UNIVERSITY OF EDUCATION, WINNEBA

INTERNAL AUDIT AS A CONTROL FOR EFFICIENT AND EFFECTIVE CORPORATE GOVERNANCE IN STATE OWNED ENTERPRISES IN GHANA

ABDULAI JAWARA ZAKARI

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A Project Report in the Accounting Department, School of Business studies, submitted to the School of Graduate Studies in partial fulfillment of the requirements for the award of the degree of Master of Business Administration (Accounting) in the University of Education, Winneba.

JUNE, 2019

DECLARATION

Student's Declaration

I, Abdulai Jawara Zakari, declare that this thesis, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

Signature:………………………… Date:…………………………

Supervisor's Declaration

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of thesis/dissertation/project as laid down by the University of Education, Winneba.

Signature……………………… Date………………………

MR. ALFRED B. MORRISON

DEDICATION

I hereby dedicate this research work to my lovely wife (Shaibu Abiba), two beautiful daughters (Zakia and Fauzia) and not forgetting Abdul Hannan my dear son.

ACKNOWLEDGEMENT

My earnest gratefulness is to my beloved family, especially my wife (Shaibu Abiba) and lovely son (Abdul Hannan), not forgetting my two daughters (Zakia Deshina and Fauzia Wunintira), for their caring love and non-financial supports. God richly bless you.

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ACRONYMS AND LIST OF ABBREVIATIONS

IA	Internal Audit
SOI	State Owned Institution
SOE	State Owned Enterprise
IIA	Institute of Internal Auditors
IAF	Internal Audit Function
PPP	Public Private Partnership
IMF	International Monetary Fund
NGO	Non-Governmental Organization
PBE	Public Business Enterprise
PIS	Public Institutional System
PFI	Private Finance Initiative
PS	Public Service
IPSASB	International Public Sector Accounting Standard Board

ABSTRACT

This research aims to examine the influence of internal audit on effective corporate governance in SOEs in Ghana. A questionnaire was used to collect data and was distributed to the 100 top senior level officials and internal audit department of the SOE sectors. The regression model that was used in this study was five dependent variables: internal audit independence; proficiency and due professional care; nature of work; quality assurance and improvement program; and managing the internal audit activity. The finding of the research establishes a significant positive relationship between internal audit and effective corporate governance. Variables internal audit independence, proficiency and due professional care, and nature of work were significantly associated with corporate governance. For quality assurance and improvement program and managing the internal audit activity, their influence on corporate governance is not statistically significant.

CHAPTER ONE

INTRODUCTION

1.1 Conceptual Framework

Internal Auditing Functions and Standards

Historically, internal audit has been considered as a monitoring function. It is regarded as the "organizational policeman and watchdog" (Morgan, 1980) as cited in the work of Bilal & Twafik, (2019). However, it is tolerated as a necessary component of organizational control but deemed subservient to the achievement of major corporate objectives. According to the Institute of Internal Auditors (IIA), internal auditing has been defined as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations" (Nagy & Cenker, 2002). Also, Internal control is defined by Al- jabali et al.(2011) as: Independent activity objectively, confirmatory, and consultant determined to add value and improve the organization's operations, and in helping them achieve their objectives through a systematic and disciplined method to evaluate and improve the effectiveness of risk management and control processes and governance. Currently, internal auditors can be portrayed as consultants and the internal audit function of companies which isused to achieve corporate objectives and add value. As noted by Sarens and De Beelde (2006), internal auditors are currently expected to make things happen rather than just waiting to respond to it. It is argued that an effective internal audit function enables the board to perform its corporate governance duties. For example, Gramling et al. (2004) believed that the internal audit function is one of the four cornerstones of corporate governance, and that the internal auditing function of internal auditors has an important role to play in assisting the board to monitor the effectiveness of its governance. In developed countries, the role of the internal auditor has recently been affected by the dramatic changes in regulations, mainly from corporate governance standards and the emphasis of strengthening the internal controls of organizations of these standards (Holm & Laursen, 2007).Mihret and Yismaw (2012) stated that internal audit effectiveness can be guaranteed with the help of four interlinked components: internal audit quality, management support, organizational setting, and attributes of the auditees. They argued that the internal audit function needs to be able to produce quality audits. Vinten (1999) believes that internal audit effectiveness is achieved when there is independence, sufficient resources, and support from management.

International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity. The Institute of Internal Auditors (IIA) 1978 issued the Internal Audit Standards as follows: Independence and Objectivity, Proficiency and Due Professional Care, Quality Assurance and Improvement Program, Nature of Work, and Managing the Internal Audit Activity.

The effectiveness of internal audit function (IAF) has been the concern of many organizations as a result of the dynamic nature of the modern business environment. Modern businesses are confronted with pressures from socio-political factors, international regulations, professional standards and economic pressures. These environmental phenomena pose opportunities and threats to organizations (Hass, Abdul mohammadi & Burnaby, 2006), depending on the strengths and weaknesses of their internal structures and functions (of which Internal Audit is a critical component). Consistently, Ahmad (2015) indicates that environmental changes and recent developments in governance requirements necessitated major transformations in IAFs with increased emphasis on internal audit (IA) effectiveness.

In contemporary organizational situations, IA is a strategic corporate governance mechanism (Anderson, Christ, Johnstone & Rittenberg, 2010), and has encountered much expansions in its functions over the years as organizations become complex (Chambers &Odar, 2015). IA gained a global professional recognition in 1941 when the need for standardization and development of a common body of knowledge was acknowledged and this precipitated the establishment of the Institute of Internal Auditors (IIA) in New York by some groups of internal auditors (Papageorgiou, Yasseen, &Padia, 2012; Asare, 2009). Since then, IA has become a valuable element in the management of both public and the private sectors (Dittenhofer, 2001).

Consequently, these expansions in the scope of internal auditing functions initially reflected in the IIA (1999) revised definition of Internal auditing as follows: *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes"*.

In addition, Code of Practice for Internal Audit for Local Government for the UK (CIPFA), (2006, p.2) defines internal audit to mean: *"An assurance function that provides an independent and objective opinion to the organization on the control environment, by evaluating its effectiveness in achieving the organization's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, effective and efficient utilization of resources*".

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

IA is, therefore, useful for all types of organizations and much more in the public sector where objectives are difficult to measure. The literature points out that in the past, expectations for internal auditing in the public sector were narrower than in the private sector; however, internal auditing has become a critical component of public sector governance given its strategic dimension in contemporary management needs (Asare, 2009). Consistently, Barrett (2002) instigates that public sector reforms have significantly lessened the difference between the two sectors when looking at corporate governance in particular.

IA, therefore, has become the eye of top management following prominent corporate scandals and increased public sector corruption. This argument is reflected in the efforts by national governments in the enactment of laws and establishment of supervisory bodies that ensure the institutionalization and operations of IAFs in the public sector. For instance, in 2003, the government of Ghana passed the Internal Audit Agency Act, 2003, Act 658 which provides the legal framework for the practice of IA in the Ghanaian public sector. But, currently, the argument has gone beyond just the establishment of IAFs to whether the IAFs are realizing the objectives for which they exist. Thus, academicians and practitioners are concerned with IA effectiveness and why it serves as a control for effective and efficient governance in SOEs in Ghana.

Conceptual Model adopted

CG= a + B1X1 + B2X2 + B3X3 + B4X4 +B4X4+B5x e

Where: CG = Effective corporate governance; a = constant term, X1= internal audit independence; X2 proficiency and due professional care; X3= nature of work; X4 = quality assurance and improvement program; X5 =managing the internal audit activity, ẹ = Error Term.

1.2 Statement of the Research Problem

The financial problems experienced by many companies in the world in recent years have led to the need for a set of ethical and professional controls and principles to achieve confidence and credibility in the information contained in the financial statements. The function of the audit plays an important role in all institutions. It provides the senior management with the necessary information that helps in making decisions and also provides information on the efficiency and effectiveness of the internal control system applied in these institutions. It has been widely recognized that the role of the internal auditor has become increasingly more important in terms of creating good corporate governance structures (Allegrini et al., 2006; Carcello et al., 2005; Nagy & Cenker, 2002).Corporate governance is the process by which organizations are managed and controlled (Gao et al., 2008). Larcker (2007) asserted that corporate governance mechanisms influence the decisions made by managers when there is separation of ownership and control. Thus, this is in a bid to enhance accountability and efficiency, and to ensure quality of the financial reporting process. Corporate governance is a key issue in the SOE sector in general and aims at improving the performance in this important sector. The concept of the relationship between internal control and corporate governance can be defined as the process and structure used to direct and manage the business affairs of the institutions towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders' long-term value while taking into account the interest of other stakeholders (Capital Market Authority (CMA), 2015).

