

UNIVERSITY OF CAPE COAST

INTERNAL AUDITING IN SELECTED LOCAL GOVERNMENTS IN
THE CENTRAL REGION OF GHANA

BY

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DECLARATION

Candidate's Declaration

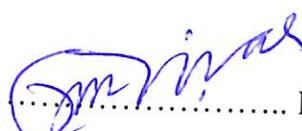
I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

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Supervisors' Declaration

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

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ABSTRACT

Internal auditing is expected to monitor resource mobilisation and utilisation in order to achieve development objectives at the local level. However, the Auditor-General's reports on local governments in Ghana depict irregularities which recur year after year since 1997. Using the interpretive research philosophy and a qualitative research design, the study examined how internal auditing is carried out that it could not stop the irregularities in local governments. The study was conducted in selected local governments in the Central Region of Ghana. The explorative research design was employed. The study population covered Chief Executives of the local governments, Coordinating Directors, Chairpersons of Audit Report Implementation Committees, Internal Auditors, District Auditors, Chairman of Public Accounts Committee of Parliament, Director-General of Internal Audit Agency, Auditor-General, President of Institute of Internal Auditors (GH), and a representative from the DDF FOAT Secretariat. A sample size of 25 was purposively selected but 20 took part in the study. The data collection method was key informants interview and the data collection instruments were interview guides and checklists. The data was analysed manually using pattern matching, comparison, interpretation, and content analysis. The study revealed that internal auditing was carried out poorly because management bodies did not support internal auditors to discharge their duties in an independent and objective manner. It is recommended that an Internal Audit Class should be established so that internal auditors in the local government institutions could be placed under the Class for them to report administratively to its Head in order to ensure their independence and objectivity in discharging their duties.

KEY WORDS

Ghana

Internal auditing

Irregularities

Local level

Operations

Performance

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DEDICATION

To my family

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LIST OF ABBREVIATIONS

AAK	-	Abura-Asebu-Kwamankese
AAKDA	-	Abura-Asebu-Kwamankese-District Assembly
AAP	-	Annual Action Plan
AC	-	Audit Committee
ARIC	-	Audit Report Implementation Committee
ARICs	-	Audit Report Implementation Committees
CCMA	-	Cape Coast Metropolitan Assembly
CIAA	-	Central Internal Audit Agency
COSO	-	Committee of Sponsoring Organisations of the Treadway Commission
DACF	-	District Assemblies' Common Fund
DDF	-	District Development Facility
DPCU	-	District Planning Co-ordinating Unit
EC	-	European Commission
ERM	-	Enterprise-wide Risk Management
EU	-	European Union
FOAT	-	Functional and Organisational Assessment Tool
GIFMIS	-	Ghana Integrated Financial Management Information System
GOEs	-	Government Owned Enterprises
GoG	-	Government of Ghana
GSS	-	Ghana Statistical Service
IAA	-	Internal Audit Agency
IFC	-	International Finance Company

IGF	-	Internally Generated Fund
IIA	-	Institute of Internal Auditors
IIARF	-	Institute of Internal Auditors Research Foundation
ILGS	-	Institute of Local Government Studies
IPPF	-	International Professional Practice Framework
KEEAMA	-	Komenda-Edina-Eguafo-Abrem Municipal Assembly
LED	-	Local Economic Development
LGS	-	Local Government Service
LI	-	Legislative Instrument
MDAs	-	Ministries, Departments, and Agencies
MLGRD	-	Ministry of Local Government and Rural Development
MMA	-	Mfantseman Municipal Assembly
MMDA	-	Metropolitan, Municipal, and District Assembly
MMDAs	-	Metropolitan, Municipal, and District Assemblies
MMDCDs	-	Metropolitan, Municipal, and District Co-ordinating Directors
MMDCEs	-	Metropolitan, Municipal, and District Chief Executives
NALAG	-	National Association of Local Authorities in Ghana
NGOs	-	Non-Governmental Organisations
OECD	-	Organisation for Economic Co-operation and Development
PAC	-	Public Accounts Committee
PARDIC	-	Public Administration Restructuring and Decentralisation Implementation Committee
PBGS	-	Performance Based Grant System

PhD	-	Doctor of Philosophy
PNDC	-	Provisional National Defence Council
PNDCL	-	Provisional National Defence Council Law
PPMED	-	Policy, Planning, Monitoring, and Evaluation Division
PUFMARP	-	Public Financial Management Reform Programme
RCCs	-	Regional Co-ordinating Councils
RSSF	-	Rwanda Social Security Fund
SMCD	-	Supreme Military Council Decree
TARA	-	Transfer, Accept, Reduce or Avoid
THLDD	-	Twifo-Hemang-Lower Denkyira District
THLDDA	-	Twifo-Hemang-Lower Denkyira District Assembly
TSE	-	Tehran Stock Exchange
UK	-	United Kingdom

CHAPTER ONE

INTRODUCTION

Background to the Study

Decentralisation embraces a variety of concepts such as political decentralisation, administrative decentralisation, and fiscal decentralisation. However, the overall aim is to transfer authority and responsibilities for public functions to subordinate levels of government up to the local level. Decentralisation brings government closer to the people and encourages participation of the people in decision-making (Khan, 2012). The decentralised activities are performed by institutions which have been established by legislations to operate within certain powers and are known as local governments. In Ghana, local governments refer to the Metropolitan, Municipal, and District Assemblies (MMDAs) or the Assemblies.

Local governance is determined by the functions which are carried out; and different countries define local governance in different ways (Ahwoi, 2010). Local government occupies the lowest tier administration in a state and it is always in constant touch with the local people. The local people need goods and services in order to help to improve their living conditions; and the goods and services are provided by local governments. The incentive to provide better service delivery is enhanced when the transfer of authority and power from the central government to sub-national governments is complemented by fiscal decentralisation; where means and resources are made to follow the functions dispersed to the local governments (Scott, 2012).

The plethora of responsibilities that have been assigned to MMDAs indicates the need to ensuring sustainable development, promoting good

governance, providing infrastructure, and creating sound environment for productive activities (Mensah & Kendie, 2008). In order to ensure that the MMDAs' operations meet the requisite expectations, objective assurance activities are required in order to monitor and track the activities of the MMDAs. The activities of the MMDAs are monitored with reference to the laid down policies, laws, rules, regulations, the process of decision making and implementation, and the risks that face management and how to manage the risks to achieve good corporate governance.

There had been a number of reforms aimed at improving financial management at the local government level, yet there seems to be no change in the efficiency of MMDAs. One such reform is the introduction of internal audit units in MMDAs. However, the internal auditing that is carried out does not seem to help stop the irregularities in the MMDAs in Ghana because the effectiveness of internal auditing would be determined at the point where objectives that have been set have been achieved. But according to Boachie-Danquah (as cited in Alam & Koranteng, 2011, p.117), most public agencies including local governments are seen as dishonest. Ayee (2003) has also indicated that in some instances, resources are mismanaged by Local Governments.

At a Consultative forum of Internal Audit Agency in Accra to advocate for the amendment of the Internal Audit Agency (2003) Act 658 to deal with deficiencies and implementation challenges hampering performance, the Daily Guide newspaper of June 19, 2012 published that key stakeholders criticised internal auditors for allowing fraud and waste in institutions. Moreover, the Auditor-General's reports have emphasised that even though there had been

irregularities in local governments since 1997, the irregularities continue to recur in their operations in 2012.

MMDAs cannot operate efficiently in an environment fraught with inadequacies. In order to ensure that MMDAs' objectives could be achieved, management bodies are required to commit themselves to provide the necessary support to the internal audit process so that internal auditing could be carried out effectively to help stop irregularities in the operations of MMDAs in order to enhance their performance. Enofe, Mgbame, Osa-Erhabor, and Ehiorobo, (2013) acknowledged that internal auditing contributes to effective and efficient service delivery to the people.

The internal auditing is a mechanism which could be used to track and provide the needed assurance in the operations of local governments in order to ensure that the desired state of affairs is achieved. The internal auditing is defined by the Institute of Internal Auditing (IIA, 1999) as an independent, objective assurance, and consulting activity designed to add value and improve an organisation's operations; and that it helps the organisation to accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The three thematic areas of the definition of internal auditing are the risk management, control, and governance processes; and these are known as the pillars of internal auditing (Asare as cited in Austin, 2011, p. 33).

The pillars of internal auditing provide the needed support to run organisations successfully and consist of their respective elements which are used to prepare internal audit programmes that form part of the internal audit

working tools. The internal audit working tools are sets of internal auditing documents which assist in providing guidance for carrying out an internal audit activity.

The standard internal audit working tools are the internal audit charter, internal auditing standards, strategic plan for the internal audit unit, code of ethics for internal auditing, internal audit plan, programme of work, and audit programme (Kwakye, 2008). The word 'standard' which has been used in this thesis to qualify situations, indicate that the situations mentioned are considered as the generally accepted situations, given that all other things are equal in the management of the internal audit function.

The internal audit charter spells out the purpose, authority, and responsibilities of internal auditing and the internal auditing standards are the basic requirements which guide the overall conduct of internal auditing. The strategic plan for the internal audit unit directs the focus of the practice of internal auditing over a period of time. The code of ethics explains the requisite behaviours, attitudes, conduct, and attributes that internal auditors and entities that carry out internal auditing are required to demonstrate in the performance of their functions.

The internal audit plan outlines the internal audit activities that should be undertaken in order to help to achieve stated objectives over a period of time. The programme of work consists of the work plan of the internal audit unit while the audit programme provides the step by step procedures or approach that must be followed in conducting internal auditing. The standard internal audit working tools ought to be applied to internal audit assignments.

The extent to which they are applied in the internal audit process determines the quality of internal audit work done.

The Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control-Integrated Framework provides conditions that support internal auditing in order to help organisations to achieve good performance. The conditions are found under the principles of the components of the COSO Internal Control-Integrated Framework. The components of the COSO Internal Control-Integrated Framework are as follows:

- (1) Control environment
- (2) Risk assessment
- (3) Control activities
- (4) Information and Communication and
- (5) Monitoring.

The conditions under which internal audit is carried out in the MMDAs refer to situations in the MMDAs which affect the internal audit process. The situations would either support the internal audit process or hinder the internal audit process. The situations which support the internal audit process are the conditions per the principles of the components of the COSO internal control-integrated framework which assist the internal audit process in order to help to stop irregularities in the MMDAs. On the contrary, the situations which hinder the internal audit process are those which are at variance with the conditions per the principles of the components of the COSO internal control-integrated framework which obstruct and undermine the internal audit process, thereby allowing irregularities in the MMDAs.

The internally generated fund (IGF) which is expected to augment central government transfers for the provision of goods and services is not harnessed to serve the purpose effectively and has created a huge funding gap in the processes of the MMDAs (Government of Ghana, 2009). The Government of Ghana (GoG) reckons that there should be the need to close the funding gap and at the same time ensure improvement in the performance of the MMDAs; and has introduced a performance based grant system (PBGS) called the District Development Facility (DDF) (Government of Ghana, 2009).

A performance assessment mechanism which is known as the Functional and Organisational Assessment Tool (FOAT) is employed to assess performance of MMDAs (Government of Ghana, 2009). The performance of MMDAs is assessed annually since 2007 using the District Development Facility (DDF) FOAT assessment in order to know the outcome of the operations of the MMDAs. Under the DDF FOAT assessment, the performance of MMDAs is tied to securing additional funds for development; and MMDAs which meet the expectations of the assessment are rewarded with more funds for development. The MMDAs which do not meet the expectations of the assessment are given funds to develop their capacity.

In addition to the FOAT performance assessment, the Auditor-General carries out periodic independent audit of the activities of the local governments as another form of performance assessment through the district auditors. Local governments which record irregularities in operations as per the audit reports are summoned before the Public Accounts Committee (PAC) of Parliament for them to explain their actions and inactions. For purposes of

the study, the selected MMDAs' performance (whether good, weak, favourable or unfavourable) will be determined by reference to:

- (1) the 2012 DDF FOAT performance assessment reports;
- (2) the 2012 District Auditors' reports; and
- (3) the responses from key informants.

In the context of the study, the performance of the MMDAs refers to the end result of the day to day activities (operations) that are carried out to achieve objective(s) that have been set for the MMDAs over a period of time. A good or favourable performance is therefore linked to the end result from the day to day activities of the MMDAs which have achieved the objective(s) that have been set over a period of time; while a weak or unfavourable performance indicates the end result from the day to day activities of the MMDAs which have not achieved the objective(s) that have been set over a period of time.

Four theories underlie the study and they are the agency theory, bureaucratic theory of management, institutional theory, and the open systems theory. The agency theory is the principal theory and the rest are subsidiary theories. The agency theory provides a framework for monitoring activities to ensure that corporate objectives in organisations are achieved and the bureaucratic theory of management, with its methodical and strict adherence to formalities, supports the systematic and disciplined approach of internal auditing. The institutional theory underpins the study by ensuring that the external environment exerts pressures constantly on local governments in order for them to survive; while the open systems theory offers an opportunity

to organisations to interact with their environments in order to exchange ideas for their successful running.

Statement of the Problem

Organisations operate to achieve objectives that have been set. In order to ensure that the objectives have been achieved, management bodies establish policies, rules, regulations, procedures, and other enactments that serve as a guide to assist in running the organisations. For management to keep track of operations with regard to achieving stated objectives, internal audit functions have been established within organisations to appraise operations in an independent and objective manner in order to assure management that systems and policies are adequate to keep the organisations running as expected. In situations where there are irregularities, objectives cannot be achieved.

Internal auditing is carried out in local governments in order to help to ensure that there is economy, efficiency, and effectiveness of operations. Consequently, the local governments are expected to operate to achieve good performance in environments where there are no irregularities that can hinder the achievement of objectives.

In spite of carrying out internal auditing in local governments, a survey on Ghana Governance and Corruption which was supervised by the Ghana Anti-Corruption Coalition and published in 2000 had noted that most public agencies including local governments are seen as dishonest (Boachie-Danquah as cited in Alam & Koranteng, 2011, p. 117). At a consultative forum of Internal Audit Agency (IAA) to discuss the need for amending the Internal Audit Agency Act 658 (2003) in Accra, the Daily Guide Newspaper of June 19, 2012 reported that key stakeholders criticised internal auditors in the

performance of their professional functions and mandate in assisting to improve performance and fighting fraud, waste and abuse of public resources. The Auditor-General (2012) has confirmed irregularities in public sector institutions including local governments.

The indication is that the internal auditing that is carried out does not seem to help to stop irregularities in local governments in Ghana; and in the literature that was reviewed, the researcher was unable to find a study in Ghana on how internal auditing is carried out in local governments. All the studies reviewed on internal auditing in Ghana had been on topics such as the usefulness of internal audit departments to manage finances (e.g. Manu, 2008), assessing corporate governance practices (e.g. Bokpin & Nyarko, 2009), requirements for setting up and operating internal audit departments (e.g. Baffour, 2009), and assessing the effectiveness of internal auditing in promoting good governance (e.g. Dawuda, 2010).

The others are on evaluation of internal controls (e.g. Affum, 2011), role of internal auditing (e.g. Austin, 2011), role and limiting factors to effective internal auditing (e.g. Onumah & Krah, 2012), and internal control system and challenges in cash collection (e.g. Gyebi & Quain, 2013). The rest are on how internal auditing is to be enhanced (e.g. Asuming, Forkuo, Kankam, Ode, & Tetteh, 2013), and adoption of risk based internal auditing (e.g. Ayagre, 2014).

The study area was selected based on the fact that the Central Region is generally known as a tourism hub of Ghana and therefore needs to be developed to attract tourists to help boost economic activities for improvement in the living conditions of the people. The selected areas have tourist sites like the Cape Coast Castle in the Cape Coast Metropolis, Kakum National Park in

the Twifo-Hemang-Lower-Denkyira District, Fort Nassau at Moree and the Snake Mountain at Asebu in the Abura-Asebu-Kwamankese District, and Fort William at Anomabo and Fort Amsterdam at Abandze in the Mfantseman Municipality.

The study area has not been developed to expectation even though resources had been provided by successive governments for development. Resources that are made available to the study area through the selected MMDAs should therefore be tracked for efficient and effective allocation and utilisation in their respective development process.

Objectives of the Study

The general objective of the study is examining the internal auditing in the selected local governments in the Central Region of Ghana. The specific objectives are as follows:

- (1) examining the internal audit process of the MMDAs;
- (2) investigating the conditions under which internal audit was carried out in the MMDAs;
- (3) examining the 2012 performance reports of the selected local governments; and
- (4) making recommendations for the purpose of improving how internal auditing is carried out in local government units in order to improve performance.

Research Questions

The research questions to the study are:

- (1) what was the internal audit process of the MMDAs?
- (2) under which conditions was internal audit carried out in the MMDAs?

- (3) how did the selected local governments perform in 2012?
- (4) what recommendations are needed for the purpose of improving how internal auditing is carried out in local government units in order to improve performance?

Significance of the Study

The study has four areas of significance as follows:

- (1) the challenges of carrying out internal audit in the selected MMDAs would be known and policy makers could take informed decisions on other public institutions undergoing similar experience;
- (2) it would reveal how the internal auditing that was carried out affected performance in the selected MMDAs;
- (3) the study would add up to the existing literature on enhancing the practice of internal auditing and the performance of local governments; and
- (4) the study would serve as a foundation for similar academic work in future.

Delimitations

For financial, logistical and time reasons, the actual data collection covered four MMDAs namely; Cape Coast Metropolitan Assembly (CCMA), Mfantseman Municipal Assembly (MMA), Abura-Asebu-Kwamankese District Assembly (AAKDA), and Twifo-Hemang-Lower-Denkyira District Assembly (THLDDA). Within the context of the problem that was investigated, the issues cover decentralisation, local governance, internal auditing, and performance. The theories that underpinned the study were

agency theory, bureaucratic theory of management, institutional theory, and open systems theory.

Limitations

The limitations were in the area of sample size and no voice-recorded interview. The others were delays in data collection and limited scope of study due to financial constraints.

- (1) a. The four Metropolitan, Municipal, and District Chief Executives (MMDCEs) who were included in the study as part of the key informants could not make time to be interviewed throughout the data collection period.
 - b. A District auditor from Ghana Audit Service did not participate in the study because he could not make time for the interview.
 - c. The Auditor-General asked the Central Regional Auditor to represent him in the study.
- (2) The interview of the President of the Institute of Internal Auditors was not tape-recorded because according to him, he did not have permission for voice-recorded interview. The interview was recorded by hand with short notes devoid of emotions and other personal feelings.
 - (3) Some key informants did not have time for the interviews and interviewers had to visit them on more than two occasions. Other key informants kept on rescheduling appointment dates on telephone and therefore delayed the data collection.
 - (4) The views of officers and members of the selected MMDAs whose duties are covered by internal auditing could not be interviewed due to financial constraints.

Definition of Terms

Local level: An area where power and authority have been transferred to, to enable the people to take decisions that affect the governance of the area.

Operations: The day to day activities of the MMDAs.

Irregularities: Deviations from laid down procedures, standards, and norms established for the running of the affairs of the MMDAs; which hinder the achievement of objectives.

Internal auditing: Independent appraisal of MMDAs' activities to ensure that operations conform to laid down procedures and risks are managed in order to help to accomplish objectives in the MMDAs.

Performance: The end results of the day to day activities of the MMDAs.

Ghana: The country of reference for the study.

Organisation of the Study

The study is structured into eight chapters. Chapter One focuses on background to the study, which covers the purpose of internal auditing, the statement of the problem, objectives of the study, research questions, significance of the study, delimitation, limitations to the study, definition of terms, and the organisation of the study.

Chapters Two and Three deal with the literature review. Chapter Two captures decentralisation, local governance, internal auditing, and performance. The various forms of decentralisation have also been dealt with under chapter two including Ghana's decentralisation and the necessity for reforms, and the structure of Ghana's local governance system.

The pillars of internal auditing and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control-Integrated Framework have been highlighted. The International Professional Practices Framework (IPPF) on internal auditing has also been captured.

The practice of internal auditing and management support for internal auditing have been dealt with; including the legal and institutional framework of internal auditing in Ghana. The performance assessment of MMDAs using the functional and organisational assessment tool and the district auditors' reports is also under chapter two of the study.

Chapter Three focuses on theoretical and empirical review of literature and the conceptual framework. It covers the relevant theories underpinning the study and how the theories relate to the study; while the empirical studies that were reviewed, including lessons learnt from the review exercise, were highlighted. The conceptual framework which discusses an operational model for carrying out internal auditing in local governments is captured under the chapter.

Chapter Four deals with research methods and covers how the study was undertaken systematically. It covers the study area, research philosophy, research design, study population, sample size and sampling procedure, sources of data, methods of data collection, data collection instruments, pre-test, field work, ethical considerations, and data processing and analysis.

Chapters Five, Six, and Seven, relate to the analysis of the data that were collected for the study. Chapter Eight focuses on the summary, conclusions, and recommendations. Areas for further research and contributions to knowledge were also treated under chapter eight.

CHAPTER TWO

DECENTRALISATION, LOCAL GOVERNMENT, INTERNAL AUDITING AND PERFORMANCE

Introduction

This chapter includes decentralisation and how it affects the development of the people and their livelihood. The issues which have been discussed deal with the meaning of decentralisation, and decentralisation in Ghana and its reform programmes. Ghana's local governance system has also been dealt with including its structure, and emerging issues at the local level in Ghana. Other issues treated in the chapter are internal auditing and its scope, the pillars of internal auditing, the internal auditing practice, the international professional practices framework on internal auditing, and the legal and institutional framework on internal auditing in Ghana. The performance of local governments in Ghana has been captured under the chapter and includes the performance-based grant system, the district development facility and the functional and organisational assessment tool. The audit reports on the local governments have also been discussed.

Decentralisation

Decentralisation is a policy issue in development which has enjoyed a lot of debate. It has different explanations from different points of view. Manor (1997) refers to decentralisation as the fashion of our time, Campbell (2001) views it as the quiet revolution, Bardhan (2002) calls it the rage; while Azfar, Kahkonen, and Meagher (2000) explain it as bringing government closer to the people, and Johnson (as cited in Adams, 2012, p. 107) presenting decentralisation as the sine qua non of poverty reduction.

Decentralisation is understood by many people to improve decision-making, implementation of policies on political, administrative or financial affairs, and an effective way of delivering basic goods and services to the people (Yankson, 2007). It ensures that decisions that affect the people are taken by the people. The people come up with their preferences but their expectation is determined by the responsiveness of the local governments.

Kumi-Kyereme, Yankson, and Thomi (2006) believe that the responsiveness of local governments would make the people feel that their needs have been taken care of, even if the needs are not explicitly specified. They added that even though the district assemblies have been responsive to the pressing developmental needs of communities, other significant determinants of community progress like peace, order, security, road, transport, and communication did not receive the needed attention from the district assemblies.

Decentralisation ensures that the needs of the communities are better prioritised to reflect the desires of the people so that available resources are utilised and managed to further aspirations at the local level. In some instances, resources are mismanaged (Ayee, 2003) to the disappointment of the local people because the quality of goods and services provided are poor.

The people at the local level are aware of what takes place within the communities (Shah, 2006) and have the desire to probe into issues that affect their well-being. Decentralisation engenders transparency and accountability. In addition to providing a platform for innovation and initiative (Baskaran & Feld, 2009), decentralisation brings about change because the people are

encouraged to plan, take decisions, and implement ideas that are developed in the course of interactions with each other and the environment.

According to Mahama (2013), decentralisation has become popular because it encourages the mobilisation of resources at the local level for development. Galiani, Gertler, and Schargrotsky and Faguet and Sanchez (2008) (as cited in Adams, 2012, p. 107) also argue that decentralisation improves efficiency in service delivery and economic growth while Rodriguez-Pose and Kroijer and Tanzi (as cited in Adams, 2012, p. 107) do not believe that decentralisation always bring about efficiency in service delivery.

Another school of thought posits that some studies find no relationship between decentralisation and economic growth (Thornton 2007, Baskaran & Feld, 2009). Bardhan and Mookherjee (2005) conclude that research findings on decentralisation is context specific, and this has been corroborated by Tosun and Yilmaz (as cited in Adams, 2012, p. 107) that even though a lot of recent studies have been conducted on decentralisation efforts in several developing countries, not much has been done in the African context.

Decentralisation in Ghana

Decentralisation has been practised in Ghana since the colonial times but it became more particular in the 1980s because of the part played by the decentralised government system in the arrangement to reform governance programmes. The Provisional National Defence Council (PNDC) assumed power in Ghana on the 31st December, 1981 and issued a policy document called the PNDC Policy Guidelines (Ahwoi, 2010).

In the policy guidelines were two basic policy positions on decentralisation and local government. The first one had to do with the need for participatory democracy in order to render successive governments responsive and accountable to the governed; whilst the second one dealt with the fact that the assumption of power by the people could not be complete unless a decentralised government system was introduced.

According to Ahwoi (2010), the introduction of the new decentralised government system was faced with some difficulties. Among the difficulties are the re-demarcation of district boundaries, the structures of the local government, the definition and variants of decentralisation to inform a new local government system, the functions to be transferred to the new structures of local government, the financing of the decentralised government system, and the cost of its introduction.

In order to deal with all the outstanding difficulties, in relation to the introduction of the new decentralised government system, the Public Administration Restructuring and Decentralisation Implementation Committee (PARDIC) was established (Ahwoi, 2010). Other relevant legislative provisions that facilitated the implementation of the decentralisation policy included the National Development Planning Commission (1994) Act 479, the Local Government (Urban, Zonal and Town Councils and Unit Committees) Establishment Instrument of 1994, Legislative Instrument (LI 1589) and the District Assemblies Common Fund (1993) Act 455.

The PNDC set up a 27-member political committee called the Akuse Group in 1987 and was tasked to prepare a plan to guide the implementation of the decentralised system of governance at the local level. The report of the

Akuse Group, which was also known as the Blue Book, formed the blueprint for the promulgation of the Local Government Law (1988) PNDCL 207. The PNDCL 207 established Ghana's decentralisation and local government system but the 1992 Constitution introduced some modifications and made amendments to the Local Government Law (1988) PNDCL 207. The PNDCL 207 was consequently repealed and replaced with a new law on local government known as the Local Government (1993) Act 462.

According to Antwi and Analoui (2008), Ghana's political administration has been dictated from the centre for many years by the domination of non-civilians as Heads of State and had rendered the local bureaucracy part of a centralised system. The statement by Antwi and Analoui justifies the introduction of Local Government Law (1988) PNDCL 207 and subsequently the Local Government (1993) Act 462, and the Local Government (2016) Act 936.

Reforms in Ghana's Decentralisation Programme

Practical challenges in the implementation of Ghana's decentralisation programme over a period of time (Mahama, 2013) had necessitated reforms to be undertaken. The reforms commenced with measures to strengthen the structures of local authorities, changes to improve the decentralisation system to make it more effective, transforming the civil and public sectors and fostering of healthy relationships among local government practitioners such as local governments, traditional rulers, private sector, civil society organisations, non-governmental organisations and other non-state actors.

Some of the issues for the reform were the introduction of the legislative instrument (LI) 1961 which sought to operationalise the

decentralised departments in the MMDAs as part of the MMDAs and sanitising the budgeting process at the local level by coming up with the composite budgeting system which eliminates duplication in expenditures and ensures a focused and holistic planning at the MMDAs. The other issue was the introduction of Ghana Integrated Financial Management Information System (GIFMIS) which has an in-built mechanism to track and control expenditures in the MMDAs.

The rest of the instruments for the reforms were the school feeding programme, which was to encourage school enrolment at the basic level and promoting locally produced food items, the promulgation of LI.1967 and LI.1983 which sought to empower the electoral commission to re-demarcate the existing electoral areas, the national urban planning project to help redistribute settlements, eradicate slum areas and manage urbanisation, the street naming and property addressing system, and the Local Government Amendment Act (2012) which sought to harmonise five different legislations that impinge on local governments. The five legislations were Local Government (1993) Act 462, District Assemblies' Common Fund (DACF) (1994) Act 455, National Development Planning (System) (1994) Act 480, Local Government Service (2003) Act 656, and Internal Audit Agency (2003) Act 658.

The reasons for the harmonisation of the five legislations were that the provisions in some of the legislations were similar and cut across each other, while others centralised operations. The reforms were all geared toward improving decentralisation and making the system more effective.

Local Government System in Ghana

Aikins (2012) has revealed that the Ghanaian traditional authorities have been involved in local governance since the colonial administration. The Local Government (2016) Act 936 indicates that the local government system and structures in Ghana are made up of Regional Co-ordinating Councils (RCCs), four-tier Metropolitan Assemblies and three-tier Municipal and District Assemblies as depicted in Figure 1. According to the Institute of Local Government Studies (ILGS) (2009), the Regional Co-ordinating Councils and the various Assemblies are being supervised by the Ministry of Local Government and Rural Development (MLGRD). The mission of the Ministry of Local Government and Rural Development is, to ensure among other things, that there is good governance and a well-balanced development of the MMDAs in order to enhance livelihood at the local level (Local Government 2016, Act 936).

The structure of Ghana's local government system defines the roles, responsibility, and the line of communication in the MMDAs. The Ministry of Local Government and Rural Development is in-charge of policy formulation, while the co-ordination and implementation roles are played by the Regional Co-ordinating Councils (RCCs) and the MMDAs respectively.

The MMDAs broadly exercise political and administrative authority in the districts, provide guidance, and give direction to and supervise all other administrative authorities in the districts. The MMDAs exercise deliberative, legislative, and executive functions. Additionally, they are the planning authorities and also undertake development programmes and projects and delivers goods and services to the public.

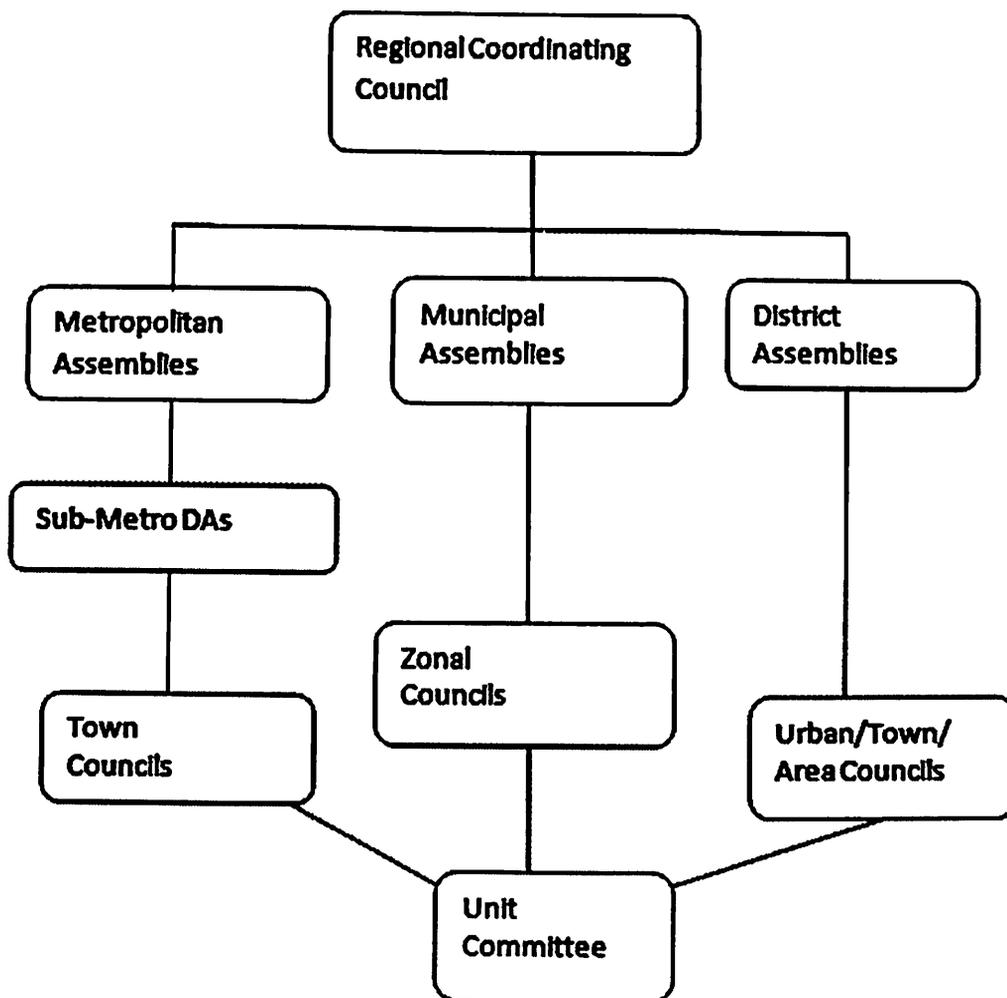


Figure 1: Structure of Local Government in Ghana

Source: Ministry of Local Government and Rural Development (1996)

The post-independence era has been divided into four stages namely:

1. The period from 1957 to 1981 when the PNDC took power from the civilian administration in 1981;
2. The decentralisation programme under the PNDC from 1981 to 1988;
3. The local government system under the PNDC from 1988 to 1992; and
4. The local government system under the 1992 fourth Republican Constitution from 1992 to date.

The MMDAs work through their respective Executive Committees and the subsidiary committees. The Executive Committees, which are chaired by

the Metropolitan, Municipal, and District Chief Executives (MMDCEs), co-ordinate the activities of the subsidiary committees. The Metropolitan Assemblies have seven mandatory subsidiary committees as follows: Development Planning, Social Services, Works, Finance and Administration, Revenue Mobilisation, Environmental Management, and Education; while the five mandatory subsidiary committees for the Municipal and District Assemblies are Development Planning, Social Services, Works, Finance and Administration and Justice and Security (Figure 2).

The Executive Committees of the MMDAs, apart from co-ordinating the works of the subsidiary committees, are responsible for the day to day administration of the MMDAs. The subsidiary committees also deliberate on issues that relate to the names of the committees and in addition, any issues or cases that may from time to time be referred to them.

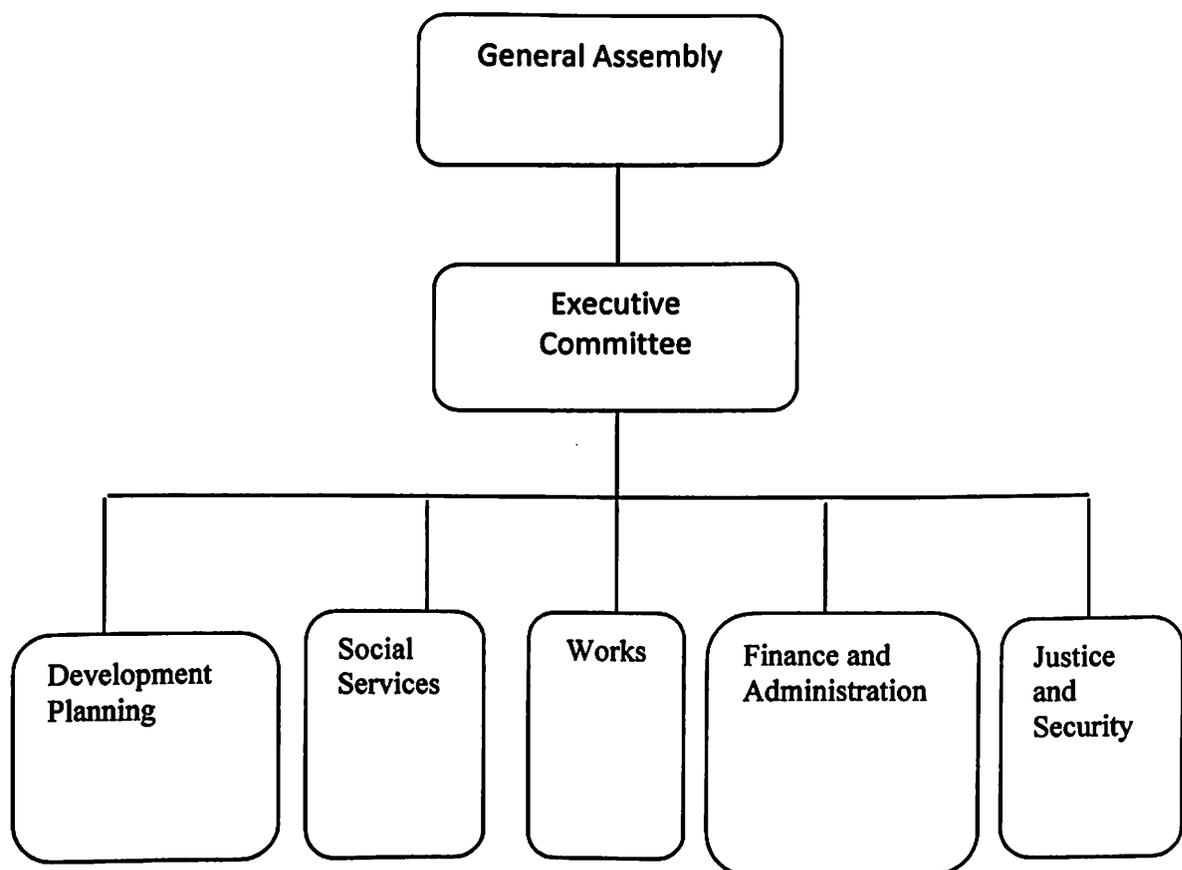


Figure 2: Structure of the Assemblies in Ghana

Source: Ministry of Local Government and Rural Development (1996)

The Executive committee of a Metropolitan Assembly is also called Metropolitan Authority and has three boards namely, Planning, Works, and Administration. The MMDAs have Public Relations and Complaints Committees which are chaired by the presiding members. The committee investigates complaints against assembly members and staff of the Assembly including any other issues that may be referred to them. Some of the functionaries at the MMDAs are the Chief Executives who are in-charge of the day to day functioning of the Assembly. The Co-ordinating Directors head the districts' bureaucracy and co-ordinate the day to day activities of the Assembly while the presiding members preside over the General Assembly.

