis is about 593,881 (2010 Population and Housing Census). The Metropolis is home to 240 nurseries, 274 primaries, 89 Junior High, and 11 Senior High schools. In addition to these, there are two vocational and Technical schools, one Polytechnic and a campus of University for Development Studies. The Tamale Teaching Hospital, Tamale Central Hospital and the West Hospitals are the main health institutions in the Metropolis. There are several health centres and clinics in the Metropolis.

Tamale Metropolis is one of the metropolises in Ghana with a high revenue base which calls for higher expectation of accountability. This is why the study focused on internal audit practices of TaMA to reveal their effectiveness in detecting fraud and other irregularities in use of public funds.

Profile of Tamale Metropolitan Assembly (TaMA)

In the local government organizational structure of Ghana the assemblies are the main units of the Local Government. Metropolitan, Municipal and Districts are the three types. The Metropolitan Assemblies cover the urban centres with population over 250,000. It is estimated that the population of the Tamale Metropolis is about 593,881 (2010 Population and Housing Census). Tamale was elevated to the status of a Metropolis in 2004.

The Tamale Metropolitan Assembly (TaMA) is one of the six Metropolitan Assemblies in Ghana and the only Metropolis in the three Northern Regions of Ghana namely; Upper East, Upper West and Northern Region. Internal audit plays a vital role in TaMA. Section 16 of the Internal Audit Agency Act of 2003, Act 658 provides for the establishment of Internal Audit Units in each MDA/MMDA which shall constitute a part of them.

Population of the Study

The target population for the study comprised top management of TaMA, internal audit staff as well as other finance related officers of TaMA.

Sample and Sampling Procedures

Purposive sampling was used to select individuals in TaMA with knowledge and experience in internal auditing practices who could provide relevant information to help find answers to the research questions. According to Saunders, M., Lewis, P., & Thornhill, A. (1997, p.145), “purposive sampling enables the researcher to use his or her judgments to select cases which will best enable him answer his research questions and meet his objectives”. Respondents were drawn from the management of TaMA, internal audit staff including the head of the IUA as well as finance officers. A sample size of seven (7) was obtained by this technique. The seven respondents were made up of two (2) people from management, the head of the IAU of TaMA, three (3) internal auditors, and one (1) finance officer.

This small sample size was not a problem as the study did not seek to test hypothesis. In a qualitative researcher, it is assumed that there is not enough information about the perspectives and situations of participants in the setting studied to be able to formulate meaningful hypotheses in advance

(Maxwell, 1996). Thus qualitative researches tend to be in-depth case studies of particular phenomenon. The idea behind this approach was to purposefully select participants and conduct in-depth interviews in a way that will help answer the research questions (Creswell, 2009).

Instruments for Data Collection

The researcher used interviews to gather data for the study. The interviews were done with all persons sampled for the study. Semi-structured interviews designed to investigate internal audit were done using an interview guide. Interviews are one of the most relevant sources of case study data (Yin 2003, p.89). The interviews involved direct interaction between the researcher and a chosen interviewee in which a set of questions were asked the respondent. Interviewees were allowed to talk extensively on questions so to bring out perspectives that might be important in answering the research questions. All interview transcripts were transcribed verbatim, categorized, grouped and analysed according to the main objectives of the study.

Although it was difficult to conduct face to face interviews with the chosen respondents due to their busy schedules, the researcher persevered and managed to do all the interviews. The researcher initially encountered challenges in getting the management and staff to interview. Some participants were not at work during the time of the visit for the interview. Arrangements were made to interview those not available at the time of the initial visit. The researcher managed to convince those who were initially not willing to participate. The researcher took a month to complete all interviews. This was to ensure that all those chosen for the study were interviewed.

Data Analysis

In analysing research data, the main task is to understand the case through teasing out relationships, probing issues and aggregating the data categorically (Stake, 1994). Stake (1994) advocated thematic approach to data analysis where themes and patterns are developed from the data collected based on the research questions. In this study, the nature of responses warranted thematic analysis of the data collected. A level of measured but subjective interpretation was applied in analysing responses to the questions by interviewees. The results are presented in charts and tables and in the form of verbatim quotations as extracts from interview transcripts.

Ethical Consideration

To meet ethical standards, the researcher ensured that data collected was of high quality and that ethical guidelines were strictly followed. The researcher avoided the situation of unethically obtaining data without going through proper legal and administrative procedures. The researcher asked permission from management of TaMA before the interviews were done. The researcher introduced herself as a student undertaking a research on internal audit practices in TaMA as part of an academic study. The researcher obtained a staff list of the respondent from the administration of TaMA.