Consequently, a relationship between corporate governance and internal audit and to what extent this relationship contributes to business performance has been relatively under-researched. Theoretically, an organization with effective system of internal control is expected to achieve its objective efficiently and effectively, which is regarded as good corporate governance. On the other hand, an Organization with weak system of internal control will experience bad corporate governance. Also, the lack of internal controls and their deficient operation make companies vulnerable to a number of risks, such as improper recording of accounting transactions, making unauthorized transactions, fraud, all these having a significant impact on financial performance and competitiveness (Mihaela & Iulian, 2012).Therefore this calls for the need to conduct this research to investigate the link between internal audit and corporate governance and how internal audit function

(IAF) can be made effective to enhance strengthened corporate governance in SOEs in Ghana. This however shall improve the financial performance of the SOEs

1.3 Purpose of the Study

The main purpose of this research is to examine the relationship between the Internal Audit Function (IAF) and Corporate Governance (CG) in the SOE sector in Ghana. Furthermore, this research tries to revolve round the following specific objective;

- To examine the levels of implementation of internal audit in the SOE sector in Ghana.
- To determine the levels of implementation of corporate governance in the SOE sector in Ghana.
- To determine the impact of internal auditing in strengthening corporate governance in SOEs in Ghana.

1.4 Research Questions

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

- What are the levels of implementation of internal audit in the SOE sector in Ghana?
- What are the levels of implementation of corporate governance in the SOE sector in Ghana?
- What is the impact of internal auditing in strengthening corporate governance in SOEs in Ghana?

1.5 Hypothesis Development

As we illustrated earlier, the main objective of this research is to investigate the impact of internal auditing on effective corporate governance. Internal auditing is an integral part of the corporate governance mosaic in both the public and the private sectors (Cohen *et al.*, 2002). In the previous literature, there are many researches that analyzed the effectiveness of internal control and its Impact on corporate governance. Thus, the majority of the results present that the internal audit improves the quality of corporate governance. The role for compliance governance in an institution is vital as its role is to investigate and manage the areas of institutional regulations and laws, corporate policies, and consumer protection. Also, little research of manager's perceptions on the impact of internal auditor on corporate governance in Ghana has been conducted. In order to study the impact of internal audit on effective corporate governance, the following dependent and independent variable were used:

Dependent Variable: Corporate governance.

Independent variables: Five independent variables were chosen for the study. They are:

1. Internal audit independence
2. Proficiency and due professional Care
3. Nature of work
4. Quality assurance and improvement Program
5. Managing the internal audit Activity

Some of the above mentioned variables were used by the study ofVinten (1999), Yassin et al. (2012), Kibet (2008) and Bilal & Twafik (2019).On the basis of the relationship and variables discussed above, the following hypotheses were formulated and tested:

H1: Internal audit independence has a significant impact on corporate governance.

H2: Proficiency and due professional Care has a significant impact on corporate governance.

H3: Quality assurance and improvement Program has a significant impact on corporate governance.

H4: Quality assurance and improvement Program has a significant impact on corporate governance.

H5: Managing the internal audit activity has significant impact on corporate governance.

1.6 Significance of the Study

It is expected that the study will contribute to knowledge and policy. The study will contribute to knowledge by providing additional evidence of the factors that influence IA effectiveness and also extend the application of the resource-based theory into IA literature.

The study will contribute to policy by highlighting the substantial areas that policymakers must emphasize in ensuring IA effectiveness. It is expected that the regulatory bodies responsible for IA practices in the Ghanaian public sector, for instance, would be well informed by the findings of this study when evaluating the implications of certain actions, they embark on.

The findings of the study will also help in highlighting the strategic resources and capabilities that managers of this State Owned Institution can focus on in order to make their respective IAFs effective.

Lastly, this study highlights on the internal audit standards of measuring its effectiveness that must be known by all managers and auditors in institutions to be able to have an oversight assessment of an audit work and how its been operating from one organization to the other.

1.7 Delimitation of the Study

This study focus on the area of internal audit as a means of control for an effective corporate governance or management through the work of Owodo (2016) about the analysis of internal audit effectiveness in state-owned enterprises in Ghana. As the current world's economic crisis affecting all aspects of society, the author would like to evaluate and bring up to date those earlier examinations to inform readers if there is a significant effect of internal audit as a control for effective corporate management. The factors that may influence the internal audit department to render it ineffective to carry out responsibilities aim at effective and efficient management in terms of governance, operational, financial and compliance risk assessment in SOEs in Ghana. The study made use of the previous review by Bilal & Twafik, (2018) and Owodo (2016).

1.8 Organization of the Study

The study has been structured into five chapters. Chapter one highlights the general introduction to the study. Review of extant literature is presented in Chapter two. Chapter three contains a detailed outline of the methodological approaches of the study. The Chapter four deals with the presentation, analysis and discussion of findings while the fifth chapter comprises the summary, conclusions and recommendations. The references and appendices follow this chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This literature presents the empirical review, theoretical background of internal audit (IA) and corporate governance, internal and external factors influencing IA; roles and importance; the relationship between IA and Corporate governance; positioning SOEs in public sector; IA in the Ghanaian public sector; and the organizational arrangement of IA in the public sector.

2.2 Empirical Review

Empirically, the researchers found a positive relationship between internal control and corporate governance. Pratolo (2007) found that effective internal control has positive relationship with good corporate governance at State Owned Enterprises in Indonesia (SOEs). Mensah (2003) found empirical evidence in Ghana that effective internal control improves good governance practices and decreases corruption. Based on the same view to these findings, Nila and Viviyanti (2008) also found that internal control has a positive relationship with good corporate governance at State owned enterprises in West Java Indonesia.

The purpose of corporate governance is to set out processes by which institution are controlled and directed to create efficient enterprises which contributes to building a strong, transparent, and competitive national economy (CMA, 2015).Despite the internal audit function has become an important mechanism for corporate governance, little research has been done on the effectiveness of internal audit as a control and its relationship with corporate governance in SOEs in Ghana. Therefore, this study attempts to minimize the literature gap by examining the relationship between internal audit and corporate governance in the context of Ghana as a developing country.

2.3 Theoretical Background of Internal Audit (IA) Effectiveness

Review of extant literature shows that there is no precise theory that fully explains internal auditing and its effectiveness (see e.g., Adams, 1994; Ahmad, 2015; Al-Twaijry, Brierley & Gwilliam, 2003; Dittenhofer, 2001; Endaya&Hanefah, 2013; Goodwin-Stewart & Kent, 2006; Sarens & Abdolmohammadi, 2011; The Institute of Chartered Accountants of

England and Wales, 2005). In relation to this observation, Endaya and Hanifah (2013, p.1) highlight that "... this could be partly because there is a lack of sufficient attention to theories which could serve to build a theoretical framework of IA effectiveness". Consequently, some of the theories that have been so far adopted in IA effectiveness literature are discussed below.

2.3.1 Agency theory

The agency theory explains that in several contractual settings, there are agent-principal relationships such as management and organization(s) owners, employer and employee, lawyer and client, buyer and supplier, state and ambassador, constituents and elected representatives, and many more (Eisenhardt, 1989; Jensen, 1994; Linder & Foss, 2013; McColgan, 2001; Delves & Patrick, 2006). This theory emerged to identify and resolve two major problems associated with the principal-agent relationships, namely, a) conflicts between the desires and goals of principal and agent, b) the difficulty and usually expensive efforts that the principal has to make to monitor the conducts of the agent (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976).