Members of Parliament in the districts, Assembly members (both elected and appointed), unit committee members (who form the basic unit of the decentralised local government structure) and the technical, professional, and supporting staff of the MMDAs complement the core actors in the Assemblies. The functionaries of the Assemblies ensure that the decentralised local governments set proper agenda for achieving the desired level of development at the local level.

Emerging Issues at the Local Level in Ghana

The priority needs of the communities should be discussed by the people at the local level (Cahill, 2008) for the local government authorities to provide. In some cases the reverse becomes the order of the day as projects are provided without reference to the people. The situation is that either most of the development projects in the communities are not demand-driven or the processes for identifying the needs of the communities are not well facilitated

by local government authorities (J. Amoah, personal communication, February 12, 2013).

In situations where decisions are taken without reference to the local people, apathy sets in and the local people do not co-operate to execute such decisions or projects because community participation in decision-making is necessary in the development process at the local level (Ofei-Aboagye, 2009). A case in point is a community in the northern part of Cape Coast called Efutu Mampong. In 2008, a school was being constructed with funds from the European Union (EU) but this project did not attract the enthusiasm of most of the people and ended up in confusion (J. Amoah, personal communication, February 12, 2013).

The people in the community had to provide labour as counterpart support for the project. The labour was not willingly provided and had stalled the project because according to most of the people in the community, the provision of electricity was their priority (J. Amoah, personal communication, February 12, 2013).

The driving force of Ghana's local government system is the legitimacy of the sub-structures at the local level. However, the sub-structures that are needed for effective running of local governments either do not exist or are poorly funded; and as a result, the assigned responsibilities of the sub-structures are not carried out at the local level (Asante, 2009).

The structures which should be used to stimulate and improve local participation have also been used to satisfy the political agenda of successive governments and therefore affect the mobilisation of the communities to participate in the development effort of the local areas (Essaw, 2013). There is

the need for development-oriented leadership at the local governments in order to help to prosecute development agenda for the people and their communities. In Ghana, the selection of Chief Executive Officers of the local governments is conducted through appointment by the President of the Republic and therefore renders the processes for selection highly political and partisan. This situation makes it difficult to select development-oriented people to galvanise the people for social action. Gyimah-Boadi (2009) argued that the local community is not consulted on who should superintend over the affairs of the local jurisdiction.

The system of appointing Chief Executive Officers of the local governments is mostly through patronage. The Chief Executive Officers, when appointed, spend greater part of the time available for developing the communities, to respond to partisan political issues. The competencies of most of the Chief Executive Officers are not adequate and most heads of departments at the MMDAs and in the districts do not have regard for them because they know that most of the Chief Executive Officers do not measure up to their responsibilities of ensuring effective local governance.

Most Chief Executive Officers are self-centred and have priorities that are at variance with the overall development agenda of the local area (Essaw, 2013). There is the need to build the capacity of local government officials in order to ensure effective administration and management (Antwi & Analoui, 2008) while it is necessary for the Assembly members to appreciate the importance and workings of local governance in order to engage with the people to improve social accountability (Kuffour, 2013).

Local Economic Development (LED) is a policy framework of the local government system where the MMDAs have been encouraged to partner with the private sector and other non-state actors in order to leverage resources for developing the local areas. The partnership enables the MMDAs to create jobs and stimulate the local economies of their respective areas but there is no practical demonstration of the local economic development activities in the MMDAs and also in the communities at the local level.

Internal Auditing

Under this section, the discussion centres on the general outlook of internal auditing including the explanation for the definition of internal auditing. Internal auditing has become necessary and it is conducted by employees of an organisation or external auditors acting as sub-contractors (Cohen & Sayag, 2010) due to corporate failures. The effectiveness of internal auditing is paramount (Feizizadeh, 2012) and appropriate performance measures (Amirkhanyan, 2011) are employed to appraise the internal audit system.

Internal auditing is systemic and covers a much wider range of issues apart from financial statements and includes other operational areas. The systemic nature of internal auditing has been corroborated by the Statement of Responsibilities of the Internal Auditor (1993) (as cited in Ramamoorti, 2003, p. 8). The statement establishes that although internal auditing deals with accounting and financial matters, issues of operating concerns fall in the scope of activities of internal auditing.

Internal auditing is a strategic asset to businesses and organisations and Flesher (1996) (as cited in Ramamoorti, 2003, p. 4) held the view that

‘necessity created internal auditing and is making it an integral part of modern business and that it is necessary for large businesses to have it; and businesses which do not have it need to have it sooner or later, and, if events keep developing as they do at present, businesses will have to have internal auditing sooner.’

The statement, though was made a long time ago, is as relevant as it was made today taking into consideration the challenges that face management of organisations in the area of risk management, control, and governance processes. Businesses, institutions, and organisations have grown to become more complex to manage; and the fiduciary role being undertaken by management bodies needs to be monitored in order to serve the interest of owners.

Walsh (1963) expresses that there is the need to develop controls to check and monitor the widening gap between management and action in order for businesses and organisations to be administered efficiently; and that internal auditing is the only mechanism to play such appraisal role of the controls instituted. Internal auditing is part of the control structure and functions to achieve success (Ahmad, Othman, & Jusoff, 2009; Ussahawanitchakit & Intakhan, 2011). According to IIA (2010), the effectiveness of internal auditing will be known at the point where objectives have been achieved.

After going through several evolutions, there was a proposal for a new definition for internal auditing (IIA, 1999b; Krogstad, Ridley, & Rittenberg, 1999) in order to accommodate the profession’s expanding role and

responsibilities. Chapman and Anderson (2002) held the view that the basis for the new definition was to reflect certain five changes as follows:

- (1) The internal auditing as an independent and objective activity looks at the organisational status with regard to reporting and the verifiable approach to examining and conducting activities. Internal auditing should not necessarily be established within an entity but can be outsourced provided an independent and an objective analysis of issues could be obtained and findings reported to the audit committee, the board, or any other governing body. Where internal auditing function is established in-house, internal auditing findings should be reported functionally to the audit committee, board, or any governing body, and to the chief executive officer, administratively;
- (2) The new definition emphasises that the scope of internal auditing includes assurance and consulting activities. Internal auditing is positioned as being a proactive and a customer-focused function which is concerned with risk management, control, and governance issues;
- (3) In order to be relevant to society, the new definition explicitly states that internal auditing is designed to add value and improve an organisation's operations. Internal auditing contributes to enhance the status of an organisation through raising the consciousness of management with regard to good corporate governance practices;
- (4) By spreading activities to cover all aspects of operations in the organisation, internal auditing is systemic and promotes organisational value chain. In order to help organisations to accomplish overall

- objectives, internal auditing ensures an effective system of control by focusing on risk management, control, and governance processes; and
- (5) The internal auditing uses disciplined and systematic approach to assure quality performance on internal audit engagements. The internal auditing's image is enhanced as a standards-based profession.

Scope for Internal Auditing

According to IIA (2006 & 2010) and Allegrini, D'Onza, Melville, Sarens, and Selim (2011), governance, operational audit, regulatory compliance, financial audit, and risk management, feature prominently in internal auditing and local governments stand to benefit from the processes of internal auditing. The responsibilities placed on internal auditing demand that the work involved is structured to operate to achieve objectives which have been set.

The scope of internal auditing was reviewed (IIA, 2006 & 2010) to cover the following:

- (1) the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- (2) the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports and determining whether the organisation is in compliance;
- (3) the means of safeguarding assets and verifying the existence of such assets;
- (4) the economy and efficiency with which resources are employed; and

- (5) operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programmes are being carried out as planned.

The review exercise had been corroborated by Ghana Public Financial Management (2016) Act 921 which states that an internal auditor of the internal audit unit of a covered entity shall

- (1) appraise and report on the soundness and application of the system of controls operating in the covered entity;
- (2) evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- (3) provide assurance on the efficiency, effectiveness, and economy in the administration of the programmes and operations of a covered entity; and
- (4) evaluate compliance of a covered entity with enactments, policies, standards, systems, and procedures.

Internal auditing undertakes variety of roles and auditors in general bring on board a wealth of experience to ensure effectiveness and efficiency (Intakhan & Ussahawanitchakit, 2010). According to Eulerich, Theis, Velte, and Stiglbauer (2013), the role of internal auditing in organisations needs to be strengthened.

The Pillars of Internal Auditing

The pillars of internal auditing explain that while the risk management process deals with assessing risks and treating the risks to assist in achieving objectives that have been set, the control process captures activities that have

been put in place to help ensure that necessary actions are taken to do what is right, and the governance process helps to ensure that decisions are taken in the best interest of stakeholders. The pillars of internal auditing would be understood if its components are analysed together with their respective elements.

Risk Management Process

This section discusses the risk management process as a component of the pillars of internal auditing. Having identified and analysed risks that have the potential to militate against the achievement of objectives, organisations take steps to mitigate the impact of the risks. The processes that organisations go through in order to deal with risks are known as risk management.

One method which is employed in the risk management process is the TARA approach where risks are transferred, accepted, reduced, or avoided as follows:

1. if the reasonable option is to transfer risks, organisations may decide to insure the risks, subcontract, or outsource part of the entity;
2. depending on the level of risk appetite, an organisation may decide to accept the risks and do nothing about the situation because a cost-benefit analysis may favour the organisation;
3. organisations may decide to reduce risks by improving on the security systems, strengthening of internal controls, developing quality controls, training, and diversification; and
4. others may choose the option of avoiding the risks by not undertaking the venture.

All risks can never be fully avoided or mitigated because of financial and practical limitations. Organisations need to have a disposition for accepting some level of acceptable or residual risks. Risk management techniques vary depending on the environment and the context in which the risks are situated. In communicating risk there should be honesty, frankness, and openness. Risk management requires the commitment of senior management and the people in the organisation. The elements in the risk management framework are embodied in the Enterprise-wide risk management (ERM).

Enterprise-wide risk management. Organisations are constantly under pressure to identify and manage all business risks whether social, ethical, environmental, financial, or operational. The traditional risk management processes manifest in different forms and are less co-ordinated. A more integrated approach to risk management is therefore offered by enterprise-wide risk management process.

The ERM is a structured, consistent and continuous process across the whole organisation for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of organisational objectives. The responsibility for ensuring ERM resides in the board of directors but the functioning of the process has been delegated to management. The ERM is total and it is incumbent on everyone in the organisation to play a role to ensure success in implementation. The ERM framework has been adopted worldwide as a result of the advantages that inure to organisations.

The tasks involved in ERM form the elements of the risk management component and include articulating and communicating the objectives of the organisation (setting objectives), determining the risk appetite of the organisation, risk management philosophy, integrity and ethical values, establishing a conducive atmosphere (internal environment), and identifying potential threats to the achievement of the objectives (event identification). The others are assessing the risks (i.e. the likelihood of the risks occurring and the impact of the risks should they occur), selecting and implementing responses to the risks (risk response), and undertaking control and other response activities (control activities). The rest are identifying, capturing, and communicating relevant information on risks in a consistent manner at all levels in the organisation in a form and timeframe to enable responsibilities to be carried out (information and communication), monitoring (through ongoing activities, special evaluations or both), coordinating the risk management processes and the outcomes with modifications made, and providing assurance on the effectiveness with which risks are managed (monitoring).

The ERM framework should not be followed rigidly and linearly as a serial process where one element in the component affects only the next but it is a multidirectional and iterative process in which any of the elements in the framework can influence the other. In determining the effectiveness of the ERM framework, all the elements (setting of objectives, internal environment, event identification, risk assessment, risk response, control activities, information and communication, and monitoring) in the framework should be present and functioning effectively.

Role of internal auditing in enterprise-wide risk management. The core role of internal auditing with regard to ERM is to provide objective assurance to the board on the effectiveness of risk management, control, and governance processes. The scope of the internal auditor's consulting services in ERM will depend on other resources (internal and external) that the board can make available and also the risk maturity (the extent to which an organisation adopts a robust risk management approach to deal with risk situations) of the organisation which is likely to change over time. Risk management becomes deeply rooted in the operations of organisations where the risk maturity of the organisation increases.

In providing consulting services in ERM internal auditors should ensure that the consulting services are compatible with the assurance role and not one that involves managing risks which is the responsibility of management. In determining whether the consulting services do not conflict with the assurance role being undertaken, internal auditors should ensure that they are not assuming any management responsibility. In situations where the internal auditor is called upon to assist management to set up or to improve risk management processes, the internal auditor's plan of work should include a clear strategy and timeline for migrating the responsibility for the services to members of management.

As a safeguard, an internal auditor's involvement in ERM should be on the condition that management remains responsible for risk management. The nature of responsibilities of internal auditors should be documented in the internal audit charter and approved by the audit committee. The internal auditors should not manage any of the risks on behalf of management but

should rather provide advice and give support to management's decision making in managing risk.

Internal auditors cannot give objective assurance on any part of the ERM framework for which the internal auditor is responsible. Such assurance should be provided by other suitably qualified parties. An assignment beyond the assurance activities should be recognised as a consulting engagement and the implementation standards related to such engagements should apply.

Internal auditors should undertake assignments in areas where their competence level can be assured and those who cannot demonstrate the appropriate skills and knowledge should not undertake any engagement in the area of risk management. Where the internal auditors lack the necessary skills and knowledge and cannot be obtained from elsewhere, no consulting services should be provided in the area.

Benefits that inure to organisations that implement ERM comprise:

1. greater likelihood of achieving objectives because of the holistic nature of the process;
2. consolidated reporting of disparate risks at board level;
3. improved understanding of the key risks and the wider implications;
4. identification and sharing of cross business risks;
5. greater management focus on issues that really matter;
6. and fewer surprises or crises;
7. having a more internal focus on doing the right things in the right way;
8. increased likelihood of change initiatives being achieved;
9. capability to take on greater risk for greater reward, and
10. informed risk-taking and decision-making.

Control Process

This section discusses the control process as a component of the pillars of internal auditing, its element, and their respective principles as presented in the COSO internal control-integrated framework. Control is a system of monitoring and evaluating the execution of plans in order to take correctional measures to ensure that processes are on course (Verdina, 2011).

The control measures form part of the internal controls of an organisation and assist in promoting value for money in resource mobilisation and utilisation in organisations. The internal control system provides a guide (Amudo & Inanga, 2009; Baltaci & Yilmaz, 2006; Jokipii, 2010); and proper documentation of policies and guidelines also provide information to assess the adequacy of control design in organisations (Aikins, 2011).

COSO Internal Control-integrated Framework

The COSO (1992) defines internal control broadly as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives to ensure effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The following are the explanations to the five interrelated components of the COSO internal control-integrated framework.

Control environment. The control environment sets the tone of an organisation by influencing the control consciousness of the people and serving as the premise on which all other elements of internal control subsist in order to provide discipline and structure. The elements of the control environment include integrity, ethical values and competence of the people in the

organisation; management's philosophy and operating style that should emphasise a culture of accountability for control; the disciplined manner in which management assigns authority and responsibility, organises, and develops people; and the attention and direction provided by the board of directors to ensure that organisational objectives are achieved.

Risk assessment. Organisations face different kinds of risks from external and internal sources which need to be managed. Risks can be managed adequately if an assessment is conducted to establish the nature of the risk, the likelihood of the risk occurring, the magnitude of the impact of the risk if it occurs, and who or the area that will be affected by the risk. Risk assessment consists of the identification and analysis of the relevant risk to the achievement of the objectives.

Control activities. Control activities are the policies and procedures that help to ensure that necessary actions are taken to address risks in order to achieve an organisation's objectives. Control activities include performance reviews, information processing, physical controls, and segregation of duties; and may take the form of activities as diverse as approvals, authorisations, verifications, reconciliations, security of assets and rotation of duties within departments.

Information and communication. Information must be identified, captured and communicated in a timely manner for people to carry out responsibilities. The information must be of good quality and its communication must be effective by flowing down, across, and up the organisation. The people must be made to understand the significance of control responsibilities as a contribution to the achievement of organisational objectives. The people need to understand the

role to be played in the internal control system, as well as how individual activities relate to the work of others including external stakeholders.

Monitoring. Internal controls assess the quality of the system's performance over time and are accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Reporting deficiencies is another significant aspect of monitoring.

A lot of transformation has taken place since 1992 when the COSO internal control-integrated framework came into being. The many changes in business and operating environment have resulted in the need for more accountability; and regulators and stakeholders have higher expectations for good corporate governance (McNally, 2013).

The COSO internal control-integrated framework (1992) has been updated and COSO internal control-integrated framework (2013) has now been adopted (McNally, 2013). The updated framework has sought to develop and formalise 17 principles and supporting points of focus within each of the five original components of the internal control. The 17 principles which were already in the 1992 framework but were implicit in the narrative have now been explicitly dealt with in COSO (2013) framework in order to meet the new challenges.

The purpose of the COSO committee was to provide a common understanding of internal control among all parties (corporate management, internal and external auditors, legislators, regulators, academics and the general public) and to assist management to exercise better control over a firm (COSO, 1992). The control measures provide management with a safety valve in order to respond and adapt to changes in the environment. The five internal

control components and their respective principles as presented in COSO (2013) framework are depicted in Table 1.

Limitations of Internal Control

The AccountingTools (2016) indicates that internal controls cannot be foolproof because of inherent limitations in every system of controls; but can only provide a reasonable assurance that an organisation can achieve its objectives. The limitations are as follows:

1. an inherently poor manager cannot be changed into a good one by internal controls;
2. a change in government policy or programmes, and competitors' actions or economic conditions cannot be managed by internal controls;
3. faulty judgements in decision-making, circumvention of controls through collusion, and management override cannot completely assure the likelihood of achieving a reliable financial reporting and compliance with laws and regulations; and
4. the high cost of designing an internal control system may discourage management from setting it up.

Limitations of Internal Audit Function

According to Business Writing Services (2011), even though an internal audit function is an internal control, it also has its limitations. They are as follows:

- (1) management may ignore reports or recommendations by the internal audit departments because they are not bound to adhere to them and this will frustrate the efforts of the department leading to inefficiencies;

- (2) lack of recognition of the department by management by depriving it of the chance to undertake serious appraisals of their activities;
- (3) management may deny the department its independence leading to misuse of assets, errors and frauds, and lack of co-ordination of the organisation's activities; and
- (4) the cost of establishing the department may deter management from doing so.

Corporate Governance

Corporate governance issues date back to the 20th century but contemporary discussions on corporate governance make reference to the principles raised in three documents released since 1990 and include The Cadbury Report (1992) and the Principles of Corporate Governance set out by the Organisation for Economic Co-operation and Development (OECD, 1998 & 2004). The general principles which form the basic premise on which organisations are expected to operate to assure proper governance are found in the Cadbury and OECD reports.

The Cadbury report (1992) was the first to define corporate governance, among other things, as the system by which companies are directed and controlled (Millichamp & Taylor, 2012). The UK institutional investors have settled on a refined and enhanced definition to the effect that corporate governance is a process of supervision and control intended to ensure that the organisations' managements act in the best interests of shareholders (Parkinson as cited in Millichamp & Taylor, 2012).

Table 1: Internal Control Integrated Framework showing the Components and their Respective Principles

No.	Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring
1.	Demonstrating commitment to integrity and ethical values	Specifying suitable objectives	Selecting and developing control activities	Using relevant information	Conducting ongoing and/or separate evaluations
2.	Exercising oversight responsibility	Identifying and analysing risk	Selecting and developing general controls over technology	Communicating internally	Evaluating and communicating deficiencies
3.	Establishing structure, authority, and responsibility	Assessing fraud risk	Deploying through policies and procedures	Communicating externally	-
4.	Demonstrating commitment to competence	Identifying and analysing significant change	-	-	-
5.	Enforcing accountability	-	-	-	-

Source: Author's Compilation (2015)

According to OECD (1998 & 2004), the corporate governance structure is explicit on the rights and responsibilities of different stakeholders in an organisation and the decision-making procedures and processes are also clearly stated. Corporate governance helps organisations to set and pursue objectives within a broad context of the market environment, social, and regulatory protocols.

OECD Principles of Corporate Governance

The OECD principles of corporate governance (2004) describe the responsibilities of the board of directors as follows:

1. board members should be informed and act ethically and in good faith, with due diligence and care, in the best interest of the company, and the shareholders;
2. review and guide corporate strategy, objective setting, major plans of action, risk policy, capital plans, and annual budgets;
3. oversee major acquisitions and divestitures;
4. select, compensate, monitor and replace key executives, and oversee succession planning;
5. align key executive and board remuneration (pay) with the longer-term interests of the company and its shareholders;
6. ensure a formal and transparent board member nomination and election process;
7. ensure the integrity of the corporation's accounting and financial reporting systems, including their independent audit;
8. ensure that appropriate systems of internal control are established;
9. oversee the process of disclosure and communications; and

10. where committees of the board are established, their mandate, composition, and working procedures should be well-defined and disclosed.

The fundamental principles of corporate governance hinge on accountability, transparency, probity, and focus. The effectiveness of internal auditing in the corporate governance process guarantees organisational success (Sarens & Abdolmohammadi, 2011; Vijayakumar & Nagaraja, 2012) while the audit committee which is made up of experienced and knowledgeable personalities (Alkdai & Hanefah, 2012; Nimer, Warrad, & Khuraisat, 2012; Owolabi & Dada, 2011; Quigley, 2012) should have the competence to assist in directing corporate affairs (Unegbu & Kida, 2011).

Emerging Issues from Corporate Failures

The effects of recent corporate failures have resulted in reform programmes being undertaken by the European Commission (EC) to improve corporate governance (EC, 2011). The EC is committed to strengthening the role of internal auditing and audit committees in corporate governance in order to inject discipline in organisational processes (Eulerich, Theis, Velte, & Stiglbauer, 2013). Corporate governance has assumed a wider dimension by embracing social and environmental responsibilities of organisations. The UN Global Compact and International Finance Company (2009) indicate that investors, creditors, and other stakeholders have come to recognise the contribution that environmental, social, and governance responsibilities of organisations make to performance, long-term sustainability, and the determination of profits.

The board of directors stands to benefit if environmental, social, and governance protocols are integrated into decision-making processes in order to assist organisations to maximise operational efficiency and growth (UN Global Compact & IFC 2009). Local governments are well positioned to embrace environmental, social, and governance issues to further the interests of the people at the local level.

Corporate Governance in Local Governments in Ghana

Corporate governance in local governments looks at the decision-making processes which should provide the necessary foundation for supplying improved goods and services to the people. The processes in the local governments should ensure that the interests of the people are catered for now without compromising the abilities to cater for the interests of the people in future. There should be an environment of trust in the MMDAs in order to win the confidence of the people at the local level. The level of satisfaction at the local level determines the responsiveness and the performance of MMDAs.

The elements of a model corporate governance framework in the MMDAs comprise the following:

1. A functional ARIC ensures that recommendations in audit reports are implemented to ensure sanity in operations. By ensuring that internal audit recommendations are implemented, the ARICs who represent the board of the MMDAs, would be seen to be taking responsibility for actions with the obligation to report the outcome of those actions under the accountability principle of corporate governance.

2. A functional internal audit unit independently appraises the adequacy of the system and the control frameworks to determine the extent to which MMDAs are achieving their objectives. By assisting the MMDAs to achieve their objectives, the internal audit function recognises the right and the longer-term interests of the people under the focus principle of corporate governance.
3. Regular and effective management meetings improve MMDAs. By helping to improve the MMDAs, management bodies would provide efficient services to the people to ensure the longer-term interest of the people and therefore achieve the focus principle of corporate governance.
4. Accountability in the dealings of the MMDAs breeds trust. Where there is trust, the people become satisfied and hope that decisions would be taken to benefit them. This achieves the principle of accountability of corporate governance.
5. Transparency in transactions and processes reposes confidence in management and brings about stability in MMDAs. Transparency in the MMDAs ensures that there is openness and the willingness to communicate at all times. This satisfies the transparency principle of corporate governance.
6. The integrity of actors in the MMDAs limits corruption and resources are kept intact for development. Limiting corruption to ensure that resources are kept intact for development indicates the willingness of actors in the MMDAs to recognise the longer-term needs of the people

to assist in improving their living conditions. This achieves the focus principle of corporate governance.

7. The sustainable success of MMDAs over a long term (focus) which is a key pre-requisite for survival. The sustainable success of MMDAs engenders growth and development over a long period which recognises the longer-term interest of the people and achieving the focus principle of corporate governance.
8. Participation in decision-making brings about ownership of programmes and projects in order to ensure proper prioritisation and prudent utilisation of resources. Ensuring participation in decision-making fosters transparency. There is free flow of information and the people become satisfied. This relates to the transparency principle of corporate governance.
9. Sound operating environment provides an enabling atmosphere for development. In situations where there is enabling environment for development, actors are deemed to be compliant with laws, policies, rules, and regulations. There is ethical behaviour and this conforms to the probity principle of corporate governance.
10. Regular and effective Assembly meetings offer managements of MMDAs the opportunity to know situations in the communities as well as taking decisions to run the local area. This enhances transparency as there is free flow of information. This is the platform for Assembly members to let management bodies of MMDAs to know the state of affairs in the communities. The transparency principle of corporate governance is therefore achieved.

11. Functional public relations and complaints committees minimise friction in society. When there is a platform for communicating issues affecting individuals and groups of individuals in the communities, there is peace and order for development which improves the livelihood of the people. This achieves the longer-term objectives of MMDAs and relates to the focus principle of corporate governance.
12. Safeguarding assets improves development. Assets form a considerable size of resources which are made available to MMDAs for longer-term development of the communities; and safeguarding them indicates the zeal on the part of MMDAs to improve the lot of the people. This satisfies the focus principle of corporate governance.
13. Rule of law ensures justice and peace needed for development. Where there is justice and peace, there is sustainable development. Sustainable development enhances quality of life and brings about good health. Good health is channeled into productive sectors of the economy to ensure growth. The focus principle is therefore achieved.
14. Equality and inclusiveness eliminate discrimination and divisiveness which undermine development. Where discrimination and divisiveness are eliminated, there is unity which provides the tonic for growth and improvement. Growth and improvement ensure the longer-term interest of the people and satisfies the focus principle of corporate governance.
15. Responsiveness ensures that goods and services are provided to specification in order to bring about satisfaction in the local areas. Responsiveness on the part of MMDAs ensures trust and openness.

The people are always hopeful of having their grievances addressed.

This relates to transparency principle of corporate governance.

16. Sanctions and reward systems in MMDAs deter wrong-doing and encourage productivity, respectively in MMDAs. Sanctions and reward systems encourage compliance in the system and there is order. This helps efficient functioning of the MMDAs to deliver goods and services of desired specification. This achieves the probity principle of corporate governance.

International Professional Practices Framework on Internal Auditing

The Institute of Internal Auditors (2015) published the IPPF which consists of the mandatory guidance and the recommended guidance. The internal audit practitioners are required to comply with the mandatory guidance, which is essential for carrying out internal auditing, and it is made up of the following elements:

- (1) definition of internal auditing;
- (2) core principles for the professional practice of internal auditing;
- (3) code of ethics for internal auditing; and
- (4) international standards for the professional practice of internal auditing (Standards).

The recommended guidance describes practices for effective implementation of the elements of the mandatory guidance indicated above and it is made up of the implementation guidance and supplemental guidance. While the implementation guidance assists practitioners in applying the standards by addressing internal auditing's approach, methodologies, and consideration, the supplemental guidance provides detailed guidance for

conducting internal audit activities which include topical areas, sector-specific issues, processes and procedures, tools and techniques, programmes, step-by-step approaches, and deliverables.

The Internal Auditing Practice

In order to be able to carry out the mandate of internal auditing effectively, internal auditors require analytical and critical thinking skills, efficient method to gain an adequate understanding of the auditee, and to be abreast of contemporary issues in auditing and the environment in which internal auditing operates. The transformation that has taken place in the professional practice of internal auditing calls for flexibility in planning for the internal audit departments of institutions and organisations; so that internal auditing can easily adapt to any change situation in order to be abreast of current issues.

As organisations undergo transformations because of global pressures, internal auditors should embrace the challenge and react in same manner as organisations are expected to operate to achieve desired objectives. Internal auditors require a deep understanding of the assertion that the world and organisations are changing as new risks come up with the least opportunity.

Internal auditors should be alert to see any warning signs that may inhibit the achievement of organisational goals and objectives because even though change is the only certainty, the rate of its manifestation and the effect on organisational processes are unbearable.

Internal auditors expect management bodies to co-operate with them during the internal audit process. Management bodies would be helping the internal audit process if they could meet with internal auditors in order to

share ideas as to the risk areas that need to be focused in the internal audit assignments. In this case, the expectations of both management bodies and internal auditors would be addressed (Sarens & De Beelde, 2007).

Just as management bodies expect internal auditors to undertake risk assessment and help to improve risk management, governance, and control processes, internal auditors would want management bodies to establish risk management systems so that they can evaluate how they function (Sarens & De Beelde, 2007). According to IIA (2012), internal audit would remain relevant if it maintains alignment with organisational objectives and that it can achieve this through developing strategic plans for the internal audit functions.

Although internal auditing assists management bodies of organisations to deliver their mandate Barlow, Helberg, Large, and Roux (as cited in Sakalunda 1999, p. 17) have noted that internal auditors cannot be independent if they work for organisations that they audit. The activities which are undertaken in carrying out internal auditing are essential to the internal audit process. According to Colorado School of Mines (2016), the activities are issuing notification letters, organizing entrance conferences, preliminary reviews, fieldwork, exit conferences, final audit report, customer surveys, and follow-up audits.

The notification letters communicate the intention of the audit while the entrance conferences enable internal auditors to meet with auditees in order to discuss the scope and timing of the audit. On the other hand, the preliminary survey involves interviewing key officers and review of departmental policies to determine the internal control systems; and the

fieldwork evaluates and provides assurance on the operations of the auditee departments.

The exit conferences offer opportunity for the draft reports to be discussed as well as allowing the auditees to comment on the outcome of the audit assignments. The final audit report communicates the results of the audit to appropriate quarters and the customer surveys involve asking auditees to help improve the internal audit process; while the follow-up audits review the implementation status of internal audit recommendations.

Skill-sets for Internal Auditing

The consequences of corporate scandals and failures have shifted the focus of the practice of internal auditing. In order for internal auditing to live up to expectation, it has undergone series of evolution with the attendant change in the skill-set that is required for internal auditors to be on top of their job. According to Marwa (2014), the internal audit quality depends on the skill-sets employed in an internal audit assignment and also a reasonable status for internal auditing in organisations.

The level of transformation in the internal auditing profession has placed the psychographic profile of internal auditors, which is known as the soft skills, near the apex of the pyramid of the skill-set needed for the contemporary practice of internal auditing.

Even though the technical skills continue to remain important for the practice of internal auditing, the behavioural skills determine, to a large extent, a successful conduct of internal auditing. The technical skills include risk analysis and control assessment techniques, identification of types of controls,

governance, risk, and control tools and techniques, and business process analysis techniques.

Data collection and analysis tools and techniques, operational and management research skills, problem-solving tools and techniques, financial analysis tools and techniques, and the balanced scorecard form part of the technical skills. Moeller and Witt (1999) believe that in order to practise internal auditing successfully, personal behavioural traits play an important role aside from the technical and professional qualifications that need to be acquired.

The behavioural traits as recommended by Moeller and Witt (1999) include basic fairness and integrity, dedication to the organisation's interest, reasonable humility, professional poise, and empathy. The other behavioural traits are role consistency, curiosity, critical attitude, alertness, persistence, energy, self-confidence, courage, and ability to make sound judgements. The need for personal attributes for a successful practice of internal auditing has been corroborated by the internal audit profession (IIA & Half, 2013).

IIA and Half (2013) have indicated that chief audit executives now embrace attributes such as business and risk acumen, analytical skills, communications savvy and other psychographics of internal auditors. According to Chambers and McDonald (2013), there are seven attributes of highly effective internal auditors which are non-technical and are deemed relevant for the successful conduct of internal auditing.

The seven attributes are integrity, relationship building, partnering, communication, teamwork, diversity, and continuous learning.

Integrity. He who comes to equity must come with clean hands and so for internal auditors to expect transparent processes in the governance structure of organisations, they should uphold integrity, objectivity, and professional scepticism in the discharge of duties. Most invariably, internal auditors' findings are being challenged; and exhibiting traits of integrity in the course of duty, forms a strong incentive for resilience in order to enable a fair assessment of situations as well as establishing the status quo in the findings.

Relationship building. As internal auditors continue to work with people in organisations there is the need for cultivating warm relationships among the rank and file of the organisation. The relationship that internal auditors require for effective operation should develop into a culture of the internal audit department so that it will not be seen as if the relationship should start at the outset of internal audit engagements.

The internal auditor will succeed in the relationship-building if the internal audit department positions the work of an internal auditor well in the minds of the people in the organisation that it is an activity to assist in the achievement of the respective individual targets which have been set for organisational goal congruence. The internal auditor's work should be seen as being more of complementing the work of other individuals in the organisation rather than one looking for fault. The necessary co-operation needed for internal auditors to accomplish internal audit engagements should be accorded by all parties in the internal audit process in order to achieve organisational goals and objectives.

Partnering. Internal auditors should be well-versed in the operations of organisations and should therefore keep current on situations in the

organisation. Internal auditors should be able to understand what goes on in an organisation through partnering with other colleague workers because the organisational structure and other tasks to be performed by officers in an organisation may differ in real work setting and situations.

In partnering with other workers, internal auditors should be conversant with the real work situations; and the situations should be factored into the internal auditor's engagement plan so that misunderstandings which may have cause for unnecessary suspicion in the course of the internal audit assignment, will be removed. Best practices and change-management skills that may be generated during the partnering processes will help to identify emerging risks which should be managed in order to engender value-addition to the organisation.

Communications. Communication is an important aspect of the internal auditor's work and comes in two forms, that is, written and verbal. The internal auditor's findings may be the exact situation prevailing at the time of the audit but if the communication of the findings is not well and appropriately executed, the required information may be slanted and different meanings may be presented. The internal auditor's work has ethical implications and any twist in information may be unpardonable. Communication should be straight to the point and clear; and should come in the form that the listener or receiver of the information would understand. Internal audit reports should contain a concise and a clear message and can be pictorial if that could deliver the message as intended.

The emergence of the social media has added another challenge in the communication process. Internal auditors should be abreast of the

transformation that is taking place in the field of communication. In engaging with the auditee, the internal auditor should communicate in a clear language and using the appropriate communication channel to elicit the right feedback that will inform a good internal audit report. Suitable and proper communication skills need to be mastered by internal auditors to assist in organisational growth.

Teamwork. Teamwork requires relationship-building as in the case of partnering but unlike partnering, teamwork looks at the relationship-building within the internal audit department and more specifically among internal auditors. The highly integrated nature of business processes requires internal auditors to work in teams in order to harness the benefit of the skill-mix of internal auditors who have specialised knowledge of certain aspects of the organisation's processes.

Diversity. Officers carrying out internal auditing should strive to succeed in the organisational endeavour assigned and has to employ other skills to ensure that the internal audit engagement gets accomplished. Auditees may have different background and hold different views about the work of the internal auditor.

Auditees may have opinions that may be diametrically opposed to the principles and ethics of internal auditing and may misconstrue procedures adopted by the internal auditor in the course of discharging duties to give different meanings to situations to provoke unpalatable situations. The globalisation phenomenon requires internal auditors to influence and consult with different ethnic groups with different cultures in the organisation; and

there is the need for internal auditors to manage actions that may come up during interactions.

The option available to the internal auditor will be to adopt holistic tendencies to manage such diverse situations. An internal auditor has to have a strong intuition in order to be able to operate effectively in diversity. Diversity could pose a major challenge in the work of officers who carry out internal auditing and they should strive to acquire the appropriate skill-set to overcome the challenge.

Continuous learning. Continuous learning broadens the horizon of internal auditors and sharpens the skills needed for effective internal auditing. Internal auditors are kept current on issues that affect organisations and understand the business environment better. Continuous learning embodies training, certification, and other development programmes. Internal auditors' knowledge of organisations, regulatory, and legal provisions should always be updated and refined in order to be confident to discharge duties without hesitation or fear in order to be always ahead of auditees.

IIA and Half (2013) revealed that while the internal audit surveys indicated that business acumen qualifies as a crucial attribute for internal audit professionals to possess, interactions with leaders in the profession indicate that the general attribute area include natural inquisitiveness, persuasiveness, change management proficiency, and a service orientation. The other attributes are an ability to recognise and respond to diverse thinking styles, learning styles and cultural qualities, and a global mindset.

Managements' Support for Internal Auditing

Internal auditing assists the efforts of management bodies to achieve operational targets and this should encourage them to give the needed support to the successful practice of internal auditing in organisations. Managements should have the responsibility to provide a sound operating environment and to ensure that the ethical conduct and values of officers are attuned to the achievement of corporate objectives.

Aside from making the organisations suitable for carrying out internal auditing, managements should provide the required operational support for internal auditors in the form of training, provision of logistics, budget, implementation of internal audit recommendations, and giving encouragement to internal auditors to work conscientiously. According to Fernandez and Rainey (as cited in Enofe, Mgbame, Osa-Erabor, & Ehiorobo, 2013, p. 164), top management support and commitment to change is vital in ensuring improvement in organisations.

Strouse (2009) had noted that without the approval, support, and encouragement of management bodies of organisations, internal auditing would fail. In their efforts to support internal auditing, management bodies should implement internal audit recommendations and this has been confirmed by Van Gansberghe (as cited in Enofe, Mgbame, Osa-Erabor, & Ehiorobo, 2013, p. 164) that the implementation of audit recommendations is necessary to the internal audit process.

In spite of the need to support the practice of internal auditing, Chambers (2015) had observed that management bodies tend to weaken the internal audit function by paying low remuneration to internal auditors, as a

disincentive, to attract weak internal auditors in order to avoid accountability. Consequently, management bodies fail to implement internal audit recommendations.

Sakalunda (1999) had stated that the principal factors which hinder the implementation of internal audit recommendations include lack of audit committees, lenient action taken against fraudsters by management, and ineffective internal audit reporting structure. The others comprise no timeframe given for implementing audit recommendations, no follow-up actions, and continued political interference.

The zeal of management bodies to own the operations of organisations is a pre-requisite for the successful practice of internal auditing. Management support for internal auditing is crucial.