All respondents were contacted in their offices. The researcher was careful to identify herself and to explain the purpose of the study. The consent of all participants was sought. Participants were fully informed of the essence of the research and had right to withdraw from the study at any time if they chose to do so. The privacy of respondents was upheld. The researcher ensured that their responses obtained were used for academic purposes only.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the results of the study and discussions. The first section focuses on background information of respondents. The second section presents and discusses study results based on the research objectives and questions. The objectives form the heading of each presentation and the research questions guide the intricacies of the discussions in each case. The discussions include interpretation of the findings in reference to previous findings and theories. This was in line with the qualitative approach adopted.

Socio-Demographic Information of Respondents

The socio-demographic characteristics of respondents give a general overview of the study population from which the sample for the study was drawn. The purpose of discussing these is to bring context and understanding to the responses of participants on issues being investigated. The socio-demographic information analysed include age and level of education.

Age Distribution of Respondents

Results of data analysed on age of respondents show that 34.1%, were between the ages 21 and 30 years. Respondents in the age group of 31 and 40 years represented 32% of the total. Respondents in the age group of 41 and 50 years represented 23.9% of the total. No respondent was above 60 years. The age distribution of respondents is displayed in Figure 1.

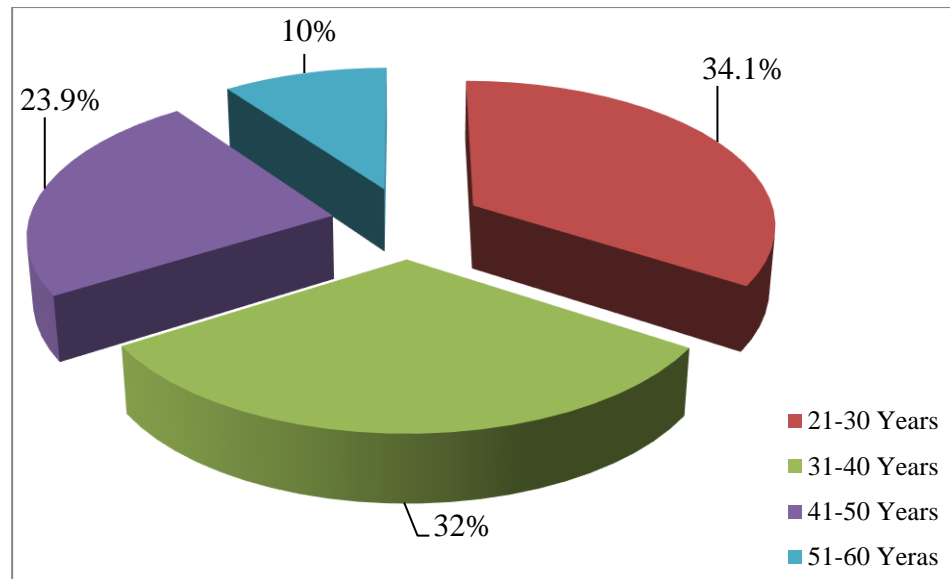


Figure 1: Age Distribution of Respondents

Source: Field Survey, 2014

From Figure 1, it is clear that majority of respondents, 34.1%, were between the ages 21 and 30 years, followed by those in the age group of 31 and 40 years, who represented 32% of the total. This followed by those in age group of 41 and 50 years, 23.9%. As is shown in Table 1, none of the respondents were in the age group of 0 to 20 years. This may be because those in this age group may still be schooling and may not form part of the working class. None of the respondents was also above the compulsory retirement age of 60 years. The combination of the percentages of those in the age groups 21 to 30 and 31 to 40 shows that those involved in internal auditing in TaMA are relatively young people. This may have negative effect on internal audit practices in TaMA since their young ages may be a sign of inexperience.

Level of Education of Respondents

Results of the analysis of data on respondents' level of education are shown Figure 2.