Similarly, Delves and Patrick (2006) succinctly writes that the proponents of the agency theory identified the principal's problem, the agent's problem, and policing mechanisms and incentives as the problems associated with principal-agent relationships. Traditionally, the applications of this theory focus on the shareholder-management relationships, in which there is the divorce of ownership (principal/shareholders) from the management of production inputs thus creating principal-agent problems identified above. Under this arrangement, the owner is availed with the option of monitoring, or providing incentive mechanisms or using both mechanisms to minimize the agency problem (Jensen & Meckling, 1976). Corporate governance emerges as one of such arrangements through which the shareholder can monitor management activities and or provide incentives to management so that management would align its interest to that of the principal (Jensen, 1994).

The monitoring mechanisms are intended to curb or deter the agent's discretionary powers and include surveillance and or giving specific directives or tasks while the incentive mechanisms are motivational tools such as financial rewards, information disclosures and prospects of sanctions and preferences that agree with the shareholders desires or goals (Delves & Patrick, 2006; Jensen & Meckling, 1976; Jensen, 1994).

On the other hand, management is also faced with making decisions that either maximizes its interest or the interest of shareholders or both especially when they do not coincide by incurring bonding costs such as limitations on its power, malfeasance and foregoing nonmonetary benefits (Delves & Patrick, 2006; Jensen & Meckling, 1976). Empirically, the agency theory has been applied in corporate governance tools such as auditing but with the main focus on external audit (see e.g., Duits, 2012; The Institute of Chartered Accountants of England and Wales, 2005). Only a few researchers adopted the agency theory in research in internal audit and the factors that influence its effectiveness (see e.g., Adams, 1994; Endaya & Hanefah, 2013; Peursem & Pumphrey, 2005).

2.3.2 Institutional theory

The institutional theory is a paradigm that is used to analyze social phenomenon such as organizations and it perceives the social world as made of institutions that set conditions in action (Lawrence & Shadman, 2008). This theory is the commonly adopted theory so far in internal audit research (see e.g., Ahmad, 2015; Endaya & Hanefah, 2013; Arena, Arnaboldi & Azzone, 2006; Mihret, Mula & James, 2012). The institutional theory emphasizes that the institutional environments influence the internal structures and processes of organizations hence organizations keep changing their arrangements as a result of changes in their environment (Meyer, 2006).

In the neo-institutionalism, Meyer and Rowan (1977) argue that modern organizations exist in institutionalized contexts made up of programs, techniques, services, products, policies and professions which function as myths. They also argued that organizations ceremonially adopt and adapt to these social phenomena because they are perceived to generate rationality. Therefore, organizations would want to gain legitimacy, resources, success and survival by aligning their structures to these formalized practices and procedures from their environment (Lawrence & Shadman, 2008; Meyer & Rowan, 1977).

Again, DiMaggio and Powell (1983) analyzed the institutional actors that forces organizations to be similar to each other in practice and form- institutional isomorphism. They identified three kinds of isomorphism namely coercive, normative and mimetic. Organizations are exposed to formal and informal pressures from governments, other organizations or other environmental expectation- coercive isomorphism; organizations, when faced with uncertainty from their environment, tend to model the structures and practices of other organizations that are perceived to be successful in their field- mimetic isomorphism; organizations also tend to conform to standard practices as a result of consultation or professional bodies (Lawrence & Shadman, 2008; DiMaggio & Powell, 1983).

Consequently, the institutional theory provides better analysis towards understanding the external factors that influence IA and its effectiveness (Ahmad, 2015). This notwithstanding, the institutional theory has been criticized on account of its failure to provide sufficient information about the internal factors that influence IA and its effectiveness (Ahmad, 2015).

2.3.3 Resource-based theory

This theory is one of the prominent theories in strategic management research. It focuses on how organizations link their strategies with their internal resources and capabilities to create and sustain competitive advantage (Akio, 2005; Grant, 1991). Wernerfelt (1984) and Grant (1991) clarify the distinction between resources and capabilities. They defined resources to include capital equipment items, finance, patent, brand names, skills of individual employees, in-house knowledge of technology, efficient procedures, trade contacts, etc., which serve as inputs into the production process whiles capability is the ability of the firm to put these resources into productive activity. Grant (1991) clarifies the distinction by hinting that "while resources are the source of a firm's capabilities, capabilities are the main sources of its competitive advantage" (Grant, 1991: p.119). Thus, resources could be seen as a collection of a firm's strength or weakness (Wernerfelt, 1984).

An important contribution of this theory is its ability to identify and categorize firm's resources. Consequently, financial resources, physical resources, human resources, technological resources, reputation, and organizational resources have been identified by Grant (1991). Barney (1991: p.102) explains that: "Human capital resource is the managers and other employees' characteristics such as training, judgment, intelligence, relationships, experience and insight while physical capital resource includes firm's technology, plant and equipment, geographical and access to raw materials; and organizational resource includes a firm's formal and informal planning, controlling, and coordinating systems, formal reporting structures, as well as informal relations among groups within a firm and between a firm and those in its environment".

Resource-based theorist indicates that resources that create and sustain competitive advantage must be valuable, rare, imperfectly substitutable and perfectly inimitable (see e.g., Akio, 2005; Maijoor & Witteloostuijn, 1996), thus not all these resources can create sustained competitive advantage (Barney, 1991). Broadly speaking, it can be observed that organizations' resources are tangible, intangible or capabilities (Kapelko, 2005).

2.4 The External Factors that Influence IA

The external factors are factors within the external boundaries of an organization but have a significant influence on its internal practices. The three forms of institutional isomorphism have been used in determining these external factors. Thus, the external factors are coercive isomorphism, mimetic isomorphism, and normative isomorphism.

Coercive isomorphism explains that IA effectiveness is greatly influenced by the existence of government law and regulations regarding the internal audit. IA is likely to be effective in jurisdictions where the government through regulatory bodies and enactments mandates the practice of internal auditing than where IA has no legal backing. In support of this argument, Al-Twaijry et al. (2003) studied the development if IA in Saudi Arabia using institutional theory. They found that IA was not well developed and suggested that the government should coercively encourage organizations to establish IA departments. Similarly, Arena et al. (2006) studied IA in Italian organizations using a multiple case study of six Italian firms. Their findings show that coercive pressures of governments such as legal requirements dominate the establishment of IA department. Again, Arena and Azzone (2007) used mix method approach to study internal audit adoption and characteristics of IA departments in Italian companies and found that some companies established their IA departments in compliance with rules and regulations. These rules and regulations relate to specific industry requirement and listing requirements.

Mimetic isomorphism relates to the role of organizational size, where smaller organizations model their internal structures, processes and practices to conform to larger organizations which are perceived as successful. Arena et al. (2006) found mimetic behavior among IA adoption and practice in Italian firms where smaller companies model their IA activities similar the larger companies. Similarly, the study by Arena &Azzone (2007) confirmed IA was common in larger organizations than in smaller organizations. Their findings show that the size of the organization was critical in determining IA adoption and structural characteristics hence larger organizations adopted IA frequently than smaller ones. They also found that for non-IA adopters, size is a key factor in for future adoption.

Normative isomorphism explains the relevance of professional bodies and consultants in shaping the IA functions in organizations. Through the professional standards, professional bodies such as IIA, ACCA and ICA play important roles in developing effective IA function. For instance, as part of their recommendations, Al-Twaijry et al. (2003) hint that the government should create a regulatory body that will ensure that the professional standards and professional bodies such as IIA can operate. They also suggest that that regulatory body must help professional bodies design and promote the study of

IA courses in tertiary institutions which could lead to normative isomorphism in the future. Moreover, the findings of Arena and Azzone (2007) show that in Italian companies, most IA adopters are also members of the IIA. Consequently, the IIA influences IA functions by organizing training practices and certifications to its members. The IIA also influences the internal control models adopted by these organizations.

2.4.1 The Internal Factors that Influence IA

The internal factors are factors within the organization (i.e. firm specific) that influence IA effectiveness. From the resource-based theory, these internal factors have been grouped into four namely organizational characteristics, departmental characteristics, employee characteristics and managerial practices (Ahmad, 2015).