Legal and Institutional Frameworks of Internal Auditing in Ghana

Discussions under this section border on the establishment of internal auditing in Ghana. The legal and institutional frameworks of internal auditing have been captured and the responsibilities and performance criteria of internal auditors have been stated. The internal auditing is part of the decentralised local government set-up in Ghana and its operating charter, standards, and ethics are modelled on the principles and structure of the global Institute of Internal Auditors.

According to the memorandum of the Internal Audit Agency (2003) Act 658, the annual public expenditure reviews which were conducted in the early 1990's revealed problems relating to public financial management which included lack of proper accounting, auditing, and reporting. Earlier efforts at solving the problems could not transform the government's financial

management system as well as helping to implement an integrated system and there was the need for an integrated system that could bring all aspects of the public financial management on board (Memorandum of the Internal Audit Agency 2003, Act 658).

The Memorandum of the Internal Audit Agency (2003) Act 658 added that the Government of Ghana officially launched the Public Financial Management Reform Programme (PUFMARP) in July 1995 which took off in 1996 and officially ended in 2002. The ultimate objective of PUFMARP was to enhance efficiency, transparency, and accountability in financial management processes of government and the idea of establishing internal audit functions, to serve as vehicles through which value for money could be achieved in the public sector, was conceived.

A scoping study for the establishment of internal audit functions in the Ministries, Departments, and Agencies (MDAs) and MMDAs was carried out as part of the reforms under PUFMARP and a proposal for the establishment of a Central Internal Audit Agency (CIAA) cropped up. The objective of CIAA was to enhance efficiency, accountability, and transparency in the management of resources in the public sector.

According to the memorandum of the Internal Audit Agency (2003) Act 658, the Auditor-General had the legal mandate to carry out internal audits in MDAs and MMDAs under the Financial Administration Decree (1979) SMCD 221. The memorandum of the Internal Audit Agency (2003) Act 658 added that a review of the mandate which was given to the Auditor-General to perform internal auditing revealed limitations on the scope of the audit function and an unsatisfactory reporting relationship and so the staff of the

Controller and Accountant-General's Department took over internal auditing in MDAs and MMDAs until in 2003 when the Internal Audit Agency (2003) Act 658 established the Internal Audit Agency.

Internal Audit Agency Law

The Internal Audit Agency (IAA) was established because there was the need to institute a structure that will support the transfer of budgetary authority and expenditure to the MDAs and MMDAs. Several bodies which were established as Statutory Corporations have provisions in their respective enactments on appointment of internal auditors for their organisations.

The policy to have internal audit units in all MDAs and MMDAs reinforces the Local Government (2016) Act 936 which also required MMDAs to establish internal audit units. In order to show governmental commitment to enhancing efficiency, accountability, and transparency in the management of resources in the public sector, the Internal Audit Agency (2003) Act 658 has placed the Internal Audit Agency under the President's office at the seat of Government.

The Internal Audit Agency (2003) Act 658 established the IAA to serve as an apex oversight body to co-ordinate, facilitate, provide quality assurance, and to set standards and procedures for the conduct of internal audit activities in MDAs and MMDAs. The IAA makes sure that the financial activities of MDAs and MMDAs are in compliance with laws, policies, plans, standards, and procedures.

In addition, national resources should be adequately safeguarded and used economically, effectively, and efficiently. The IAA has the responsibility to ensure that plans, goals, and objectives of MDAs and MMDAs are achieved

and that risks are adequately managed. The internal audit units that have been established in the MDAs and MMDAs are therefore enjoined to perform the functions and responsibilities set out in the Internal Audit Agency (2003) Act 658.

The functions and responsibilities are as follows:

1. internal audit units shall carry out internal auditing of MDAs and MMDAs and shall submit reports to the Director-General of IAA;
2. copies of internal audit reports of MMDAs shall be submitted to their respective Regional Co-ordinating Councils, managements, and ARICs;
3. internal auditors shall exhibit the highest level of professionalism in gathering, evaluation, and communication of information in the course of their audit work and shall act only in areas for which they have the necessary knowledge, skills, experience, and competence;
4. internal auditors shall perform internal auditing in accordance with generally accepted principles of internal auditing and the standards and guidelines of the IAA as established under section 3 (1) of Act 658
5. in the performance of their work, internal auditors shall make a balanced assessment of all issues of relevance to the work and should not be influenced by their personal interests or the interests of other persons;
6. internal auditors shall perform their work with honesty and diligence, not knowingly be a party to any illegal activities or engage in acts that discredit the work of internal auditing or the MDAs or MMDAs;
7. make disclosures required by law and the standards and procedures as established under section 3 (1);

8. internal auditors shall not participate in any activity or relationship that may impair or is likely to be taken to impair unbiased assessment including an activity or relationship that may be in conflict with the interests of the MDAs or MMDAs;
9. not accept anything or favour that may impair or might be taken to affect their professional judgement, and disclose all material facts known to them; the non-disclosure of which may distort any reporting activity;
10. internal auditors to respect the value and ownership of information they receive and shall not disclose information without authority unless there is a legal or professional obligation to do so;
11. in the course of executing their mandate, internal auditors shall be prudent in the use and protection of information acquired in the course of their duties; and
12. internal auditors shall not use information for any personal gain or in any manner that would be contrary to Act 658 or detrimental to the legitimate and ethical objectives of the IAA, MDAs, and MMDAs.

Audit Report Implementation Committees

Section 103 (2) and (3) of the Public Financial Management (2016) Act 921 have repealed Section 30 (1) of the Audit Services (2000) Act 584 and Section 16 (8) of the Internal Audit Agency (2003) Act 658 which required all MMDAs to set up ARICs. Section 86 of Act 921 establishes Audit Committees to replace ARICs. The functions of ARICs were to ensure among other things that internal audit recommendations were implemented and their composition was as follows:

- (1) the presiding members or a representative of the Presiding members from among the Assemblies as chairpersons;
- (2) members of the Finance and Administration sub-committees of the Assemblies;
- (3) the Chief executives of the MMDAs;
- (4) the District co-ordinating directors of the MMDAs;
- (5) one external representative with a minimum of four years' experience in accounting or auditing nominated by the Internal Audit Agency; and
- (6) in the performance of its functions, an ARICs may co-opt any senior management personnel to the committee.

Audit Committees

Hitherto, the ARICs were overseeing the corporate governance structure of MMDAs. Their composition rendered them ineffective because majority of the membership were from the MMDAs and who were also part of the management bodies whose performances were to be evaluated. The Chairmen of the ARICs were the Presiding members of the MMDAs most of whom did not have background in auditing, accounting, or finance and therefore aggravated the problem. The framers of the Public Financial Management (2016) Act 921 took cognisance of these lapses and instituted the concept of Audit committees in the MMDAs, majority of whose membership are independent people from outside of the MMDAs and with substantial background in auditing, accounting, or finance. The enactment on ARICs was therefore repealed and replaced with Audit committees.

Section 87 of the Public Financial Management (2016) Act 921 provides for the composition of Audit Committees as follows:

- (1) an Audit Committee consists of five members.
- (2) the majority of members of an Audit Committee shall be independent members.
- (3) the Internal Audit Agency and the Institute of Chartered Accountants, Ghana shall nominate the majority of members from among persons who do not work in the covered entity, to which the Audit Committee relates, and two other members shall be nominated by the Principal Account Holder.
- (4) the chairperson of an Audit Committee shall be elected from among the independent members of the Committee.
- (5) without limiting subsection (2), an Audit Committee may, in the performance of its functions under this Act, co-opt a senior management personnel to serve on the Audit Committee.
- (6) the Principal Account Holder shall appoint the chairperson and members of an Audit Committee.

Section 88 also provides for the functions of Audit Committees as follows:

1. an Audit Committee shall ensure that the head of a covered entity, to which the Audit Committee relates,
 - (a) pursues the implementation of any recommendation contained in
 - (i) an internal audit report;
 - (ii) Parliament's decision on the Auditor-General's report;
 - (iii) Auditor-General's Management Letter; and

- (iv) the report of an internal monitoring unit in the covered entity concerned particularly, in relation to financial matters raised; and
- (b) prepares an annual statement showing the status of implementation of any recommendation contained in
 - (i) an internal audit report;
 - (ii) Parliament's decision on the Auditor-General's report;
 - (iii) Auditor-General's Management letter;
 - (iv) the report on financial matters raised in an internal monitoring unit of a covered entity; and
 - (v) any other related directive of Parliament.
- (2) an annual statement required under subsection (1) (b) shall
 - (a) indicate the remedial action taken or proposed to be taken to avoid or minimise the recurrence of an undesirable feature in the accounts and operations of a covered entity;
 - (b) indicate the period for the completion of the remedial action; and
 - (c) be endorsed by the relevant sector Minister and forwarded to the Minister, Parliament, Office of the President, and the Auditor-General within six months after the end of each financial year.

In the opinion of the researcher, Section 88 (1) (a) of the Public Financial Management (2016) Act 921 should be amended to make it obligatory for management bodies to implement internal audit recommendations. Section 88 (1) (a) of the Public Financial Management

(2016) Act 921 stipulates that *an Audit Committee shall ensure that the Head of a covered entity, to which the Audit Committee relates,*

(a) pursues the implementation of any recommendation contained in

(i) an internal audit report...

As Section 88 (1) (a) stands, there is no direct obligation on the Head of a covered entity, and for that matter, management bodies to implement recommendations in internal audit and other inspection or examination reports. The obligation has been shifted rather to the Audit Committees who are not directly responsible for the actions and inactions of actors in the entity to which it relates. The manner in which the Audit Committee shall ensure that the Head of a covered entity pursues the implementation of any recommendation contained in... has not been explicitly prescribed or indicated.

The framers of Section 88 (1) (a) should have laid the responsibility of the actions and inactions of actors squarely on the Head of a covered entity, and for that matter, management bodies who are directly responsible for the covered entity to which it (they) relate(s). The Head of a covered entity and for that matter, management bodies should be directly made responsible for pursuing the implementation of any recommendation contained in...

Without making management bodies directly responsible for the operations of an entity by making them directly responsible to pursue the implementation of any recommendation in internal and other inspection or examination reports, the irregularities in operations would continue to recur in perpetuity. Objectives would not be achieved while resources would continue to be mismanaged.

The Public Financial Management Law

The Public financial management (2016) Act 921 ensures that its provisions undertake the following:

1. regulate the financial management of the public sector within a macroeconomic and fiscal framework;
2. define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities, and resources, to ensure that public funds are sustainable and consistent with the level of public debt; and
3. provide for accounting and audit of public funds and to provide for related matters.

The Public Financial Management (2016) Act 921 applies to the following:

- (1) a covered entity; and
- (2) a public officer who is responsible for receiving, using, or managing public funds.

According to the Public Financial Management (2016) Act 921, the Act shall be read together with any other enactment relevant to public financial management; but where there is a conflict or inconsistency between the provisions of the Public Financial Management (2016) Act 921 and any other relevant enactment, the provisions of the Public Financial Management (2016) Act 921 shall prevail.

The Public Financial Management (2016) Act 921, in addition, provides that the Minister, Chief Director, Controller and Accountant-General, a Principal Account Holder, a Principal Spending Officer, and any other

public officer designated by the Minister to manage public funds shall discharge their respective responsibilities and exercise their powers in accordance with the Public Financial Management (2016) Act 921 and its regulations. The Act 921 provides additional responsibilities for internal audit.

Section 83 of the Public Financial Management (2016) Act 921 establishes internal audit units in the covered entities (MDAs and the MMDAs). It provides that the head of the internal audit unit shall report administratively to the Principal Spending Officer and functionally to the Audit Committee of that covered entity.

The responsibilities placed on an internal auditor of an internal audit unit of a covered entity are to:

- (1) appraise and report on the soundness and application of the system of controls operating in the covered entity;
- (2) evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- (3) provide assurance on the efficiency, effectiveness, and economy in the administration of the programmes and operations of a covered entity; and
- (4) evaluate compliance of a covered entity with enactments, policies, standards, systems, and procedures.

Other responsibilities placed on an internal auditor of a covered entity shall, in consultation with the Principal Spending Officer of the respective covered entity and in accordance with guidelines issued by the Internal Audit Agency, prepare an annual audit work plan of the activities required to be performed by the internal auditor in a financial year which is determined by

the risk assessment including the fiscal risk of that covered entity; and that the annual audit work plan includes an appraisal and report on:

- (1) budget planning and implementation and compliance with national goals and objectives;
- (2) the development initiatives of the covered entity;
- (3) procurement of goods, services, and works;
- (4) value for money on public expenditure;
- (5) follow-ups on the agreed audit recommendations and required corrective actions;
- (6) systems of government revenue collections for proper accountability; and
- (7) proper, timely, and effective use of Government financial information systems.

Additionally, the internal auditor of a covered entity shall, within thirty days after the beginning of the financial year, submit the following:

- (a) the annual audit work plan to the Principal Spending Officer of that covered entity and the Audit Committee established under section 86; and
- (b) a copy of the annual audit work plan to the Internal Audit Agency.

The internal auditor of a covered entity shall submit quarterly reports on the execution of the annual audit work plan to the principal spending officer of the covered entity concerned, the audit committee, the Auditor-General and the Director-General of the Internal Audit Agency. In addition, the internal auditor of a covered entity shall, in the performance of functions under Act 921;

- (a) have access to information and property required to be audited; and
- (b) be provided with any relevant explanation required by the internal auditor.

Further responsibilities placed on an internal auditor of a covered entity are that the internal auditor of a covered entity shall report to the Principal Spending Officer concerned, any incidents of suspected fraud or misuse of public funds; but where the internal auditor of a covered entity suspects that a Principal Spending Officer is involved in fraud or misuse of public funds, the internal auditor shall report the matter to the Director-General of the Internal Audit Agency who shall in consultation with the chairperson of the relevant audit committee initiate investigations into the matter.

However, it is the considered opinion of the researcher that Section 83 (2) of the Public Financial Management (2016) Act 921 on internal audit be amended to enable the Head of the internal audit unit to report administratively to an independent body to be regarded as a regulator and is protected by an Act of Parliament to uphold the sanctity of the activities of internal audit functions. Section 83 (2) of the Public Financial Management (2016) Act 921 states that *the Head of the internal audit unit shall report administratively to the Principal Spending Officer and functionally to the Audit committee of that covered entity.*

By reporting administratively to the Principal Spending Officer of that covered entity, whose operations, duties, actions, and inactions are subject to appraisal by the functions of the internal auditor, the independence and the objectivity of the internal auditor's activities would be impaired. The reason is that the internal auditor would be subjected to administrative controls, instructions, and directives which would render internal auditing ineffective.

The Public Financial Management (2016) Act 921 stipulates offences and penalties under Section 96, surcharge under Section 97, and penalty for contravention of Act 921 under Section 98. The powers given to the Minister in charge of finance to make regulations to govern the Public Financial Management (2016) Act 921 can be found under Section 101 of Act 921.

Impact of Effective Internal Auditing on Performance of Local Governments

A lot of resources are put at the disposal of local governments following the concept of fiscal decentralisation. The objective of ensuring that resources follow responsibilities is to ensure efficient and effective functioning of local governments at the local level. The resources are meant for development purposes in the communities.

Even though local governments should be run on trust, actors behave otherwise and the objectives of local governments are not achieved. In such situations, the operations of the local governments become fraught with irregularities. Internal auditing, serves to evaluate and contribute to improving the risk management, control, and governance processes of organisations. It therefore provides oversight duties on the operations of local governments.

All other things being equal, internal auditing is expected to forestall irregularities so that local governments can operate in an environment devoid of lapses. So, effective internal auditing would ensure that risks that are likely to hinder the achievement of local governments' objectives are identified, assessed, and managed. In addition, internal auditing would serve as a control mechanism to provide feedback on the state of affairs of local governments at any given point in time, so that corrective measures are taken.

Effective internal auditing would ensure transparency and accountability of tasks performed so that decisions are taken in the best interest of local governments and their stakeholders. At the end of the day, the communities and the people would progress to attain satisfaction.

Relationship between Internal Auditing Structure and the Structure of Local Governments

According to Mizuho Financial Group (2002), internal audit is designed as an integrated process, independent from other operations in order to appraise the extent to which internal controls achieve their objectives in key areas; including appropriate risk management, efficient and effective operations, reliable financial reporting, and compliance with laws, regulations, rules, and policies. Internal auditing is conducted from an objective and independent perspective and offers consulting services. It is a monitoring tool that is used to track and monitor resources to ensure their judicious application in a system.

On the other hand, local governments are empowered to wield political and administrative authority in the districts. They are therefore the political and administrative heads at the local level. They make and take decisions that affect the development of the communities and the improvement of the living conditions of the people. The local governments assume legislative, deliberative, and executive functions at the local areas and are considered as the planning authorities to undertake sustainable development programmes and projects and provide goods and services to the people.

Other development pre-requisites such as peace, order, security, communication, and roads are their prime concern. So, just as local

governments have the responsibilities to provide conditions necessary for the people to go about their day to day activities, internal auditing provides the needed assurance on the day to day operations of the MMDAs with respect to their fiduciary duties as agents of the people in the communities. Local governments and internal auditing play complementary roles in the developmental efforts of the Government of Ghana.

Performance of Local Governments in Ghana

The effective performance of the MMDAs is necessary for efficiency in delivering goods and services, good governance, and development at the local level (Mensah & Kendie, 2008). The introduction of the DDF FOAT performance assessment has provided a uniform basis and mechanism to assess the performance of MMDAs. The objectives of the DDF based on FOAT are to:

1. enhance the role of the MMDAs in achieving the Millennium Development Goals through the provision of additional investment fund;
2. introduce a performance incentive structure in the MMDAs system; and
3. harmonise implementation modalities and administrative requirements, currently associated with project-specific capacity building and capital support for MMDAs, into one coherent system fully anchored in Government of Ghana's (GoG) legal and regulatory framework (Government of Ghana, 2009).

Performance-based Grant System

Three components form the basis of the PBGS namely; performance assessment, funding, and capacity building which are designed as harmonised modalities, fully operating within Government of Ghana's existing legal, regulatory, and policy frameworks (Government of Ghana, 2009).

The structure of the grant has three components namely; a basic grant (40 percent of the overall pool), a performance grant (40 percent of the overall pool), and a capacity building grant (20 percent of the overall pool).

The basic grant is allocated on the basis of a sample formula, comprising an equal share, population, and land area (the size of the MMDA's territory) factors. The weighting of the factors and the sharing are as follows:

- (1) equal share (40 percent) - shared equally to districts that fulfilled all the minimum conditions;
- (2) population (50 percent) - shared based on the proportion of a district's population to the total population of MMDAs that fulfilled all the minimum conditions; and
- (3) land area (10 percent) - shared based on the proportion of a district's land area to the total land area of districts that fulfilled all the minimum conditions.

In the opinion of the researcher, the performance of MMDAs is necessary for the development of the communities and the improvement in the livelihood of the people. The second objective of the DDF based on FOAT which seeks to introduce a performance incentive structure in the MMDAs' system is therefore appropriate. It is the considered view of the researcher that premium should be put on performance in the grant structure in order to elicit

the interest and zeal of the MMDAs to perform well to ensure that the people live comfortably in decent environment. In this regard, the basic grant component of the grant structure should be reduced from 40 percent of the overall pool to 25 percent and increase the performance grant from 40 percent to 55 percent of the overall pool.

There are two criteria for MMDAs to meet before qualifying for the DDF and they are the minimum conditions and performance measures. While the minimum conditions constitute the basic prerequisites that must be fulfilled by MMDAs in order to receive the basic grant of the DDF, the performance measures deal with identified areas of the operations where the MMDAs are expected to perform well in order to receive the performance grant. Table 2 depicts the minimum conditions and their indicators for 2012 DDF FOAT performance assessment while Table 3 shows the performance measures and their indicators for 2012 DDF FOAT performance assessment.

Table 2: Minimum Conditions and their Indicators for 2012 DDF FOAT Performance Assessment

No.	Minimum Conditions	Indicators
1	Functional Capacity in Development Planning	Membership and minutes of meetings of the Functional DPCU 2012 Annual Action Plan
2	Functional Capacity in Financial Management and Accounting	2012 Annual Statement of Accounts Auditor's report on the last audited accounts
3	Functional Capacity in Procurement	Procurement Plan for 2012
4	Functional Capacity of Assembly	Minutes of meetings of the General Assembly for 2012
5	Project Implementation Capacity	Quarterly and Annual Progress Reports on the implementation of projects in the 2012 Annual Action Plan

Source: Report of FOAT Assessment on Metropolitan, Municipal, and District Assemblies (2012)

Table 3: Performance Measures and their Indicators for 2012 DDF FOAT**Performance Assessment**

No.	Performance Measures	Indicators
1	Management and Organisation	Minutes of meetings of the Executive Committee Minutes of meetings of the statutory sub committees of the Executive Committee Minutes of meetings of the District Security Committee Minutes of management (heads of departments plus District Assembly core staff) meetings during the last fiscal year
2	Transparency, Openness and Accountability	List of members (including a desk officer) and minutes of meetings of the Public Relations and Complaints Committee Annual report on the MMDAs' activities for the previous year. Annual statement of accounts Latest external auditor's report Monthly financial statements Despatch book
3	Planning System	Implementation Report for the previous year Monitoring reports of previous years projects and programmes Annual Plan and Budget Minutes of half year composite review meetings on planning, implementation and monitoring of Medium Term Development Plan (MTDP).

Table 3: Continued

		Reports on public hearings at sub district structure levels in connection with the preparation of Medium Term Development Plan
		Last updated socio-economic databank
		Gender profile of the MTDP
4	Human Resource Management	Nominal Roll (Central administration and decentralised departments)
		Establishment schedule
		Copy of annual staff development plans
		Copy of training needs assessment
		Capacity Building Plan and Implementation Report
5	Relations with sub structures	Record of transfer of funds to sub district structures
		Documents indicating functions transferred and actually being performed by sub district structures
6	Financial Management and Auditing	Composition and minutes of meetings of the Budget Committee
		Monthly expenditure returns and incomes of the MMDA
		Bank Reconciliation Statement
		Monthly Trial Balance
		Annual Balance Sheet
		Annual Statement of Accounts
		Board of Survey Report
		Database on taxable units including property roll
		Report on internal audit work carried out and submitted to the Presiding Member of the MMDA.

Table 3: Continued

		Minutes of Audit Review Implementation Committee meeting
		Copies of ARIC implementation reports
		Minutes of management meetings
		Minutes of General Assembly meeting
7	Fiscal Capacity	Monthly Trial Balances
		Operation and maintenance plan
		Revenue and expenditure records
		Audited Accounts
		Annual budget
		Records of DACF Receipts
8	Procurement	Document describing the procedure for inviting tenders
		Progress Reports on the implementation of projects
		Minutes of the procurement entities
		Annual Procurement Plan and quarterly updates
		Contracts Register/Certificates of Payments
9	Environmental	Development of District Environmental Sanitation Sub-Sector
	Sanitation	Strategy and Action Plan
	Management	Data on Environmental Sanitation Facilities

Source: Report of FOAT Assessment on Metropolitan, Municipal, and District Assemblies (2012)

The score on the performance measures for the MMDAs which have met the minimum conditions determine the performance grant. The MMDAs which do not meet any of the minimum conditions do not receive the development funds namely the basic and the performance grants of the DDF pool for the year the assessment results are to be used for disbursements (Government of Ghana, 2009).

The MMDAs which fulfilled all the minimum conditions receive the performance grant in addition to the basic grant. The amount allocated to each MMDA is the ratio of an MMDA's score to the total score of districts that met the minimum conditions as a product of the total performance allocation which is 40 percent of the DDF pool. The capacity building grant is used to finance capacity building support in addition to the cost of the performance assessment. The MMDAs use the capacity building support to address institutional weaknesses, logistics needs, and skills inadequacies in their operations in a regularised and well-coordinated manner.

District Development Facility and Functional and Organisational Assessment Tool

The actual performance assessment is conducted on agreed indicators by consultants (private sector) contracted by the MLGRD through a competitive bidding process. The purpose of the FOAT is to enhance transparency and accountability in service delivery in the MMDAs. The transparent and accountable characteristics associated with DDF and FOAT support the role of internal auditing in the MMDAs. The performance assessment takes place using a common set of indicators and therefore generates a systematic body of data that allows for a comparison of performance among the MMDAs; and the availability of the data assist to strengthen policy dialogue on decentralisation and local government reforms (Government of Ghana, 2009).

The following principles apply to the FOAT and the assessment process:

- (1) the MMDAs are strictly assessed against their legal obligations and issues that fall within their direct span of control; and so all indicators are anchored in existing legal, regulatory, and policy frameworks;
- (2) the indicators acknowledge the specific legal, political/administrative, and fiscal environment in which MMDAs operate;
- (3) the indicators capture both the administrators and the elected representatives in the MMDAs operations;
- (4) in order to minimise discretion in the assessment process, the indicators are objectively verifiable and simple to assess;
- (5) the assessment process facilitates a clear translation of identified capacity building needs into corresponding institutional strengthening requirements; and
- (6) the assessment process ensures that capacity building is fully integrated into the budgeting cycle of the MMDAs.

The FOAT exercise is managed by the DDF Secretariat of MLGRD and therefore involves coordinating and ensuring the integrity of the execution of the activities of the FOAT assessment. The DDF Secretariat ensures fairness in the assessment process (Government of Ghana, 2009).

The processes for the DDF FOAT performance assessment fall within the remit of internal auditing. In the course of performing their duties, internal auditors ensure that the issues under the minimum conditions and the performance measures are covered in the internal audit activities in the MMDAs.

The MMDAs which have effective internal auditing are expected to pass well to qualify for the DDF because the assessment covers the legal,

political, administrative, and fiscal environment in which the MMDAs operate (Ghartey, Ghartey, & Mensah, 2015). Apart from internal auditing playing a major role in assisting MMDAs to pass and qualify to access the DDF, the huge amount of monies which are made available to the MMDAs should be tracked for judicious utilisation; and internal auditing executes the monitoring function as well.

On the performance assessment, it is the conviction of the researcher that the focus should be shifted from the internal workings of MMDAs as institutions to the communities where the true performance of the MMDAs could be determined. The current practice where a lot of focus is on record-keeping other than action in the communities, breeds inertia and fiddling of facts, figures, and records in the struggle to pass the assessment.

The current situation provides opportunities for aggrieved officers of the MMDAs to suppress vital records and documents related to the assessment, in an effort to settle scores with management bodies. In another breadth, reckless officers who do not perform creditably would endanger the fortunes of innocent communities and deprive them of development activities. The current posture of the assessment is skewed toward the capacity of the officers of the MMDAs but not the development needs of the communities and their people.

When the focus is shifted to the communities in the performance assessment, there would be rapid development at the local level with its attendant improvement in the living conditions of the people. The focus of the assessment should be as follows:

- i. Twenty percent (20%) for MMDAs' internal workings, and

- ii. Eighty percent (80%) for MMDAs' performance in the communities

Audit Reports on Local Governments

As part of measures to help to improve the performance of institutions in Ghana, the 1992 Constitution of the Republic of Ghana per the Ghana Audit Service (2000) Act 584 established the Ghana Audit Service to audit and report on the public accounts of Ghana and all public offices, including the courts, the central and local government administrations and the universities. The others are public institutions of like nature, any public corporation or other body or organisation established by Act of Parliament.

The Ghana Audit Service (2000) Act 584 requires the Auditor-General to submit his/her report to Parliament within six months of the end of the ensuing financial year. The reports would then be deliberated upon by the Public Accounts Committee of Parliament with the objective of ensuring that public resources are managed judiciously and according to set guidelines. The performance of local governments would be assessed and the results are contained in the District Auditors' reports which are submitted to the Auditor-General and published.

According to Boachie-Danquah (as cited in Alam and Koranteng, 2011), the accounts of the then existing 110 MMDAs were audited for four fiscal years covering 1997, 1998, 1999, and 2000 and the findings in the report recounted control weaknesses in the operations of MMDAs resulting in dissipation of resources. In addition, the accounts of the then 138 MMDAs were audited for four financial years from 2001 to 2004 and the audit report

registered a repetition of the offences that were reported on from 1997 to 2000 (Boachie-Danquah as cited in Alam & Koranteng, 2011).

Misappropriation of revenue, unearned salaries, and store irregularities among others were captured in the MMDAs (Auditor-General, 2005). There were procurement irregularities among others in the MMDAs (Auditor-General, 2006). The MMDAs flouted rules and procedures in transactions leading to losses (Auditor-General, 2007). Deficiencies in the operations of MMDAs were recorded (Auditor-General, 2008).

In addition, there were weaknesses in internal controls which contributed to mismanagement of funds and resources by some officials of some MMDAs (Auditor-General, 2009) while tax and contract irregularities among others recurred in MMDAs (Auditor-General, 2010). There were unsubstantiated payments which could lead to financial irregularities in the MMDAs (Auditor-General, 2011) whilst the Auditor-General emphasised that the state of adverse audit findings in MMDAs has not changed in 2012 (Auditor-General, 2012).

CHAPTER THREE

THEORETICAL AND EMPIRICAL REVIEW OF THE STUDY

Introduction

This chapter is in three parts. The first deals with the theories underpinning the study, the second is on the empirical studies, and the third explains the conceptual framework.

Theories Underpinning the Study

The theories are the agency theory, bureaucratic theory of management, institutional theory, and open systems theory. The linkages between the theories and the study have been discussed.

Agency Theory

Corporate governance ensures that activities that are undertaken in organisations bring about success through a transparent, accountable, and equitable approach. Organisations should be run on trust, honesty, and moral principles but actors in organisations tend to behave otherwise and this calls for the need for oversight in operations. The agency theory explains that the agency relationship is a contract under which one or more principals engage another person or persons as their agent(s) to perform some service on behalf of the principals (Millichamp & Taylor, 2012). The consequence of the information asymmetry is the moral hazard and adverse selection which become the crux of the principal-agent relationship.

According to Soltani (2007), the adverse selection arises when the agent's behaviour is known but the actual performance could not be ascertained. The agent tries to impress the principal at a time that the performance is not known and may mislead the principal for selection. The

moral hazard is the situation where the agent possesses information which is not available to the principal because of the level of the agent's involvement in the running of the business and uses the information selfishly to the detriment of the principal. The board of directors, the management board or the executive directors can be considered as agents (Welge & Eulerich, 2012) while shareholders and other stakeholders are the principals.

Agency theory places emphasis on good performance and the demand for audit because managers stand in a fiduciary relationship with owners and therefore need to account for their stewardship. Aside from using auditing and other forms of regulations to monitor activities of the agent, the high quality and level of information on the company which is available to the public (information environment) may lessen the effect of information asymmetry between the principal and the agent. Ertugrul and Hedge (2008) indicate that if the incentives of board members are increased to enable an effective monitoring, managers (agents) will become disciplined so that agency problems are minimised to discourage weak performance.

Fama and Jensen (1983) define agency costs as the costs associated with the overall processes in tracking and checking agents with opportunistic behaviours and this has been corroborated by Adams (1994) which explains that agency costs are the expenses incurred in monitoring the activities in the agency relationship. Agency costs are reduced in firms where managements exhibit a high sense of commitment to own the firm (Jensen, 1986). Gul and Tsui (2001) explain that audit fees which form part of cost of monitoring are higher in firms with lower management ownership commitment.

Chow (1982) had indicated that the level of agency problems has a direct relationship with the demand for audit and that where the level of agency problems is high, the demand for audit is high and where the level of agency problems is low; the demand for audit becomes low. Local governments have to take ownership of the operations intended to improve the livelihood of the people and reduce agency cost.

If the cost of monitoring activities in local governments is high, it becomes a disincentive to the people because the costs eat into funds that could be channeled into other productive areas of society. Even though the agency theory mentions the threat of firing as part of measures available for aligning the interests of the agents to that of the principals, compensation and other forms of incentives have become the most employed tools in fighting the existence of asymmetric information in the principal-agent relationship. The emphasis should rather be on the application of sanctions in order to deter agents from doing the wrong thing. The reason is that the agency theory would lose its relevance if agency costs are not controlled.

Another threat to the agency theory is collusion of officers who are to undertake monitoring activities. There should be a balance between agency costs and the alignment of agents' interests to the principals' but where collusion is anticipated, agency costs become high and dilute the principals' interests in the same manner as there were no monitoring activities.

The agency theory needs to take cognisance of the insidious effects of the agency costs while assisting to sanitise operations and fostering good performance and behaviour in local governments. The agency theory acknowledges weaknesses in the running of organisations and therefore relates

to the practice of internal auditing which also acknowledges weaknesses in systems. The agency theory is relevant to the study.

Bureaucratic Theory of Management

Grimsley (2013) explains that bureaucratic theory of management involves working under structured rules and regulations where the members of an organisation are expected to comply with directives. In a bureaucracy, there should be an objective understanding of issues where due processes are followed in an impartial manner to ensure discipline in the discharge of duties (Akrani, 2011) to enhance performance.

The well-defined line of authority and the need to follow principles, policies, and directives form the structure of the pillars of internal auditing. The pillars of internal auditing comprise of a set of rules and dogmas to ensure that operations in organisations follow a clear and unambiguous path. The local government setup is a typical bureaucratic institution where the offices are departmentalised into distinct functions such as administration, finance, human resource, planning, waste management, environmental health, and internal audit.

The departments of the MMDAs have set of rules, regulations, laws, and operational procedures to guide operations. Every employee is expected to follow the laid down principles and any deviation from the norm attracts sanctions. The formal and strict characteristics of bureaucratic theory of management reflect the disciplined and systematic manner in which internal auditing operates and this makes the principles of bureaucratic theory of management relevant to the practice of internal auditing in MMDAs; and to the study.

Conversely, the well-defined line of authority and clear rules and regulations which should be strictly followed tend to create a level of inertia among officers of local government in the discharge of duties. Local government officers drag their feet in executing functions to frustrate the system to achieve personal gains under the guise of performing to rules and regulations. The situation may not help progress at the local level if the MMDAs fail to provide the communities with their needs timely. The delay in decision-making due to formalities and strict observance of rules erode the confidence the people have in local governments to deliver goods and services.

The amount of resources that are available to the local governments, through fiscal decentralisation, should be utilised to improve quality of operations, goods, and services through the effective practice of internal auditing (Unegbu & Kida, 2011). Bureaucratic tendencies provide controls to check spending by local governments but the processes may be usually counter-productive.

The principles underlying bureaucratic theory of management may not encourage modern democratic discourse where change is inevitable and new paradigms continue to evolve. Decision-making at the local level should be done with despatch but the dictates of the framework of the bureaucratic theory of management may discourage timely interventions for improvement at the local level.

Good corporate governance thrives on bureaucratic principles because of the inherent internal controls; but may at the same time suffer as a result of overemphasis on rules and procedures to cause delays in work output. It may

then be necessary to interrogate the usefulness of bureaucratic principles in the operations of decentralised local governments; especially where the people at the local level keep on requesting basic infrastructure. Local governments need to be more strategic to undergo rapid changes. Howard (2014) indicates that 'America's schools can never succeed under bureaucracy because bureaucracy focuses on compliance which interferes with innovation and discovery.'

In spite of the delay and inertia associated with bureaucracy, organisations which do not have set of policies, instructions, rules, guidelines, and regulations to guide operations are bound to be chaotic and will not provide the necessary conducive atmosphere to engender good performance and progress. Local governments will succeed in delivering the mandate assigned if officials are competent, law abiding, disciplined, and have respect for order. The principles of bureaucratic theory of management provide the foundation for the practice of internal auditing and good performance. The bureaucratic theory of management is relevant to the study.

Institutional Theory

The institutional theory envisages a situation where organisations survive because structures, practices and procedures have been firmly established (Meyer, 1977) and that institutional pressures bring about similarity in institutions (DiMaggio & Powell, 1983). Scott (2005) indicates that institutional theory embraces processes by which structures including schemes, rules, norms and routines become rigidly enforced.

According to DiMaggio and Powell (1983), three types of external pressures that bear on institutions are as follows:

- (1) Coercive pressures which come by way of legal directives or instructions from dependent institutions;
- (2) Mimetic pressures which point to situations in institutions where successful functions are imitated from other institutions; and
- (3) Normative pressures which deal with the influence of professional groupings that is exerted on the institutions from professional expertise.

Two central assumptions underlying institutional theory indicate that first, institutionalised activities are resistant to change and second, pressures are brought to bear on organisations to become similar (DiMaggio & Powell 1983). Scott (1987) and Zucker (1987) have revealed that organisations are subjected to pressures by internal and external forces. While the internal pressures constitute the formalised structures and processes, the external pressures consist of pressures that relate to state requirement, professional protocols, and code of ethics.

However, Suddaby (2010) explains that the argument of DiMaggio and Powell (1983) that organisations become similar within the institutional environments does not mean that:

- (1) Organisations become similar with each other and consequently become identical; and
- (2) Organisations do not interact with the environment.

According to Suddaby (2010), DiMaggio (1988) had explained further that organisations do react creatively to bring change to the institutional environments in a process which DiMaggio termed 'institutional entrepreneurship' and that actions become institutionalised when there is the understanding that everybody else is doing same.

DiMaggio (1988), Garud, Hardy, and Maguire (2007) define institutional entrepreneurship as actions which either create new organisations or transform organisations that are already in place. People, organisations, or groups of people or organisations are the actors who must be able to initiate and implement the changes needed (Battilana, Leca, & Boxenbaum, 2009).

DiMaggio's institutional entrepreneurship defeats the central assumption underlying the institutional theory that institutionalised activities resist change. There is the need to relook at the principles of the institutional theory and that of institutional entrepreneurship in order to harmonise them. Where there is a lot of pressure, change is inevitable and any situation that is susceptible to changes carries in its wake risk, with a high tendency of a weak performance.

The Local Government (2016) Act 936, the Ministry of Local Government and Rural Department (MLGRD), the Local Government Service (LGS) and the Presidency may provide a lot of legal directives and other forms of departmental instructions for the MMDAs to comply and are therefore being influenced by coercive pressures. The Local Economic Development (LED) policy by the MLGRD encourages inter-district trade and promotes sharing of good practices among the MMDAs. The consequence of the interactions through LED has implications for the mimetic pressures that impinge on organisations.