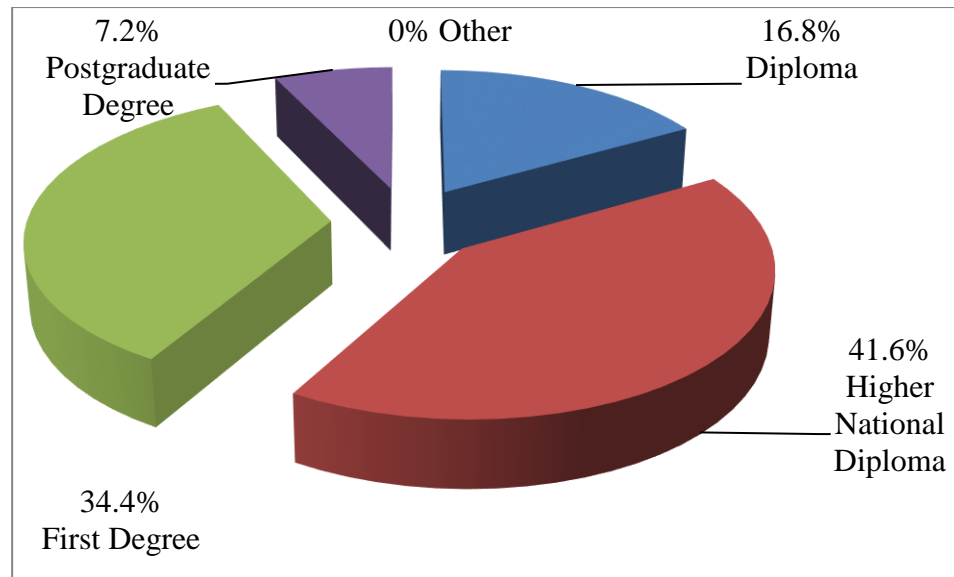


Figure 2: Level of Education of Respondents

Source: Field Survey, 2014

From the results presented in figure 2, it is clear that a majority of those involved in internal auditing in TaMA, 41.6%, have a Higher National Diploma (HND). This is followed by those with a University first degree, 34.4%. Those with a diploma were 16.8% and respondents with up to post graduate level education were 7.2%. Educational level is very important in understanding internal audit principles. However what the study did not seek to determine was how education level affects internal audit practices in TaMA.

Results and Discussions Based on Study Objectives

This section focuses on the results and discussions of the study. The research objectives form the heading of each presentation and responses to research questions guide the intricacies of the discussions in each case.

Internal Audit Practices in TaMA as Stipulated in the IAA Act, 2003

The first objective of the study sought to assess the internal audit practices in TaMA and whether they conform to what has been stipulated in the Internal Audit Agency Act, 2003, (Act 658). This was because some irregularities were

found by the Auditor General in its 2014 Report about the utilisation of the district Assemblies' common fund and other statutory funds for the year ended 31 December 2013. Thus there is a perception that there is divergence between principles of internal audit set out in the IAA Act and the practices in TaMA.

To achieve the first objective, a set of questions were derived from the first research question and respondents were asked these questions. Results of analysis of data gathered on these questions are discussed below.

On the question of how internal auditors in TaMA took seriously the mandate of the IAU, from the interviews with the internal auditors, it was gathered that they all stated that they took seriously the mandate of the IAU as stipulated in the Internal Audit Charter and the responsibilities imposed on the Internal Audit function by legal framework of Internal Audit Agency Act, 2003 (Act 658) and the Local Government System. One interviewee stated:

We do well to follow strictly, without any compromise whatsoever, all stipulations of the Internal Audit Charter regarding IAUs mandate in MMDAs. However, we cannot rule out human error in practice of principles and so cannot claim to be perfect in all we do as internal auditors. It therefore does not come as a surprise that there is a perception that what is in principle is not being followed in practice here in TaMA.”

As it is expected, the IAU in TaMA has no direct responsibility or authority for any of the activities or operations it reviews and does not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by auditors as stated in the Internal Audit Manual.

One of the major internal audit practices concerns accountability to management of TaMA. Thus the researcher sought to find out how this

practice is carried out. From the interviews, it was gathered that the IAU in TaMA accounts to management by; providing an annual an assessment on the adequacy and effectiveness of the Assembly’s processes for controlling its activities and managing its risks in the areas set forth under scope of IAU’s annual plan. Results of responses analysed on this issue are shown in Table 1.

Table 1: Annual Assessment by Internal Audit Department

Response	Frequency	Percent
Annual Assessment	7	100%
No Annual Assessment	0	0%
Total	7	100%

Source: Field Survey, 2014

From the results displayed, it is clear that all seven respondents, representing 100%, agreed that the internal audit unit in TaMA conducts annual assessment on the adequacy and effectiveness of the Assembly’s processes for controlling its activities and managing its risks in the areas set forth under scope of IAU’s. No respondents answered to the contrary. Based on the responses, the researcher gathered that reports are produced as part of the annual assessment. In this report the head of the internal audit provides an internal audit opinion based on the assessment of the risk management and internal control.