Organizational characteristics include factors such as level of loan, financial performance, public or private, and risk exposure. Carcello, Hermanson and Raghunandan (2005) studied the factors associated with US public companies investment in IA and found that 1) investments in IA was greater in companies with greater levels of loan in order to mitigate high agency costs, 2) IA budgets are higher in companies with higher operating cash flows than companies with lower operating cash flow, 3) total IA budget is positively related to company risk and ability to pay for monitoring. Also, Goodwin (2004) found that in New Zealand and Australia, IA status in public sector organizations is higher than that of private organizations. Moreover, the investments in IA are positively linked to the level of company risk exposure (Mihret et al., 2010).

Departmental characteristics relate to factors such as the size of IA department, independence of IA departments, IA staff composition and physical and technological resources. IA scholars argue that the size of IA function (i.e. number of employees directly involved in IA functions) is positively related to its effectiveness since IA staff will not be bog down with work overload (see e.g. Arena &Azzone, 2007, 2009). The independence of IA function is crucial to IA effectiveness. Cohen and Sayag (2010) found that in Israeli companies, there is a positive relationship between IA independence and IA quality of work (which is a proxy for IA effectiveness). They also argue that IA staff must be trained in areas that go beyond just accounting and auditing to be more effective since there was no relationship between IA effectiveness and professional proficiency.

Employee characteristics relate to human resource related elements of IA staff and IA auditors. Specifically, staff competence and quality of work, as well as the relationship between IA function and Client Company, are identified as factors that influence IA effectiveness. Arena et al. (2006) argue that IA department interaction with other departments enhances business process and collaboration but the hostile relationship and suspicion make it difficult for IA departments to assist in the business process. Similarly, Onumah and Krah (2012) studied barriers and catalysts to effective internal auditing in Ghanaian public sector and found that there is a role misconception concerning IA duties hence poor IA auditee attitude and cooperation thus obscuring IA effectiveness. Consistently, Mihret and Yismaw (2007) argue that auditee attribute has some influence on IA effectiveness.

Managerial practices reflect the role of management towards ensuring IA effectiveness. This includes top management support and extent of audit committee interaction with IA function. For instance, Mihret and Yismaw (2007) conclude that top management support was one of the two most important factors that influence IA effectiveness. They argued that the poor attitude of top management towards audit reports and recommendations demotivates IA staff to improve the quality of work and develop a career in internal auditing. Also, Cohen and Sayag (2010) found that perceived top management support is the predominant factor in AI effectiveness. They emphasized that there is the possibility that all the other factors may be derived from top management support. Similarly, Onumah and Krah (2012) found that IA was not effective since there was a lack of top management ownership of the IA function. The provision of physical and technological resources is also crucial for IA effectiveness. Moreover, the extent of interactions between the audit committee and IA function influences IA effectiveness (Arena &Azzone, 2009).

2.5 The Role and Importance of IA in the Public Sector

The general roles of IA as stated by the IAA and also known as the "three pillars" of internal auditing are to improve risk management, control and governance processes. That is, IA broadly ensures that organizational objectives are achieved by stressing compliance with relevant laws, regulations, ethical and behavioral standards, and appropriate assessment of risk (Asare, 2009). IA has become a cornerstone in public sector governance given its ability to provide objective risk assessment and controls that ensure the effective and efficient use of public resources (Spanhove, Saren, van Gils & Verhoest, 2008).

Spanhove et al. (2008) studied the role of IA in Belgian public sector using the IIA typology. Their findings classified the role of IA into three different categories namely assurance, suggestions and recommendations, and consultancy. Their findings show that, out of these three roles, assurance dominates as the major role of IA, followed by formulation of recommendations and suggestions while consultancy activities remain the least performed role. Besides, they identified compliance, performance, operational, financial and IT audit as IA activities that are mostly performed in the public sector, but IT audit is usually outsourced while the financial audit is performed by an external auditor.

Auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfill each of these roles.

As an essential element of a strong public sector governance structure, auditing supports the governance roles of oversight, insight, and foresight. Because the public sector's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, public sector audit activities should have the authority and the competency to evaluate financial and program compliance, effectiveness, economy, and efficiency. Moreover, auditors also must protect the core values of the public sector, as it serves all citizens.

However, according to Asare (2009), he postulate that risk management as the role of Internal Auditing in the Public Sector demands for proper risk management strategies in the public sector to emanate from the complexity and dynamism of the operating environment, ever-increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of any entity involved in the implementation national development strategies.

According to the Australian Department of Finance and Deregulation, risk management is an important responsibility for any public sector entity for effective and efficient use of resources. It defines risk management as follows: Risk is the possibility of an event or activity impacting adversely on an organization, preventing it from achieving organizational outcomes. Risk management comprises the activities and actions taken to ensure that an organization is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities.

Managing risk well requires careful consideration of the key concepts of minimizing loss, maximizing opportunity and preparing for uncertainty (Commonwealth of Australia 2008) The internal auditor's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives.

Griffiths (2006) "internal auditing provides independent and objective assurance to an organization's management that its risks are being mitigated to an acceptable level, and reports where they are not". Fraud and corruption are key risks that need to be managed in the public sector. Management has the responsibility to put in place systems and processes that will prevent and detect fraud within an organization. However, it is internal audit that gathers sufficient objective information for management to carry out its stewardship function and to be well informed on the risks of fraud and effectiveness of fraud control procedures and to enable them to understand the complexities of fraudulent activities.

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

Khan (2006) identified the useful role internal audit could play in the investigation process and made the following suggestion: "Internal auditors can play a vital role assisting the agencies responsible for investigation of alleged cases of corruption in public sector organizations by way of interpretation of various rules, explanation of various practices, and the sharing some of the confidential information that they may possess as they usually have more diversified and detailed knowledge of the operations in different parts of the organization than the investigating agency staff that are deployed only for a particular case".

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

Management control in the public sector includes all the policies and procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources. Another term for management control is internal control. In the public sector, controls are mainly in-built in the public financial management system. Public financial management includes the legal and organizational framework for supervising all phases of the budget cycle, including the preparation of the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit.

Importance of Internal Auditing in the Public sector

The broad objectives of public financial management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of public services. Internal audit, in turn, has the key function of reporting to the senior management of public sector entities on the functioning of the management control systems, and recommending improvement where applicable.

Control structures and the accountability framework covers a broader spectrum of Public Financial Management issues, which include strategic planning (including budgeting), managerial activities (procurement, public debt and asset management), accounting and reporting, internal and external audit; and legislative oversight.

According to Baltaci & Yilmaz (2006), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Internal audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Internal audit activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors.

Internal auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance with applicable laws. Public procurement constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials. Internal audit activities will further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement.

According to Szymanski (2007), "control systems play an important role in enhancing the accountability and transparency of a public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms". However, internal auditing as a control measure does not only minimize the opportunities for corruption through the verification of procurement processes but also ensures effective physical monitoring of capital items procured and actual utilization to avoid fraud and abuse.

The audit function has become an integral part of government financial management and an instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services.

Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks.

Effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regards to practice and approach. The focus of internal auditing is to determine whether public funds have been spent for the purposes for which they were appropriated and thereby promoting accountability.

Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved. An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat 2005, p.17). Van Gansberghe (2005) puts forward the case that “Management must recognize the value added role of internal audit and contribute towards its effectiveness.”, and that “As internal auditing in the public sector assumes a status of professional practice, management would benefit from its recommendations in improving its decision-making and thus would be playing a more proactive and foresight role.”

Internal audit function provides internal consulting service to the management in public sector institutions and hence the executive arm of government for smooth and efficient functioning and for reviewing and improving its performance. It also ensures that there are efficient controls and greater transparency in the decision and policy-making processes of government functionaries and institutions in delivering services successfully and in carrying out development programs in an efficient and appropriate manner. Public Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency. The internal audit function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime.

Internal audit function also applies professional skills through the evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organization's objectives. The recommendations made by internal audit for improvement helps management in public sector entities to improve their risk management, control and governance processes. With the emergence of the Public Expenditure and Financial Accountability (PEFA) framework in developing countries (PEFA, 2005), performance measurement framework and results indicators have become key concepts in managerial practices and in the formulation and execution of budgets. Indicators recently introduced in some countries measure nationwide socio-economic progresses, stimulate public debate, and thus help Government decide on important issues.