The National Association of Local Authorities of Ghana (NALAG), the Metropolitan, Municipal, and District Chief Executives' Group, the Metropolitan, Municipal, and District Co-ordinating Directors' Group, the Presiding Members Group, and the Assembly members Caucus are all forces

to reckon with in the local government system in Ghana and decisions taken at meetings of such groups have significant effect and influence on the operations of local governments. The monitoring and evaluation activities that are undertaken by the Policy, Planning, Monitoring, and Evaluation Division (PPMED) of the MLGRD, the RCCs, and the performance assessment criteria based on the FOAT have the potential to make MMDAs similar in terms of operational output, through the normative pressures.

The institutional entrepreneurship which encourages change offers opportunity to managements of organisations to identify risks and deal with them appropriately to engender good performance. Although Scott (1995) indicates that organisations survive by adhering to the rules and norms in the environment where the organisations operate, their survival is threatened by the pressures in the environment. The practice of internal auditing constitutes an internal pressure from the institutional theory and helps organisations to be proactive (Freidank & Pasternack, 2011; Sarens & Abdolmohammadi, 2011) in order for them to survive through good performance. The institutional theory is therefore relevant to the study.

Open Systems Theory

The open systems theory explains that organisations are strongly influenced by the environment. The environment is made up of forces of political, socio-cultural, technological, and economic considerations. Resources that may enhance change and lead to survival of institutions are available in the environment as well.

Generally, a system is defined as an arrangement of interrelated parts. Interactions between the parts in a system tend to become more complex and

variable. In a system, the individual characteristics of the parts come together to portray a unique characteristic to represent a whole phenomenon. It is the whole, and not the parts, that matters. In order for open systems to survive, the resources in the environment should inject life into the operations of the open systems (Cutajar, 2010). Figure 3 explains the functioning of open systems.

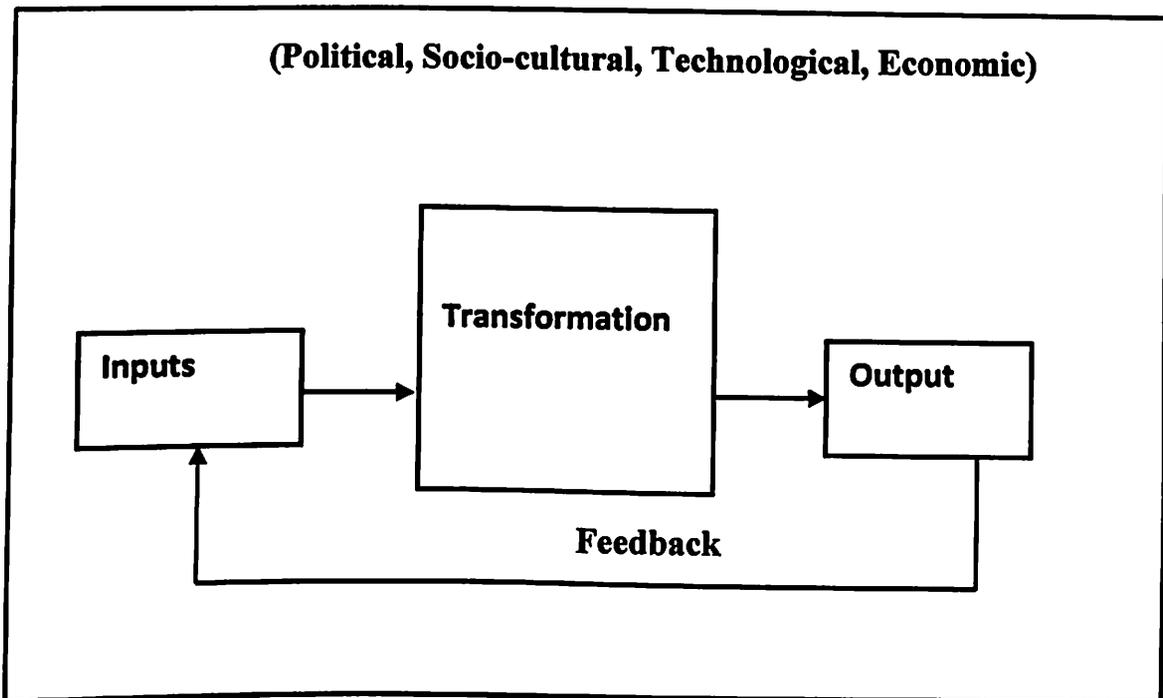


Figure 3: Model of an Open System

Source: Hanna (1997)

Management bodies operate in systems and have the responsibility to co-ordinate the inter-related parts to present a common outlook to achieve good performance. Even though there are distinct functional areas in organisations with different operational objectives, reports on organisations reflect the contributions made by the individual distinct functional areas and presented with one voice. In presenting corporate reports, management bodies tend to offer technical support to the individual functional areas in the collation of reports.

Though the individual functional areas perform different duties, the duties are inter-related and the output of one functional area becomes an input of another functional area. In a situation where there is an assessment of organisations, it is the whole organisation (local government) that is assessed and the reports are written to reflect the whole organisation although individual functional areas could be investigated for the purpose of forming an opinion on the entire organisations. The benefit of the inter-relationship is always in a manner that results in goal congruence within the whole setup. At any given point in time, it is the whole organisation that is of significance.

The systemic nature of local governments works on the principle that the inadequacies of one functional area affect the whole organisation and result in weak performance. The internal auditing is systemic and therefore covers all the functional areas of the local government. Management bodies should make available logistics to sustain operations at each functional area including internal auditing.

Open systems take inputs from the external environment and the inputs are processed during the transformation stage to churn out outputs that become exchanged in the environment. The decentralised local government as a system operates to receive information from the environment, make decisions, implement and execute decisions in the framework of the environment in order to change livelihood outcomes for societal welfare.

The decentralised local governments offer a platform for the people to determine their fate by ensuring free participation in activities and events so that ideas can be exchanged to make sure that the survival of the local area is sustained through good performance just in the same manner that open

systems interact with the environment in order to survive (Cutajar, 2010). The feedback mechanism in the open systems model (Figure 3) allows institutions to adapt to environmental changes.

During interactions with the environment for efficiency (Dogarawa, 2011), MMDAs have access to practical solutions to problems and be on top of all issues that weaken performance as well as the prospects of providing the needs of the people at all times. The open systems theory provides opportunities for growth and could assist the MMDAs to interact with their respective environments in order to deliver efficient services through good performance. The open systems theory is an ideal theory for the running of organisations because of the flexible nature of interactions that go on in the external environment. The order and discipline that would be achieved through the practice of internal auditing would offer opportunities for good performance and growth in MMDAs just as the principles of the open systems theory engender good performance and growth for institutions through interaction with the external environment. The open systems theory is relevant to the study. The elements of open systems model are depicted in Table 4.

Table 4: Basic Elements of Open Systems

Elements	Characteristics/ Behaviour
Boundary	Differentiate them from other; may be physical e.g. Building; temporal e.g. a work shift; social e.g. Ethnic/departmental grouping; psychological e.g. Stereotype prejudice; and is permeable.
Purpose	Every system has a purpose/reason for its existence. The purpose is an implicit agreement/contract between the system and its environment that it survives.
Inputs	Imports material and energy it utilises from its environment in the form of raw materials, money, equipment and information.
Transformation	Turn inputs into products, goods and services. Transformation/Throughput process is a joint interaction of three core processes namely; Task, Individual and Group.
Output	Products, goods, services; skills are exported to the environment it operates and interacts. May include both desirable and undesirables by products (e.g. Pollution, scrap, rework, and errors)
Feedback	A mechanism that enables the system to evaluate its performance and justifies its existence and survival. May have Negative Feedback (measures whether or not the output is on course with the purpose and goals – Deviation Correction Feedback) or Positive Feedback (measures whether or not the measures whether or not the purpose and goals are aligned with environmental needs Deviation Amplifying Feedback)
Environment	Implies everything outside the system's boundary. Interface through exchange of inputs and outputs. Critically it provides inputs, accepts the outputs, supports the purpose and provides feedback.

Source: Adopted from Hanna (1997)

Empirical Studies

The empirical studies have been grouped into three namely; conditions which supported internal auditing, conditions which hindered internal auditing and performance. Under each of the groups, the studies have been further grouped into studies which were conducted outside of Africa, those conducted in Africa and others which were conducted in Ghana. With regard to performance, the studies were all conducted in Ghana because they relate to the DDF FOAT performance assessment which is conducted in Ghana. The lessons learnt from the empirical review follow. In order to enhance clarity, the empirical studies have been summarised in Table 5.

Table 5: Summary of Empirical Studies Reviewed

Conditions Which Supported Internal Auditing			
Area of Studies	Author	Title of Study	Area of Focus
Studies outside of Africa	1. Fadzil (2003)	Internal audit practices and the performance of internal audit departments in Companies in North-Eastern Ohio	Assessment of internal audit function
	2. Nagy and Cenker (2002)	An assessment of the newly defined internal audit function in Kuala Lumpur Stock Exchange	Internal auditing practices
	3. Cohen and Sayag (2010)	The effectiveness of internal auditing: An empirical examination of its determinants in Israeli organisations	Effectiveness of internal auditing

Table 5: Continued

	4. Ho and Hutchison (2010)	Relationship between Internal Audit Department Characteristics and Activities and Audit Fees in Firms in Hong Kong	Internal Audit Effectiveness
	5. Karagiorgo, Drogalas, and Giovanis (2011)	Evaluation of the effectiveness of internal audit in Greek Hotel Business: An empirical evidence for the interaction between components of internal control system and performance of internal auditing.	Evaluation of internal audit effectiveness
	6. de Zwaan, Stewart, and Subramaniam (2011)	Internal audit involvement in Enterprise Risk Management in Private and Public Sector entities in Australia	Role of internal audit in Enterprise- wide Risk Management
	7. Suyono and Hariyanto (2012)	The Relationship among Internal Control, Internal Audit, and Organisation Commitment and Good Governance in Java Province, Indonesian case	Relationship among internal control and other variables
Studies in Africa	8. ICT WebTeam (2013)	Factors that contribute to the effectiveness of the internal audit function as a corporate governance mechanism in	Effectiveness of internal auditing

Table 5: Continued

		Public Universities in Kenya: A case study of the University of Nairobi.	
	9. Mohamud (2013)	Internal Auditing Practices and Internal Control System in Somali Remittance Firms	Role and effectiveness of Internal Auditing
Studies in Ghana	10. Ayagre (2014)	Adoption of risk based internal auditing in developing countries: The case of Ghanaian companies	Factors influencing the adoption or non-adoption of risk based internal auditing among companies
	11. Gyebi and Quain (2013)	Internal control in cash collection: A case of the Electricity Company of Ghana, Accra East Region	Internal control system and challenges
	12. Affum (2011)	Evaluation of internal controls in PAPSO (Ghana Limited)	Evaluation of internal controls
	13. Austin (2011)	Budgetary control in the public sector: The role of the Internal Audit Agency of Ghana	Role of internal auditing
	14. Baffour (2009)	The compliance or non-compliance of the internal audit departments of organisations with the guidelines specified by	Compliance or non-compliance with guidelines for setting up and

Table 5: Continued

		the Institute of Internal Auditors: A case of Star Assurance Company Limited, Ghana	operating an internal audit department
Studies outside of Africa	15. Van Peurseem and Pumphrey (2005)	Internal auditors and independence: An agency lens on corporate practice in New Zealand organisations	Internal auditors and independence
	16. Hematfar, Marefat, Mozafari (2013)	The effectiveness of Internal Auditing in the Telecommunication organisations in Lorestan province in Iran	Effectiveness of internal auditing
	17. Kangarlouei, Motavassel, and Mohammadzadeh (2013)	Evaluation of Internal Audit Effectiveness in Tehran Stock Exchange.	Evaluating the effectiveness of internal auditing
	18. Alzeban and Sawan (2013)	The role of internal audit function in the public sector context of Saudi Arabia.	Role of internal auditing
Studies in Africa	19. Mihret and Yismaw (2007)	Internal audit effectiveness: An Ethiopian Public Sector case study	Internal audit effectiveness

Table 5: Continued

	20. Rudasingwa (2006)	The role of internal audit function in enhancing risk management in Rwandan Social Security Fund	Role of internal auditing
	21. Kiabel (2012)	Internal Auditing and Performance of Government Enterprises: A Nigerian Study	Influence of internal auditing practices on financial performance
	22. Abu-Azza (2012)	Perceived Effectiveness of Internal Audit Function in Libya	Assessing the effectiveness of internal auditing
	23. Udeh and Nwadiolor (2016)	Evaluation of effectiveness of internal audit in the Nigerian Public Sector	Effectiveness of internal audit
	24. Chelimo and Kariuki (2013)	An evaluation of internal audit function in financial reporting in Local Authorities in Kenya: A case of Municipal Council of Eldoret	Evaluation of internal auditing
Studies in Ghana	25. Asuming, Forkuo, Kankam, Ode, and Tetteh (2013)	Enhancing Internal Audit to Promote Effective and Efficient Financial Management in the Public Sector in selected Ministries, Departments and	Enhancing internal auditing

Table 5: Continued

		Agencies (MDAs) and Metropolitan, Municipal, District Assemblies (MMDAs) in the Ashanti Region of Ghana.	
	26. Onumah and Krah (2012)	Barriers and catalysts to effective internal audit in the Ghana public sector entities	Role and effectiveness of internal auditing
	27. Dawuda (2010)	The effectiveness of internal audit units in the public sector in promoting good corporate governance: The case of the Metropolitan, Municipal, and District Assemblies (MMDAs) in the Northern Region of Ghana	Assessing the effectiveness of internal auditing
	28. Bokpin and Nyarko (2009)	Assessing the corporate governance practices of the hospitality industry in Ghana	Assessing corporate governance practices
Studies in Ghana	29. Ghartey, Ghartey and Mensah (2015)	Making FOAT an effective tool to assess the performance of local governments in the Central Region of Ghana	Performance

Table 5: Continued

30. Bawole (2017)	Analysis of consolidated reports on the annual performance-based Functional Organisational Assessment Tool (FOAT) in Ghana to determine the efficacy of value for money audits on performance.	Performance
31. Arthur (2015)	Investigating the performance of Agona West District Assembly on the delivery of its developmental mandate in the areas of infrastructure, education and health as well as the contributions of NGO's in the same areas of developments	Performance
32. Zakaria (2014)	Investigating performance management practices of local government authorities in Ghana	Performance
33. Auditor-General (2000)	Audit Reports on local governments (1997-2000)	Performance
34. Auditor-General (2004)	Audit Reports on local governments (2000-2004)	Performance

Table 5: Continued

35. Auditor- General (2005)	Audit Reports on local governments (2005)	Performance
36. Auditor- General (2006)	Audit Reports on local governments (2006)	Performance
37. Auditor- General (2007)	Audit Reports on local governments (2007)	Performance
38. Auditor- General (2008)	Audit Reports on local governments (2008)	Performance
39. Auditor- General (2009)	Audit Reports on local governments (2009)	Performance
40. Auditor- General (2010)	Audit Reports on local governments (2010)	Performance
41. Auditor- General (2011)	Audit Reports on local governments (2011)	Performance
42. Auditor- General (2012)	Audit Reports on local governments (2012)	Performance

Table 5: Continued

43. Bangase (2018)	Analysis of Local Government Authority performance management using FOAT	Performance
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Source: Author's Compilation (2014)

Conditions which Supported Internal Auditing

The studies which were conducted outside of Africa on conditions which supported internal auditing were in Malaysia, North-Eastern Ohio, and Israel. The others were in Hong Kong, Greece, Australia, and Indonesia as follows:

Fadzil (2003) investigated internal audit practices and the performance of internal audit department using questionnaires to collect data. The target population was the auditing practitioners and the sample size was 250. The findings of the study were that independence, scope, audit reporting, audit programmes, management of internal audit department, performance of audit work, audit reviews, objectivity, and professional proficiency are important in internal audit practice.

Unlike Fadzil (2003), the current study examined the internal audit practice and the performance of local governments. While Fadzil (2003) was conducted in Malaysia, the current study was conducted in Ghana.

Nagy and Cenker (2002) employed the structured interview to find out whether or not the new definition of internal auditing reflects the day to day activities of internal audit departments. The study setting was the large publicly traded companies in North-Eastern Ohio. The target population was the directors of internal audit and the sample size was 11.

The findings of the study were that the internal audit departments had shifted toward an operational focus which is consistent with the new definition. It was also noted that the directors of internal audit supported the view that risk management in the new definition is a key function of internal auditing and that there was the need for the internal audit profession to aid internal auditors in providing value-enhancing service to the business community. The sample size of 11 was good for the study which was qualitative in design.

Cohen and Sayag (2010) examined the effectiveness of internal auditing in Israeli organisations. The target population was the managers and internal auditors. The sample size was 108 and questionnaire was used to collect the data.

The study revealed that quality of internal auditors' work, top management support, and organisational independence were the determinants of the effectiveness of internal auditing. The data collection instrument was appropriate for the sample but the categories of the respondents were narrow with regard to the categories of participants in the internal auditing process. Views from only the managers and internal auditors might not be dependable.

Ho and Hutchison (2010) examined the effect of internal audit practice on audit fees by using the survey design. The target population was the chief finance officers from 200 companies listed on the Hong Kong Stock Exchange. The sample size was 53 and questionnaire was used to collect the data. The study revealed that where internal auditors spent more time to examine financial statements and external audit related matters, audit fees were significantly lower.

The target population of only chief finance officers narrowed the base of the respondents in the study; and other potential respondents in the internal audit process could not contribute to the study. The questionnaire was appropriate for the survey research design.

Karagiorgos, Drogalas, and Giovanis (2011) evaluated the effectiveness of internal audit in Greek Hotel Business in order to portray the interaction between components of internal control system and performance of internal auditing in Greek hotel business. An exploratory design was adopted for the study.

The target population was the managers, directors of internal audit, and chief finance officers. The judgemental sampling technique was used to collect a sample size of 85 out of which 52 was used for the study. Questionnaires were used to collect data.

The study concluded that the components of the internal control system were highly rated and therefore underscored the efficient functioning of the components of the internal control system. The internal auditing was therefore considered effective. The findings of the study provided the needed assurance for a safe operating environment in the hotel industry. The exploratory study design was appropriate because an in-depth understanding of the issues involved in the study could be ascertained. However, it would be difficult to ascertain the quality of the data collected if the exploratory design was employed for all the 52 respondents; because the man-hours to be spent would be too much for the study.

deZwaan, Stewart, and Subramanian (2011) assessed the effect of internal auditors' involvement in enterprise-wide risk management and their

willingness to report a breakdown in risk procedures to audit committees in Australian private and public sector entities. The experimental design was used for the study. The target population was the certified internal auditors in Australia and the sample size was 117.

The findings of the study were that high involvement in enterprise-wide risk management had impact on internal auditors' willingness to report a breakdown in risk procedures to audit committees and majority of organisations had adopted enterprise-wide risk management in Australia. The findings of the study, however, underscored the need for the role of internal auditing in enterprise-wide risk management and therefore made the study relevant to the practice of internal auditing.

The enterprise-wide risk management had been proved to be an ideal tool in managing risks; and organisations stand to gain in adopting it. However, involving only internal auditors in the study limited the scope for potential respondents in the internal audit process to contribute for the study to arrive at dependable conclusions.

Suyono and Hariyanto (2012) used a descriptive survey design to investigate the relationship that existed between internal control and good governance, internal audit and good governance, and organisation commitment and good governance of the 35 Districts in the Central Java Province of Indonesia.

The target population was the heads of the districts, heads of the local government inspectorate, heads of the monitoring division of the local government inspectorate, and heads of the internal audit departments. The purposive sampling technique was employed to select a sample size of 140.

Questionnaires were used to collect data. The study revealed that internal control, internal audit and organisational commitment had significant positive relationship with good governance.

The target population had a broad category of respondents and was ideal for the study because the selected categories of respondents form part of the internal audit process and data were collected from their respective viewpoints to come out with findings that could be dependable. The questionnaire which was used as the data collection instrument fits a study with a descriptive survey design.

The studies which were conducted in Africa on conditions which supported internal auditing were in Kenya and Somali as follows:

ICT WebTeam (2013) investigated the factors that contribute to the effectiveness of internal auditing as a corporate governance mechanism in the public universities in Kenya. The study adopted the case study design. The purposive sampling technique was used to select University of Nairobi.

The target population was all the internal audit staff of the University of Nairobi and the sample size was 40. The findings from the study were that professional proficiency of internal auditors, quality of audit work, organisational independence and career advancement contributed to the effectiveness of internal auditing.

The case study design was appropriate for the study because it helped to gain an in-depth understanding of the phenomenon under investigation. The sampling technique used was relevant in order to select respondents who could provide the necessary information to answer the research questions. The study could have included top management in the target population in order to

broaden the categories of respondents from which the sample was drawn especially where top management support is necessary in the internal audit process. The responses from top management could reveal that their support in the internal audit process contributes to internal audit effectiveness.

Mohamud (2013) evaluated the effectiveness of the internal control system in the internal audit process in Somali Remittance Companies. A descriptive research design was adopted to study 12 companies. The target population was the finance directors, internal auditors, chief cashiers, accountants and chief executive officers which made up a total of 83 from the selected 12 companies. Purposive sampling was used to select 69 respondents for the study.

The findings of the study were that internal audit practices in Remittance Companies in Somalia were effective and had significant influence on the system of internal controls. Considering the target population in the study and the research topic, some qualitative data could have been collected using semi-structured grouped interviews to triangulate the quantitative data collected by the use of questionnaires. The respondents could have been allowed some flexibility to digress into other areas of importance to enable them answer the research questions in any way they liked; and the findings could be more dependable. The categories of respondents were broad and the results could be dependable.

The studies which were conducted in Ghana on conditions which supported internal auditing were as follows:

Ayagre (2014) investigated the factors that influence the adoption or non-adoption of risk based internal auditing among companies in Ghana. The

study population was the companies listed in Ghana's Club 100. The target population was the internal auditors. A sample size of 80 was selected and questionnaire was used to collect data. The study revealed that risk based internal auditing was widely used among Ghana's Club 100 companies and there was high involvement of internal auditing in risk management. Risk based approaches were used in planning annual audits and that focus on high-risk areas was the driver of the adoption of the risk based internal auditing but not regulation.

The selection of Ghana's Club 100 companies as the study population was appropriate because of the high standard of corporate governance practices used as a major criterion for qualification into the Club 100. However, the involvement of other players in the internal audit process such as management, audit committee members, and some regulators in the internal audit process could have broadened the categories of the respondents to make the results more dependable.

Gyebi and Quain (2013) investigated the internal control and cash collection of the Electricity Corporation of Ghana Limited in the Accra East Region. The survey design was employed and the target population was management members, and tellers. The sample size was 70. The finding of the study was that internal controls provide 'reasonable' assurance because of inherent limitations in the setting up of the controls.

The finding of the study was appropriate because the cost of coming up with the controls can discourage the effort to establish the controls. Collusion could help to circumvent even the most effective controls that could be thought of. Moreover, an inherently bad manager cannot be checked by

controls. In such circumstances, internal controls cannot provide assurance that is foolproof but reasonable.

Affum (2011) investigated the effect of the internal controls in PAPSO (GHANA LIMITED), a private firm in Ghana. The target population comprised directors, management, and workers. The purposive sampling technique was used to select a sample of 120. Questionnaire and interview guide were the data collection instruments.

The study revealed that there were effective operations, adequate controls, and reduction in fraud and irregularities. There were reduction in bureaucracy, reduced audit fees, lack of internal auditors' independence, and inadequate internal audit personnel. The target population could have been expanded to cover internal auditors and other regulators in the internal audit process because internal auditing, which is practised by internal auditors, is part of internal controls which is the subject matter under investigation; and a more dependable conclusion could have been drawn.

Austin (2011) examined the role of Internal Audit Agency in budgetary control in the Ghanaian public sector. The descriptive and the exploratory designs were employed in the study. The target population was management, internal auditors, finance officers, accounting officers, and budget officers. Stratified and random sampling techniques were used to select a sample of 50 and questionnaire and interview guide were employed to collect data.

The findings of the study were that audit work by the Internal Audit Agency was not limited to pre-audit and financial compliance but was extended to budgetary control as well. The Internal Audit Agency provided services that ensured compliance with budgetary laws, regulations, policies,

effective control systems, and fraud detection. The internal auditing lacked the needed recognition and that the skills, knowledge, and abilities of internal auditors and their independence did not conform to best practices. The target population was appropriate for the study.

Baffour (2009) used the case study design to examine whether the requirements for setting up and operating an internal audit function by the Institute of Internal Auditors had been complied with at Star Assurance Company Limited in Ghana.

The study employed questionnaire, observation, and checklist to collect data. The study revealed that the company had complied with the requirements for setting up and operating an internal audit department as prescribed by the Institute of Internal Auditors. The use of semi-structured interview, in addition to the questionnaire, would have rather helped to triangulate the data collection to make the results dependable.

Conditions which Hindered Internal Auditing

The studies which were conducted outside of Africa on conditions which hindered internal auditing were in New Zealand, Iran and Saudi Arabia as follows:

Van Peursem and Pumphrey (2005) employed a qualitative research design to evaluate the relationship between internal auditors and work associates. The study population was New Zealand organisations and the nature of the study design was exploratory. The target population was practising senior internal auditors and the sample size was six. The semi-structured interview was used to collect the data.

The finding of the study was that the internal auditor acts as both an agent (because he reports administratively to the Chief Executive Officer) and a monitor (because he reports functionally to the audit committee of the board of directors); and that there is the risk that there could be a conflation of roles between the internal auditor and senior management. The qualitative study is appropriate for a sample size of six and the exploratory study design and the data collection method employed in the study were in order. However, including other categories of respondents in the internal audit process, other than the practising senior internal auditors only, could have rendered the results more dependable

Hematfar, Marefat, and Mozafari (2013) investigated the effectiveness of internal auditing in the telecommunication organisation in Lorestan province in Iran. The descriptive research design was employed in the study and the target population was all accountants and financial managers. The purposive sampling technique was used and the sample size was 40 even though 37 questionnaires were returned for analysis.

The finding of the study was that the organisational status of the internal audit function had been impaired as there was no independence in the conduct of internal audit duties. The internal auditors did not have access to the senior management and there were no clear objectives, systematic and purposeful planning and programmes for the internal auditors. The internal auditors were not skilled enough to undertake assigned responsibilities. However, the study could have included senior management and internal auditors because responses from them could make the conclusions more dependable.

Kangarlouei, Motavassel, and Mohammadzadeh (2013) used the descriptive survey design to evaluate the internal audit effectiveness in Tehran Stock Exchange (TSE). The study population was the 337 firms listed on the TSE. The target population was the internal auditors, independent auditors, and financial managers totaling 1500.

The random sampling technique was employed to select a sample size of 150 and questionnaires were used to collect the data. The findings of the study were that there were internal control weaknesses and financial reporting was not timely and reliable. The employees were not trained on economic use of resources and value creation. Employing questionnaire to collect data was in order. However, since managements are important players in the internal audit process, including managements in the study could have attracted valuable contributions.

Alzeban and Sawan (2013) investigated the role of internal audit function in the Saudi Arabian public sector. The qualitative research design was used and the strategy for the study was the case study design. The target population was nine internal auditors, 10 general and senior managers, and 10 external auditors.

The purposive sampling technique was employed and the sample size was 29. Questionnaires and semi-structured interview were used to collect data.

The findings of the study were that the internal auditors were not competent and lacked the necessary knowledge and skills to undertake internal auditing responsibilities. There was no proper organisational status for internal auditors and therefore lacked the needed independence to approach duties. The

internal audit activity had also not expanded beyond the traditional audit of financial regularity and compliance.

In addition, internal auditors did not have management support and so the scope for internal auditing was limited, while there was weak relationship between external auditors and clients (auditee organisations). The study revealed the threats facing the practice of internal auditing and therefore rendered the study relevant.

The sample size of 29 was appropriate for a qualitative study but an interview schedule could have been used instead of the questionnaire for a qualitative research. The other option is for the researchers to have employed the mixed methods design if they preferred to use questionnaires alongside the semi-structured interview.

The studies which were conducted in Africa on conditions which hindered internal auditing were in Ethiopia, Rwanda, and Nigeria. The others were in Libya and Kenya as follows:

Mihret and Yismaw (2007) used the case study design to identify factors impacting the effectiveness of internal auditing services in Ethiopian public service. The study population was the director of internal audit and the internal auditors. Questionnaire and interview schedule were used as data collection instruments.

The findings of the study were that there were low technical staff proficiency, high staff turnover, internal audit recommendations were not afforded attention, and there was no mechanism in place to follow up the implementation of audit recommendations. In addition, the internal audit department did not prepare strategic plans, no authority on budget, and the

scope for operations was limited. The study population did not portray a fair representation of the categories of respondents in the internal audit process and the views of the director of internal audit and the internal auditors might not give a dependable result.

Rudasingwa (2006) employed a survey design to carry out a study on the role of internal audit function in enhancing risk management in Rwanda Social Security Fund (RSSF). The target population was the directors, sectional heads, and internal auditors. The judgemental sampling technique was used to select the sample of 37. Questionnaire and interview schedule were used to collect data. The findings of the study were that RSSF did not have formal structure or policy for risk management, the internal auditors were not professional and did not adhere to the Standards for the Professional Practice of internal auditing.

In addition, there were no training and development programmes for the internal auditors, no proper independence, and the internal auditors did not have knowledge of risk management. The data collection instruments were appropriate considering the study design that was adopted.

Kiabel (2012) investigated the internal auditing and performance of Nigerian Government-Owned Enterprises (GOEs) using the survey research design. The study population was made up of the 65 state-owned companies while the target population was accountants, chief accountants, chief internal auditors, internal auditors and finance managers. A sample size of 45 was used for the study.

The findings revealed that internal auditing was not accorded any serious attention. Some of the GOEs did not have internal audit departments.

Even in cases where internal audit departments existed, the departments were functioning with skeleton staff which was not adequate in relation to the size of the companies.

Majority of the internal audit departments were headed by college graduates with few years of experience or by graduate accountants. A negligible few were under the headship of a chief internal auditor with professional accountancy qualification. The internal audit departments did not discharge duties independently. Managements of companies were reluctant to take actions on internal audit reports and recommendations. Loopholes present in various activities had not been plugged.

The exclusion of managements from the study could not make the findings objective because they are important players in the internal audit process. Responses from managements could give a balanced assessment of the situation.

Abu-Azza (2012) investigated the effectiveness of internal audit function in Libya employing a qualitative research design and a study population of 37 enterprises. The target population was the Chief Executive Officers, administrative managers, internal audit directors, financial managers, and the external auditors. The sample size was 185 and the purposive sampling technique was used to select the sample while semi-structured interview and review of documents were used to collect data.

The study found that internal auditors did not have the required independence for effective work and internal auditors' reports were influenced by the Chief Executive Officers. Management support was not forthcoming, communication of internal audit findings was not properly done, and the

competence level of the internal auditors was not the best. There was no formal development of internal auditing in Libya, and the scope of internal auditing was limited.

The target population was representative of the parties in the internal audit process and the outcome of the study could be dependable. The research design was appropriate for the study and the data collected could be rich as the respondents could be given some latitude to express themselves. The sample size was too large and not appropriate for a qualitative study as it would be costly in terms of finance and time. The sampling technique and the data collection instruments employed in the study were in order.

Udeh and Nwadiolor (2016) evaluated the effectiveness of internal audit in the Nigerian public sector. A population of 182, comprising 127 accountants and 55 internal auditors, was used for the study. A sample size of 168 was employed while questionnaires were used to collect the data.

The study revealed that internal audit procedures were not effectively and regularly reviewed. The staff of the internal audit department did not implement internal audit procedures and even though there were sanctions for violations of internal audit procedures, the punishments were not effectively applied across board. The study population should have included management because they are necessary participants of the internal audit process.

Chelimo and Kariuki (2013) evaluated the internal audit function in financial reporting in the Municipal Council of Eldoret in Kenya using a descriptive research design. The target population was 339 of which the sample size was 211 comprising heads of department, sectional heads, supervisory staff and operation staff. The structured interview was used to

collect data. The study found that there were deficiencies in financial reporting and resources were not acquired economically, used efficiently, protected from loss, misuse, and unlawful disposal.

The studies which were conducted in Ghana on conditions which hindered internal auditing were as follows:

Asuming, Forkuo, Kankam, Ode, and Tetteh (2013) used the explanatory research design to investigate how internal auditing can be enhanced to promote value for money in order to promote effective and efficient financial management in selected Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal, District Assemblies (MMDAs) in the Ashanti Region of Ghana. The study population covered the employees of the selected institutions and the target population was the internal auditors and the accounting staff.

The sample size was 30 and the purposive sampling technique was used to select the sample while questionnaire was employed to collect the data. The findings of the study were the absence of analytical audit procedure, accountants and financial managers had conflict with internal auditors, absence of value creation and addition and logistics, inadequate control over audits, and non-existence of audit work schedule. The inclusion of managements could have helped the study to arrive at a more dependable conclusion because they are important players in the internal audit process.

Onumah and Krah (2012) investigated the role of internal audit function in public entities in Ghana and the factors limiting the effectiveness of internal auditing in the public sector. The target population was internal auditors in 40

MDAs. The sample size was 120 and interview guide and questionnaire were used to collect the data.

The findings of the study were that there was low professional proficiency of internal auditors and no management support. There was no budgetary support while the scope for internal audit activities was limited. The selection of internal auditors only narrowed the base of the category of respondents.

Dawuda (2010) conducted a study on the effectiveness of internal audit units in the Metropolitan, Municipal, and District Assemblies (MMDAs) in the Northern Region of Ghana. A descriptive research design was adopted and the target population was 68 and comprised the internal auditors, finance officers, and the branch heads of Ghana Audit Service in the Northern Region.

The sample size was 56 and the simple random sampling was used to collect the sample. The questionnaires and structured interview were used for data collection. The study revealed that there was absence of management support, audit committees (ARICs) were not effective, majority of internal auditors did not have the requisite experience and expertise, inadequate resource allocation, and limited scope of internal audit coverage.

Bokpin and Nyarko (2009) assessed the corporate governance practices of the hospitality industry in Ghana in relation to best practices in the world. The comparative case study design was used. The study population was the registered companies in the hospitality industry in Ghana at the end of 2007.

The sample for the study was 10 and made up of five 3-star hotels and five 4-star hotels. The interview guide and questionnaire were used to collect

data. The finding of the study was that corporate governance practices among Ghanaian hotels did not meet best practices around the world. The comparative case study design was appropriate for the study because of the need to compare the corporate governance practices in the Ghanaian hotels to the best practices in the world.

Performance

The studies which were conducted in Ghana on performance were as follows:

Ghartey, Ghartey and Mensah (2015) used a mixed method approach to examine how the Functional Organisational Assessment Tool (FOAT) can be made an effective tool to assess the performance of local governments in the Central Region of Ghana. The multi-stage sampling procedure was used to select a sample of 989 from three local governments. Interview schedules and an interview guide were employed to collect the data. The descriptive statistics and content analysis were used to analyse the data. The study revealed that FOAT paid less attention to leadership in the performance assessment of local governments, mechanisms for holding leaders accountable were not provided in the FOAT and there was very low awareness about FOAT especially at the community level.

Bawole (2017) analysed the consolidated reports on the annual performance-based Functional Organisational Assessment Tool (FOAT) in Ghana to determine the efficacy of value for money audits on performance. The analysis pointed out that the FOAT reports, like most value for money audits, only provide quantitative evidence which fails to capture the qualitative

or other relevant explanatory factors behind the recorded performance improvement.

Arthur (2015) investigated the performance of Agona West District Assembly on the delivery of its developmental mandate in the areas of infrastructure, education, health, and the contributions of Non-Governmental Organisations (NGOs) in the same areas of development. The study found that while the Agona West District Assembly provided development projects in infrastructure, education and health, the contribution of NGOs were minimal.

Zakaria (2014) adopted a qualitative research design to investigate performance management practices of local government authorities in Ghana. The data were collected by using interviews, focus group discussions, observations, documents and a balanced score card framework to examine the scope of performance indicators for assessing performance of local governments under the District Development Fund (DDF). The findings revealed that performance indicators were skewed toward financial and internal organisational aspects of performance rather than incorporating citizens' views about local government performance.

The Auditor-General (2012) stated that despite previous reports of internal control weaknesses and managerial ineffectiveness, the situation has not changed. The Auditor-General (2012) added that most of the irregularities which recurred were misappropriation of revenue, unsubstantiated payments, procurement malpractices, tax deficiencies, unearned salaries, and contract malpractices which led to mismanagement and loss of resources.

Bangase (2018) employed a qualitative research design to analyse local government authority performance using FOAT. 32 key employees from three

study districts were used for the study. The literature review stated among other things that the pass rate of the MMDAs in the DDF FOAT assessment as per the 2015 evaluation report conflicts with the findings in the reports of the Audit reports, Annual progress reports, and reports from the PAC which raise serious queries about most of the MMDAs who have passed the assessment as per the 2015 evaluation report.

Lessons Learnt from Empirical Review

The lessons which were learnt from the empirical review of studies touched on the need for internal audit effectiveness, no attention for internal auditing, and poor performance of organisations as follows:

(1) Need for internal audit effectiveness

There is the need to evaluate the effectiveness of internal auditing periodically in order to ensure that organisations are run successfully.

(2) No attention for internal auditing

Internal auditing was not accorded the needed attention in most organisations.

(3) Poor performance of organisations

- (a) In situations where internal auditing was carried out poorly, performance was poor;
- (b) Irregularities recurred in operations of MMDAs because sanctions were not enforced for perpetration of the irregularities;
- (c) The methodology of the DDF FOAT performance assessment could deprive the disadvantaged communities of the needed basic development projects; because the performance assessments are geared toward the capacity of the local government officers to perform their duties and not on the basis of the developmental requirements of the deprived

communities. In deprived communities where their local government officers do not perform well and fail the assessment; the communities do not get additional funding for their needed basic developmental requirements, through no fault of theirs;

(d) The citizens were not given the opportunity to comment on the performance of local governments in the FOAT performance assessment.