The Head of the IAU of in TaMA also at intervals of three months, prepares a report on the internal audit work carried out the IAU in TaMA during the period of three months immediately preceding the preparation of the report and submits the report to the Presiding Member of the Assembly. The Head of the IAU also makes observations concerning the conduct of the financial affairs of the Assembly during the period to which the report relates

and sends a copy of each quarterly report prepared by him to the Minister of the Ministry of Local Government and Rural Development, the Chief Executive of the Metropolitan, Municipal or District Assembly, the Regional Coordinating Council, the Director-General of the Internal Audit Agency, the Audit Report Implementation Committee (ARIC) and the Auditor-General.

This is critical because internal audit is a cornerstone of good public sector governance. It is an essential part of any public expenditure management system and ensures that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat, 2005).

Discussions of Effectiveness of Internal Audit Practices in TaMA

The second objective of the study sought to find out the effectiveness of the internal audit practices in TaMA. This is because of the perceived ineffective of internal audit practices in the TaMA. Results on the effectiveness of internal audit in these organizations are presented in Table 2.

Table 2: Effectiveness of Internal Audit Practices in TaMA

Response	Frequency	Percent
Very effective	2	28%
Effective	3	44%
Not effective	1	14%
Not sure	1	14%
Total	7	100

Source: Field Survey, 2014

From the results, 2 respondents, representing 28% of the total respondents interviewed said the internal auditing practices in TaMA are very effective. A majority of the respondents, 3, representing 44% said the internal

auditing practices are effective. One respondent, representing 14% said the internal auditing practices are not effective. Another respondent was not sure of the effectiveness of internal audit practices in TaMA in improving internal control and risk management in the areas set forth under scope of internal audit unit's annual plan. Thus overall majority of the respondents agreed that internal audit practices are effective in TaMA.

To determine the effectiveness of internal audit practices in TaMA, the question of whether measures are taken by the IAU to check and correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures that ensure there is no financial corruption and mismanagement is done in TaMA. This is because, as stipulated in the Internal Audit Manual, one of the functions of IAU ensure that; financial, managerial and operating information reported internally and externally, is accurate, reliable and timely and that the financial activities of MDAs and MMDAs are in compliance with and national resources are used economically, effectively and efficiently and well managed in MDAs and MMDAs. Results of analysis of responses on this question are shown in Figure 3.

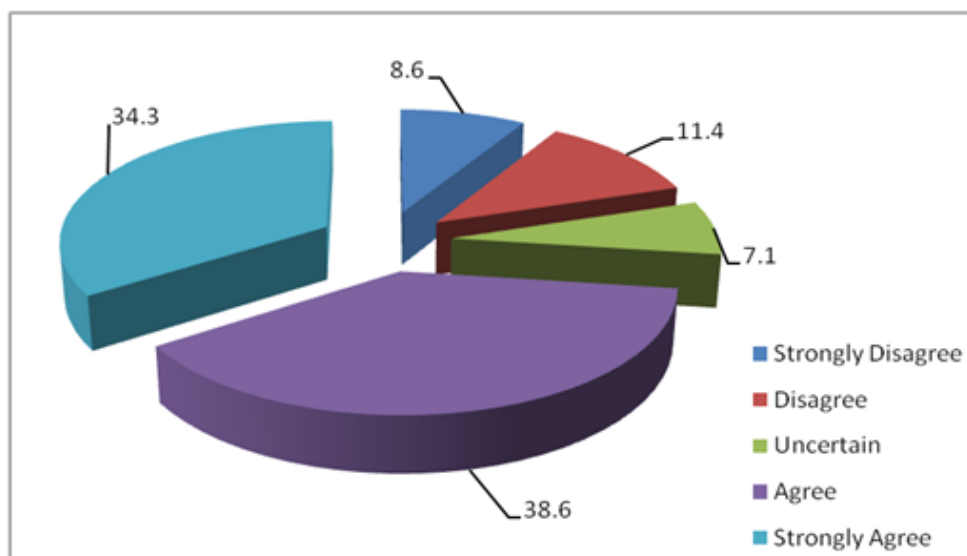


Figure 3: Measures Taken by Internal Auditors to Check Compliance

Source: Field Survey, 2014

The results show that, 34.3% of the respondents agree that measures are taken by the IAU to correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures. Majority, 38.6%, of the respondents strongly agreed that measures are taken by internal auditors to check and correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures financial malfeasance and fraudulent practices. However, 11.4% of the respondent disagreed that measures are taken by internal auditors to correct malfeasance and fraudulent practices. Another 8.6 % of the respondents strongly disagreed that measures are taken by internal auditors to check and correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures malfeasance and fraudulent practices. 7.1% of the respondents were uncertain about measures taken to this effect.