"National Performance Indicators" are vital for fulfilling public accountability that emphasizes results and outcomes.

Internal audit forms part of the evaluation process in monitoring performance and verification of data quality to ensure credibility of reported achievements. Also internal auditors could play instrumental role in performing value-for-money (VFM) audits otherwise called "Performance Audit". Performance audits are concerned with the audit of economy, efficiency and effectiveness of government expenditures or spending plans. In practice, performance auditing is focused on assessing whether organizations are doing the right things and in the smartest way. According to the INTOSAI, performance auditing is an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements (INTOSAI, 2004, p.11) Performance audits may serve as a good mechanism in evaluating operating performance in the budget execution process. It is based around the following questions and function: •How much do programs cost? •How were they financed? •What was achieved? •What were the processes followed in achieving the outcome? and •Assessing impacts that may provide a useful feedback and corrective mechanism in subsequent planning cycles.

2.6 Corporate Governance

Corporate governance has received increased attention and scrutiny over the last two decades. Corporate governance is defined as the total operations and controls of an organization (Fama & Jensen, 1983) or as an overall structured system of principles (Dey Committee, 1994). A comprehensive definition proposed by John and Senbet (1998) in their studystated that corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected.

More recently, Roe (2004) defines corporate governance as the relationships that exist at the top of the firm: the board of directors, the senior managers, and the stockholders. Corporate governance is based on a set of attributes, including ensuring accountability to shareholders or stakeholders (Keasey & Wright, 1997). It is considered to be the top extensively studied topics which serve as a tool for mitigating conflicts of interests between managers and investors. Corporate governance primarily aims to protect the capital owners from the opportunistic activities of management (Abdurrouf, 2011; Jensen & Meckling,1976; Pandya, 2011).

In addition, corporate governance offers the directors the right to create effective decisions in favor of the shareholders' interests in order to realize goals (Shleifer &Vishny, 1997). It is evident that firms with superior corporate governance enhanced their operating performance (Irina & Nadezhda, 2009).Corporate governance represents "the systems by which companies are directed and controlled" (Cadbury, 2000, 8). The control aspect of corporate governance includes the notions of compliance, accountability, and transparency (MacMillan et al., 2004).

2.7 The Relationship between Internal Auditing and Corporate Governance

It has been widely recognized that the role of the internal auditor becomes increasingly more important in terms of creating good corporate governance structures (Allegrini et al., 2006; Carcello et al., 2005; Nagy &Cenker, 2002). In today's business environment, internal auditors are now providing management with a far broader range of information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and the economy of management performance and activities (Rezaee, 1996).

Corporate governance is expected to enhance the role of the internal auditor; and at the same time, the internal auditor also provides benefits to the external auditor (Holm & Laursen, 2007).Mihaela and Iulian (2012) analyzed the effectiveness of internal control and the Impact of Corporate governance on companies listed on Bucharest Stock Exchange. An effective internal control leads to a fair presentation of the financial statements and thus increases stakeholders' confidence in the financial statements. In addition, Yassin et al. (2012) carried out a research that examines the relationship between internal audit and corporate governance in various commercial banks in Lebanon. The statistical analysis showed several significant tests supporting the hypothesis that the internal audit improves the quality of corporate governance.

Kibet (2008) in his study carried out a survey on the role of internal audit in promoting good corporate governance in State owned Enterprises (SOEs). His survey, however, is aimed to explore the role and the use of internal audit function in promoting good corporate governance in public sector enterprises and also the challenges faced by the internal auditors in SOEs. The study concluded that internal audit function played a significant role in corporate governance. Siddiqui and Podder (2002) examined the effectiveness of financial audit of banking companies operating within Bangladesh. For the purpose of that study, the audited financial statements of14 sample banking companies have been analyzed. The study identifies seven (7) sample companies that have actually overstated their profits. Also, the research explores the level of independence, objectivity and competence of the auditors, assigned for auditing banking companies.

From the above discussion, it is clear that the internal auditing is probably one of the most dynamic and yet important subjects to come to our attention and become increasingly more important in terms of creating good corporate governance structures. From the above, it is clear that the regulation of corporate governance is the government's attempt to ensure that the corporation pursues its defined purposes and protects the interests of its owners (Chang et al., 2006).

2.8 Positioning SOE Sector in the Public Sector

Several attempts have been made in the literature to give an understanding of what public sector entails. These varied descriptions of the sector suggest that it is highly eclectic (Simpson, 2013). The continuous changes of the public sector necessitate the relevance of public administration, thus, the phrase governmental entities, public services and public administration are often synonymous to 'public sector' (Broadbent & Guthrie, 2008; Simpson, 2013). In generic sense, some common features that characterizes the public sector include the understanding of the nature of control or ownership, functions or purpose, existence of multiple principals, lack of competition, existence of multiple tasks and the existence of motivated agents (Broadbent & Guthrie, 2008; Koch & Hauknes, 2006; IMF, 2001; Dziobek, Lucio & Chan, 2013; Dexit, 2002; Frumkin & Galaskiewicz, 2004; Lienert, 2009; Broadbent & Guthrie, 1992).

Another important characteristic is that the nature of products and services produced by the public sector organizations are non-rivalry and non-excludable (Koch &Hauknes,

2006). Frumkin and Galaskiewicz (2004) argued that the output or performance measurement of public sector entities is difficult to measure in the short run; also the sources of inflow of resources to these organizations differentiate them from their private counterparts. In view of the above assessments, Broadbent and Guthrie (1992) indicated that it has become somewhat problematic in clearly identifying the public sector as a result of continuous structural alterations. Thus, the ambiguity associated with differentiating activities classified as a market from non-market activities create boundary problems both within the public sector and between the public and private sectors (Lienert, 2009).

For instance, increased private sector and civil society organizations such as NGOs that provide public goods, increased outsourcing of public sector functions to the private sector and innovations such as public-private partnership (PPP) (Simpson, 2013). This view is clear because the continuous privatization and or corporatization of state-owned enterprises that would have been classified under the public sector are wholly or partially moved to the private sector. Consistent with this argument, Simpson (2013) indicates that contemporary developments in the public sector trigger challenges when relying on some of the abovementioned attributes in identifying the constituents of the public sector.

However, in attempting to describe the public sector, this study draws on some important definitions by international organizations, researchers and professional bodies that rely on legal frameworks, accounting standards and others are represented as follows. From the perspective of the IMF, the public sector "consists of all resident institutional units controlled directly, or indirectly, by resident government units; that is, all units of the general government sector and resident public corporations" (IMF, 2014; p.28) and International/multistate entities/ partnership (IIA, 2011). Furthermore, the IMF indicates that the public sector has two broad arms namely the general government and the public corporations (IMF, 2001; 2014).

The definition given by the IMF has also been adopted by the International Public Sector Accounting Standard Board (IPSASB), (IFAC, 2010 cited in Simpson, 2013). The general government units comprise of the central government, state/ provincial/regional government, local government and not-for-profit public institutions. The central government is made up of ministries departments and agencies that have the overall political authority over the entire boundaries of a country (IMF, 2001; 2014). The state, region or province also described in other terms as cantons, republics, prefectures or administrative regions belongs to the broad geographical section by which a country as a whole is divided for the purposes of proper political administration (IMF, 2001; 2014). The local government is usually the smallest geographical areas that have restricted legislative, executive and judicial authority; largely dependent on central or state government for funding to provide wide range of services (such as educational establishment; hospitals and social welfare establishments, public sanitations; culture, leisure and sport facilities) to local residents (IMF, 2001; 2014). On the other hand, public corporations (also called State enterprises) consist of financial and non-financial corporations created by a legislative instrument to generate profit, protect key resources, provide subsidized basic services and promote competition in areas of high barriers to entry (IMF, 2014) but excludes quasi-corporations (Simpson, 2013; IMF, 2001). Similarly, IIA (2011) indicates that the public sector is made up of all Public Departments, Ministries, Legislature, Council, Cabinet, Agencies, Public Enterprises, State Business and Public Contractors.