Conceptual Framework

The conceptual framework was modelled on the practice of internal auditing and performance in local governments. It was constructed taking into consideration the theories and concepts which underlie the study. The principles underlying the open systems theory have been adapted for the conceptual framework because they embody aspects of the characteristics, principles, and attributes of the other theories (i.e. agency theory, bureaucratic theory of management, and institutional theory).

The orderliness and soundness that is achieved under the open systems theory, bring to the fore the lines of authority and structures that need to be followed in the bureaucratic theory of management. The pressures exerted on open systems from the external environment draws attention to pressures that bear on institutions in the institutional theory, while the exchange of resources in the environment under the open systems theory to ensure that the desired influence is achieved takes care of the monitoring mechanism in the agency theory which seeks to ensure that the desired objectives are achieved.

Figure 4 depicts the conceptual framework. The explanation of the conceptual framework starts with the double bold arrows. The arrows in Figure 4 show

the direction of the flow of activities. The double-edged arrows indicate an interaction between the two events.

The internal auditing in local governments operates with guidance from the external environment which is made up of the Government, Internal Audit Agency, Ministry of Local Government and Rural Development, and the Regional Co-ordinating Councils. The others are the Ghana Audit Service, Institute of Internal Auditors (GH), Public Accounts Committee of Parliament, Regulatory Bodies, Development Partners, Technology, other stakeholders, Concepts and Theories and other Body of Knowledge.

Resources in the form of advice, ideas, opinions, suggestions, criticisms, critiques, solution to problems, recommendations, finance, laws, regulations, and others are constantly exchanged in the external environment in order to help to ensure the survival of local governments. The local governments are expected to achieve their corporate objectives and deliver to the expectations of regulators and other stakeholders including the local level.

The management bodies of local governments should communicate the role of internal auditing to the staff and members of the MMDAs in order to have their co-operation in the internal audit process. Additionally, management bodies should ensure that certain prerequisites have been made available to the internal audit process in order to help to provide support and guidance for carrying out internal auditing in the MMDAs. The prerequisites are as follows:

- (1) the standard activities in carrying out the internal audit;
- (2) the standard internal audit working tools;
- (3) the auditable areas;

- (4) policies/internal controls;**
- (5) conducive conditions under which internal audit is conducted; and**
- (6) proficient internal auditors; and**
- (7) management support.**

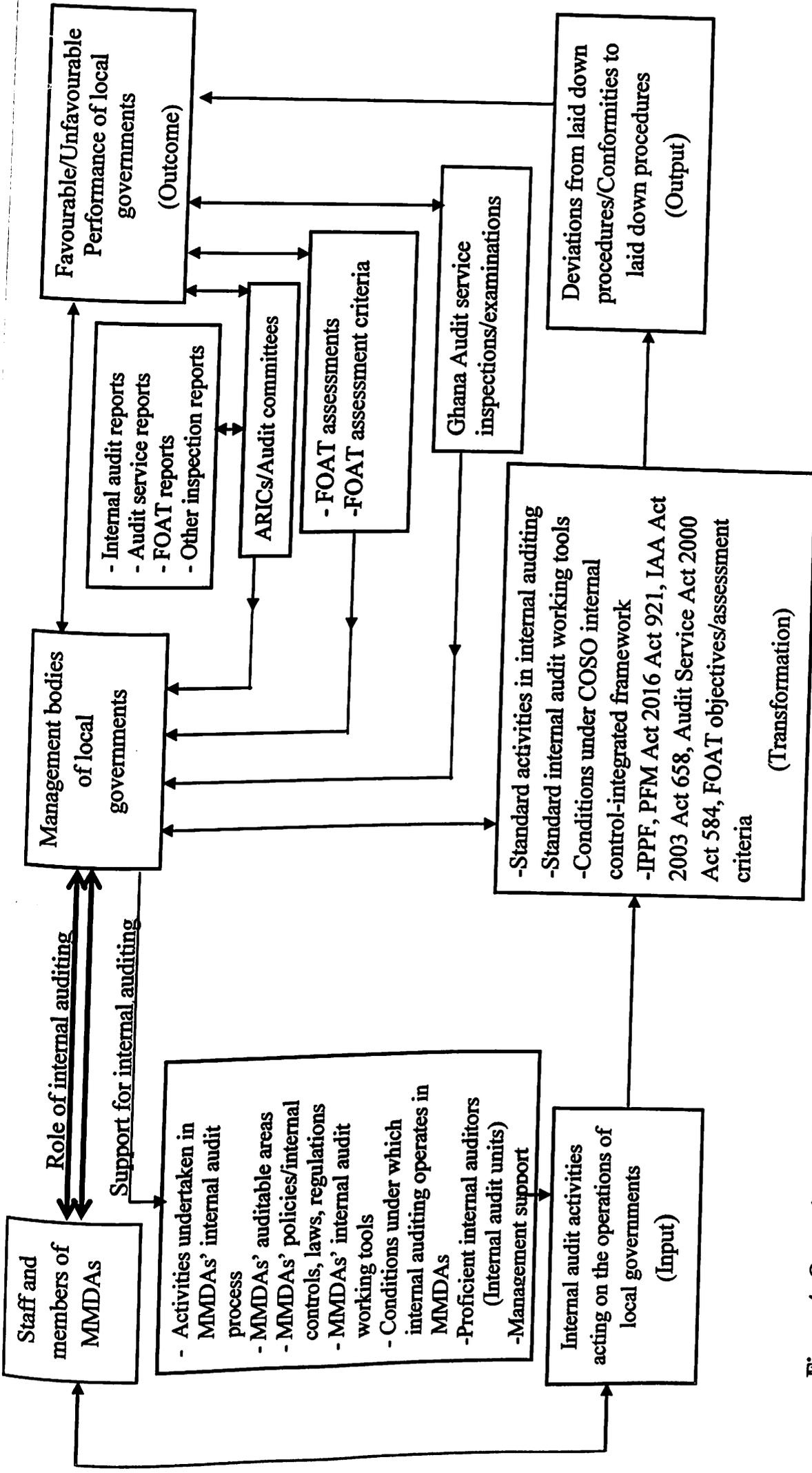


Figure 4: Operational Model for Carrying out Internal Audit in Local Governments
 Source: Adapted from Parkinson (1995); Hanna (1997); Kwakye (2008); Ministry of Local Government and Rural Development (2009); Ahwoi (2010); Cutajar (2010); IIARF (2011); Scott (2012); Millichamp and Taylor (2012)

The internal audit activities act on the operations of the local governments at the input stage. The operations go through a transformation process where the effects of the internal auditing on the operations of the MMDAs are measured against the standard requirements for conducting internal auditing which include relevant enactments, practices, and other dicta on internal auditing, an internal auditing framework, and FOAT assessment criteria at the transformation stage.

The roles of the standard internal audit working tools in the internal audit process would help to provide a guide in determining the extent to which they were applied in internal audit duties; and the conditions provided under the COSO internal control-integrated framework would also help to provide a guide in determining whether the conditions under which internal auditing was carried out in the MMDAs were in accord with the standard conditions.

The output from the transformation process reveals firstly, whether the operations conformed to laid down procedures or secondly, whether the operations deviated from laid down procedures. The operations which conformed to laid down procedures affected the performance of the local governments favourably at the outcome stage of the conceptual framework and the operations which deviated from laid down procedures affected the performance of the local government unfavourably at the outcome stage.

The audit service conducted audits of the performance of the MMDAs at the outcome stage. Reports of the audits were submitted to management bodies of MMDAs for the necessary actions to be taken. The ARICs met to discuss the performance of the MMDAs and reports of all inspections, assessments, and audits including internal audit and previous FOAT

assessments. The ARICs ensured that recommendations in the reports were implemented by management bodies.

Management bodies then examined the state of affairs by analysing the effect that internal auditing had on performance; and took decisions to address the necessary concerns in the internal audit process. Depending on the nature of performance, management bodies could decide either to re-engineer the internal audit process in the form of providing advice, directives, and regulations; as well as ensuring the application of the standard internal audit working tools, strengthening the conditions under which the internal audit was carried out, and/or having recourse to the external environment for assistance.

The advice, directives, regulations, and interventions from both management bodies and the external environment serve as additional input in carrying out internal auditing. The internal auditing acts on the operations of the MMDAs again, taking into account the advice, directives, regulations, and interventions from both management bodies and the external environment. The operations go through the transformation stage again where processes take place to produce output which subsequently affects performance. A cycle in the internal audit process is created until the desired state of affairs is achieved in performance.

CHAPTER FOUR

RESEARCH METHODS

Introduction

The chapter opens with the study area which deals with the profiles of Cape Coast Metropolitan Assembly (CCMA), Mfantseman Municipal Assembly (MMA), Abura-Asebu-Kwamankese District Assembly (AAKDA), and the Twifo-Hemang-Lower-Denkyira District Assembly (THLDDA) in the Central Region of Ghana. The research philosophy, research design, study population, sampling procedures (sample size and sampling methods), data sources, methods for data collection, data collection instruments, and ethical considerations have been explained and followed by data processing and analysis.

Study Institutions

As depicted in Figure 5, the study covered the Cape Coast Metropolitan Assembly (CCMA), Mfantseman Municipal Assembly (MMA), Abura-Asebu-Kwamankese District Assembly (AAKDA), and Twifo-Hemang-Lower-Denkyira District Assembly (THLDDA) in the Central Region.

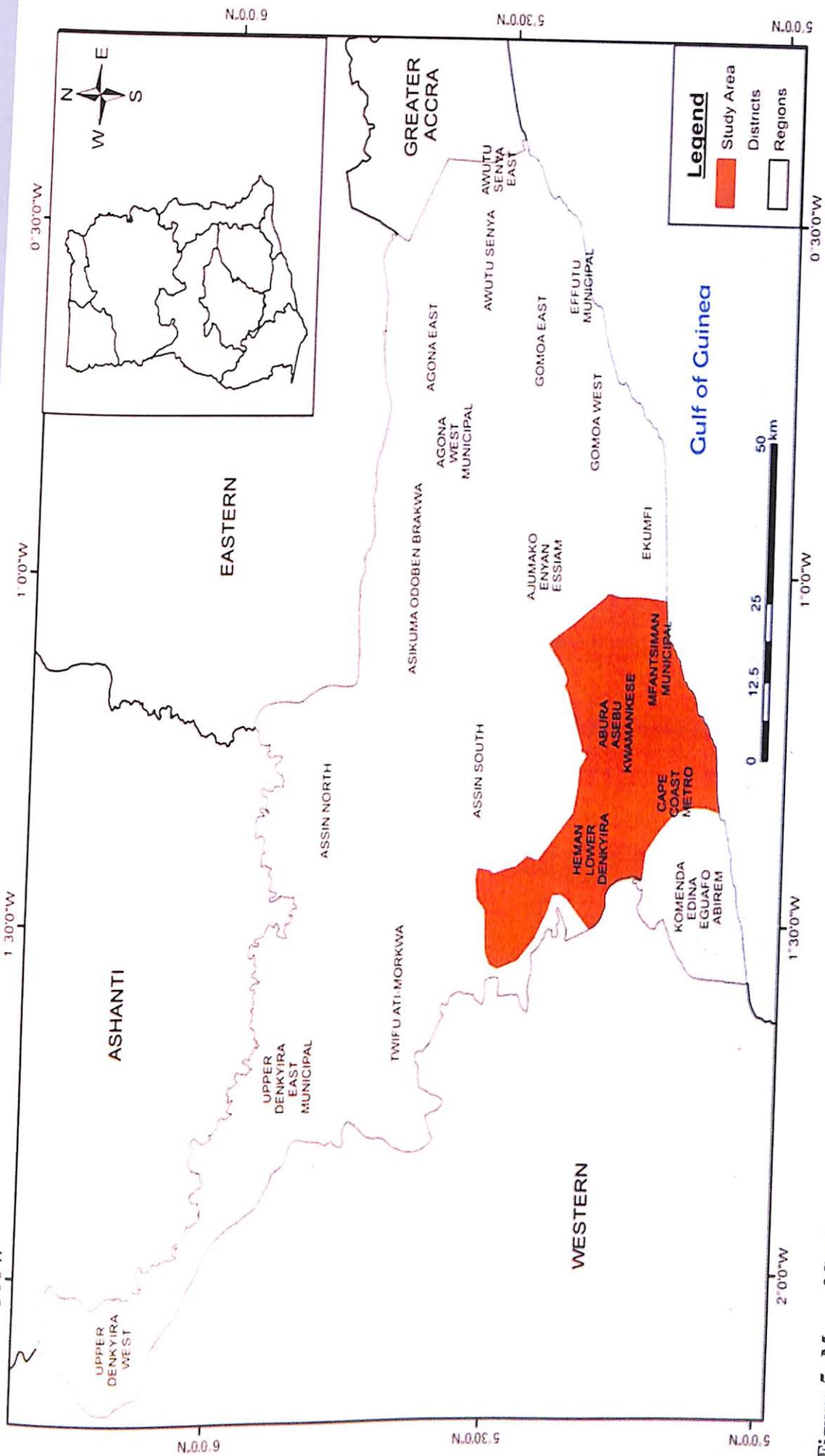


Figure 5: Map of Study Area in Regional Context
 Source: Department of Geography and Regional Planning University of Cape Coast (2016)

The four MMDAs were selected purposively according to the structure of MMDAs in the Central Region, number of key informants for the interview, and the financial constraints of the researcher. The structure of the MMDAs in the region was; one (1) Metropolitan Assembly, seven (7) Municipal Assemblies, and twelve (12) District Assemblies; totaling twenty (20) MMDAs in the region. The researcher decided to select across the structure, that is, Metropolitan, Municipal, and District Assemblies.

The only Metropolitan Assembly in the region was selected and depending on the number of Municipal and District Assemblies, one Municipal Assembly and two (2) District Assemblies were selected, totaling four (4) MMDAs. The MMA, AAKDA, and THLDDA were selected because they lie in areas which shared common border with the Cape Coast Metropolitan area where the researcher resides in order to spend less on transportation and other related issues.

The number of key informants in the four study areas was 16, aside from nine officials from six other identifiable institutions which summed up the respondents for the study to be 25. The total number of 25 respondents for a qualitative design was ideal, and selecting more than four MMDAs would render the study unwieldy. Moreover, the cost of the numerous travels to interview key informants in the study would be beyond the financial capacity of the researcher if more than four (4) MMDAs were selected.

Cape Coast Metropolitan Assembly

The Cape Coast Metropolis is bounded to the South by the Gulf of Guinea, West by the Komenda-Edina-Eguafo-Abrem Municipality, East by the Abura-Asebu-Kwamankese District and North by the Twifo-Hemang-

Lower-Denkyira District (Figure 5). The Metropolis occupies an area of approximately 122 square kilometres, with the farthest point at Brabedze; which is about 17 kilometres from Cape Coast, the capital of the Metropolis as well as the Central Region.

The population of the Cape Coast Metropolis in 2010 was 169,894 (82,810 males and 87,084 females) (Ghana Statistical Service, 2012). The Cape Coast Metropolitan Assembly is one of the six Metropolitan Assemblies in Ghana (Local Governance Act 936, 2016). The Metropolis is composed of two sub-district councils (Cape Coast North Sub-district Council and Cape Coast South Sub-district Council), 45 Electoral areas which have further been sub-divided into seven Town Councils, 45 Unit Committees and 162 Polling stations. The Cape Coast Metropolis has two constituencies namely; the Cape Coast South and the Cape Coast North. The economy of the Metropolis is basically trading and service. Apart from the trading and service industry, the main vocation of the people at the southern part is fishing and farming being the main vocation of the people at the northern part. The Metropolitan area is noted for touristic sites and accommodates World Heritage Monuments.

Mfantseman Municipal Assembly

The Mfantseman Municipality is bounded by Abura-Asebu-Kwamankese District to the west, Ekumfi District to the east, Ajumako-Enyan-Essiam District to the north, and the Gulf of Guinea to the south. According to the Ghana Statistical Service (2012), the Mfantseman Municipality had population of 196,563 (89,025 males and 107,538 females) in 2010. The Municipality has 48,304 households with an average household size of 3.9. The urban population is 99,156 and the rural population is 97,407.

The Mfantseman Municipal area had two constituencies namely Mfantseman East and Mfantseman West with 48 electoral areas, 11 area councils, and four town councils. The social and economic infrastructure includes health facilities, educational institutions, water supply, electricity, and post and telecommunication. It has investment opportunities in a lot of areas including oil exploration, tourism, mining, and salt.

The topography is low lying with loose quaternary sands with an estimated elevation of 60 metres above sea level. The climate has relative humidity of about 70%. The annual total rainfall ranges between 90cm and 110cm in the coastal savannah areas and between 110cm and 160cm in the interior, close to the margin of the forest zone.

The vegetation has dense scrub and grass pockets of relatively dense forest found around fetish groves and isolated areas. The major economic activities in the Municipality are fishing, farming, trading, and distilling of sugarcane into gin.

Abura-Asebu-Kwamankese District Assembly

The AAK District has a short coastal strip of 5.2 km along the Gulf of Guinea and stretching inland. The AAK District shares political and administrative boundaries with Cape Coast on the South West, Twifo-Hemang-Lower-Denkyira District on the North West, Assin South District in the North, Mfantseman District on the East and Gulf of Guinea in the South. The AAK District has a land area of about 380sq km which is about 4 percent of the total land area of the Central Region.

The population of AAK was 117,185 (55,275 males and 61,910 females) in 2010 (Ghana Statistical Service, 2012) with Abura Dunkwa as the

capital. It had about 262 communities and is predominantly rural with about 29.1 percent of the population living in urban areas. The AAK District had one constituency, eight Town/Area Councils, 30 electoral areas, and 92 unit committees.

Out of the 43 Assembly persons, 30 are elected and 13 appointed. There are nine women, giving a gender ratio of 1:4 in favour of the men. Commercial activities cover trading and form a very important part of the economic life of the people in the AAK District. The Services sector comprises transport, catering, banking, and hospitality.

Twifo-Hemang-Lower-Denkyira District Assembly

The Twifo-Hemang-Lower-Denkyira District (THLDD) is bounded to the North by the Twifo-Atti-Morkwa District; to the South by the Abura-Asebu-Kwamankese District, Cape Coast Metropolis, and Komenda-Edina-Eguafo-Abirem Municipality; to the West by the Wassa East District and to the East by the Assin North Municipality and Assin South District. The district had two paramountcies, namely; Hemang and Denkyira and it is coterminous with the Hemang-Lower-Denkyira constituency with over 90 communities.

The general altitude was between 60-200 metres above sea level. The highest point in the district was Bepotsin (212 metres) west of Mfuom. The Pra River and its tributaries including Obuo, Bimpong, and Ongwa drain the area. The Kakum River also takes its source from the Kakum forest reserve. The district is generally undulating in landscape.

Climatically, the district lies within the semi-equatorial zone marked by double maximal rainfall with peak in June and October and with the mean annual rainfall being 175cm. It has fairly high uniform temperatures ranging

between 26°C (in August) and 30°C (in March). Relative humidity is generally high throughout the year, ranging between 70 percent and 80 percent in the dry season and 75 percent and 80 percent in the wet season.

According to the Ghana Statistical Service (2012), the THLDD (together with Twifo Atti-Morkwa) had population of 116,874 in 2010. The population was made up of 57,624 males representing 49.4% and 59,250 females representing 50.6%.

The district is subdivided into three Area Councils namely; Hemang, Wawase, and Jukwa. The District Assembly has a membership of 26 which is made up of the Member of Parliament, District Chief Executive, 17 elected members, and seven government appointees. A number of economic and social facilities such as markets, banking, insurance, and micro-credit services together with educational, health, and tourism exist in the district.

The study area is, therefore, generally known as the tourism hub of Ghana and therefore needs to be developed to attract tourists to help boost economic activities for improvement in the living conditions of the people. The selected areas have tourist sites like the Cape Coast Castle in the Cape Coast Metropolis, Kakum National Park in the Twifo-Hemang-Lower-Denkyira District, Fort Nassau at Moree and the Snake Mountain at Asebu in the Abura-Asebu-Kwamankese District, and Fort William at Anomabo and Fort Amsterdam at Abandze in the Mfantseman Municipality.

Even though resources had been provided to the area by successive governments for development, the area is not developed to expectation. Resources for developing the area, through the selected MMDAs, should therefore be tracked and monitored for efficient and effective allocation and

utilisation in their respective development processes through effective internal auditing in order to bring hope and satisfaction to the people of the area; and therefore, the need for studying the internal auditing in selected local governments in the Central Region of Ghana.

Research Philosophy

Interpretivism provides an understanding of the differences that exist among human beings in their role as social actors and holds the view that social phenomena are created through the actions of the affected social actors. Interpretivism therefore presents an in-depth understanding of the actions of social actors as they go about experiencing the world.

Interpretivism was adopted as the appropriate research philosophy for the study because it could guide the researcher to have an in-depth understanding of the meanings of the actions and inactions of actors in the local governments with regard to the practice of internal auditing. It supports the view that the social world is too complex to understand and should not be linked to the manner in which physical scientists approach their work. According to the interpretivist, if situations are generalised as it obtains in physical sciences, the needed rich insights are lost. Interpretivism therefore makes it possible to understand the difference between conducting research among people and objects.

According to Saunders, Lewis and Thornhill (2012), two intellectual traditions (phenomenology and symbolic interactionism) inform some aspects of interpretivism. While phenomenology refers to a situation where humans interpret what goes on around the world, symbolic interactionism tends to interpret the actions of actors who are in constant touch with each other and

therefore leads to the way people adjust their way of life in order to co-exist with other people through the people's own meanings and actions. The interpretivist philosophy positioned the researcher to be empathetic and to understand the research subjects from their own perspective. Interpretivism is an appropriate philosophy to employ in order to be able to meet the research objective through answering the research questions.

Research Design

Kelinger (1986) has described research design as a scheme that is required to elicit information in an attempt to provide answers to research questions. Research design is a structure of an enquiry and Nachmias and Nachmias (1992) consider it as a roadmap that leads the investigator to collect, analyse, and interpret data logically to enable researchers to make deductions from causal relationships among variables that are being investigated.

Yin (2003) emphasises that research design provides a logical approach to ensure that empirical data collected is able to find answers to research questions as well as helping to draw conclusions from the research process. The interpretive characteristics influence the choice of the qualitative research design (Saunders, Lewis, & Thornhill, 2012) for the study because it favours the collection of non-standardised and non-numerical data. The exploratory study has been chosen as the nature of research design because it is appropriate to assist the researcher to gain an in-depth understanding (Saunders, Lewis, & Thornhill, 2012) of the phenomenon being investigated and it is used in qualitative research.

The exploratory research offered the researcher the opportunity to ask open-ended questions to discover what was at stake and enabled the researcher

to answer the research questions by interviewing experts. It is flexible and adaptable to change.

Study Population

The study population covered officers from the local to national level whose work schedules bordered on internal auditing and performance in the MMDAs. The target population therefore consisted of MMDCEs, MMDCDs, heads of Internal Audit Units, and chairpersons of ARICs in MMDAs. The others were the district auditors from the Ghana Audit Service, an official from DDF Secretariat at the MLGRD, Director-General of IAA, Chairman of the PAC of Parliament, Auditor-General, and the President of IIA (GH) Ghana.

Sampling Procedure

The purposive sampling was used to select the sample. The reason was that there was the need for the researcher to use appropriate judgement (Turner, 2010; Saunders, Lewis, & Thornhill, 2012) to select key informants who could give relevant answers to the research questions. The selection of the year 2012 for the DDF FOAT performance assessment reports and the District Auditors' reports was done purposively. The study started in 2012 and the researcher considered it appropriate to use 2012 as the year of reference for the performance assessments.

The sample size was 25 and it was made up of four respondents each from the selected four MMDAs and nine officers from institutions outside of the MMDAs. The respondents were MMDCEs, MMDCDs, heads of internal audit units and chairpersons of ARICs from MMDAs. The officers from the MMDAs were selected because the study looked at the operations of the

MMDAs and it was appropriate that personnel who were responsible for operations in the MMDAs were used as key informants in the study.

Aside from being personnel who were responsible for operations in the MMDAs, the respective work schedules of the officials selected served as promoting internal auditing in the operations of the MMDAs and had been mentioned in the Internal Audit Agency Act 658 (2003) as being part of the internal audit process.

The MMDCEs and the MMDCDs were responsible for the day to day administration and the co-ordination of day to day activities of the MMDAs respectively and were at the apex of management who were in-charge of the MMDAs' bureaucracy; and had the responsibility to provide commitment and support to the practice of internal auditing in the MMDAs. Sawyer (as cited in Enofe, Mgbame, Osa-Erabor, & Ehiorobo, 2013, p. 163) indicated that 'management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness.'

The assertion had been corroborated by Fernandez and Rainey (as cited in Enofe, Mgbame, Osa-Erabor, & Ehiorobo, 2013, p. 164) who indicated that 'top management support and commitment to change, play a crucial role in organisational renewal; as senior managers can mobilise the critical mass needed to follow through on efforts launched by one or two visionary thinkers.' Management therefore formed part of the internal audit process (Internal Audit Agency Act 658, 2003).

The internal auditors assisted management of MMDAs to identify, evaluate, and improve the risk management, control, and governance processes of MMDAs in order to achieve organisational goals and objectives;

and could not be left out in the study. The ARICs had the responsibility to ensure that recommendations contained in internal audit and other inspection reports were implemented to ensure good organisational practices in the MMDAs. The work of the ARICs had a direct bearing on the internal audit process and the chairpersons of ARICs were important part of the study.

The district auditors from the Ghana Audit Service performed audit inspection in the MMDAs and therefore collaborated with the internal audit units to execute their mandate and as a result, became part of the internal audit process. The Internal Audit Agency is the apex oversight body to co-ordinate and facilitate internal audit activities in the MMDAs and this made the Director-General of Internal Audit Agency a respondent in the study. An official from the FOAT Secretariat was included in the study because the DDF FOAT performance assessment of the MMDAs, which is a subject of the research, was organised and co-ordinated by the FOAT Secretariat.

The Auditor-General collates the audit reports on the MMDAs after the district auditors have submitted them and provides an opinion on the collated audit reports before transmitting them to the Public Accounts Committee of Parliament. The Auditor-General has an in-depth knowledge of the MMDAs with regard to internal auditing and therefore becomes relevant in the study. The Public Accounts Committee of Parliament reviewed the reports of the Auditor-General on the accounts of the MMDAs. The Public Accounts Committee was in a position to express opinion on the operations of the MMDAs including the nature of internal auditing being carried out in the MMDAs. The participation of the Chairman of the Public Accounts Committee in the research was relevant.

The President of Institute of Internal Auditors, Ghana, is from an institution whose activities involve internal auditing and could contribute to the study by sharing experiences to improve the practice of internal auditing in MMDAs. In addition, the Institute of Internal Auditors, Ghana, organises conferences periodically where internal auditors and other participants in the internal audit process from the MMDAs were invited to attend.

Sources of Data

The data collection sources were primary and secondary. The primary data source was the key informants through interviews. The secondary data sources were the Auditor-General's reports on the MMDAs from 2004 to 2012, District Auditors' reports on the respective MMDAs for 2012, 2012 DDF FOAT performance assessment reports on the MMDAs from the FOAT Secretariat, and publications and/or reports which were relevant to the study from the Public Accounts Committee of Parliament, Internal Audit Agency, and the Institute of Internal Auditors (GH).

Methods of Data Collection

The key informant interview was chosen as the main data collection method for the study because it was appropriate for collecting data from persons who had first-hand knowledge in internal auditing and performance. The key informant interview allowed the use of prepared list of questions and was flexible enough to enable the interviewers to explore other areas of interest and relevance to the study.

The questions were open-ended and the interviewees had the opportunity to talk freely and to express themselves in any manner with the view to answering the questions. In the key informant interviews, the

interviewees had the liberty to raise issues which the interviewer could not consider for discussion. With the face to face encounter between the interviewer and the interviewees, issues which could have been brushed aside and not dealt with when using questionnaires were easily noted for the questions to be reframed in order to elicit the right response.

Picking of reports, publications, and other forms of information using observational checklists were used as the method for collecting the secondary data. The actual data collection started in November, 2015 and ended in November, 2016.

Data Collection Instruments

Interview guide (Turner, 2010) and checklists were used to collect data for the study and they were prepared based on the research objectives and questions. Three sets of interview guide were administered for the study. One set (Appendix I) was administered on MMDCEs, MMDCDs, and Chairpersons of ARICs while another set (Appendix III) was administered on internal auditors, and the other (Appendix V) was administered on the regulators outside of the MMDAs except the official from the FOAT Secretariat whose inputs were elicited through a checklist. The regulators were the Auditor-General, District Auditors from the Ghana Audit Service, Director-General of IAA, Chairman of PAC of Parliament, and President of IIA.

The interview guide collected data on the following headings:

- (1) background information of key informants
- (2) views on the concept of internal auditing;
- (3) application of the standard internal audit working tools;

- (4) conditions which supported internal auditing;
- (5) conditions which hindered internal auditing;
- (6) auditable areas of the MMDAs;
- (7) examination of the performance reports of the local governments with respect to the DDF FOAT performance assessment for 2012; and the examination of the 2012 District Auditors' report on the selected MMDAs.

The interview guide looked at the background information of key informants, respondents' views on the concept of internal auditing, the application of the standard internal audit working tools, conditions under which internal auditing was carried out in the MMDAs, managements' commitment to the internal auditing process, the general attitude of staff of the Assembly in the internal auditing process, performance of ARICs, the auditable areas of the MMDAs, and resources allocated for internal auditing. The independence of the internal auditor and the support of management bodies in the internal audit process of MMDAs were dealt with.

The deficiencies in the internal audit process, punishment for perpetrators of irregularities, and what should be done to strengthen and improve internal auditing were considered together with the steps that need to be taken to address the weaknesses and threats in carrying out internal auditing. The auditable areas of the MMDAs and the involvement of internal auditors in the auditable areas of the MMDAs at the committee meetings stage were touched on in addition to examining the performance reports of the MMDAs with respect to the 2012 DDF FOAT performance.

The interview guide questions for the collection of data on the application of the standard internal audit working tools were posed to the

internal auditors only because the standard internal audit working tools were used by internal auditors to discharge duties. The interview guide questions for the collection of data on the auditable areas of the MMDAs were posed to the Chief Executives, Co-ordinating Directors, Chairpersons of ARICs, and the Internal Auditors only because they are directly involved in the activities of the Assemblies.

In addition, four different sets of observational checklist were used to collect other data from the key informants. The first checklist (Appendix II) was used to collect data from the MMDCEs, MMDCDs, internal auditors, and chairpersons of ARICs because they were directly involved in the internal audit process of the Assemblies. The checklist described the standard activities under the internal audit process and touched on internal audit planning, internal audit execution, and internal audit reporting and monitoring. The role of management in the internal audit process was also discussed and highlighted on their responsibilities during the pre-audit, on-site audit, and the post-audit stages. The essence of the checklist was to compare the standard activities involved in carrying out internal auditing with the activities involved in conducting internal auditing in the MMDAs.

The second checklist (Appendix IV) collected data from the internal auditors because they used the standard internal audit working tools in the course of their duties. The checklist was used to collect data on the application of the standard internal audit working tools during internal audit assignments in the MMDAs. The reason was to investigate the extent to which the internal auditors applied the standard internal audit working tools in their assignments.

The third checklist (Appendix VI) was used for the collection of any relevant material available on the conduct of internal auditing in the MMDAs from the regulators outside of the MMDAs except the official from FOAT Secretariat. The reason was that they regulated the internal audit activities in the MMDAs and exercised oversight responsibilities on internal auditing and performance in the MMDAs.

The fourth set of checklist (Appendix VII) was used to collect data from the official from the FOAT Secretariat because the Secretariat organised and co-ordinated the DDF FOAT performance assessment. The reports of the 2012 DDF FOAT performance assessment on the selected MMDAs were picked from the DDF FOAT Secretariat at the MLGRD in order to know their respective performance.

The reasons for posing certain questions from the interview guide and observational checklists to certain categories of the respondents were that:

(1) the questions fell directly under their areas of operation and so the questions were best answered by them for the researcher to collect relevant data,

(2) it made the interview process manageable because respondents who were not directly involved in certain processes and could not answer certain questions appropriately were not bothered, and

(3) it expedited the data collection process.

Pre-test

The interview guide and observational checklists (where appropriate) were pre-tested (Kvale, 2007) in Komenda-Edina-Eguafo-Abrem Municipal Assembly (KEEAMA) because KEEAMA is closer to the researcher, for

resource constraints, and had similar characteristics as the study areas. The pre-testing was to make certain that the questions posed to the respondents were appropriate and assisted in collecting the required data for the study. Four research assistants were recruited and trained to collect the data and the pre-test was conducted in November, 2015; and supervised by the researcher. Table 6 shows the category of persons interviewed and the type of instruments used in collecting the data.

Table 6: Category of Persons Interviewed and Instruments Used

Category of Persons	Type of Instrument
Interviewed	Used
1. MMDCDs	Interview guide for MMDCEs, MMDCDs, and Chairpersons of ARICs Observational checklist for activities of the internal audit process
2. Internal Auditors	Interview guide for Internal Auditors Observational checklist for Internal Auditors Observational checklist for activities of the internal audit process
3. ARICs (Chairpersons)	Interview guide for MMDCEs, MMDCDs, and Chairpersons of ARICs; and Observational checklist for activities of the internal audit process
4. District Auditors (Ghana Audit Service)	Interview guide for regulators except official from FOAT secretariat Observational checklist for regulators except official from FOAT secretariat

Table 6: Continued

5. An official from the FOAT Secretariat	Observational checklist for official from FOAT secretariat
6. Internal Audit Agency (Director-General)	Interview guide for regulators except official from FOAT secretariat Observational checklist for regulators except official from FOAT secretariat
7. Public Accounts Committee of Parliament (Chairman)	Interview guide for regulators except official from FOAT secretariat Observational checklist for regulators except official from FOAT secretariat
8. Institute of Internal Auditors (GH) - President	Interview guide for regulators except official from FOAT secretariat Observational checklist for regulators except official from FOAT secretariat
9. Auditor-General	Interview guide for regulators except official from FOAT secretariat Observational checklist for regulators except official from FOAT secretariat

Source: Author's Compilation (2015)

Field Work

In order to gain access to the selected MMDAs and the identified institutions to collect data for the study, official letters signed by the Director of the Institute for Development Studies, University of Cape Coast were sent to the heads of the targeted organisations requesting permission to use their

institutions for the research. The rationale behind carrying of the letter to the targeted MMDAs and the identified institutions was to explain to them the nature of the study and to answer questions to clarify issues of concern to them in order to be allowed to use their institutions for the study.

The 13-month field work started in November, 2015. The four trained research assistants who took part in the pre-test exercise conducted the data collection. Initially, the four research assistants moved together but when they realised that the work was delaying due to rescheduling of appointments by key informants, they formed two groups of two persons per group with permission from the researcher in order to expedite action on the field work.

Ethical Considerations

An informed consent was obtained verbally from all the key informants and therefore enabled their participation in the interview. The research assistants indicated to the key informants that the interview was part of a research being conducted for a doctoral research (PhD) degree in Development Studies on Internal Auditing in Selected Local Governments in the Central Region of Ghana.

The key informants were assured that information provided would be strictly treated confidential and would be used only for academic purpose. The key informants were entreated to spare part of their time to answer the questions, being asked, to the best of their knowledge. They were thanked for accepting to take part in the interview.

The benefits of the study were explained to the key informants and they were assured of anonymity. The format of the interview was explained and the duration was made known to them. They were made to understand that their

participation is voluntary and that any of them could opt to be excused from taking part in the interview.

Permission was sought for the interview to be tape-recorded. The research assistants addressed all questions before the start of the interview. The research assistants made available their contact details so that they could be contacted when there was the need.

The key informants were made aware that they could be contacted for further clarification if there was the need. After the interview, the interviewer thanked the key informants once again for their time and also for making it possible for the interview to be conducted.

Data Processing and Analysis

The data were processed manually in order to retain the originality of the responses supplied by key informants. The recorded interviews were played for the researcher to listen and to be assured that the data collected were from the selected MMDAs and the key informants. The data were transcribed and checked for omissions and spellings. They were then approved of as being useful and reliable for the study.

The responses were categorised into the respective MMDAs and coded to enable the researcher understand the data. They were further categorised by themes and by the key informants (e.g. Co-ordinating directors, internal auditors, chairpersons of ARICs, district auditors, and regulators from outside of the Region) and therefore ensured a more direct focus in the analysis. The responses were then summarised to reduce the data and render them manageable. They were finally stored on a computer and given file names to enable easy retrieval.

The pattern matching, comparison, and interpretation were employed as the main tools for analysing the primary data. Meanwhile, desk review, content analysis, comparison, and interpretation were used to analyse the 2012 FOAT performance assessment reports and the 2012 Audit reports on the selected local governments in order to ascertain their performance. The same methods were also used to analyse other secondary data which complemented the primary data in the study. The analysis was done manually. The reason was that the manual approach enabled the meanings, expressed in the responses, to be examined in their raw, natural, and unprocessed state. The data was analysed deductively, because in order to understand how internal audit was carried out and how it affected performance, it was proper to use the existing concepts and principles of the subject matters as the standard and the responses were matched against them in order to ascertain the real situation on the ground.

The responses were analysed by themes in order to have central points of focus that related to the subject of inquiry. Existing concepts and principles of the subject matters under each theme were used as the standard and the responses were matched against them. The research objectives were used as the themes and so the analysis was directed toward answering the research questions. However, in order to have a better understanding of the problem under investigation, the responses for the first objective (i.e. examine the internal audit process in the MMDAs) were analysed on the following:

- (a) ascertaining views of key informants on the concept of internal auditing;
- (b) describing the activities of the internal audit process in the MMDAs;

(c) investigating the extent of application of the standard internal audit working tools in the MMDAs; and

(d) finding out the auditable areas of the MMDAs.