Overall, the responses show that measures are taken by internal auditors in TaMA to check and correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures. This helps reduce financial malfeasance and fraudulent practices in TaMA. Albercht et al. (1988) found that checking malpractices and financial malfeasance in an indication of internal audit effectiveness. According to Zeleke (2007) the internal audit activities help to prevent corruption, misappropriation of funds and other financial irregularities and ensure effective and efficient utilisation of resources for effective governance.

Design and Set of Internal Audit Unit as a Measure of Effectiveness

The study sought further to know how the design and set up of the internal audit unit helps check fraud and other irregularities in TaMA. From the interviews done with the internal auditors, it was gathered that internal auditors are recruited for TaMA by the Internal Audit Agency unit of the local government system and therefore the IAU is staffed with people who cannot be influenced by management of TaMA since they are not employed by TaMA. This is done to ensure internal auditors can be effective in their work.

It was also gathered that internal auditors in TaMA like in any other MMDAs have unrestricted access to all Units within the Assembly and access to the records, property and personnel of the Assembly; have full and free access to ARIC members; allocate resources, set audit frequencies, select auditable subjects, determine scope of audit work and apply the techniques required to accomplish audit objectives; obtain the necessary assistance of personnel in Units of the Assembly where they perform audits, as well as other specialised services from within or outside the Assembly (IAA, 2003).

The respondents were asked in the interviews whether the mode of recruitment of internal auditors (done by the Internal Audit Agency of the local government system) and the guaranteed access internal auditors have to records, property and personnel of TaMA in the discharge of their duties ensure that internal audit practices are effective in TaMA. It was gathered that the independence of the internal auditors was said to be a key element enhancing their effectiveness. Results of analysis of the respondents on the question of the independence are shown in Table 3.

Table 3: Internal Auditors' Independence in TaMA

Response	Frequency	Percent
Independence ensures effectiveness	5	72%
Independence does not ensure effectiveness	1	14%
Not ensure	1	14%
Total	7	100

Source: Field Survey, 2014

From the results, it is clear that 72% of respondents stated that independence of internal auditors ensures effectiveness of internal audit practices in TaMA. On the contrary 14% disagree. Another 14% were unsure of this. Overall it was clear that respondents believed that independence of internal auditors is important in their effective discharge of their duties. This finding is consistent with the findings of Bafour (2009) which revealed that the internal audit department's independence is an indication of effectiveness. Independence in the context of internal auditing is important as it allows internal auditors to carry out their work freely and objectively.

Independence of internal audit is the ability to make objective judgment and be free from direct management control for to the scope of work. Kalbers & Fogarty (2004) found that independence, autonomy and self-regulation are key attributes of independence and necessary in effective internal audit activities. As part of ensuring independence, the auditor must be allowed access to all necessary information to come up with informal judgments (Standard 100). Access internal auditors have to company records helps them function independently and effectively. Thus the researcher sought to know internal auditors' ease of access to records within the organisations and how internal auditors remain independent of management by not subordinating their judgement to management in accessing records they need from them.

From the interviews conducted as part of determining the independence of internal auditors, it was gathered from the interviews conducted with the internal auditors that the unrestricted access the IAU in TaMA has to all Units within the Assembly and access to the records, property and personnel of the Assembly as well as full and free access to audit report implementation committee (ARIC) members and personnel in Units of the Assembly where they perform audits, makes them independent and this ensures their effectiveness and facilitates proper internal audit activities.

Challenges to Internal Audit Practices of Tamale Metropolitan Assembly

The third study objective sought to find out the challenges of internal audit practices in TaMA. Internal audit units play vital functions in ensuring the effectiveness of internal control systems. Any challenges in the work of internal audit units can breed disaster in management of organizations. The third objective of the study sought to assess the challenges of internal audit practices in TaMA. From the interviews conducted with the internal auditors many challenges were cited in their work in TaMA.

It was gathered that it is the responsibility of the Head of the IAU, as stipulated in the Internal auditing Manual for MMDAs to allocate the audit assignments to each internal auditor in TaMA taking into consideration the factors which influence the scheduling and assignment of audits. The head of the IAU is expected to assign the audits and tasks to internal auditors according to the nature and complexity of the audit and internal auditor's experience and special preparation. The head of IAU checks the compliance of the completed work with the standards, the conclusions and evidence to the audit findings, as well as supervise to ensure that the planned time-table is met

and the time allocated for the audit is used effectively. However it was gathered from the internal auditors that this is not done effectively as it is stipulated. They cited delays in the assignment of audits as well as inadequate and untimely supervision of their work by the head of the IAU in TaMA.