Broadbent and Guthrie (1992) identified the domains of the public sector as comprising central government, local government, public institutional systems (PIS) and Public Business Enterprises (PBEs). However, Broadbent & Guthrie (2008) expanded the domains of the public sector by adding Public Private Partnership (PPP)/ Private Finance Initiative (PFI) arguing that very significant changes in funding, governance and accounting for control and operation including their systems of accounting and auditing give rise to what is termed Public Service (PS).

The establishment of SOEs globally was the efforts of governments to improve the livelihood of their citizens in varied ways including socio-economic and environmental conditions in the country. As such, phrases such as Parastatal Organizations (POs), Government Business Enterprises (GBEs), Government Corporations (GC), Public Enterprises (PEs), Public Sector Units (PSUs), Government-Linked Companies (GLCs), Government Controlled Enterprises (GCEs), Public Business Enterprises (PBEs), are used as synonyms (PwC, 2015; Simpson, 2013). Although the impetus for establishing SOEs may change over time, there seems to be an unending existence of the SOE sector in the global economic landscape (PwC, 2015; Kowalski, Büge, Sztajerowska & Egeland, 2013).

Similarly, Simpson (2013) argued that the varied tags and descriptions of the SOE sector are as a result of their heterogeneity in nature and their identity in the public sector across the globe. But PwC (2015) indicates that the current moves toward harmonizing the legal status of SOEs with that of the private sector is likely to give a systematic description of the sector, as, for instance, the international public sector accounting standards board is in the process of issuing guidelines on how to define companies which are owned by the state. This suggests that varied definitions of SOEs exist in the literature just as SOEs have several names their definition also varies across countries (PwC, 2015; Garson, 2015).

OECD (2009) indicates that SOEs are enterprises that are either wholly state-funded or those enterprises whose majority shares belong the government.

Based on this definition, it is argued that SOE is a compound term that implies both state-owned enterprises and state-holding enterprises with the difference being that the former comprises only 100% government ownership whiles the latter comprise majority state ownership (OECD, 2009). In a similar work, Garson (2015) suggested that any corporation that has a legal status as a result of a specific legislation is considered as an SOE if it engages in activities that are largely economic in nature. Thus, in these definition joint - stock companies, partnerships and limited liability companies in which the government has ownership are classified as an SOE.

In determining what constitute an economic activity, the emphasis is laid on goods or services "on a given market and which could, at least in principle, be carried out by a private operator in order to make profit" (Garson, 2015 p. 15). Again, PwC (2015) defined SOEs to include enterprises that are significantly controlled through full, the majority, or significant minority ownership by the central or federal government as well as regional and local government.

However, for the purposes of this study, the definition provided by the UN (2008) has been adopted for this study. They define SOEs as "any commercial, financial, industrial, agricultural or promotional undertaking - owned by public authority, either wholly or through majority shareholding - which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts" (UN, 2008 p. 10). Thus, SOEs may engage in the provision of financial and non-financial services as well as operate in a competitive environment (PwC, 2015; Simpson, 2009).

Similarly, Lienert (2009) provides three criteria for distinguishing between public corporation and other government establishments as follows; (1) where the entity trades majority of its output at economically significant prices, (2) Where the entity's prices are not economically significant, then, that entity is not a public corporation, (3) where only part of the entity's prices are economically significant or trades only part of its output then the entity is a quasi-corporation. In addition, studies show that SOEs possess some common features that may distinct them from their private counterparts.

2.9 Internal Auditing in the Ghanaian Public Sector

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

A comprehensive study on the comparison of internal audit in the private and public sectors by Goodwin (2004) describes the situation as follows: IA status in both sectors defers in terms of whom the internal auditor reports to; IAF is more likely to be outsourced to external auditor in public sector than in private sector; IA is perceived to reduce external audit fees in private sector than in public sector. The above suggest that IA in the public sector possess some unique features that need to be the concern of public enterprise managers.

An empirical study of IA role in effective management of public organizations by Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013) suggest that IA plays a critical role in enhancing effective management in the public sector. However, an effective IAF does not, on its own influence management effectiveness in the public sector (Enofe, Mgbame, Osa-Erhabor & Ehiorobo, 2013; Barret, 2002). Equally, Asare (2009) insinuates that in the past, public sector IAF was given a narrow range of expectation than in the private sector. For example, he emphasized that the IAF was predominantly concerned with pre-payment audit where internal auditors give ample time and efforts ensuring that each transaction is evidenced before payments are made (Asare, 2009).

Scott (2003) writes that public sector audit is traditionally concerned with issues of legality, probity and regularity with additional new concerns of efficiency and performance. In other words, given the strategic status reached by IA in contemporary organizational governance, IA is equally playing an essential role in public sector governance and financial management reforms aimed at improving performance in the government sector of developing economies (Diamond, 2002; Asare, 2009). Thus, the IAF is not only anxious with compliance and financial audit but is inexorably concerned with “value-for-money” or performance audit which requires a holistic view of the monetary and social implications of government activities (Diamond, 2002).

In order to harmonize the global practices and objectives of internal auditing, the IIA and the International Organization of Supreme Audit Institutions (INTOSAI) issued the internal auditing standards that defined the so-called "best practices" that meet international standards. Though these standards are not mandatory, it is anticipated that countries that develop their own public sector internal auditing standards will reflect these best practices.

However, Diamond (2002) questioned the relevance and practicability of these standards in developing and transitional countries. He argues that the standards have not entirely addressed the common problems faced by IA in these economies because the standards favor the role of IA existing in developed countries.

Any organization, whether private or public can benefit from an internal audit in two ways- benefits from performance audit to ensure economy, efficiency and effectiveness; benefits from the conventional audit of financial systems and controls that ensure detection and prevention of irregularities (Al-Twaijry, Brierley & Gwilliam, 2003). The constitution of Ghana (1992) and the Internal Audit Agency Act, 2003 (Act 658) requires the Auditor General to audit and report on the public accounts of Ghana including public corporations and other bodies established by an act of parliament. In spite of this constitutional requirement, Onumah & Krah (2012) indicate that internal audit in Ghana was keeled by the lack of legislative and administrative recognition until 2004.

Consistent with this argument, Simpson (2012) highlighted that the establishment of the Ghana Audit Agency was a response to the lack of proper accounting and auditing systems in the public sector during the 1990s. After its establishment, the Ghana internal audit agency is involved in the establishment of internal audit units (IAUs) in MDAs and MMDAs as well as the issuance of internal audit standards for practicing IA in the MDAs and MMDAs. Onumah & Krah (2012) defined the public sector to comprise MDAs, MMDAs, commissions, educational and research institutes, boards, authorities, and Public Corporations or State- Owned Enterprises. Besides the Agency's involvement in the public sector, the SEC under the law establishing it is obliged to facilitate the establishment and effective operation of IAFs in SOEs in Ghana (PNDC Law 170, see Sec. 2 j).

Again, like any profession, internal auditing gained a professional recognition in 1941 when the need for standardization and common body of knowledge was acknowledged and this precipitated the establishment of the IIA in New York by some group of internal auditors (Dittenhofer, 2001; Asare, 2009; Chambers & Odar, 2015). Consequently, the IIA Ghana, as an active member of the IIA Global has significantly contributed to internal audit practice in both private and public enterprises since its inauguration in 2005. The IIA Ghana facilitates the professional development of internal auditing through professional examination organized by the global body. Despite these remarkable strides in internal audit in Ghana, the study by Onumah and Krah (2012) found that there was no Certified Internal Auditor in the Ghanaian public sector as at 2012.

2.10 Organizational Arrangements of IA in the Public Sector

Generally, Diamond (2002) identified two kinds of models within which IA operate- the centralized model and the decentralized model. In the decentralized model, IA control systems (i.e. the range of ex-ante controls, systems, performance and IT audits) ensures the greatest economic, efficient and effective use of resources by focusing on the overall system of organization, procedures, controls, rules and regulations (Diamond, 2002). In the centralized model, "IA is focused on a specific organization performing certain control functions, traditionally a centralized ex-ante financial control organization, an inspectorate general, or a treasury external audit service"(Diamond, 2002 p.10). In addition, the author hints that a somewhat mixed model has been identified in other jurisdictions where the internal and external audit functions hand-in-hand.