The second objective examined data on the conditions which supported and hindered internal auditing; and the third objective also examined data on the 2012 DDF FOAT performance assessment reports and the 2012 Audit reports on the MMDAs.

CHAPTER FIVE

THE INTERNAL AUDIT PROCESS OF THE METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES

Introduction

The chapter deals with results and discussion relating to background information on key informants, key informants' views on the concept of internal auditing, and the activities under the internal audit process. The others are the application of the standard internal audit working tools in the MMDAs, and the auditable areas. It therefore covers the first specific objective of the study.

Results

Background Information on Key Informants

This section examined the background information on key informants in order to put the study into context. The 20 key informants who participated in the study were made up of 12 persons from the MMDAs (i.e. four coordinating directors, four chairpersons of ARIC, and four internal auditors) and eight officials from outside of the MMDAs namely, district auditors of the Ghana Audit Service (i.e. three persons), the chairperson of PAC of Parliament, representative of the Auditor-General, representative of the DDF FOAT Secretariat, Director-General of IAA, and President of IIA (GH).

Two of the key informants were in their current position for under one year and they were from the MMDAs. The other 18 had served in their current positions for more than one year. One of them was female while the other 19 were males. One of the key informants was a diploma holder and the rest had obtained first and second degrees.

Views of Key Informants on the Concept of Internal Auditing

This section captures the views of key informants relating to the concept of internal auditing. The standard view on the concept of internal auditing as per the IPPF is that internal auditing is used to assess the operations and systems of organisations in order to determine the inherent risks and weaknesses so that advice is given to ensure that the operations conform to laid down procedures.

Tables 7, 8, and 9 present the views expressed by the Internal Auditors, Co-ordinating Directors, and Chairpersons of ARICs of the four selected MMDAs. Remarks indicating whether the views conform to or deviate from the standard view have been stated. The analysis of the views revealed that generally, they are similar and conformed to the concept of internal auditing.

Table 7: Views of Internal Auditors on the Concept of Internal Auditing

Views	Source	Remarks
<ul style="list-style-type: none"> Internal auditing is an internal control to assist organisations to get value for money 	Internal Auditor (1 st September, 2016)	Conforms to standard view
<ul style="list-style-type: none"> Internal auditing safeguards assets and ensures the achievement of objectives. It advises management on the adequacy and effectiveness of internal controls 	Internal Auditor (10 th August, 2016)	Conforms to standard view
<ul style="list-style-type: none"> An independent objective activity that gives assurance by applying or testing control measures in the organisation. 	Internal Auditor (24 th August, 2016)	Conforms to standard view

Table 7: Continued

It helps an organisation to achieve its objectives and provides consulting services to that organisation

<ul style="list-style-type: none"> • Internal auditing serves as a guide to the system. Internal auditing advises management through recommendations on findings in operations 	<p>Internal Auditor (12th August, 2016)</p>	<p>Conforms to standard view</p>
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Source: Author's Compilation (2016)

Table 8: Views of Co-ordinating Directors on the Concept of Internal Auditing

Views	Source	Remarks
<ul style="list-style-type: none"> • Internal audit draws attention to lapses in terms of expenditure 	<p>Co-ordinating Director (24th August, 2016)</p>	<p>Conforms to standard view</p>
<ul style="list-style-type: none"> • Internal auditing is supposed to be an independent unit within every organisation that act as a watchdog over the performance of that organisation 	<p>Co-ordinating Director (11th August, 2016)</p>	<p>Conforms to standard view</p>
<ul style="list-style-type: none"> • Internal auditing is a quality assurance tool put in place to bring about checks and balances 	<p>Co-ordinating Director (12th August, 2016)</p>	<p>Conforms to standard view</p>

Table 8: Continued

• The internal auditors check on how we comply with expenditure regulations and the rest	Co-ordinating Director (23 rd August, 2016)	Conforms to standard view
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Source: Author's Compilation (2016)

Table 9: Views of ARIC Chairpersons on the Concept of Internal Auditing

No.	Views	Source	Remarks
•	Internal auditing helps to check and control misapplication of funds and embezzlement to ensure that the Assembly's financial systems go on well	ARIC Chairperson (22 nd September, 2016)	Conforms to standard view
•	Internal auditing is the process of checking and making sure the spending and procurement services are according to laid down rules and regulations in order to guard against abuse of public funds	ARIC Chairperson (7 th September, 2016)	Conforms to standard view
•	It is an internal measure taken to control the checks and balances of the day to day administration of the Assembly and advising management	ARIC Chairperson (19 th September, 2016)	Conforms to standard view

Table 9: Continued

<ul style="list-style-type: none"> • The internal auditors are to make sure that finances are well managed in the Assembly • They seek to advise and correct the way payment is done 	<p>ARIC Chairperson (23rd August, 2016)</p>	<p>Conforms to standard view</p>
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Source: Author's Compilation (2016)

Activities of the Internal Audit Process

This section deals with the activities of the internal audit process and their respective tasks. The standard activities were internal audit planning, internal audit execution, internal audit reporting and monitoring, and the role of management in the internal audit process. Each of the activities had their respective tasks as explained in the subsequent sub-sections.

Internal Audit Planning

The tasks under internal audit planning were staffing of internal audit unit, developing assignment plan, conducting risk assessment, and developing audit programmes. The standard situation as per the IPPF is that the tasks under internal audit planning should be performed in order to accomplish the activity. Table 10 contains responses from the Internal Auditors of the four selected areas. The analysis of the responses revealed that the internal auditors did not conduct risk assessment of auditee departments before assignments.

Table 10: Responses on Tasks of Internal Audit Planning by Source

Staffing of Internal Audit Unit	Responses on Tasks			Source
	Developing Assignment Plan	Conducting Risk Assessment	Developing Audit Programmes	
Adequate	Developed	Not conducted, because we have been auditing the place always	Developed	Internal Auditor (1 st September, 2016)
Adequate	Developed	Not conducted; we don't conduct risk assessment because we already know the system	Developed	Internal Auditor (10 th August, 2016)
Indequate, I am the only person at the internal audit unit	Developed	Not conducted, because I know how the system works	Developed	Internal Auditor (24 th August, 2016)
	Developed	Not conducted, because we already know the environment	Developed	Internal Auditor (12 th August, 2016)

Source: Author's Compilation (2016)

Internal Audit Execution

Conducting entrance meetings, documenting and evaluating evidence gathered, consulting relevant internal audit working tools, and conducting exit meetings are the tasks under internal audit execution. The standard situation as per the IPPF is that the tasks should be performed in order to accomplish the activity. Table 11 contains responses from the Internal Auditors of the four selected areas. The analysis of the responses revealed that some of the internal auditors did not conduct entrance and exit meetings.

Table 11: Responses on Tasks of Internal Audit Execution by Source

Responses on Tasks				Source
Conducting entrance meetings	Documenting and evaluating evidence gathered	Consulting relevant working tools	Conducting exit meetings	Internal Auditor (1 st September, 2016)
Conducted	Documented and evaluated	Consulted	Conducted	Internal Auditor (10 th August, 2016)
Not conducted, because it is internal but the external auditors do	Documented and evaluated	Consulted	Not conducted, because it is internal but the external auditors do	Internal Auditor (10 th August, 2016)

Table 11: Continued

Conducted	Documented and evaluated	Consulted	Conducted	Internal Auditor (24 th August, 2016)
Not conducted, because the auditees already know what we come to do	Documented and evaluated	Consulted	Not conducted, because we issue the reports to them internally	Internal Auditor (12 th August, 2016)

Source: Author's Compilation (2016)

Internal Audit Reporting and Monitoring

The tasks under internal audit reporting and monitoring were:

(1) writing internal audit findings based on

(a) Criteria

(b) Condition

(c) Cause

(d) Effect

(e) Recommendation and

(f) Auditee's comments,

(2) communicating internal audit assignment results to ARIC;

(3) furnishing management and auditees with copies of internal audit reports; and

(4) conducting follow-ups on internal audit reports.

The standard situation as per the IPPF is that the tasks under internal audit reporting and monitoring should be performed in order to accomplish the activity. The analysis of the tasks performed in Table 12 showed that the tasks were executed.

Table 12: Performance of Tasks of Internal Audit Reporting and Monitoring by Source

Tasks Performed				Source
Writing internal audit findings on (a) Criteria (b) Condition (c) Cause (d) Effect (e) Recommendation (f) Auditee's comments	Communicating internal audit assignment results to Audit Report Implementation Committee (ARIC)	Furnishing management and auditees with copies of internal audit reports	Conducting Follow-ups on internal audit reports	
Wrote internal audit findings as expected	Communicated internal audit results to ARIC	Copies of internal audit reports furnished	Conducted follow-ups	Internal Auditor (1 st September, 2016)
Wrote internal audit findings as expected	Communicated internal audit results to ARIC	Copies of internal audit reports furnished	Conducted follow-ups	Internal Auditor (10 th August, 2016)

Table 12: Continued

Wrote internal audit findings as expected	Communicated internal audit results to ARIC	Copies of internal audit reports furnished	Conducted follow-ups	Internal Auditor (24 th August, 2016)
Wrote internal audit findings as expected	Communicated internal audit results to ARIC	Copies of internal audit reports furnished	Conducted follow-ups	Internal Auditor (12 th August, 2016)

Source: Author's Compilation (2016)

Role of Management in the Internal Audit Process

The role of management in the internal audit process involves the tasks of liaising with internal auditors before internal audit assignments, providing resources for internal audit assignments, co-operating with internal auditors in the internal audit process, implementing internal audit recommendations, and reviewing implementation status of internal audit. The standard situation as per the IPPF is that the tasks should be performed in order to accomplish the activity. Table 13 shows responses from internal auditors on performance of tasks of role of management in the internal audit process.

The analysis of the tasks performed indicated that management bodies did not liaise with the internal auditors before internal audit assignments and also did not implement internal audit recommendations.

Table 13: Performance of Tasks of Role of Management in Internal Audit Process by Source

Management	Tasks Performed			Source
	Management providing	Management co-operating	Management implementing	
liaising with internal auditors before internal audit assignment	resources for internal audit assignment	operating with internal auditors in the internal audit process	implementing internal audit recommendations	Management reviewing implementation status of internal audit recommendations
Not performed	Performed, but not enough	Performed	Not performed	Performed
Not performed	Not performed as budgeted	Performed	Not performed	Performed
Not performed	Not performed adequately	Performed	Not performed	Performed
Not performed	Not performed adequately	Performed	Not performed	Performed

Source: Author's Compilation (2016)

Table 14 depicts reasons for non-implementation of internal audit recommendations. The standard is that after receiving the internal audit reports, management bodies were expected to implement the recommendations in the reports. However, the analysis of the reasons pointed out that management bodies did not deem it necessary to implement internal audit recommendations.

Table 14: Reasons for not Implementing Internal Audit Recommendations

Reasons	Source	Remarks
• The management members don't follow up on the reports	Internal Auditor (1 st September, 2016)	Deviates from standard
• Internal auditors' reports seem not to carry weight	Internal Auditor (10 th August, 2016)	Deviates from standard
• Recommendations on some shortfalls of members of ARIC, would not be implemented	Internal Auditor (24 th August, 2016)	Deviates from standard
• Internal audit recommendations are not seen as important	Internal Auditor (12 th August, 2016)	Deviates from standard
• Management does not implement internal auditors' reports	District Auditor (10 th August, 2016)	Deviates from standard
• Management does not attach importance to internal auditors' recommendations	District Auditor (10 th August, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Two internal auditors and a district auditor responded that:

Internal auditors' reports do not carry weight (an Internal Auditor, 10th August, 2016)

The ARIC is full of management members and if there is a shortfall on any of them, do you think they would implement the recommendations? (an Internal Auditor, 24th August, 2016)

Management does not take internal auditors' reports seriously (a District Auditor, 10th August, 2016)

The analysis of the reasons further revealed that management bodies of MMDAs were not bound to implement internal audit recommendations as indicated by a Co-ordinating Director that:

The internal auditor role does not mean you can prevent management from taking a decision; you can give your expert advice but you cannot take it and implement (a Co-ordinating Director, 11th August, 2016)

Application of the Standard Internal Audit Working Tools in the MMDAs

This section captures the standard internal audit working tools and goes on to find out the extent of their application in internal audit assignments in the MMDAs. The standard tools were the internal audit charter, internal auditing standards (International Standards), and the strategic plan. The rest were code of ethics, internal audit plan, programme of work, and audit programme.

The standard as per the IPPF is that the internal auditors are required to apply the standard internal audit working tools in internal audit duties in order to achieve the objectives of the assignments. Table 15 depicts responses from internal auditors on the application of the standard internal audit working tools in internal audit assignments in the MMDAs. It was found during the analysis of the responses that three internal auditors applied all the seven standard

internal audit working tools while the other one reported applying all of them except the strategic plan.

Table 15: Responses on Application of the Standard Internal Audit

Working Tools in the MMDAs

Responses	Source	Remarks
We applied all	Internal Auditor (1 st September, 2016)	Conforms to standard
Applied all except the strategic plan	Internal Auditor (10 th August, 2016)	Deviates from standard
Applied all	Internal Auditor (24 th August, 2016)	Conforms to standard
Applied all	Internal Auditor (12 th August, 2016)	Conforms to standard

Source: Author’s Compilation (2016)

Auditable Areas of the MMDAs

This section involves the results relating to the auditable areas. The auditable areas are the range of activities in the MMDAs which are subject to audit. The performance measures for the 2012 DDF FOAT assessment were used as the auditable areas in order for the study to focus on the parameters for measuring performance. The performance measures are the activities in the MMDAs which were used as the criteria for measuring performance as per the 2012 DDF FOAT performance assessment guidelines. They were

- (1) the Medium Term Development Planning;
- (2) financial Management, Budgeting, and Accounting;
- (3) procurement processes;

- (4) deliberations of the (a) Executive Committee (b) General Assembly and (c) Management meetings;
- (5) plan implementation and monitoring of activities in the Annual Action Plan;
- (6) relationship between the Assembly and its sub-district(s);
- (7) transparency, openness, and accountability processes;
- (8) revenue mobilisation, revenue management, and revenue improvement action plan;
- (9) stakeholder participation in the activities; and
- (10) environmental sanitation management.

The areas which were dealt with under the auditable areas were:

- (1) the involvement of internal auditors in the deliberations of the auditable areas at the committee meetings stage; and
- (2) the internal auditors' coverage of the auditable areas during internal audit assignments.

Involvement of Internal Auditors in the Deliberations of the Auditable Areas at the Committee Meetings Stage

The standard as per the definition of internal auditing is that internal auditors are required to provide advice and counsel as part of their consulting activities. Internal auditors should therefore be allowed to participate in the deliberations of the auditable areas at the committee meetings stage in order to advise on decisions taken before implementation. However, the analysis of the responses pointed out that the internal auditors were not involved in the deliberations of some of the auditable areas as captured in Table 16.

**Table 16: Responses on Involvement of Internal Auditors in the
Deliberations of the Auditable Areas at the Committee Meetings
Stage**

Responses	Source	Remarks
<ul style="list-style-type: none"> The internal auditor is not involved in Plan Implementation and Monitoring of activities in the Annual Action Plan 	Internal Auditor (1 st September, 2016)	Deviates from standard
<ul style="list-style-type: none"> The internal auditor is not involved in the procurement processes 	Internal Auditor (10 th August, 2016)	Deviates from standard
<ul style="list-style-type: none"> The internal auditor is not involved in the environmental sanitation management committee meetings 	Internal Auditor (24 th August, 2016)	Deviates from standard
<ul style="list-style-type: none"> The internal auditor is not involved in the deliberations of the executive committee 	Internal Auditor (12 th August, 2016)	Deviates from standard

Source: Author's Compilation (2016)

The internal auditors reported that:

We are not part of the plan implementation and monitoring of activities in the Annual Action Plan of the Assembly. They prepare it and I go through it but if they implement, I audit the documents against their plan (an Internal Auditor, 1st September, 2016)

As the internal auditor of the Assembly, I am never involved in the procurement processes (an Internal Auditor, 10th August, 2016)

I am not part of the environmental sanitation management committee; I just audit their work (an Internal Auditor, 24th August, 2016)

I am not involved in the deliberations of the executive committee
(an Internal Auditor, 12th August, 2016)

Even though the internal auditors responded that they were not involved at the committee meetings stage of some auditable areas, some were of the opinion that internal auditors should not be involved at the committee meetings stage as depicted in Table 17. Their reasons were that they would eventually audit the issues which were deliberated upon.

Table 17: Reasons for Internal Auditors not to be Involved in

Deliberations of the Auditable Areas at the Committee Meetings

Stage

Reasons	Source	Remarks
<ul style="list-style-type: none"> Internal auditors should not be part of deliberations of committee meetings because it will not be appropriate to audit an activity which they were part of its deliberation 	Internal Auditor (1 st September, 2016)	Deviates from standard
<ul style="list-style-type: none"> Internal auditors should not be involved in all the activities because they will finally audit their implementation 	Internal Auditor (12 th August, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Two internal auditors commented that:

You see, once you are part of management, when they are preparing the medium term development plan, you are part of the planning; we prepare it and go for review of the plan and you have your own input, then you come back later to audit the same plan and its execution. It is difficult to be objective (an Internal Auditor, 1st September, 2016)

I don't think the internal auditor must be involved in all the activities because if we happen to be part of all the committees, checking them or auditing them might be subjective (an Internal Auditor, 12th August, 2016)

Internal Auditors' Coverage of the Auditable Areas during Internal Audit Assignments

The standard as per the performance of internal audit work in the International Standards requires that the internal audit activities should cover every aspect of the organisation. The analysis of the responses revealed that the internal auditors were allowed to cover the auditable areas in the course of discharging their duties without restrictions as per Table 18.

Table 18: Responses on Internal Auditors' Coverage of Auditable Areas during Internal Audit Assignments from Perspective of Internal Auditors

Responses	Source	Remarks
• Management does not interfere with internal auditors' plan of work	Internal Auditor (1 st September, 2016)	Conforms to standard
• Internal auditors are not limited in scope	Internal Auditor (10 th August, 2016)	Conforms to standard

Table 18: Continued

• Internal auditors plan their work	Internal Auditor (24 th August, 2016)	Conforms to standard
• Internal auditors determine their scope of work	Internal Auditor (12 th August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

The following are comments from internal auditors:

So long as I am mandated to audit any section/unit, management cannot stop me

(an Internal Auditor, 1st September, 2016)

It is dependent on what we want to do, nobody limits our scope (an Internal Auditor, 10th August, 2016)

We are not limited in the scope of our activities (an Internal Auditor, 24th August, 2016)

Since I came here, there has been nothing like restriction in scope; even though management has influence on my scope of work, they don't limit it; I plan my work (an Internal Auditor, 12th August, 2016)

Table 19 depicts responses from Co-ordinating Directors and Chairpersons of ARICs on internal auditors' coverage of auditable areas during internal audit assignments.

Table 19: Responses on Internal Auditors' Coverage of Auditable Areas during Internal Audit Assignments from Perspective of Co-ordinating Directors and ARIC Chairpersons

Responses	Source	Remarks
• The internal auditor is not restricted	Co-ordinating Director (24 th August, 2016)	Conforms to standard

Table 19: Continued

• The internal auditors do their work	ARIC Chairperson (7 th September, 2016)	Conforms to standard
• There are no restrictions for the internal auditors	ARIC Chairperson (19 th September, 2016)	Conforms to standard

Source: Author's Compilation (2016)

A Co-ordinating Director and two ARIC Chairpersons reported that:

The internal auditor is allowed to do his work independently (a Co-ordinating Director, 24th August, 2016)

The internal auditors are free to do what the law requires them to do (an ARIC Chairperson, 7th September, 2016)

No restrictions for the internal auditors as far as they have the liberty to go to any extent that they want to (an ARIC Chairperson, 19th September, 2016)

Discussion

Four main results emerged from the views of the key informants on the Concept of Internal Auditing. First, the results confirmed Nagy and Cenker (2002) which indicated that the internal audit departments had shifted toward a more value-added or an operational focus and that their day to day activities were consistent with the definition of internal auditing.

Second, the results were consistent with the definition of internal auditing given by IIA (1999) that internal auditing assists organisations to achieve objectives by evaluating and improving conditions in the organisations and drawing the attention of management bodies to operate in accordance with laid down procedures.

Third, the results bordered on monitoring, evaluation, and control which are associated with the agency theory. Fourth, the views agreed with the

transformation stage of the conceptual framework where the definition of internal auditing as contained in the IPPF can be found.

On the activities of the internal audit process, the lapses at the internal audit planning and internal audit execution stages of the internal audit process are consistent with the finding of Udeh and Nwadiolor (2016) which revealed that the staff of the internal audit department did not implement internal audit procedures. However, the lapses did not conform to the standard activities under the internal audit process which require that the tasks should be executed in a methodical manner. The lapses were also inconsistent with the principles of bureaucratic theory of management as espoused by Grimsley (2013) that organisations should work under structured rules and regulations where the members of the organisations are expected to comply with. The results from the analysis were not in line with the transformation stage of the conceptual framework of the study where the standard activities and their respective tasks are found.

The performance of the tasks at the internal audit reporting and monitoring stage of the internal audit process was consistent with the standard activities. It also conformed to the logical approach in the definition of internal auditing which follows a disciplined and systematic approach; and the principles of bureaucratic theory of management which ensure discipline and order. The result was in line with the transformation and output stages of the conceptual framework.

Four main results came out of the analysis of the non-implementation of internal audit recommendations by management bodies. Firstly, they were in line with the finding of Mihret and Yismaw (2007) which pointed out that,

internal audit recommendations were not afforded attention and there was no mechanism in place to follow up with their implementation. Secondly, they were not consistent with the standard activities and also the principles of bureaucratic theory of management which indicate that organisations should follow structures in a methodical manner. Thirdly, they were inconsistent with the transformation stage of the conceptual framework where the IPPF, which contains the standard activities, is located.

Fourthly, the non-binding nature of the implementation of internal audit recommendations by management bodies of the MMDAs confirmed Kiabel (2012) which pointed out that managements of companies were reluctant to take actions on internal audit reports and recommendations and that loopholes present in various activities had not been plugged.

However, the non-binding nature of the implementation of internal audit recommendations by management bodies of the MMDAs is inconsistent with the institutional theory which provides that structures and schemes should be established and followed in organisations in order to ensure their survival. Implementation of internal audit recommendations is part of the structures and schemes that had been established and should be followed by management bodies of the MMDAs in order to guarantee the survival of the MMDAs. By the principles of institutional theory, management bodies of MMDAs are bound to implement internal audit recommendations. However, the non-binding nature of the implementation of internal audit recommendations is not in line with the transformation stage of the conceptual framework where the standard activities are located.

The absence of strategic plan, under the application of the standard internal audit working tools, was in line with the finding of Mihret and Yismaw (2007) which pointed out that the internal audit department did not prepare strategic plans. However, it is not consistent with Practice Guide (IIA, 2012, p 1). The practice guide is on Developing the Internal Audit Strategic Plan and emphasises on the need for the internal audit units to prepare and keep strategic plans. It states that internal auditing should remain relevant by adapting to changing expectations in order to maintain alignment with the organisation's objectives and this can be achieved through strategic plans.

The result was inconsistent with the agency theory. The monitoring mechanism provided by the agency theory would work to achieve the desired objectives with the support of the strategic plans of the internal audit units because the strategic plans would help to identify high risk areas for monitoring. The inability of the internal auditor to prepare strategic plans undermined the monitoring activities that underlied the agency theory which supports the study. The result was not in line with the transformation stage of the conceptual framework where the standard internal audit working tools can be found.

Four results emerged from the analysis of involvement of internal auditors in the deliberations of the auditable areas at the committee meetings stage. First, the results were not consistent with the definition of internal auditing. The definition of internal auditing, among other things, is 'an independent, objective assurance and consulting activity.' The consulting activity enables internal auditors to provide advice and counsel on situations affecting the running of organisations. The results deprived the MMDAs of the

advice and counsel that internal auditors could offer during the deliberation stages of the auditable areas at the committee meetings stage. The advice and counsel could help to prevent decisions that would unfavourably affect the operations of the MMDAs at the implementation stages.

Second, the results did not confirm the agency theory. The reason is that the provision of advice and counsel at the deliberation stages of the auditable areas at the committee meetings stage forms part of the monitoring activities espoused by the agency theory in order to help to prevent the implementation of unfavourable decisions in the MMDAs.

Third, the results were also inconsistent with the transformation stage of the conceptual framework of the study where the IPPF which contains the definition of internal auditing can be located. Fourth, the results were in line with the output stage of the conceptual framework where they deviated from the laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

On internal auditors' coverage of auditable areas during internal audit assignments, the results were consistent with a provision under 'performance of internal audit work,' a component of the International Standards, which states among other things that internal audit's scope of work covers evaluating and helping to improve all aspects of the organisation's governance and system of internal control, including the management of risk. By covering the auditable areas, internal auditors are able to perform to the dictates of the International Standards.

The results confirmed the agency theory. The reason is that by covering the auditable areas without any restrictions, the monitoring activities

of the internal audit activities would take place as prescribed under the agency theory.

The results further conformed to the institutional theory. Evaluating and helping to improve all aspects of the organisation's governance and system of internal control, including the management of risks form part of the structures that have been established in the MMDAs to ensure survival. By allowing internal auditors to cover the auditable areas, the rules and schemes established in the MMDAs have been complied with. The results were in conformity with the transformation stage of the conceptual framework where the IPPF and the DDF FOAT performance assessment criteria are found.

Chapter Summary

The key informants were 19 males and one female who had served in their current position for over one year and had at least a diploma qualification. There were different categories of key informants although their work schedules bordered on internal auditing. Generally, the views of the key informants conformed to the concept of internal auditing and the internal auditors applied the standard internal audit working tools in their assignments. Even though the activities under the internal audit process were undertaken, few of the tasks under the activities were not executed while carrying out internal audit assignments. The internal auditors covered the auditable areas in the internal audit assignments. However, they were not allowed to sit in the deliberations of some auditable areas at the committee meetings stage. The quality assurance units of the regulators should monitor the activities in the internal audit process of the MMDAs in order to ensure compliance with procedures. In addition, the ARICs and management bodies of MMDAs

should encourage internal auditors to prepare strategic plans at all times to assist the MMDAs to identify risks for management and also to prevail on officers to allow internal auditors to sit in committee meetings.

CHAPTER SIX

CONDITIONS UNDER WHICH INTERNAL AUDIT WAS CARRIED OUT IN THE METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES

Introduction

This chapter captures the results and discussion relating to the conditions under which internal audit was carried out in the MMDAs. It covers the second objective of the study. The conditions have been stated in two parts namely; those which supported internal auditing and those which hindered internal auditing.

Results

Conditions which Supported Internal Auditing

The conditions which supported internal auditing were situations which assisted the internal audit process in order to help to stop irregularities in the MMDAs. They were training and capacity building of internal auditors and seeking external assistance to aid internal audit activities.

Training and Capacity-building for Internal Auditors

The standard, as per the COSO internal control-integrated framework on demonstrating commitment to competence requires management bodies of MMDAs to show commitment to attract, develop, and retain competent individuals to help achieve their objectives. Tables 20, 21, and 22 present responses from Internal Auditors, Co-ordinating Directors, and ARIC chairpersons respectively on training and capacity-building for Internal Auditors. The analysis of the responses revealed that management bodies assisted internal auditors to undertake capacity-building exercises by paying

for the cost of the training; and also allowed them to participate in training programmes organised by the Development Partners.

Table 20: Responses on Training and Capacity-building for Internal Auditors from Perspective of Internal Auditors

Responses	Source	Remarks
• Management pays for internal auditors' training costs.	Internal Auditor (1 st September, 2016)	Conforms to standard
• Management pays for internal auditors' training organised by the RCC, IIA, and IAA	Internal Auditor (10 th August, 2016)	Conforms to standard
• The Assembly sponsors internal auditors' training	Internal Auditor (24 th August, 2016)	Conforms to standard
• The RCC, IAA, IIA organise training sessions for internal auditors	Internal Auditor (12 th August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

Table 21: Responses on Training and Capacity-building for Internal Auditors from Perspective of Co-ordinating Directors

Responses	Source	Remarks
• We pay for internal auditors' training and capacity building fees	Co-ordinating Director (24 th August, 2016)	Conforms to standard
• The Assembly sponsors internal auditors for training and other capacity building sessions	Co-ordinating Director (11 th August, 2016)	Conforms to standard

Table 21: Continued

• The Assembly pays for the training cost of internal auditors	Co-ordinating Director (12 th August, 2016)	Conforms to standard
• Management pays for internal auditors' fees for training	Co-ordinating Director (23 rd August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

Table 22: Responses on Training and Capacity-building for Internal Auditors from Perspective of ARIC Chairpersons

Responses	Source	Remarks
• The Assembly pays for internal auditors' training	ARIC Chairperson (22 nd September, 2016)	Conforms to standard
• The Assembly sponsors the training and capacity building of internal auditors	ARIC Chairperson (7 th September, 2016)	Conforms to standard
• The Assembly pays for training and workshops organised by the RCC, IAA, and MLGRD for internal auditors	ARIC Chairperson (19 th September, 2016)	Conforms to standard
• Internal auditors are assisted by management to go for training	ARIC Chairperson (23 rd August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

Some key informants commented that:

They build our capacity (an Internal Auditor, 1st September, 2016)

We build the capacity of internal auditors in order to get strong people to drive the charter (a Co-ordinating Director, 24th August, 2016)

The Assembly sponsors the training and capacity building of internal auditors (an ARIC Chairperson, 7th September, 2016)

The development partners come with resources for training and capacity building to aid internal auditors to do a good job (a Regulator outside of the Region, 10th August, 2016)

External Assistance

The standard, as per the COSO internal control-integrated framework on communicating externally requires management bodies of organisations to seek assistance from external parties about matters affecting the functioning of internal control. Table 23 shows responses in respect of external assistance for internal auditing. During the analysis of the responses, it was pointed out that when there were misunderstandings between management bodies and internal auditors in the internal audit process, and/or a challenge in the duties of the internal auditors, the issues were reported to the District Auditors of the Ghana Audit Service in order to assist them to resolve the issues.

Table 23: Responses on External Assistance for Internal Auditing

Responses	Source	Remarks
<ul style="list-style-type: none"> When the internal auditors have a challenge they talk to the district audit service personnel and see the way forward 	Co-ordinating Director (23 rd August, 2016)	Conforms to standard

Table 23: Continued

<ul style="list-style-type: none"> • If the Assembly has any issue with the internal auditor, the complaint first has to get to the district audit service 	ARIC Chairperson (7 th September, 2016)	Conforms to standard
<ul style="list-style-type: none"> • District Auditors assist to solve misunderstandings among internal auditors and other staff members 	District Auditor (10 th August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

Other Conditions which Supported Internal Auditing from the Perspective of Regulators

Table 24 presents responses from regulators on other conditions which supported internal auditing in the MMDAs.

Table 24: Other Conditions which Supported Internal Auditing from the Perspective of Regulators

Other Conditions	Source	Remarks
<ul style="list-style-type: none"> • The internal auditors are empowered by the law to execute their functions 	District Auditor (10 th August, 2016)	Conforms to standard
<ul style="list-style-type: none"> • The internal audit charter gives the internal auditors the mandate to operate 	District Auditor (12 th August, 2016)	Conforms to standard
<ul style="list-style-type: none"> • The internal auditors perform well 	Regulator outside of the Region (10 th November, 2016)	Conforms to standard

Table 24: Continued

• Internal auditing is mandatory.	Regulator outside of	Conforms
The new PFM Act 2016 Act 921	the Region	to
overrides other Acts that conflict		standard
with it		

Source: Author's Compilation (2016)

Two regulators reported that:

Internal auditors work is satisfactory and they are on top of issues (a District Auditor, 12th August, 2016)

The internal auditors do well because some of the things they raise in their reports are the same things that we go in to see (a Regulator outside of the Region, 10th November, 2016)

Conditions which Hindered Internal Auditing

The conditions which hindered internal auditing were situations which obstructed and undermined the internal audit process, thereby allowing irregularities in the MMDAs. These were understaffing of internal audit units, low proficiency of internal auditors, no sanctions for perpetrators of irregularities, non-compliance with laid down procedures, ineffective membership and poor performance of ARICs, insufficient resources for internal audit assignments, internal auditors' dependence on management bodies for resources to work, administrative control of internal auditors through reporting relationship, poor office accommodation for internal auditors, intimidations, confrontations, threats, and punishing internal auditors with transfers, and low remuneration for internal auditors.

Understaffing of Internal Audit Units

The performance standards on resource management of the International Standards stipulate that the management of the MMDAs should ensure that the internal audit units have sufficient number of internal auditors to undertake assignments in the auditable areas of the MMDAs in order to achieve the objectives of the assignments. Table 25 depicts responses on understaffing of internal audit units. The analysis of the responses from key informants revealed that generally, the internal audit units of the MMDAs were understaffed.

Table 25: Responses on Understaffing of Internal Audit Units

Responses	Source	Remarks
• The internal audit unit is understaffed	Co-ordinating Director (24 th August, 2016)	Deviates from standard
• The internal auditors are not sufficient to do the work properly	Co-ordinating Director (23 rd August, 2016)	Deviates from standard
• There is only one internal auditor at the internal audit unit	Internal Auditor (12 th August, 2016)	Deviates from standard
• The internal audit unit is understaffed	ARIC Chairperson (22 nd September, 2016)	Deviates from standard
• There is only one internal auditor and his assistant	ARIC Chairperson (19 th September, 2016)	Deviates from standard

Table 25: Continued

• The unit is understaffed	ARIC Chairperson (23 rd August, 2016)	Deviates from standard
• The internal auditors are understaffed	District Auditor (10 th August, 2016)	

Source: Author’s Compilation (2016)

Low Proficiency of Internal Auditors

The attribute standards on proficiency of the International Standards require that internal auditors should have knowledge, skills, and other competencies needed to perform their responsibilities. Table 26 shows responses from key informants on the low proficiency of internal auditors. During the analysis of the responses, it was pointed out that the internal auditors did not have adequate knowledge and skills to undertake internal audit assignments in contract management which affected the quality of their work in the MMDAs.

Table 26: Responses on Low Proficiency of Internal Auditors

Responses	Source	Remarks
• The internal audit unit does not have capable personnel to undertake non-accounting and non-financial audit duties especially in the field of engineering	Internal Auditor (10 th August, 2016)	Deviates from standard
• Internal auditors do not have knowledge in contract management	Internal Auditor (24 th August, 2016)	Deviates from standard

Table 26: Continued

<ul style="list-style-type: none"> • Internal auditors do not have the necessary skills to do the work effectively 	<p>Internal Auditor (12th August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> • The capacities of internal auditors need to be built further to meet the challenges of their work 	<p>Co-ordinating Director (11th August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> • The internal auditors are inexperienced 	<p>Co-ordinating Director (23rd August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> • Most of the internal auditors do not have good qualifications 	<p>District Auditor (10th August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> • The internal auditors are not well qualified 	<p>Regulator outside of the Region (3rd November, 2016)</p>	<p>Deviates from standard</p>

Source: Author's Compilation (2016)

Some key informants reported that:

I have no knowledge in contract management so how do I audit the area? I am not a technical person in engineering so how do I audit such a unit? (an Internal Auditor, 12th August, 2016)

The experience and academic qualification of the internal auditors are low and affect their work output (a Co-ordinating Director, 11th August, 2018)

Internal auditors don't have the capacity to audit construction works (a Co-ordinating Director, 23rd August, 2016)

Most of the internal auditors that we have in the Assemblies do not have good qualifications to enable them do their work well (a District Auditor, 10th August, 2016)

An internal auditor that is not well qualified will just throw the queries back to you because he cannot suggest what you should do to correct some of the queries (a Regulator from outside of the region, 3rd November, 2016)

No Sanctions for Perpetrators of Irregularities

The standard, as per the COSO internal control-integrated framework on enforcing accountability indicates that organisations should hold individuals accountable for their internal control responsibilities in the pursuit of objectives. Table 27 presents responses from key informants on no sanctions for perpetrators of irregularities. The analysis of the responses pointed out that perpetrators of irregularities were not sanctioned.

Table 27: Responses on No Sanctions for Perpetrators of Irregularities

Responses	Source	Remarks
• There is no power to sanction	Co-ordinating Director (23 rd August, 2016)	Deviates from standard
• Internal auditors' reports are not taken seriously	Internal Auditor (10 th August, 2016)	Deviates from standard
• Sanctions are not applied	Internal Auditor (24 th August, 2016)	Deviates from standard

Source: Author's Compilation (2016)

A Co-ordinating Director and two internal auditors reported that:

No power to sanction; at times the internal auditors send reports to the regional and national levels and they would only be written to, to see to it that these things are corrected with no major sanctions; so if internal auditors were to apply some sanctions, I think it will help the system (a Co-ordinating Director, 23rd August, 2016)

As an internal auditor, you write and they don't seem to mind you. The reports go to Accra, RCC and still the same; so it's like our reports go to the shelf (an Internal Auditor, 10th August, 2016)

There is no spelt out punishment for errors you commit that I know of; even the external auditors have not been given any mandate to punish, and at the Public Accounts Committee of Parliament they don't punish either (an Internal Auditor, 24th August, 2016)

Non-compliance with laid down Procedures

The standard, as per COSO internal control-integrated framework on control activities stipulates that organisations should institute measures through policies, laid down procedures, rules, and regulations that establish what is expected to achieve and every employee is obliged to comply with. Table 28 shows responses from key informants regarding non-compliance with laid down procedures. The analysis of the responses revealed that management bodies did not follow laid down procedures in the MMDAs.