The researcher asked whether the responsibility placed on the Head of the IAU, as stipulated in the Internal auditing Manual for MMDAs to allocate the audit assignments to each internal auditor in TaMA taking into consideration the factors which influence the scheduling and assignment of audits, was a challenge in the work of the IAU in TaMA. Table 4 shows results.

Table 4: Challenge of Head of IAU Determining Audit Assignments

Response	Frequency	Percent
Head of IAU determining audits is a challenge	2	28%
Head of IAU determining audit is not a challenge	4	68%
Not sure	1	14%
Total	7	100

Source: Field Survey, 2014

From the results, 28% stated that the Head of IAU determining audits is a challenge while 68% of the respondents stated that the Head of IAU determining audits is not a challenge in internal audit practice in TaMA. Fourteen 14% of the respondents were not of this issue.

From the interviews with the internal auditors, it was gathered that the IAU in TaMA is not adequately resourced with staff and appropriate technology to enable the internal auditors do their work effectively and efficiently. All the internal auditors stated this as a challenge to the IAU's work in ensuring that the internal audit function in the organization is effective. Related to this was the complaint of poor opportunities for continuous professional development of staff of the IAU in TaMA.

Another issue in internal audit practice in TaMA identified as a challenge hampering effectiveness of the internal audit function was the perceived ineffectiveness in communication between the internal audit unit in TaMA and the ARIC. Section 30 (1) of the Audit Service Act, 2000 (Act 584) requires all institutions subject to auditing by Auditor General, including Metropolitan, Municipal and District Assemblies (MMDAs) to set up an Audit Report Implementation Committee (ARIC) to ensure the implementation of the recommendations of audit reports. Section 16(8) of the Internal Audit Agency Act, 2003 (Act 658) also reiterates the need for all MDAS and MMDAS to comply with Section 30(1) of Act 584 and establish ARICs. The framework for professional practice of Internal Auditing issued by the Institute of Internal Auditors also requires organizations to have effective Audit Committees. It was gathered from the interviews that the IAU in TaMA does not frequently communicate with ARIC

An ARIC is a statutory and high level independent corporate governance committee in the public sector financial management system. This committee, among other things, promotes the effective functioning of Internal Audit Units and follow up on the implementation of audit recommendations to ensure efficient and effective utilization of public resources in line with the objectives of the Public Financial Management Reform Programs (PUFMARP).

From the interviews about 39% of the respondents stated that there is **no** effective communication between the IAU and ARIC within TaMA while about 61% of the respondents strongly agreed that there is communication links between the audit department and all the units within the organisation. The results are shown in figure 4.

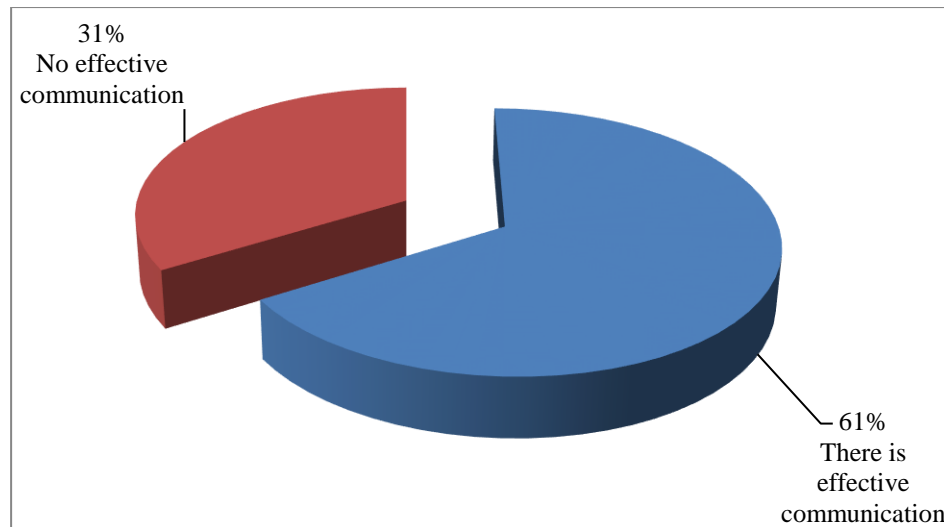


Figure 4: Communication between IAU and the ARIC

Source: Field Survey, 2014

Effective communication plays a crucial role in internal auditing effectiveness. Davidson (1991) argues that, all auditors benefit from effective communication, and even those who believe they are good communicators need to work consciously on assessing, improving, and applying their skills.