Similarly, Asare (2009) underscores five main approaches through which IA is configured into the public sector governance system. These are; 1) IA as part of the Accountant-General's Office, 2) IAF under the Ministry of Finance, 3) Decentralized IAF situated at the entity level, 4) IA as part of the Auditor-General's Office, and 5) Centralized IAF under the cabinet. Consequently, Asare (2009) explains that in the first instance, it is likely that an IA staff may be required to perform both accounting and audit duties. In the second, the IA staffs are not employees of the IA department thus could be seen as an extension of external audit.

In the third, IA forms an integral part of Government Departments hence IA staff are part of the organization they work with. In the fourth, IA staffs receive professional and technical as well as supervisory from the Supreme Audit Institution (SUI) but reports to the Auditor-General. In the fifth, IAF is a responsibility of cabinet in providing an assurance that proper controls and procedures adhere to government departments and agencies.

Internal Audit as part of the Accountant-General's Office.

This is the case where internal audit function is placed under the supervision of Accountant-General's Office. A risk usually associated with this arrangement is the possibility that an officer performing accounting duties may subsequently be required to perform internal audit duties soon after performing accounting duties in the same or related department. Swaziland and Tanzania are examples in Africa where the central internal audit function of government rests with the Accountant-General's Department. This was also the practice in Ghana before the passage of the Internal Audit Agency Act in 2003.

Internal Audit Function under the Ministry of Finance.

In some countries the internal audit function is supervised by a Director or a person of an equivalent rank at the Ministry responsible for Finance. In these situations, the internal auditors are either stationed at the Ministry of Finance from where they are sent to Departments to carry out their functions; or they are assigned to specific Departments where they remain at post until they are re-assigned.

This arrangement has the characteristics of separating the internal audit function from the accounting and external audit functions. However, the internal audit function runs the risk of being seen as an extension of external audit because the internal auditors are not employees of the Departments as expected of internal audit staff according to the ethics of the professional practice. However, this model can provide a good level of independence for internal audit.

The above arrangement is similar to that of Kenya where there is an Internal Audit Service as a department within the Treasury, the Service being responsible for providing internal audit services for all government departments and is headed by the Internal Auditor-General. The Internal Auditor-General is responsible for effective review of all aspects of risk management and control throughout the Civil Service of the Republic of Kenya. In Botswana, Uganda and Zambia internal audit staff in the Ministries are seconded from the internal audit department in the Ministry of Finance. The head of this internal audit department is a senior official in the Ministry of Finance with status equivalent to the Accountant-General.

Decentralized Internal Audit function situated at the entity level.

In another scenario, internal audit has been made an integral part of Government Departments in some countries. In these situations, the internal auditors are part of the organizations they work for and report to a level appropriate for taking action on internal audit recommendations. The United States has Inspector-Generals for government Departments and Agencies. The United Kingdom, the origin of the Anglophone countries' systems, has basically a decentralized internal audit function.

In Africa, South Africa and Ghana are examples where the internal audit units are managed without guidance or control from the central Finance Ministry. The units form part of the departments' own structures. However, in the case of Ghana there exists an Internal Audit Agency that is established as an oversight agency and charged with responsibility of facilitating, coordinating and providing quality assurance for internal audit practices and technical performance. The oversight agency reports to the President.

Internal Audit as part of the Auditor-General's Office.

In some countries internal audit is a function of the Supreme Audit Institution (SAI). This configuration has not been popular in recent times as most countries are shifting away from the practice of combining internal and external audit functions under the sameinstitution. Where such a practice exists, internal auditors report only to the Auditor-General and are subject to professional, technical guidance and supervision from only the SAI. Staffs in such cases perform mainly pre-audits rather than a professional internal auditing function. Germany is a case in point where internal auditors operate within agencies, but are subject to technical and professional guidance, as well as supervision by the SAI, the Federal Court of Audit. This was also the practice in Ghana before the transfer of internal audit responsibility to the Controller and Accountant-General's Department.

Centralized Internal Audit Function under Cabinet.

Under this arrangement, internal audit function acts as a centralized independent agency operating under the responsibility of the Cabinet Office and provides assurances of proper internal controls and procedures in departments and agencies. An example is the case of Malta, where Internal Audit and Financial Investigations Directorate carry out internal audit and financial investigative functions across government departments and agencies. The Directorate functions under the Office of The Prime Minister and has a Board that is chaired by Secretary to Cabinet. After the Directorate has completed an internal audit assignment, it transmits its report to the Permanent Secretary of the Ministry under whose supervision the auditee falls. The Directorate may also transmit a copy of such report to the auditee.

CHAPTER THREE

METHODOLOGY OF THE RESEARCH

3.0 Introduction

This chapter includes the sections that make up the research methodology. The author discusses the method through which the data was gathered and used to achieve the purpose of this current work. The chapter includes; the assumption for the research; research design; population of the study; site and sampling selection; data collection techniques; managing and recording data; and data analysis.

3.1 Rationale and Assumptions for the Research

The first step for any research work is to choose a topic and a paradigm (Joubish, Khurram, Ahmed, Fatima & Haider, 2011). A paradigm is "the basic belief system or worldview that guides the investigator, not only in choices of the method but in ontologically and epistemologically fundamental ways" (Guba & Lincoln, 1994: p.105). Joubish et al. (2011) define a paradigm as importantly a worldview, the whole framework of beliefs, values and methods within which research takes place. It is the way an individual understands the world, his place in it and the possible relationships between parts of that world. Thus, Creswell (2007) simply referred to a paradigm as a "worldview" of the inquirer. This worldview is largely influenced by one's field of study as a student, the beliefs of advisers and faculty in an area of study and previous experiences in research (Creswell, 2007). Paradigm as a knowledge claim means that researchers begin any project with a set of assumptions about what they want to learn and how to learn it (Creswell, 2003).

Guba and Lincoln (1994) identified five major paradigms used in contemporary research; Critical Theories, Positivist, Post-positivist, Constructivism and Cooperative/Participatory paradigm.

Joubish et al. (2011) identify the paradigm framework as made of Philosophy, Ontology, Epistemology and Methodology. Consequently, Krauss and Putra (2005) disclose that epistemology, ontology and methodology are intimately related thus; whiles ontology involves an understanding of reality, epistemology explains how we come to know that reality and methodology involves the specific practices developed to obtain knowledge of reality.

Creswell (2007) suggests that in any research plan, the researcher can explicitly state the overall philosophical ideas of the study since it helps to explain why a particular research design is chosen. Accordingly, the research paradigm that guided the conduct and practice of this current study was the positivist/positivism worldview which means -Reductionism (i.e. reduce the ideas into a small, discrete set of ideas to test. Example, variables that comprise hypothesis and research questions). This position is consistent with the five dependent variables used and hypothesis developed for test to enable the researcher establish whether there is a relationship between internal audit (IA) and effective management in SOEs in Ghana.

3.2 Research Design

Yin (2009) defines research design as the system of reasoning used to show the data to be collected and the conclusions to be drawn are linked to the original research questions. Creswell (2007) writes that the choice for any research design is largely influenced by issues such as the researchers' worldview assumption, nature of research problem, researchers' personal experience, procedures of inquiry, and methods of data collection, analysis, interpretation and audience for the studies. The literature on research methods identifies qualitative, quantitative and mixed methods as the three types of research design (Guba& Lincoln, 1994; Creswell, 2003, 2007, 2009; Joubish et al., 2011). Creswell (2007) points out that the three approaches can best be viewed as consisting of a continuum and that a study ends to be more qualitative or quantitative; with mixed method residing in the centre since it combines both qualitative and quantitative approaches. Consistent with this argument, Mauch and Park (2003) indicate that the difference in the research approach does not make ones work better than the other but reasonably reflects its suitability to a given problem under study.

Moreover, Krauss and Putra (2005) reiterate that the central difference between the quantitative-qualitative debates is philosophical and not methodological. Consistent with the research questions, this study assumed the qualitative and quantitative approach to research. The quantitative research is empirical research where the data are in a form of numbers and it involves mathematical and statistical analysis. The qualitative research "is a means of exploring and understanding the meaning individuals or groups ascribe to a social or human problem" (Creswell, 2007:37). Joubish et al. (2011) insinuate that the common aim of any qualitative research is to have a deeper understanding of the research object. Similarly, Krauss and Putra (2005) posit that qualitative research operates on the tenet that a phenomenon is best understood when it is viewed in its context and that the researcher is strongly involved in the study.