Table 28: Responses on Non-compliance with laid down Procedures

Responses	Source	Remarks
• Some payment vouchers are not taken to the internal auditor to pre-audit	ARIC Chairperson (22 nd September, 2016)	Deviates from standard
• Documents and files are not presented to internal auditors when they ask for them	ARIC Chairperson (19 th September, 2016)	Deviates from standard
• Payment vouchers are not certified by the internal auditors	District Auditor (10 th August, 2016)	Deviates from standard
• The Assembly does not follow guidelines in spending	District Auditor (12 th August, 2016)	Deviates from standard
• Management abuse the controls in the Assemblies	Regulator outside of the Region (10 th November, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Some key informants commented that:

I am told that some of the things management does not show it to the internal auditor before such payments are made but we are on it (an ARIC Chairperson, 22nd September, 2016)

If you look through our reports, you will see one particular observation which is 'payment not certified by the internal auditor;' it runs in almost all the Assemblies, why? It is because some of the payment vouchers are not taken through the internal auditor (a District Auditor, 10th August, 2016)

The Assembly does not spend according to the programmes in their annual action plans (a District Auditor, 12th August, 2016)

Most of the findings we observe cut across and they are as a result of failure to comply; management try to abuse the controls in the MMDAs; it is the same thing which we keep reporting day-in-day-out; if you take Auditor-General's report for 2012, it is the same thing you will see in 2013, 2014, 2015, 2016, and so on (a Regulator from outside of the Region, 10th November, 2016)

Ineffective Membership and Poor Performance of ARICs

According to Section 30(1) of the Audit Service Act 584 (2000) and Section 16(8) of the Internal Audit Agency Act 658 (2003) which established the ARICs, the following are the composition of ARICs:

- (1) the presiding member or a representative of the Presiding member from among the Assembly as chairperson;
- (2) a member of the Finance and Administration sub-committee of the Assembly;
- (3) the Chief executive of the MMDA;
- (4) the District co-ordinating director of the MMDA;
- (5) one external representative with a minimum of four years' experience in accounting or auditing nominated by the Internal Audit Agency; and
- (6) in the performance of its functions, an ARIC may co-opt any senior management personnel to the committee.

Tables 29 and 30 show responses on ineffective membership and poor performance of ARICs from Internal Auditors, Co-ordinating Directors, ARIC Chairpersons, and a Regulator outside of the Region. The analysis of the responses portrayed that the ARICs, as per the laws, is composed of people who are predominantly from the MMDAs and could not be ineffective.

Table 29: Responses on Ineffective Membership and Poor Performance of ARICs from Perspective of Internal Auditors

Responses	Source
• The ARIC is made up of the management body	Internal Auditor (1 st September, 2016)
• The composition is not strong	Internal Auditor (10 th August, 2016)
• The composition of ARIC makes it ineffective	Internal Auditor (24 th August, 2016)
• ARIC does not meet as scheduled	Internal Auditor (12 th August, 2016)

Source: Author's Compilation (2016)

Table 30: Responses on Ineffective Membership and Poor Performance of ARICs from Perspective of Co-ordinating Directors, ARIC Chairpersons, and Regulator outside of the Region

Responses	Source
• The composition of ARIC is not effective	Co-ordinating Director (11 th August, 2016)
• ARIC is frustrated by management	ARIC Chairperson (22 nd September, 2016)
• The internal auditor and the ARIC Chairperson do not meet often	ARIC Chairperson (23 rd August, 2016)
• Ineffective ARICs	Regulator outside of the Region (10 th August, 2016)

Source: Author's Compilation (2016)

Some key informants reported that:

The composition is not strong enough to chastise who is doing something wrong;

in case the Chief Executive does something wrong who amongst these in-house persons will point it out? (an Internal Auditor, 10th August, 2016)

I am not pleased with the composition of ARIC; because you make the Presiding member the chairman of ARIC, if the Presiding member has no knowledge of auditing then he is just a ceremonial head (a Co-ordinating Director, 11th August, 2016)

The system is something, the chairman of ARIC is supposed to call for meetings; you inform the authorities and they will tell you there is no money; take the whole Assembly sitting for instance; the Act says that we should meet not less than three times in a year, as I speak to you, we are in September and we have sat only once (an ARIC Chairperson, 22nd September, 2016)

Some of the ARICs do not function effectively and therefore leave the internal auditors exposed (a Regulator outside of the Region, 10th August, 2016)

Internal Auditors' Dependence on Management Bodies for Resources

In order for internal auditors to work independently to produce objective and reliable reports, the Performance Standard 2030 on resource management of the International Standards requires that resources for internal audit should be sufficient to accomplish the approved plan; where sufficient refers to the quantity of resources needed to achieve the plan. Table 31 indicates responses from key informants on internal auditors' dependence on management bodies for resources. The analysis of the responses showed that resources for internal audit assignments were not supplied in sufficient

quantities and hindered internal auditors’ efforts to carry out activities in their plans because they had to depend on management bodies for resources.

Table 31: Responses on Internal Auditors’ Dependence on Management

Bodies for Resources

Responses	Source	Remarks
<ul style="list-style-type: none"> • The internal auditors’ dependence on the Assembly for resources impairs their independence and hinders their efforts 	Internal Auditor (24 th August, 2016)	Deviates from standard
<ul style="list-style-type: none"> • Internal auditors depend on management for resources to work 	Internal Auditor (12 th August, 2016)	Deviates from standard
<ul style="list-style-type: none"> • Internal auditors’ resources are not provided as budgeted 	Internal Auditor (1 st September, 2016)	standard
<ul style="list-style-type: none"> • Resources for internal audit duties should not be provided by management 	ARIC Chairperson (22 nd September, 2016)	Deviates from standard
<ul style="list-style-type: none"> • The internal auditors rely on the Assembly for the supply of resources 	ARIC Chairperson (7 th September, 2016)	Deviates from standard

Source: Author’s Compilation (2016)

An internal auditor and an ARIC Chairperson remarked that:

Internal auditors depend on management for everything we need for our work and the resources provided are not enough to enable us to undertake activities in the internal audit plan (an Internal Auditor, 12th August, 2016)

What the internal auditors need to work with, should not be the responsibility of the Assembly to provide because management will not give them the

necessary tools to enable them to audit them effectively (an ARIC Chairperson, 22nd September, 2016)

Administrative Control of Internal Auditors through Reporting

Relationship

The Attribute Standard 1110 on organisational independence of the internal audit activity, as contained in the International Standards, requires that the internal auditors have a dual-reporting relationship which is interpreted to mean that internal auditors should report administratively to management bodies and functionally to audit committees or the board. Tables 32 and 33 show responses from key informants on administrative control of internal auditors through reporting relationship. The analysis of the responses revealed that by reporting administratively to management bodies, internal auditors lose their objectivity and independence because management bodies control them through administrative directives.

Table 32: Responses on Administrative Control of Internal Auditors through Reporting Relationship from Perspective of Internal Auditors, Co-ordinating Directors, and ARIC Chairpersons

Responses	Source	Remarks
• Internal auditors should not report to management	Internal Auditor (1 st September, 2016)	Deviates from standard
• There is no independence of the internal auditor	Internal Auditor (10 th August, 2016)	Deviates from standard
• Management does not provide enough resources for internal audit work	Internal Auditor (24 th August, 2016)	Deviates from standard

Table 32: Continued

<ul style="list-style-type: none"> It is difficult for internal auditors to be independent in the local government 	<p>Internal Auditor (12th August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> The internal auditors are not resourced adequately 	<p>Co-ordinating Director (11th August, 2016)</p>	<p>Deviates from standard</p>
<ul style="list-style-type: none"> Internal auditors should not be frustrated in their work 	<p>ARIC Chairperson (22nd September, 2016)</p>	<p>Deviates from standard</p>

Source: Author's Compilation (2016)

Two internal auditors, a Co-ordinating Director and an ARIC Chairperson reported that:

Internal auditors should not report to management, that is all; you will not have problems because you will be independent but if internal auditors should report to management, then you are definitely bound to bend rules (an Internal Auditor, 1st September, 2016)

My work is targeted at management and they appraise me for my promotion, so no independence (an Internal Auditor, 10th August, 2016)

The internal auditors are not truly independent because they are under resourced (a Co-ordinating Director, 11th August, 2016)

I think the bottom-line is that the internal auditor has to be independent and all the heads should allow him to do his work (an ARIC Chairperson, 22nd September, 2016)

**Table 33: Responses on Administrative Control of Internal Auditors
through Reporting Relationship from Perspective of Regulators**

Responses	Source	Remarks
• Management frustrates internal auditors by not supplying them with enough resources	District Auditor (10 th August, 2016)	Deviates from standard
• Internal auditors could not assert themselves at the various Assemblies because they report to management	District Auditor (10 th August, 2016)	Deviates from standard
• Managements influence internal audit reports because internal auditors report to them	District Auditor (10 th August, 2016)	Deviates from standard
• For as long as internal auditors report to management they would be controlled	Regulator outside of the Region (10 th November, 2016)	Deviates from standard
• Managements tend to frustrate the work of internal auditors by depriving them of resources	Regulator outside of the Region (10 th August, 2016)	Deviates from standard
• Independence of the internal auditor is impaired because they report to ARIC which is part of management	Regulator outside of the Region (17 th November, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Two district auditors and a regulator outside of the region said that:

Internal auditors are frustrated by management by not resourcing them well because management believes that they are worrying them (a District Auditor, 10th August, 2016)

In most cases too, when internal auditors are writing their reports, management twist their hands in order that they do not write damning reports about the Assembly (a District Auditor, 10th August, 2016)

You see, internal auditors should be independent but the degree of their independence is what we are not sure of; he is an employee in the establishment, and he is writing reports most of which affect management (a Regulator outside of the Region, 10th November, 2016)

Poor Office Accommodation for Internal Auditors

The performance standard 2030 on resource management, as contained in the International Standards, requires management bodies of MMDAs to deploy resources effectively to achieve the approved plan. Deploying resources effectively to achieve the approved plan mandates management bodies to provide decent and comfortable office accommodation for internal auditors in order for them to work in comfort to help to achieve MMDAs' objectives. Table 34 depicts responses from key informants on poor office accommodation for internal auditors. During the analysis of the responses, it was found that internal auditors occupied poor office accommodation.

Table 34: Responses on Poor Office Accommodation for Internal Auditors

Responses	Source	Remarks
• The office space for internal auditors is not comfortable enough	Co-ordinating Director (11 th August, 2016)	Deviates from standard
• Internal auditors are frustrated with poor office accommodation	ARIC Chairperson (22 nd September, 2016)	Deviates from standard
• Internal auditors are not given decent accommodation	(District Auditor, 10 th August, 2016)	Deviates from standard

Source: Author's Compilation (2016)

A Co-ordinating Director, an ARIC Chairperson, and a district auditor reported that:

The office space for internal auditors is not enough; there is only one room to accommodate all the three internal auditors including their head which is demoralising (a Co-ordinating Director, 11th August, 2016)

If someone wants to frustrate you, at times, he can just deprive you of a comfortable office space (an ARIC Chairperson, 22nd September, 2016)

You find the internal auditors put in some small corner or some office that you do not expect them to be there (a District Auditor, 10th August, 2016)

Transfers, Intimidations, Confrontations, Interference, and Threats on Internal Auditors

The Attribute standard 1100 on independence and objectivity of the International Standards requires that the internal audit activity must be independent and internal auditors must be objective in performing their work.

Independence is interpreted to mean freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner while objectivity is interpreted to mean unbiased mental attitude that allows internal auditors to perform engagement in such a manner that they believe in their work product and that no quality compromises are made. Tables 35 and 36 present responses from key informants regarding transfers, intimidations, confrontations, interference, and threats on internal auditors. The analysis of the responses revealed that internal auditors faced transfers, intimidations, confrontations, interference, and threats on their lives which could compromise both their ability to work in an unbiased manner and the quality of their work.

Table 35: Responses on Transfers, Intimidations, Confrontations, Interference and Threats on Internal Auditors from Perspective of Co-ordinating Directors, Internal Auditors and ARIC Chairpersons

Responses	Source	Remarks
• Political interference disturbs the work of the internal auditors	Co-ordinating Director (11 th August, 2016)	Deviates from standard
• Management intimidates internal auditors with transfers	Internal Auditor (10 th August, 2016)	Deviates from standard
• People look at internal auditors with suspicion	Internal Auditor (12 th August, 2016)	Deviates from standard

Table 35: Continued

• Internal auditors are branded gossip	Internal Auditor (1 st September, 2016)	Deviates from standard
• Internal auditors' work should not be politicised	ARIC Chairperson (22 nd September, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Table 36: Responses on Transfers, Intimidations, Confrontations, Interference, and Threats on Internal Auditors from Perspective of Regulators

Responses	Source	Remarks
• There are confrontations with internal auditors	District Auditor (10 th August, 2016)	Deviates from standard
Internal auditors are victimised and threatened	Regulator outside of the Region (10 th August, 2016)	Deviates from standard
• The lives of internal auditors are threatened	Regulator outside of the Region (17 th November, 2016)	Deviates from standard
• Management use transfers and postings as punishment for internal auditors because they see them as policemen and people who interfere with work	Regulator outside of the Region (10 th August, 2016)	Deviates from standard
• The internal auditor is seen as an enemy	Regulator outside of the Region (10 th November, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Some key informants said that:

There were political interference in the work of internal auditors; some heads of department also do not appreciate the work of internal auditors and see them as interfering with their work (a Co-ordinating Director, 11th August, 2016)

Those who are supposed to strengthen us, the internal auditors, are rather intimidating us; most of us are now not motivated to even write reports because if management sees you to be difficult, the next morning you see yourself flying in the air (transferred) to another station (an Internal Auditor, 10th August, 2016)

People see you the internal auditor as Konkonsa (Gossip) so even if they are talking and you are passing by they will stop (an Internal Auditor, 1st September, 2016)

We should make it very difficult for the President, Ministers, District Chief Executives to recommend a transfer of an internal auditor so that he can do his work well (an ARIC Chairperson, 22nd September, 2016)

There are lots of confrontations involving internal auditors; some are even dead, some leave their Chief Executives which lead to their transfers and even though the internal auditors are supposed to be part of the system there, the people in the Assembly always treat them as outsiders (a District Auditor, 10th August, 2016)

Internal auditors are victimised and threatened (a Regulator outside of the Region, 10th August, 2016)

Low Remuneration for Internal Auditors

The performance standard 2030 on resource management, as contained in the International Standards, requires management bodies of MMDAs to deploy resources effectively to achieve the approved plan. Deploying resources effectively to achieve the approved plan mandates management bodies to ensure that internal auditors are remunerated well in order for them not to compromise their ethical conduct for inducements in the internal audit process. Table 37 depicts responses from key informants on the low remuneration for internal auditors. The analysis of the responses indicated that the remuneration for internal auditors was low.

Table 37: Responses on Low Remuneration for Internal Auditors

Responses	Source	Remarks
• Our salary is not good	Internal Auditor (12 th August, 2016)	Deviates from standard
• Internal auditors' salaries are small	Co-ordinating Director (23 rd August, 2016)	Deviates from standard
• Internal auditors are not paid well	District Auditor (10 th August, 2016)	Deviates from standard
• Internal auditors' remuneration is low	Regulator from outside of the Region (17 th November, 2016)	Deviates from standard

Source: Author's Compilation (2016)

Some key informants commented that:

Our salary is not good and you should know that if someone can be corrupt, it depends on what the person receives, notwithstanding his/her religion (an Internal Auditor, 12th August, 2016)

Internal auditors' salaries are small; if you are on a small salary and somebody does something wrong and out of the wrong doing he/she comes to give you something like bribe, you compromise your ethics and standards and it will go a long way to affect your work (a Co-ordinating Director, 23rd August, 2016)

Internal auditors are not remunerated well (a District Auditor, 10th August, 2016)

Internal auditors' remuneration is not good; remuneration is key (a Regulator outside of the Region, 17th November, 2016)

Other Conditions which Hindered Internal Auditing from the Perspective of Regulators

Table 38 depicts responses from regulators on other conditions which hindered internal auditing.

Table 38: Other Conditions which Hindered Internal Auditing from the Perspective of Regulators

Other Conditions	Source	Remarks
• The understanding of internal auditing by management and staff is low	Regulator outside of the Region (17 th November, 2016)	Deviates from standard
• Managements do not understand properly the role and function of internal auditing	Regulator outside of the Region (10 th August, 2016)	Deviates from standard

Table 38: Continued

• The internal auditing in the MMDAs is weak	Regulator outside of the Region (2016)	Deviates from standard
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Source: Author's Compilation (2016)

Two regulators from outside of the Region said the following:

Where everybody accepts irregularities and internal auditors refuse, there is problem (a Regulator outside of the Region, 17th November, 2016)

'For now I will say I have been seeing the type of external audit reports from the Assemblies and most similarly is a clear indication that the internal audit function in the Assemblies is weak. In some instances, it is like the internal auditors are non-existent. (a Regulator from outside of the region, 3rd November, 2016)

Discussion

There were four results from the analysis of the training and capacity-building for internal auditors. The first result was in line with a principle of control environment which is a component of the COSO internal control integrated framework. The principle states that the organisation demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. The second one conformed to Section 4.3 of the competency principle of the code of ethics of the internal auditing profession which states that internal auditors shall continually improve their proficiency and the effectiveness and quality of their services (IIA, 2015).

The third result confirmed the principles of open systems theory which according to Cutajar (2010) indicate that open systems interact with the environment in order to survive. The training and capacity-building offered by

the IAA, IIA, RCCs, and other Development Partners, who are part of the external environment of the MMDAs, indicates the interactions that go on between the MMDAs and the external environment in order to enhance the proficiency of the internal auditors to ensure good performance by the MMDAs for survival. The fourth result was in line with the transformation stage of the conceptual framework where the COSO internal control integrated framework and the IPPF which contains the code of ethics of internal auditing are located.

Seeking external assistance from the District Audit Service personnel was in compliance with a principle of information and communication which is a component of the COSO internal control-integrated framework. The principle states that the organisation should communicate with external parties about matters affecting the functioning of internal controls.

The result was consistent with the principles of open systems theory which indicate that open systems exchange resources with the environment in order to survive. By seeking assistance from the district auditors who are in the external environment, MMDAs sought to interact with the environment in the same manner that open systems interact with the environment for maintenance and survival.

The result further confirmed the output stage of the conceptual framework where it conformed to laid down procedures and affected the performance of the MMDAs favourably at the outcome stage of the conceptual framework of the study.

On the understaffing of internal audit units, the results confirmed Kiabel (2012) which found that some of the government-owned companies in

Nigeria did not have internal audit departments and even in cases where internal audit departments existed, the departments were functioning with skeleton staff which was not adequate in relation to the size of the companies.

However, the understaffing of the internal audit units did not conform to Performance Standards 2030 on resource management of the International Standards (IIA, 2015) for internal auditing. Performance Standards 2030 states that the chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan, where sufficient is interpreted to mean quantity of resources needed to accomplish the plan.

The results were not consistent with the agency and the institutional theories. If the MMDAs did not maintain sufficient staff at the internal audit units, then monitoring of operations would not be effective and also the required structure and schemes that should be established in the MMDAs would not be achieved. The pressure that should bear on the MMDAs to ensure survival would also not be operational. While the understaffing of the internal audit units was inconsistent with the transformation stage of the conceptual framework of the study, it was in line with the output stage of the conceptual framework.

Five results emerged from the analysis of the low proficiency of internal auditors. First, the results confirmed Alzeban and Sawan (2013) which revealed that the internal auditors were not competent and lacked the necessary knowledge and skills to undertake internal audit responsibilities. However, the second results were not in line with a principle under control environment which states that the organisation demonstrates a commitment to

attract, develop, and retain competent individuals in alignment with objectives. By not assisting to upgrade the proficiency of internal auditors, based on the gaps identified in the course of executing their functions and/or not engaging personnel with the needed skill-mix as part of the team of internal auditors, meant that the MMDAs were not committed to retain competent individuals to pursue the objectives of the MMDAs. Third, the results contradicted Section 4.3 of the code of ethics which states that internal auditors shall continually improve their proficiency and the effectiveness and quality of their services.

Fourth, the results did not confirm the agency theory. If internal auditors do not have the capacity to discharge their duties, the monitoring activities would not be undertaken properly and the resources for the projects, quality of work done, and specification of work would not be tracked. Fifth, the low proficiency of internal auditors did not conform to the transformation stage of the conceptual framework where the provisions in the COSO internal control-integrated framework and the IPPF are found.

The results on no sanctions for perpetrators of irregularities were in line with Udeh and Nwadiolor (2016) which indicated that even though punishments for violations of internal audit procedures were available and adequate, the punishments were not effectively applied across board. However, the results were inconsistent with a principle of control environment, a component of the COSO internal control-integrated framework, which states that the organisation holds individuals accountable for their internal control responsibilities in the pursuit of objectives. By not enforcing sanctions in the internal audit process meant that there would be no deterrent measures in place and irregularities would recur in the MMDAs.

The results did not confirm the agency theory. The agency theory provides for sanctions as part of measures available to ensure that the interests of the agents are aligned to that of the principals'. The inability to sanction perpetrators of irregularities in the MMDAs undermined the monitoring principles under the agency theory

The results also conflicted with the principles of institutional theory. Enforcement of sanctions is part of the structures and schemes that have been established in the MMDAs in order to ensure that there is discipline for their survival. Without enforcing sanctions, the structures and processes established by the institutional theory would not work in the MMDAs. The results did not conform to the transformation stage of the conceptual framework where the provisions of the COSO internal control-integrated framework are found.

Seven results came out of the analysis of the non-compliance with laid down procedures. First, the result was in line with Kangarlouei, Motavassel, and Mohammadzadeh (2013) which found that there were internal control weaknesses and financial reporting was not timely and reliable due to non-compliance with procedures.

Second, the result was not in line with a principle under control activities, a component of the COSO internal control-integrated framework, which states that the organisation deploys control activities through policies that establish what is expected and in procedures that put policies into action. Laid down procedures are control activities which have been deployed through the policies, rules, regulations, enactments, and procedures in order to help to establish a direction for the operations in the MMDAs and should be complied with.

Third, the result did not conform to the bureaucratic theory of management. The principles of the theory indicate an efficient form of organisation with a well-defined line of authority and clear rules and regulations which should be strictly followed. Laid down procedures constitute the well-defined line of authority and rules and regulations which should be strictly followed in the MMDAs.

Fourth, the result was inconsistent with the principles underlying the institutional theory. The laid down procedures in the MMDAs represent the established structures and schemes under the institutional theory which ensure the survival of the MMDAs when they are followed. Flouting the laid down procedures means flouting the principles underlying the institutional theory.

Fifth, the result did not confirm the agency theory. The laid down procedures form the basis of the monitoring activities prescribed under agency theory. Flouting the laid down procedures weakens the monitoring activities of the agency theory.

Sixth, the result did not conform to the transformation stage of the conceptual framework of the study. The reason is that the laid down procedures are embedded in the COSO internal control-integrated framework whose principle conflicts with the result. Seventh, the result was consistent with the output stage of the conceptual framework where it deviated from laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

There were five results from the analysis of ineffective membership and poor performance of ARICs. Firstly, the results confirmed Dawuda (2010) which pointed out that audit committees (ARICs) were not effective.

Secondly, the findings were not consistent with Section 87 of the Public Financial Management Act 921 (2016) which provides for the composition of audit committees to have independent members of either accounting or internal auditing background as majority on the committee with one of such independent members of either accounting or internal auditing background as chairman.

Thirdly, the results were in contrast to the principles of the monitoring activities under the agency theory. By their functions, the ARICs perform monitoring activities in the internal audit process of the MMDAs. The ineffectiveness of ARICs undermines the monitoring activities of the agency theory.

Fourthly, the results were inconsistent with the transformation stage of the conceptual framework where the Public Financial Management Act 921 (2016), which contains the law on Audit Committees/ARICs, is located. Fifthly, the ineffective membership and poor performance of ARICs was consistent with the output stage of the conceptual framework where it deviated from laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

The results on internal auditors' dependence on management bodies for resources confirmed Mihret and Yismaw (2007) which revealed that the internal auditors did not have authority on their budget and depended on management. However, the internal auditors' dependence on management bodies for resources was not in line with Attribute Standard 1100 on independence and objectivity of the International Standards in the IPPF. Attribute Standard 1100 on independence and objectivity states that the

internal audit activity must be independent and internal auditors must be objective in performing their work. The results were also inconsistent with Performance Standard 2030 of the International Standards on resource management which provides for sufficient resources for internal audit work. The internal auditors' dependence on management bodies for resources was not in line with the agency theory. The reason is that the monitoring activities of the agency theory would not be effective if management bodies do not provide sufficient resources for internal auditing. While the results were inconsistent with the transformation stage of the conceptual framework, they were in line with the output stage because they deviated from laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

There were four results on administrative control of internal auditors through reporting relationship. First, the results were in line with Barlow, Helberg, Large, and Roux (as cited in Sakalunda 1999, p. 17) which revealed that internal auditors cannot be independent if they work for organisations that they audit. Second, the results were inconsistent with the agency and the institutional theories. The reasons are that the internal auditors would not be able to exercise their monitoring function effectively because they are bound to obey administrative instructions and the pressure that is required to bear on the MMDAs in order to survive under the institutional theory would not be achieved.

Third, the results were also not in line with Attribute Standard 1100 on independence and objectivity in the IPPF at the transformation stage. Fourth, the results conformed to the output stage of the conceptual framework where

they deviated from the laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

The results on poor office accommodation for internal auditors did not confirm Performance standards 2030 on resource management which states that internal audit resources should be effectively deployed (IIA, 2015). An office accommodation which has been provided in poor condition is at variance with Performance standards 2030. The results were in contrast to the agency theory because poor office accommodation demoralises the internal auditors and, as a result, frustrating the monitoring activities of the internal auditors; and undermining the principles of agency theory. The provision of poor office accommodation for internal auditors was not consistent with the transformation stage of the conceptual framework where the provisions of Performance Standards 2030 on resource management can be found in the IPPF. However, the results were in line with the output stage of the conceptual framework where it deviated from laid down procedures and affected the *performance* of the MMDAs unfavourably at the outcome stage of the *conceptual framework of the study*.

Four results emerged from the analysis on transfers, intimidations, confrontations, interference, and threats on internal auditors. First, the result was inconsistent with Attribute Standard 1100 on independence and objectivity as contained in the IPPF. Attribute Standard 1100 on independence and objectivity states that the internal audit activity must be independent and internal auditors must be objective in performing their work where independence is interpreted to mean freedom from conditions that threaten the

internal audit activity to carry out internal audit responsibilities in an unbiased manner and objectivity, as unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made (IIA, 2015).

Second, the result did not confirm the agency theory because in situations of intimidations and threats, the monitoring activities in the operations of the MMDAs would either not be performed or would not be performed effectively. Third, the result did not conform to the transformation stage of the conceptual framework. The reason is that Attribute Standard 1100 on independence and objectivity is contained in the IPPF at the transformation stage of the conceptual framework. Fourth, the result was in line with the output stage of the framework where they deviated from the laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

The results on low remuneration for internal auditors confirmed Chambers (2015) who pointed out that managements tend to weaken the internal audit function with low remuneration for Chief Audit Executive positions by keeping it under control in order to avoid accountability. However, the low remuneration for internal auditors did not conform to Attribute Standard 1100 on independence and objectivity which states that the internal audit activity must be independent and internal auditors must be objective in performing their work. The low remuneration for internal auditors could influence them to lower their ethical conduct by receiving inducements in the course of discharging duties, thus impairing their objectivity and independence in the internal audit process.

The results were also inconsistent with the agency theory and the transformation stage of the conceptual framework of the study. The reason is that the low remuneration could compromise the ethical conduct of internal auditors during their monitoring duties while the Attribute Standard 1100 on independence and objectivity is contained in the IPPF at the transformation stage of the conceptual framework. On the other hand, the results were in line with the output stage of the conceptual framework where they deviated from the laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

Chapter Summary

The conditions under which internal audit was carried out in the MMDAs were grouped into conditions which supported internal auditing and conditions which hindered internal auditing. Even though there were conditions which supported internal auditing, they were few as compared to the many conditions which hindered internal auditing in the MMDAs. The conditions which hindered internal auditing in the MMDAs largely impaired the independence and objectivity of internal auditing. It is suggested that an internal audit class should be established and all internal auditors in the MMDAs and other public institutions should be absorbed into the internal audit class and report administratively to the Director-General of IAA. Internal auditing in the MMDAs and other public institutions should then be outsourced to the internal audit class so that internal auditors could perform their duties independently and objectively to ensure value for money in operations.

CHAPTER SEVEN

PERFORMANCE OF THE SELECTED LOCAL GOVERNMENTS

Introduction

This chapter is on the results and discussion relating to the 2012 DDF FOAT performance assessment reports and the 2012 Audit reports on the selected MMDAs. The chapter therefore covers the third objective of the study.

Results

Examination of the 2012 DDF FOAT Performance Reports of the MMDAs

This section focuses on the analysis relating to the 2012 DDF FOAT performance assessment reports on the MMDAs. The performance assessment reports cover the minimum conditions which qualify MMDAs to pass the assessment, performance measures, and the capacity building requirements.

DDF FOAT Performance Results of the MMDAs for the 2012 Assessment

The standard requires that MMDAs should pass the assessment to enable them to secure additional funds for development. The analysis were done for each MMDA as presented in Tables 39, 40, 41, 42, 43, 44, 45, 46, and 47. Table 39 depicts the overall performance of the MMDAs from officers of the respective MMDAs and also whether their responses conform to or deviate from the standard. The analysis of the results revealed that the selected MMDAs passed the DDF FOAT performance assessment which was conducted in 2012.

Table 39: DDF FOAT Performance Results of the Selected Metropolitan, Municipal and District Assemblies for the 2012 Assessment

Performance Results	Source	Remarks
• Passed	Co-ordinating Director (24 th August, 2016)	Conforms to standard
• Passed	Internal Auditor (10 th August, 2016)	Conforms to standard
• Passed	ARIC Chairperson (19 th September, 2016)	Conforms to standard
• Passed	ARIC Chairperson (23 rd August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

The analysis further revealed that AAKDA, CCMA, and MMA fulfilled all the requirements under the minimum conditions while THLDDA could not fulfill some of the requirements such as functional capacity in procurement, functional capacity of Assembly, project implementation capacity, and parts of functional capacity in development planning and functional capacity in financial management and accounting.

The assessment team used some quantitative criteria in arriving at the performance results of the selected MMDAs. They were the maximum, actual, and percentage scores of the performance measures. The maximum score represented the ceiling of the scores to be achieved by MMDAs during the assessment while the actual scores indicated the scores obtained during the assessment with percentage score representing the scores expressed as percentages.

Table 40 shows the performance under the performance measures for AAKDA. The analysis indicated that AAKDA scored 75% which constitutes a pass.

Table 40: Performance under the Performance Measures for Abura, Asebu, Kwamankese District Assembly

No	Performance Measures	Maximum Score	Actual Score	Percentage Score (%)	Level of Performance*
1	Management and Organisation	9	6	66.67	Good
	Transparency, Openness and Accountability	12	11	91.67	Excellent
2	Planning System	18	17	94.44	Excellent
3	Human Resource Management	6	3	50.00	Average
4	Relationship with Substructures	3	1	33.33	Below average
5	Financial Management and Auditing	18	12	66.67	Good
6	Fiscal Capacity	21	13	61.90	Good
7	Procurement	5	5	100.00	Excellent
8	Environmental Sanitation Management	8	7	87.50	Excellent
Total		100	75	75.00	Very Good

* 80% - 100% = Excellent; 70% - 79% = Very Good; 60%- 69% = Good; 50% - 59% = Average, less than 50% = Below Average

Capacity Building Requirements for Abura, Asebu, Kwamankese District Assembly

The key capacity building requirements were as follows:

- (1) the District Co-ordinating Director must exercise oversight control on management staff to ensure that decisions taken at management meetings are implemented;
- (2) the District Co-ordinating Director must ensure that copies of the Annual Statement of Accounts are made available to Assembly members on time for their review; in order to facilitate easy access to financial information by citizens;
- (3) the District Co-ordinating Director must operationalise Area Councils to collect revenue and also to set revenue targets for them. The Area Councils Chairpersons must be provided adequate training on revenue collection techniques; and
- (4) the District Budget Officer and the District Finance Officer need to be trained on effective budget control under the composite budget and the warrant system.

Table 41 shows the performance under the performance measures for CCMA.

The analysis indicated that CCMA scored 81% which constitutes a pass.

Table 41: Performance under the Performance Measures for Cape Coast Metropolitan Assembly

No	Performance Measures	Maximum Score	Actual Score	Percentage Score (%)	Level of Performance*
1	Management and Organisation	9	8	88.89	Excellent

Table 41: Continued

2	Transparency, Openness and Accountability	12	9	75.00	Very Good
3	Planning System	18	16	88.89	Excellent
4	Human Resource Management	6	3	50.00	Average
5	Relationship with Substructures	3	1	33.33	Below average
6	Financial Management and Auditing	18	15	83.33	Excellent
7	Fiscal Capacity	21	16	76.19	Very Good
8	Procurement	5	5	100.00	Excellent
	Environmental Sanitation Management	8	8	100.00	Excellent
	Total	100	81	81.00	Excellent

* 80% - 100% = Excellent; 70% - 79% = Very Good; 60%- 69% = Good;
50% - 59% = Average, less than 50% = Below Average

Capacity Building Requirements for Cape Coast Metropolitan Assembly

The key capacity building requirements were as follows

- (1) the Metropolitan Co-ordinating Director and the Metropolitan Finance Officer must ensure that all payments are covered with approved warrants; and refresher courses on public financial management and reporting should be organised for them;

- (2) the Metropolitan Finance Officer should undergo refresher training in advanced Microsoft Excel to enable him to import data from accounting software for comparative analysis and control;
- (3) the Metropolitan Assembly must operationalise the Sub-Metropolitan District Councils to enable them to undertake revenue collection;
- (4) the Metropolitan Co-ordinating Director must ensure that copies of the Annual Statement of Accounts are made available to the Assembly members on time for their review, to avoid limiting their access to financial information;
- (5) the Metropolitan Co-ordinating Director must ensure that copies of the Composite Budget are made available to the Assembly members for their study and input two weeks before it is approved in order to improve their participation in Public Financial Management;
- (6) the DPCU is urged to consider the financial projections and set realistic targets for implementing physical projects; and
- (7) Refresher courses in Action Planning and Project Management should be organised for DPCU members.

Table 42 shows the performance under the performance measures for MMA. The analysis indicated that MMA scored 85% which constitutes a pass.

Table 42: Performance under the Performance Measures for Mfantseman

Municipal Assembly					
No.	Performance Measures	Maximum Score	Actual Score	Percentage Score (%)	Level of Performance*
1	Management and Organisation	9	6	66.67	Good

Table 42: Continued

2	Transparency, Openness and Accountability	12	11	91.67	Excellent
3	Planning System	18	16	88.89	Excellent
4	Human Resource Management	6	6	100.00	Excellent
5	Relationship with Substructures	3	1	33.33	Below Average
6	Financial Management and Auditing	18	14	77.78	Very Good
7	Fiscal Capacity	21	19	90.00	Excellent
8	Procurement	5	5	100.00	Excellent
9	Environmental Sanitation Management	8	7	87.50	Excellent
Total		100	85	85.00	Excellent

* 80% - 100% = Excellent; 70% - 79% = Very Good; 60%- 69% = Good;
50% - 59% = Average, less than 50% = Below Average

Capacity Building Requirements for Mfantseman Municipal Assembly

The key capacity building requirements were as follows:

- (1) management must ensure that Town and Area Councils are well resourced and equipped to collect revenue;

- (2) management should develop efficient revenue mobilisation strategies and set targets for each Area Council;
- (3) management should train, equip, and supervise activities of sub-structures to enable them to maximize revenue;
- (4) management must constitute a board of survey to conduct stocktake and cash count at the end of every financial year; and
- (5) the District Co-ordinating Director, District Finance Officer, and the District Budget Analyst must ensure that all payments are covered with warrants.

Table 43 shows the performance under the performance measures for THLDDA. The analysis indicated that THLDDA scored 84% which constitutes a pass.

Table 43: Performance under the Performance Measures for Twifo

Hemang Lower Denkyira District Assembly

No.	Performance Measures	Maximum Score	Actual Score	Percentage Score (%)	Level of Performance*
1	Management and Organisation	9	8	88.80	Excellent
2	Transparency, Openness and Accountability	12	11	91.60	Excellent
3	Planning System	18	11	61.10	Good

Table 43: Continued

4	Human Resource Management	6	4	66.60	Good
5	Relationship with Substructures	3	3	100,00	Excellent
6	Financial Management and Auditing	18	14	77.70	Very Good
7	Fiscal Capacity	21	21	100.00	Excellent
8	Procurement	5	5	100.00	Excellent
9	Environmental Sanitation Management	8	7	87.50	Excellent
Total		100	84	84.00	Excellent

* 80% - 100% = Excellent; 70% - 79% = Very Good; 60%- 69% = Good; 0% - 59% = Average, less than 50% = Below Average

Capacity Building Requirements for Twifo Hemang Lower Denkyira District Assembly

The key capacity building requirements were as follows:

- (1) the District Co-ordinating Director and the District Works Engineer must ensure that access walkways for the physically challenged are provided at the Assembly office and other development project sites;
- (2) the DPCU must supervise the preparation of departmental action plans and ensure that the Assembly's AAP reflects departmental plans;

- (3) management must ensure that all payments are covered with approved warrants by intensifying internal controls and compliance to financial management regulations; and
- (4) the District Chief Executive must respond to all internal audit queries and implement recommendations on time.

The results agreed with the reports of the performance assessments which were conducted in 2012 and released by the FOAT Secretariat of the MLGRD. According to the reports, the selected MMDAs passed the assessment with 75%, 81%, 85%, and 84% as their respective scores.

The results conformed to the institutional theory. Passing the DDF FOAT performance assessment means that the MMDAs would survive because they followed the structures that were established in the MMDAs as prescribed by the institutional theory. The results agreed with the output stage of the conceptual framework where they conformed to laid down procedures and affected the MMDAs favourably at the outcome stage of the conceptual framework.