Since majority of the respondents, stated that there is effective communication links between the IAU in TaMA and ARIC it means that communication is not a major challenge to Internal auditing practice in TaMA. The inability to communicate effectively could result in confusion and complexity. Hahn (2008) argued that much information is as bad as little information because it reduces the receiver's ability to concentrate effectively on the most significant messages. In such an environment, internal audit report users may have new concerns about their trust for internal auditors' performance. Thus, effective communication becomes necessary as a solution to this problem. To overcome communication problems, Hahn (2008) recommends parties of the communication process to focus and offer only the necessary information by easy ways - provide meaning to the information

rather than just pass on the message, and keep the information clear and simple to understand and finally ask for feedback.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary, conclusions and recommendations of the study. In the summary section, the researcher gives an overview of the study and a summary of key findings of the study. This study was conducted to achieve certain objectives. The conclusions are findings in relation to the objectives of the study. Some recommendations are put forward to improve the internal audit practices in TaMA. Suggestions are given for future studies.

Summary

This study was set out to examine the internal audit practices in the Tamale metropolis of the Northern Region of Ghana and determine how effective they are in achieving the stipulated objects of IAUs in MMDAs. Undertaken to fulfil an academic requirement, the study had three objectives including; to assess the internal audit practices in TaMA as stipulated in the Internal Audit Agency Act, to assess the effectiveness of the IAU in TaMA in checking compliance to rules, regulations, systems, policies, and procedures prescribed by the Assembly and/or by regulatory authorities and to identify challenges internal auditors face in their practice in TaMA.

The study was organised into five chapters. The first chapter discussed the problem of the study, set clear cut objectives to be achieved by the study and outlined reasons why this study is significant. The second chapter was the literature review. The third chapter was the methodology of the study. The fourth chapter was the results and discussions. This fifth chapter is gives the summary, conclusions and recommendations.

The main findings of the study are summarized below.

1. The IAU in TaMA practices the principles stipulated in the Internal Audit Charter regarding IAUs mandate in MMDAs.
2. One hundred (100) percent of respondents agreed that the internal audit unit in TaMA conducts annual assessment on the adequacy and effectiveness of the Assembly's processes for controlling its activities and managing its risks in the areas set forth under scope of IAU's. It conducts the annual assessment and prepares reports. In this report the Head of the internal audit provides an internal audit opinion based on the assessment of the risk management and internal control system.
3. On the effectiveness of internal audit practices in improving internal control and risk management in the areas set forth under scope of IAU's annual plan, 28% of the respondents said they are very effective, 44% said the internal auditing practices are effective, 14% said the internal auditing practices are not effective and another 14% was not sure of the effectiveness of internal audit practices in TaMA.
4. About 34.3% of respondents agreed that measures are taken by IAU in TaMA to correct non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures, 38.6%, of the respondents strongly agreed on this, 11.4% of the respondents disagreed on this, 8.6 % of the respondents strongly disagreed on this and 7.1% of the respondents were unsure about measures taken to this effect.

5. Respondents cited delays in the assignment of audits as well as inadequate and untimely supervision of their work by the head of the IAU in TaMA as challenges in internal audit practices in TaMA.
6. Since internal audit practices and functions in TaMA are not determined by management of, independence of internal auditors is not challenged.
7. Majority of the respondents stated that the internal audit unit in TaMA is not adequately resourced with staff and appropriate technology to enable the internal auditors do their work effectively and efficiently.
8. Internal auditors have unrestricted access the IAU in TaMA has to all Units within the Assembly and access to the records, property and personnel of the Assembly as well as full and free access to audit report implementation committee (ARIC) members and personnel in Units of the Assembly where they perform audits and this guarantees their independence and ensures their effectiveness.
9. Majority of the respondents, 61%, stated that there is effective communication links between the IAU in TaMA and ARIC. This means that communication is not a major challenge to internal audit practices in TaMA.

Conclusions

From the discussion of the findings, the following conclusions can be made.

1. The IAU in TaMA practices the principles stipulated in the Internal Audit Charter regarding IAUs mandate in MMDAs.
2. The IAU in TaMA conducts annual assessment on the adequacy and effectiveness of the Assembly's processes for controlling its activities

and managing its risks in the areas set forth under scope of IAU's. It conducts the annual assessment and prepares reports. In this report the Head of the internal audit provides an internal audit opinion based on the assessment of the risk management and internal control system.