DDF FOAT Performance Results and the Internal Auditing of the MMDAs

The standard requires that the MMDAs should pass the DDF FOAT performance assessment if internal auditing is conducted to achieve the objectives of the MMDAs. Table 44 shows responses from key informants on the performance results and the internal auditing of the MMDAs. The analysis of the responses revealed that the MMDAs passed the 2012 DDF FOAT performance assessment as a result of the internal auditing that was carried out in the MMDAs.

Table 44: Responses on 2012 DDF FOAT Performance Results and the Internal Auditing of the MMDAs

Responses	Source	Remarks
• The MMDA passed the 2012 FOAT performance assessment with the help of the internal auditing that was carried out	Co-ordinating Director (24 th August, 2016)	Conforms to standard
• The internal auditors have played key role in the success of the FOAT performance assessment.	ARIC Chairperson (7 th September, 2016)	Conforms to standard
• The internal auditing played a part in passing the FOAT performance assessment	ARIC Chairperson (19 th September, 2016)	Conforms to standard
• The internal auditors are performing their duties well	ARIC Chairperson (23 rd August, 2016)	Conforms to standard

Source: Author's Compilation (2016)

Internal Auditing not helping the MMDAs to pass the 2012 DDF FOAT Performance Assessment

Some of the key informants revealed that the MMDAs did not perform their normal day to day duties to expectation and the internal auditing which was carried out also did not assist them to pass the performance assessment.

Table 45 depicts responses on internal auditing not helping the MMDAs to pass the assessment. The analysis of the responses revealed that the MMDAs used the performance indicators (which were dispatched to them before the assessment) as checklists and prepared specifically for the requirements of the assessment in order to help them to pass.

Table 45: Responses on Internal Auditing not helping the MMDAs to Pass the 2012 DDF FOAT Performance Assessment

Responses	Source	Remarks
<ul style="list-style-type: none"> The MMDAs pass the assessment because they use the performance indicators as checklists to regularise situations before the assessment 	Internal Auditor (10 th August, 2016)	Deviates from standard
<ul style="list-style-type: none"> The Assemblies do not perform their normal day to day duties so they wait when the assessment is coming on and they prepare for it and pass 	ARIC Chairperson (7 th September, 2016)	Deviates from standard

Source: Author's Compilation (2016)

An internal auditor and an ARIC Chairperson reported that:

With this assessment, no Assembly will pass if they do not give you the assessment criteria in advance and you prepare for it; because as for the day-to-day functions, they are not performing them but when they know that the assessment is due, then they sit back to put their houses in order; and in a particular Assembly I know, the head of internal audit goes from office to office with the performance indicators as a checklist to assess performance before the assessment date (an Internal Auditor, 10th August, 2016)

The assessment is not strange, because it covers the normal duties that they have to perform; but the question is, are they performing their duties as expected of them? (an ARIC Chairperson, 7th September, 2016)

2012 Audit Reports on the Selected MMDAs

This section indicates the reasons underlying the findings of the 2012 District Auditors’ reports on the MMDAs. It therefore discusses the situations in the MMDAs which led to the audit findings in 2012.

The standard as per the IPPF is that the MMDAs should operate in accordance with policies, rules, regulations, and other laid down procedures in order to help to achieve their objectives. Table 46 shows the audit findings on MMDAs for 2012 and their respective reasons for the findings. During the analysis of the reasons which gave rise to the audit findings, it was revealed that two of the District Auditors based their findings on failure to comply with control measures; with one basing his findings on an improvement in operations.

Table 46: 2012 Audit Findings on the Selected MMDAs and their Respective Reasons by Source

Audit findings	Reasons for Audit Findings	Source
• Unsupported payments	Failure on the part of district finance officer to obtain supporting documents on transactions from payees	District Auditor (26 th October, 2016)

Table 46: Continued

<ul style="list-style-type: none"> • The MMDA did not present value books issued out for collection of revenue for examination. 	<p>The finance officer failed to present value books issued out for collection of revenue for examination</p>	<p>District Auditor (10th August, 2016)</p>
<ul style="list-style-type: none"> • There is an improvement in revenue collection. 	<p>Management stepped up efforts in collecting revenue.</p>	<p>District Auditor (24th October, 2016)</p>

Source: District Auditors' Reports (2012)

Discussion

With respect to the DDF FOAT Performance Results of the MMDAs for the 2012 Assessment, the selected MMDAs passed. The results confirmed MLGRD (2012) as THLDDA, CCMA, AAKDA, MMA passed the 2012 DDF FOAT performance assessment. The results were also consistent with open systems theory because the MMDAs discharge duties to the communities and the influence of the communities impacted on the performance of the MMDAs during the assessment. The results were consistent with the agency theory because the internal auditing which was carried out in the MMDAs could perform its monitoring and oversight activities and helped the MMDAs to pass the assessment. Additionally, the results conformed to laid down procedures at the output stage of the conceptual framework and affected the performance of the MMDAs favourably at the outcome stage of the conceptual framework in order to enable them to pass at the assessment stage of the conceptual framework of the study.

On the 2012 DDF FOAT performance results and the internal auditing of the MMDAs, the results confirmed the definition of internal auditing which states among other things that internal auditing is designed to add value and improve an organisation's operations. The internal auditing added value to the MMDAs through helping them to improve their operations and therefore assisted them to pass the 2012 DDF FOAT performance assessment. The result was also consistent with a statement by IIA (2010) which indicates that the effectiveness of internal auditing is known at the point where objectives set have been achieved. Passing the DDF FOAT performance assessment was an indication of the effectiveness of the internal auditing that was conducted in the MMDAs because it was the objective of MMDAs to pass the assessment.

The result conformed to the agency theory. The reason is that the internal auditing which was carried out in the MMDAs could perform its monitoring and oversight activities as espoused by the agency theory and helped the MMDAs to pass the assessment.

Passing the performance assessment with the help of the internal auditing that was carried out was consistent with the input, transformation, output, and outcome stages of the conceptual framework of the study. The reason is that the internal auditing impacted on the operations of the MMDAs at the input stage of the conceptual framework and the operations passed through the transformation stage where the standard internal audit working tools, standard activities, and the conditions under the COSO internal control-integrated framework assessed the quality of the operations churned out. The operations conformed to laid down procedures at the output stage of the

conceptual framework and affected the performance of the MMDAs favourably at the outcome stage of the conceptual framework.

The results of internal auditing not helping the MMDAs to pass the 2012 DDF FOAT performance assessment were not consistent with the 2012 objectives of introducing the performance based grant system through the DDF FOAT performance assessment.

By using the assessment criteria as checklist to prepare for the requirements of the assessments:

1. the MMDAs did not comply with the legal and regulatory framework which enjoins the MMDAs to perform their normal duties in accordance with policies, rules, regulations, laws, and procedures; and therefore did not deserve incentive for performance;
2. the actual performance of the MMDAs could not be ascertained at the time of the assessments; and
3. the link between performance assessments and capacity-building could also not be established because the actual performance and capacity gaps could not be established.

The results were consistent with Bangase (2018) which states that the pass rate of the MMDAs in the DDF FOAT assessment as per the 2015 evaluation report conflicts with the findings in Auditors' reports, Annual progress reports, and reports from the PAC of Parliament which raise serious queries about most of the MMDAs who have passed the assessment as per the 2015 evaluation report.

However, the results did not confirm the institutional theory. The reason is that the MMDAs did not comply with established legal and

regulatory framework contrary to the principles of institutional theory. The results did not conform to the objectives of the FOAT assessment at the transformation stage. However, the results were in line with the output stage of the conceptual framework as a deviation from laid down procedures and affected the performance of the MMDAs unfavourably at the outcome stage of the conceptual framework of the study.

The results were consistent with Business Writing Services (2011) that management may not recognise the internal audit department and therefore ignore its activities which would lead to inefficiencies. All other things holding constant, an efficient and effective internal audit system should lead to a high performance of the MMDAs; but the reality is that all other things are not constant such as attitude of personnel, policy directions of leadership or management of organisations, and the cost of establishing the internal audit system, which go beyond the control of the internal audit system; and so irregularities may occur.

On the 2012 Audit reports on the selected MMDAs, the results of two out of the three cases were inconsistent with the definition of internal auditing because the irregularities in the MMDAs did not help to achieve the objectives of the MMDAs. The results were also at variance with the principles of the bureaucratic theory of management and the institution theory which indicate that processes should be followed according to structure and laid down rules. The results also did not conform to the transformation stage of the conceptual framework where the IPPF is found.

Chapter Summary

The MMDAs passed the DDF FOAT performance assessment for 2012 even though their actual and true performance was not known at the time of the assessment because they used the performance assessment criteria as checklists to enable them to correct the inadequacies in their operations with regard to the requirements of the assessment. An impression was created that the MMDAs passed the assessments with the benefit of the internal audit activities while the true performance of the MMDAs was not good enough to enable them to pass the 2012 DDF FOAT performance assessment. The methodology of the DDF FOAT performance assessment should be reviewed to ensure that MMDAs do not use the performance indicators as checklists so that internal auditing could be taken serious and accorded the needed attention in the MMDAs. The District Auditors' reasons which gave rise for the 2012 audit findings on the MMDAs were attributed to failure to comply with control measures.

CHAPTER EIGHT

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter captures the summary, conclusions, and recommendations of the study. It further deals with the study's contribution to knowledge and the areas for further research

Summary

Internal auditing was carried out in the MMDAs in order to ensure that their operations conformed to policies and procedures; and that risks had been identified and managed for good corporate governance. However, the stakeholders in governance and the internal audit process in Ghana had criticised the performance of internal auditors in the public sector institutions including the MMDAs as below expectation. The Auditor-General had also reported irregularities which had recurred in the operations of the MMDAs since 1997. According to the Auditor-General, the situation had not changed; and this has necessitated the study in order to examine how internal auditing is carried out in the selected MMDAs in the Central Region of Ghana.

The interpretivist philosophy which underlied the study allowed for a qualitative research design to be adopted for the research. The study population covered officers from the local to national level whose work schedules bordered on internal auditing and performance in the MMDAs. The purposive sampling technique was used to collect a sample of 25 out of which 20 participated in the study. The key informants interview, using interview guides and observational checklists, were employed to collect data which were

analysed manually using the pattern-matching, comparison, interpretation, desk review and content analysis tools.

The key findings of the study were as follows:

- (1) Key informants' were of the view that internal auditing assists organisations to perform well; and the standard internal audit working tools were applied to internal audit duties except the strategic plan;
- (2) the MMDAs paid for the cost of capacity-building exercises and other forms of training organised for the internal auditors; but management bodies did not implement internal audit recommendations because the recommendations were not binding on them and there were irregularities in the operations of the MMDAs such as
 - (a) management bodies not complying with laid down procedures;
 - (b) understaffing of the internal audit units;
 - (c) perpetrators of irregularities not being sanctioned;
 - (d) resources for internal audit assignments not being sufficient;
 - (e) management bodies interfering with the work of the internal auditors because the internal auditors reported to them administratively;
 - (f) internal auditors performing their duties under uncomfortable conditions including poor office accommodation, low remuneration, intimidations, confrontations, threats on their lives, and transfers for refusing to bend the rules in the course of performing their duties;
- (3) the internal auditors were allowed to cover the auditable areas of the MMDAs in the course of performing their internal audit assignments;

but they were not invited to take part in some meetings of the auditable areas at the committee stages where they could express opinion, advice, and counsel on decisions taken before implementation;

- (4) the MMDAs passed the 2012 DDF FOAT performance assessment by using the performance indicators as checklists to prepare specifically for the requirements of the assessment but not because the MMDAs performance was good;
- (5) there were irregularities in the 2012 Audit reports on two of the selected MMDAs with one missing case.

Conclusions

The views of the key informants conformed to the concept of internal auditing but the internal auditing was carried out poorly because management bodies of MMDAs did not discharge their responsibilities in the internal audit process. The internal auditors did not perform their duties independently and objectively due to the fact that they had to report to management administratively, and were controlled through departmental instructions and directives.

Even though the internal auditors performed their duties under uncomfortable conditions and with low proficiency, they performed to expectation because the district auditors' reasons for the findings in the 2012 audit inspection reports on the MMDAs were not attributed to the ineffectiveness of the internal auditors but rather, the failure on the part of some members of management bodies of MMDAs to comply with laid down procedures. The recurrence of irregularities in the operations of the MMDAs was due to the fact that sanctions had not been applied to perpetrators of

irregularities. The development objectives of the selected local governments would not be achieved because resource mobilisation and utilisation would not be monitored to expectation with the attendant mismanagement of resources earmarked for developing the local areas.

The actual performance of the MMDAs was not assessed and the MMDAs ought to have failed the DDF FOAT performance assessment for 2012 because their actual performance could not enable them to pass the assessment in the face of the numerous irregularities in the MMDAs. The citizens and the communities were deprived of development projects through the inability of officers of local governments to perform their duties well because the FOAT assessment is geared toward the capacity of the local government officers and not the development requirements of the citizens and their communities. The internal auditing which was carried out did not enhance the performance of the selected MMDAs because it did not have the support and commitment of management bodies.

The interpretivist philosophy which underpinned the study has been vindicated because it assisted the researcher to understand the actions and inactions of the key informants and further provided the idea that the irregularities were created by the affected stakeholders while discharging their duties in the internal audit process of the selected MMDAs. It therefore aided the researcher to answer the research questions appropriately.

The MMDAs selected did not influence the quality of the data collected because four research assistants were recruited and trained to collect the data without the involvement of the researcher. Additionally, the MMDAs selected did not influence the findings of the study.

The absence of the views of the four MMDCEs who could not make time to be interviewed throughout the data collection period did not affect the quality of data collected because the views of the MMDCDs, who are more familiar with internal auditing in the MMDAs, were able to articulate the views from the perspective of management bodies to which the MMDCEs belong. The absence of their views did not influence the findings either.

Additionally, the three (3) out of four (4) District Auditors who participated in the study also expressed views from the standpoint of the District Auditors and so the inability of the District Auditor to take part in the study also did not pose a major gap in the study nor influencing the quality of data collected and the findings of the study. The views from the three (3) District Auditors assisted to arrive at a conclusion.

The Central Regional Auditor who stood in for the Auditor-General at the request of the Auditor-General was able to present the views of the Audit Service and did not influence the quality of the data collected and the findings of the study.

The hand-recorded interview of the President of IIA devoid of emotions and other personal feelings did not influence the quality of data and the findings of the study because other key informants outside of the MMDAs had expressed emotions and sentiments on the points raised by the President of the IIA.

The delays in the data collection affected the duration of the study but not the quality of the data collected. The quality of the findings of the study was also not affected by the delays in data collection.

The absence of the views of officers and members of the selected MMDAs whose duties are covered by internal auditing did not influence the quality of data and the findings of the study because some of their views might have been captured by the MMDCDs and presented as part of their views in so far as they report to the MMDCDs regarding their job functions.

Recommendations

The recommendations are as follows:

- (1) The Head of the Local Government Service should sanction perpetrators of irregularities in the internal audit process of MMDAs including executives who intimidate and threaten internal auditors in the course of performing their duties; and also review the remuneration of internal auditors upwards in order to reflect the quality and challenges of their job function.
- (2) The Director-General of Internal Audit Agency and the Auditor-General of Ghana Audit Service should advocate for an Internal Audit Class to be established by an Act of Parliament so that internal auditors in the MMDAs could be placed under the class in order for them to report administratively to the Director-General of IAA so that their independence and objectivity in the discharge of duties can be assured.
- (3) a. The DDF FOAT Secretariat should shift the focus of the performance assessment from the internal workings of the MMDAs as institutions; to the communities where the true performance of the MMDAs should be determined. The focus of the assessment should be as follows:
 - iii. Twenty percent (20%) for MMDAs' internal workings, and

- iv. Eighty percent (80%) for MMDAs' performance in the communities.

This will ensure rapid development at the local level with its attendant improvement in the living conditions of the people; and also deal with the issue of fiddling records, facts, and figures in the MMDAs for the purpose of passing the performance assessment by hook or crook.

- b. The DDF FOAT Secretariat should not make available the performance indicators of the DDF FOAT assessment to the MMDAs; even though the broad areas of the assessment may be given to them because of the principles of transparent democratic governance.

4. The Director-General of Internal Audit Agency and the Auditor-General of Ghana Audit Service should advocate for the amendment of Section 88 (1) (a) of the Public Financial Management (2016) Act 921 in order to make it obligatory for management bodies to implement internal audit recommendations.

Contribution to Knowledge

The contribution to knowledge is in three areas namely conceptual, theoretical, and empirical. In the area of contributing to conceptual knowledge, the study indicated that the concept of internal auditing is not a fault-finding exercise. Internal auditing involves evaluating the state of affairs of organisations and prescribing recommendations for improvement. The evaluation involves asking questions which had been misconstrued as fault-finding. The study revealed that the questions being asked rather sought to help to improve the system. The study further contributed to theory by

demonstrating that four theories could provide better understanding and explanation of the phenomenon under investigation and assisted to answer the research questions appropriately. The study provided empirical evidence that internal auditing was carried out poorly because management bodies did not provide the required support to the internal audit process by performing their responsibilities as expected. Hitherto, the notion was that the poor internal auditing in organisations was as a result of the low proficiency of internal auditors. Nine out of fourteen studies which the researcher reviewed on the conditions which hindered internal auditing also attributed the poor internal auditing to the low proficiency of the internal auditors; but the current study has assigned the reason for the poor internal auditing to the inability of management bodies to discharge their roles in the internal audit process to expectation. Moreover, the findings of the study add on to empirical literature on internal auditing and performance.

Areas for Further Research

An area that has been identified for further research is to ascertain how the members and officers of the selected MMDAs understand the role of internal auditing and how they co-operate with the internal audit process. The study would:

- (1) ascertain the views of members and officers on the concept of internal auditing;
- (2) enquire how they understand the role of internal auditing in the MMDAs;
- (3) examine how they co-operate with the internal audit process; and

(4) make recommendations to enable them to understand the role of internal auditing in order for them to co-operate with the internal audit process in the selected MMDAs.

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APPENDICES

APPENDIX I

**INTERVIEW GUIDE FOR
CHIEF EXECUTIVES, CO-ORDINATING DIRECTORS,
AND CHAIRPERSONS OF ARICs**

This interview guide is being administered as part of a research being conducted for a doctoral research (PhD) degree in Development Studies. Information provided would be strictly treated confidential and would be used only for academic purpose. I shall be most grateful if you can spare part of your time to answer the questions being asked to the best of your ability. Your candid opinion on the issues would be very much appreciated. Thank you in advance for agreeing to participate.

For official use

- (a) Code: (b) Date of interview:
(c) Name of interviewer: (d) Name of MMDA:

Section A: Background Information of Key Informants

1. Designation of respondent
2. Number of years in current position.....
3. Sex Male Female
4. Educational background: Diploma Bachelor's degree
 Master's degree Other (specify)

Section B: Views on the Concept of Internal Auditing

5. What is/are your view(s) on the concept of internal auditing?
6. What role does internal auditing play in the Assembly?

Section C: Auditable Areas of the Assembly

7. Which of the following auditable areas are covered in carrying out internal auditing in the Assembly?
- (a) Medium Term Development Planning of the Assembly;
 - (b) Financial Management, Budgeting, and Accounting of the Assembly;
 - (c) Procurement processes of the Assembly;
 - (d) Deliberations of the (i) Executive Committee (ii) General Assembly and (iii) Management meetings of the Assembly;
 - (e) Plan implementation and monitoring of activities in the Annual Action Plan of the Assembly;
 - (f) Relationship between the Assembly and its sub-district(s);
 - (g) Transparency, openness, and accountability processes in the Assembly;
 - (h) Revenue mobilisation, revenue management, and revenue improvement action plan of the Assembly;
 - (i) Stakeholder participation in the activities of the Assembly;
 - and
 - (j) Environmental sanitation management of the Assembly.
8. Are the internal auditors involved in the deliberations of the auditable areas under Question 7 during the committee stages?
9. What needs to be done to improve the involvement of internal auditing in the activities of the Assembly?

Section D: Conditions Under Which Internal Audit was Carried

Out in the MMDAs

[Situations (within and outside of the Assembly) which affected the internal audit process to either help to stop irregularities or allow irregularities in the Assembly]

Conditions which supported the internal audit process in the Assembly

10. (a) What do you consider as the major conditions which support the internal audit process in the Assembly? (b) Are there any other conditions which you want to talk about?
11. What is your view on the commitment of management to the internal audit process in the Assembly?
12. What is your view on the management support for the internal audit process in the Assembly?
13. How will you describe the work of the Audit Report Implementation Committee of the Assembly?
14. (a) Is there any punishment for perpetrators of irregularities in the Assembly? (b) If there is any, are they enforced? (c) If there is none, is there any reason for not keeping one? Please explain your answer?
15. What assistance do the following institutions give to create conditions to support the internal audit process in the Assembly?
 - (a) District Audit Service;
 - (b) The Regional Co-ordinating Council;
 - (c) The Ministry of Local Government and Rural Development;
 - (d) The Internal Audit Agency;

(e) Public Accounts Committee of Parliament; and

(f) The Institute of Internal Auditors, Ghana

16. What do you suggest can be done to create more conditions to support the internal audit process in the Assembly?

Conditions which hindered the internal audit process in the Assembly

17. (a) What do you consider as the major conditions which hinder the internal audit process in the Assembly? (b) Are there any other conditions which you want to talk about?

18. Does the internal auditor have enough personnel to work with?

19. What is your view on the independence of the internal audit unit of the Assembly with regard to (a) budgeting for resources and logistics for the unit (b) scope of internal auditing activities in the Assembly (c) Internal audit planning (d) Internal audit programme of work?

20. Does management assist in writing internal audit reports?

21. Does the Assembly sponsor the internal auditor to undertake training?

22. (a) Does the internal auditor have enough knowledge and skills to enable him/her to perform on the job? (b) What about his/her subordinates?

23. What is your view on the general attitude of the staff of the Assembly in the internal auditing process?

24. How does the internal auditor feel as working in his/her capacity as the internal auditor of this Assembly?

25. What are your suggestions for overcoming the conditions which hinder the internal audit process in the Assembly?

Section E: Examination of the performance reports of the local

governments with respect to the DDF FOAT performance assessment for 2012

26. What is your assessment on how internal auditing is carried out in the Assembly?

27. What is the Assembly's performance in the 2012 DDF FOAT performance assessment?

28. (a) From all the discussions we have had, do you think that the practice of internal auditing in this Assembly has played a role in the Assembly's performance in the 2012 DDF FOAT performance assessment? Please explain your answer.

29. If the Assembly passed the 2012 DDF FOAT performance assessment but the answer to question 28 above is 'NO' (that is, the practice of internal auditing did not play a role in helping the Assembly to pass the 2012 DDF FOAT performance assessment) then what might have been the reason for the Assembly to pass the performance assessment, in spite of the fact that the practice of internal auditing did not play a role?

30. What should be done to improve the performance of this Assembly?

APPENDIX II
OBSERVATIONAL CHECKLIST FOR ACTIVITIES OF THE
INTERNAL AUDIT PROCESS

NO.	LIST OF STANDARD ACTIVITIES OF THE INTERNAL AUDIT PROCESS	YES	NO
	Internal Audit Planning		
1.	Does the Assembly have the personnel required to ensure effective and efficient internal auditing?		
2.	Does the internal auditor develop an assignment plan before undertaking an internal audit assignment?		
3.	Does the internal auditor conduct risk assessment of the auditee department before undertaking an internal audit assignment?		
4.	Does the internal auditor develop audit programmes based on risk management, control, and governance processes of the auditee department for the internal audit assignment?		
	Internal Audit Execution		
5.	Does the internal auditor conduct entrance meetings with the auditee prior to an assignment?		
6.	Does the internal auditor document and evaluate evidence gathered during an assignment?		
7.	Does the internal auditor consult the appropriate and relevant working tools to enable him/her discharge duties effectively?		
	Does the internal auditor conduct exit meetings to discuss		

8.	key findings with auditees after an internal audit assignment?		
	Internal Audit Reporting and Monitoring		
9.	Does the internal auditor write the internal audit findings on the following elements: (a) Criteria (b) Condition (c) Cause (d) Effect (e) Recommendations (f) Management's comments?		
10.	Does the internal auditor communicate the results of the internal audit assignment to the Audit Report Implementation Committee?		
11.	Does the internal auditor furnish management and auditees with copies of internal audit reports?		
12.	Does the internal auditor conduct follow-ups on their reports?		
	<i>Role of Management in the Internal Audit Process</i>		
	<i>Pre-audit Stage</i>		
13.	Does management liaise with the internal auditor in order for management to express their concerns and expectations that need to be addressed by the audit?		
	<i>On-site audit Stage</i>		
14.	Does management provide internal auditors with the needed resources for them to function as expected?		
15.	Does management co-operate with the internal auditors for them to function as expected?		
	<i>Post-audit Stage</i>		

16.	Does management ensure that internal audit recommendations are duly implemented?		
17.	Does the Audit Report Implementation Committee review the implementation status of internal audit recommendations?		

APPENDIX III

INTERVIEW GUIDE FOR INTERNAL AUDITORS

This interview guide is being administered as part of a research being conducted for a doctoral research (PhD) degree in Development Studies. Information provided would be strictly treated confidential and would be used only for academic purpose. I shall be most grateful if you can spare part of your time to answer the questions being asked to the best of your ability. Your candid opinion on the issues would be very much appreciated. Thank you in advance for agreeing to participate.

For official use

- (a) Code: (b) Date of interview:
(c) Name of interviewer:.....(d) Name of MMDA:

Section A: Background Information of Key Informants

1. Designation of respondent
2. Number of years in current position.....
3. Sex [] Male [] Female
4. Educational background: [a] Diploma [b] Bachelor's degree
[c] Master's degree [d] Other (specify)

Section B: Views on the Concept of Internal Auditing

5. What is/are your view(s) on the concept of internal auditing?
6. What role does internal auditing play in the Assembly?

Section C: Application of the Standard Internal Audit Working

Tools

[How the internal audit working tools (IA Charter, IA standards, the strategic plan for the internal audit unit, the code of ethics for IA, IA plan, Programme of work, and audit programme) were applied in the internal audit process to either help to stop irregularities or allow irregularities in the MMDAs]

7. (a) What do you consider as the major internal audit working tools which support the internal audit process in the Assembly? (b) Are there any other tools which you want to talk about?
8. (a) Do you have the internal audit charter? (b) If yes, what is the need for keeping an internal audit charter? (c) If no, is there any reason for not keeping one? Please explain your answer.
9. (a) Do you have the internal auditing standards? (b) If yes, what role does the internal auditing standards play in your duties as an internal auditor? (c) If no, is there any reason for not keeping one? Please explain your answer.
10. (a) Do you have a strategic plan for the internal audit unit of this Assembly? (b) If yes, what is the benefit of keeping a strategic plan for the internal audit unit of this Assembly? (c) If no, is there any reason for not keeping one? Please explain your answer.
11. (a) Do you have the code of ethics for internal auditing? (b) If yes, how does the code of ethics assist you in your duties as an internal auditor of this Assembly? (c) If no, is there any reason for not keeping one? Please explain your answer.

12. (a) Do you have internal audit plan? (b) If yes, why do you prepare internal audit plan? (c) If no, is there any reason for not keeping one? Please explain your answer.
13. (a) Do you prepare programme of work for the internal audit unit? (b) If yes, is it necessary to prepare programme of work for the internal audit unit? (c) If no, is there any reason for not preparing one? Please explain your answer.
14. (a) Do you prepare audit programme for your duties and assignments? (b) If yes, is it necessary to prepare audit programmes for your duties and assignments? (c) If no, is there any reason for not preparing audit programmes before undertaking any duty or assignment? Please explain your answer.
15. What should be done to strengthen the practice of internal auditing in the Assembly?

Section D: Auditable areas of the Assembly

16. Which of the following auditable areas are covered in carrying out internal auditing in the Assembly?
- (a) Medium Term Development Planning of the Assembly;
 - (b) Financial Management, Budgeting, and Accounting of the Assembly;
 - (c) Procurement processes of the Assembly;
 - (d) Deliberations of the (i) Executive Committee (ii) General Assembly and (iii) Management meetings of the Assembly;
 - (e) Plan implementation and monitoring of activities in the Annual Action Plan of the Assembly;

- (f) Relationship between the Assembly and its sub-district(s);
- (g) Transparency, openness, and accountability processes in the Assembly;
- (h) Revenue mobilisation, revenue management, and revenue improvement action plan of the Assembly;
- (i) Stakeholder participation in the activities of the Assembly; and
- (j) Environmental sanitation management of the Assembly.

17. Are the internal auditors involved in the deliberations of the auditable areas under question 16 at the committee stages?

18. What needs to be done to improve the involvement of internal auditing in the activities of the Assembly?

Section E: Conditions Under Which Internal Audit was Carried Out in the MMDAs

[Situations (within and outside of the Assembly) which affected the internal audit process to either help to stop irregularities or allow irregularities in the Assembly]

Conditions which supported the internal audit process in the Assembly

19 (a) What do you consider as the major conditions which support the internal audit process in the Assembly? (b) Are there any other conditions that you want to talk about?

20. What is your view on the commitment of management to the internal audit practice in the Assembly?

21. What is your view on the management support for the practice of internal auditing in the Assembly?

22. How will you describe the work of the Audit Report Implementation Committee of the Assembly?

23. (a) Is there any punishment for perpetrators of irregularities in the Assembly? (b) If yes, is it enforced? (c) If no, is there any reason for not keeping one? Please explain your answer.

24. What assistance do the following institutions give to create opportunities for the practice of internal auditing in the Assembly?

(a) District Audit Service;

(b) The Regional Co-ordinating Council;

(c) The Ministry of Local Government and Rural Development;

(d) The Internal Audit Agency;

(e) Public Accounts Committee of Parliament; and

(f) The Institute of Internal Auditors, Ghana

25. What do you suggest can be done to create more conditions to support internal auditing in the Assembly?

Conditions which hindered the internal audit process in the MMDAs

26. (a) What do you consider as the major conditions which hinder the internal audit process in the Assembly? (b) Are there any other conditions which you want to talk about?

27. Does the internal auditor have enough personnel to work with?

28. What is your view on the independence of the internal audit unit of the Assembly with regard to (a) budgeting for resources and logistics for the unit (b) scope of internal auditing activities in the Assembly

- (c) Internal audit planning (d) Internal audit programme of work?
29. Does management assist in writing internal audit reports?
30. Does the Assembly sponsor the internal auditor to undertake training?
31. (a) Does the internal auditor have enough knowledge and skills to enable him/her to perform on the job? (b) What about his/her subordinates?
32. Is there any mechanism to assess the performance of the internal auditor of the Assembly?
33. What is your view on the general attitude of the staff of the Assembly in the internal auditing process?
34. How does the internal auditor feel as working in his/her capacity as the internal auditor of this Assembly?
35. What are your suggestions for overcoming the conditions which hinder the internal audit process in the Assembly?

Section F: Examination of the performance reports of the local governments with respect to the DDF FOAT performance assessment for 2012

36. What is your assessment of how internal auditing is carried out in this Assembly?
37. What is the Assembly's performance in the 2012 DDF FOAT performance assessment?
38. (a) From all the discussions we have had, do you think that the practice of internal auditing in this Assembly has played a role in the

Assembly's performance in the 2012 DDF FOAT performance assessment? (b) Please explain your answer.

39. If the Assembly passed the 2012 DDF FOAT performance assessment but the answer to question 38 above is 'NO' (that is, the practice of internal auditing did not play a role in helping the Assembly to pass the 2012 DDF FOAT performance assessment) then what might have been the reason for the Assembly to pass the performance assessment, in spite of the fact that the practice of internal auditing did not play a role?
40. What should be done to improve the performance of this Assembly?

APPENDIX IV

OBSERVATIONAL CHECKLIST FOR INTERNAL AUDITORS

NO.	APPLICATION OF THE STANDARD INTERNAL AUDIT WORKING TOOLS	YES	NO	COMMENTS
1.	Internal audit charter			
2.	Internal auditing standards			
3.	Strategic plan for internal audit unit			
4.	Code of ethics for internal auditing			
5.	Internal audit plan			
6.	Programme of work			
7.	Internal audit programmes			

Section D: Conditions Under Which Internal Audit was Carried Out

in the MMDAs

[Situations (within and outside of the Assembly) which affected the internal audit process to either help to stop irregularities or allow irregularities in the Assembly]

Conditions which supported the internal audit process in the

Assembly

7. (a) What do you consider as the major conditions which support the internal audit process in the Assemblies? (b) Are there any other conditions which you want to talk about?
8. What do you suggest can be done to create more conditions to support the internal audit process in the Assemblies?

Conditions which hindered the internal audit process in the

Assembly

9. (a) What do you consider as the major conditions which hinder the internal audit process in the Assemblies? (a) Are there any other conditions that you want to talk about?
10. What are your suggestions for overcoming the conditions which hinder the internal audit process in the Assemblies?

APPENDIX VI

OBSERVATIONAL CHECKLIST FOR REGULATORS EXCEPT OFFICIAL FROM FOAT SECRETARIAT

1. Request for any relevant material on the conduct of internal auditing on local governments (if available) from the following:
 - (a) District Audit Service (2012 Audit Report on the Selected MMDAs)
 - (b) Auditor-General's Office
 - (c) Internal Audit Agency (IAA)
 - (d) Public Accounts Committee of Parliament (PAC)
 - (e) Institute of Internal Auditors, Ghana (IIA, GH)

APPENDIX VII

OBSERVATIONAL CHECKLIST FOR OFFICIAL FROM DDF FOAT SECRETARIAT

1. Request for copies of the 2012 FOAT performance assessment report from the DDF Secretariat at the MLGRD on:
 - (a) Cape Coast Metropolitan Assembly;
 - (b) Mfantseman Municipal Assembly;
 - (c) Abura-Asebu-Kwamankese District Assembly; and
 - (d) Twifo-Hemang-Lower-Denkyira District Assembly

APPENDIX VIII

REFLEXIVITY STATEMENT

The researcher has a background in accounting, finance, management, and internal auditing and he is a member of the Institute of Internal Auditors (GH). He worked as an accounting/finance officer for about twenty years and as an internal auditor for about seven years. He had also worked in Internal Audit Teams composed by the Director of Internal Audit of Ghana Health Service, Accra for National Assignments; variously as a Team member, Team leader, and a Supervisor for Teams.

He was also a member of the Ghana Health Sector Internal Audit Working Tools Review Task Team in 2008. He was nominated to represent the Ghana Health Service Internal Audit Division in a joint audit with the PriceWaterHouseCoopers in a capacity building exercise which was sponsored by DANIDA in 2004 and was again nominated to represent the Ghana Health Service Internal Audit Division in a short course in District Health Operations (DISHOP) at the Kintampo Rural Health Training School in 2008.

His career in internal auditing assisted the organisations that he worked for; to evaluate and improve their risk management, control, and governance processes and assisted in improving performance. The researcher was then promoted to become the Metropolitan Chief Executive (MCE) of Cape Coast Metropolitan Assembly (CCMA), which is a political appointment, from May, 2009 to August, 2013. The researcher therefore has considerable experience as an internal auditor, a regulator, and a member of a management body.

In his capacity as MCE, he attended many conferences on governance and found out from the literature of one of the conferences he attended at the

Ghana Institute of Management and Public Administration (GIMPA) in 2011 that most public institutions including local governments were dishonest and had irregularities in operations which were reported on during audit examinations. The Auditor-General of Ghana had reported that the irregularities had recurred since 1997. The researcher was of the view that since internal audit functions had been established in the local governments to ensure that the right processes are followed in delivering their mandate, the irregularities in operations should not be happening especially where they had recurred since 1997.

The researcher's curiosity was aroused. This informed him to undertake the research to examine the manner in which internal auditing is carried out in the selected local governments in the Central Region of Ghana.

With regard to the researcher's interest to undertake the study in the subject area of internal auditing, his background as an internal auditor, a regulator, and a member of a management body (Chief Executive of CCMA), influenced his decision. As a Chief Executive of CCMA in the Central Region (study area), his relationship with the respondents of the study was one of an insider because the researcher was known as Head of CCMA. His relationship with the respondents could potentially influence the data collection as they would not be willing to provide the required information for the study for fear of being victimised.

However, his relationship with the respondents could not influence the data collection during the study because research assistants were hired, trained, and deployed to collect the data. Moreover, the researcher's identity was not made known to the respondents as the one undertaking the study and

had commissioned the research assistants to collect the data. Additionally, the data collection started in November, 2015 and ended in November, 2016 when the researcher was not at post. The potential influence of the researcher in the data collection was therefore nil. The data was transcribed by a different research assistant other than those from the team which collected the data; in order to remove any potential bias in the transcription.

The study area formed the context of the research. Being the Chief Executive of CCMA in the study area, the researcher was an insider and therefore had deep knowledge of the context. The context assisted the researcher to have an in-depth understanding of the phenomenon being investigated especially with regard to the need for rapid development of the area and its attendant improvement in the livelihood of the people. This requires monitoring of resources which have been made available to the area through the selected MMDAs for development purposes.

The background of the researcher, as an internal auditor, a regulator, and a member of a management body, also provided a lot of insights and enabled him to appreciate the meanings and understanding of the narratives of respondents which had been captured in the interview; and assisted the researcher to analyse the data. However, the context of the research and the background of the researcher did not introduce any bias into the study. The reason is that aside from not having direct relationship with the respondents to influence the data collection and transcription, the interpretation, content analysis, desk review, and comparison of responses during the analysis were done with reference to the facts and views presented and expressed in the secondary data and the transcribed responses provided in the interview; and

there is ample evidence available for re-analysis and to support the assertions which have been made by the researcher.

The researcher's membership of the Institute of Internal Auditors (GH) did not influence the data collection, analysis, results, conclusions, and recommendations of the study. The researcher's only interest in the study was to examine the manner in which internal auditing is carried out in the selected local governments in order to help establish the reasons for the irregularities in the operations of local governments which had recurred since 1997. This would provide the opportunity for the researcher to make recommendations to deal with the issues underlying the existence of irregularities in the operations of MMDAs and their recurrence.

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