3. Internal audit practices in TaMA are effective in improving internal control and risk management in the areas set forth under scope of IAU's annual plan.
4. The IAU in TaMA corrects non-compliance and non-conformity of financial reporting to laws, policies, plans, standards and procedures.
5. Delays in the assignment of audits to internal auditors in TaMA as well as inadequate and untimely supervision of their work by the Head of the IAU in TaMA are challenges in internal audit practices in TaMA.
6. Internal auditors in TaMA are free to do their work since the scope of their work is not determined by management.
7. The internal audit department in TaMA needs to be adequately resourced with staff and appropriate technology to enable the internal auditors do their work effectively and efficiently.
8. Internal auditors' independence of internal auditors is not challenged. Access internal auditors have to company records helps them function independently and effectively.
9. There is effective communication links between the IAU in TaMA and ARIC. This means that communication is not a major challenge to internal audit practices in TaMA.

Recommendations

Based on the conclusions, the following recommendations are made to strengthen internal audit departments, make them more effective and improve internal audit practices in TaMA so as to help promote efficient and effective financial management in the organization.

The internal auditors in TaMA can learn from other MMDAs how they carry out their internal audit practices. Carrying out a benchmarking review of other MMDAs will help determine structure of the department, the use of audit committees, reporting lines, scope of work and staffing requirements.

The internal audit department in TaMA needs to be adequately resourced with staff and appropriate technology to enable the internal auditors do their work effectively and efficiently. Management need to ensure that the internal audit team has experience and that they have the skills/resources to carry out their work. The use of the audit committee is considered as very critical. Management must give enough funding to internal audit departments to help them meet their operations and improve their effectiveness.

There should be knowledge sharing platforms for internal auditors in TaMA to help upgrade their knowledge of modern internal audit. Internal auditors must be trained on sound internal audit practices to ensure that TaMA enjoys the full benefit of the existence of internal audit departments.

The delays in the assignment of audits as well as inadequate and untimely supervision of their work by the head of the IAU in TaMA cited as challenges should be resolved to help improve the internal audit practices in TaMA. The Head of the IAU in TaMA must ensure that internal auditors have the duties assigned to them when necessary, and ensure they have all resources they need

to be effective in the discharge of their duties. The Head of the internal audit unit must always follow up on the staff to ensure they are carrying out their duties properly.

Suggested Areas for Future Research

This research was limited. The limitations are opportunities for future research. Thus some of suggestions for future research relating to the problem that can help solve the limitations of this study and extend its findings are given by the researcher below. Future research should focus on;

1. It is suggested that alternative research designs could be used in future studies to add insight to our understanding of internal audit practices.

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APPENDIX

INTERVIEW GUIDE

This interview guide is on a research titled: “A study of internal audit practices in the Tamale Metropolitan Assembly in the Northern Region of Ghana.”

Your participation in this interview should be voluntary and you do not have to answer any questions you do not want to. What you say in this interview is confidential; it will not be possible to identify anyone in the report. The conversation would be recorded and the data stored securely. Recordings are only accessible to the researcher and are destroyed after the study is finished.

Do you have any questions before we start?

Date: _____ Location of Interview: _____
Start Time: _____ End Time: _____

Section 1: Socio- Demographic Information of Respondents

1. Age: 21–30 years 31-40 years 41– 50years 50-60 years
2. Level of education HND First Degree Postgraduate others
3. Number of years of work experience in the IAU in TaMA
4. Your role and responsibilities in TaMA.

Section 2: Questions Relating To the Research Objectives

Questions on how well IAU in TaMA practices stipulations of the IAA Act

1. Do know the policies and principles stipulated in the Internal Audit Agency Act?
2. How well is internal audit practiced in TaMA as stipulated in the Internal Audit Agency Act?

Questions on IAU check on TaMA’s Compliance to rules, regulations, etc.

3. What are your responsibilities in relation to internal auditing rules and regulations?

4. Does the IAU in TaMA keep a check on compliance of rules, regulations, systems, policies, and procedures prescribed by the Assembly and/or by regulatory authorities?
5. How does the IAU keep a check on compliance of rules, regulations, systems, policies and procedures prescribed by the regulatory authorities?

Questions on Challenges of the IAU and what can be done to improve practices

6. What challenges do the internal audit unit in TaMA face in its work?
7. What can be done to improve the internal audit practices in TaMA?
8. Do you have any other concern that has not been expressed?

Thank You!!