3.3 Researchers Role

The researcher was responsible for the preparation and printing of the research questionnaire and distributed to the selected hundred (100) respondents for answering. The researcher collected back the answered questionnaires, entered the data into the computer and encoded into the statistical tool for analysis. The researcher finally completed the write-up of the research work.

3.4 Site and Sample Selection

Neuman (2007) suggests that the term population can be used to represent all the cases of people, institutions or organizations of interest to the researcher. Emplacing the study on SOE sector in Ghana, the population of this study consists of internal auditors in SOE sector in Ghana. However, there is no accurate number of SOEs in Ghana given the skipping changing nature of SOEs, restructuring and reorganizations of the SOE sector. However, since SEC functions as an oversight body over SOEs, it has given some estimation of the number of SOEs. In exercising its functions, SEC organized the SOEs under seven major umbrellas as Media and Arts, Transport, Water and Housing, Energy, Trade and Industry, Agriculture, and Engineering Services. Using this as the basis for identifying thenumbers of SOEs, 37 SOEs were identified as operating under the SEC as at 2016. The motivations for selecting the SOE sector over the other public sector organizations have been disclosed throughout the study (see e.g., chapter two).

Neuman (2007) defines sample size as the specific group of people, institutions or organizations within a population that the researcher wants to study about. From the definition of SOEs adopted (in chapter two) and the theoretical framework used for this study, the sample size selected for this study is hundred (100) senior level officers and internal auditors in SOEs that have commercial or business objective and whose operations spans across the country. In Ghana, the establishment of an IAF is mandatory for all public sector organizations (e.g. SOEs) following the passage of the Internal Audit Agency Act in 2003.

3.5 Data Collection Techniques

The key ways of collecting qualitative data are through survey questionnaire, observation, open-ended interviews and review of documentations (Patton, 2002; Joubish et al., 2011; Creswell, 2007; 2009). Moreover, Patton (2002) highlights that the quality of any qualitative data hinges on the utilization of the three data collection techniques for a given study. Accordingly, the researcher utilized these three key techniques during the collection of data.

3.5.1 Sources of Data

Data was collected from both primary and secondary sources. For the purpose of this study, primary data are data collected by the researcher thus providing new and original research information whiles secondary data are data sourced through the review of existing information. Consequently, the primary data were gathered through survey questionnaire, open-ended interviews and observation of processes, procedures and behaviors. The secondary data were sourced from the review of relevant documentations.

3.5.1.1 Primary data

Constructed survey questionnaire mostly and very few one-on-one interview using open-ended interview questions were used as the central means of collecting primary data. The face-to-face interview ensures a high response rate and permits an in-depth questionnaire

(Neuman, 2007). Seidman (2012) argues that in a qualitative study, survey questionnaire and interviews serve as the basic means through which an inquirer obtains information about the experiences of people involved in the phenomenon under study. The survey questionnaire and interview was patterned along the five (5) dependent variables used for the study, thereby helping to focus the engagement with respondents towards finding responses that would help answer the research questions (see appendix for survey questionnaire). In addition, the study utilized observation as another means of collecting primary data. Neuman (2007) describes that during observation the inquirer consciously listens, pays attention and watches carefully to absorb all sources of information that answer the question "what is going on here"?

3.5.1.2 Secondary data

Whiles on the field, the researcher employed data triangulation to obtain secondary data. Olsen (2004) suggested that in social science research, triangulation can be looked at in two perspectives namely methodology triangulation and data triangulation. For the purpose of this study, the later, data triangulation was used as a means of adding to the depth of the work hence the need to review public documents relevant to the study. Data triangulation means that apart from primary data, the researcher also relied on a review of public documents so that some claims made in the interview data can be validated (Olsen, 2004). This involved the requesting and reading of important documents such as the Audit charter, the Audit query, and Audit reports. Documentation review served as additional evidence to responses obtained during the interview.

3.6 Managing and Recording Data

Instruments Prior to the collection of data, the researcher obtained letters of introduction from the Department of Accounting which was used to secure authorization, authentication and identification of the researcher by the respondents' institutions. The sample of constructed survey questionnaire was attached to the letter in order to give the respondents an overview of the data needed and ample time to answer the survey questionnaire for the study. However, as qualitative research writers (e.g. Creswell, 2009; Neuman, 2007) advice, the study also utilized notes taking to record interviews data by some few respondents.

In addition, field observations and documented data were recorded through notes taking. Consequently, the notes were classified according to primary and secondary data. This strategy is consistent with the suggestions of Creswell (2009) that the inquirer must note whether the data is first-hand information from the study or second-hand information written by others. The data collection spanned a period of three months, from March 2019 to June 2019.

However all these data gathered are classified, organized and summarized in softcopy, and are stored on a hard disk and used on the computer for the purpose of the research analysis.

3.7 Method of Verification

The data used in this research work are the feedback or responses derived from the respondents who were willing and ready to answer the questionnaires. The data was obtained from both internal audit managers and top level officials who work in SOEs in

Ghana from the period 2017 to 2019. The organizations are grouped in various sectors like energy, mining, merchandizing, financing, servicing, or manufacturing.

3.8 Data Analysis Procedures

Many qualitative researchers allude that one of the most difficult aspects of a case study design is data analysis which must simultaneously be undertaken while the researcher is on the field collecting data (Baxter & Jack, 2008; Levy, 2008; Sprinz&Wolinsky, 2004; Yin, 2004), and there is usually information overload (Kohn, 1997). Being mindful of this, the researcher repeatedly examined the data in order to develop useful themes that are consistent with the objectives of the study.

Moreover, this study used five (5) dependent variables that could help design questionnaire to seek management perceptions on corporate management and the role of internal audit (IA) which is deem to enhance effective and efficient management in SOEs in Ghana. The responses under each of the five dependent variables namely, X1=internal audit independence; X2 proficiency and due professional care; X3= nature of work; X4 = quality assurance and improvement program; X5 =managing the internal audit activity, were all encoded in Excel Statistical tool to analyze the data for their means and standard deviations (Stds) as well as the total average on all the responses under each variable. This helps the researcher to know the particular response or paragraph which was confirmed with most approval, lowest acceptance and the overall average of responses given by the respondents under each variable. This by so doing will enable the researcher to establish whether the level of the response has a significant impact on the underlying variable.

Secondly, the researcher tested the main hypothesis and it is that, there is no statistically significant impact of the internal audit on effective and efficient management in the Ghanaian SOE sector. To test this hypothesis, multiple regression and simultaneous input were used. All independent variables were introduced into the regression equation at once and the following results, the model of the impact of the internal audit in strengthening corporate management in the SOE sector; analysis of the individual variance of internal audit role levels on management; and the regression coefficients of the influence of internal audit on corporate management were all presented or illustrated in Tables. Note that all the various analyses are illustrated and presented in prose and references made to Tables for clear and simple understanding.

Subsequently, the regression model that was used in this study is;

CM= a + B1X1 + B2X2 + B3X3 + B4X4 +B4X4+B5x e

Where: CG = Effective corporate management; a = constant term, X1 = internal audit independence; X2 proficiency and due professional care; X3 = nature of work; X4 = quality assurance and improvement program; X5 =managing the internal audit activity, ẹ = Error Term.

3.9 Limitations of the Study

This study gathered data from the right respondents who are senior level officials and the internal audit department who have experience in the auditing practice. The research approach adopted for this study is the qualitative and quantitative approach which is good for its ability to generalize the outcome or findings of the study. This implies that the findings of this study may reproduce itself in another place. However, the approach is consistent with the argument that IA is contextually dependent hence this work is intended to generalize the findings and conclusions reached.

Another concern worth noting in any qualitative study is the issue of reliability of data collected. Thus to ensure that the data collected for this study are reliable, the researcher collected data from multiple sources such as interviews, observations of processes and structures as well as a review of documents for additional evidence. Yet, it should be noted that qualitative researchers admit the fact that the interpretation of qualitative data could be influenced by the biases of the researcher.

3.10 Ethical Considerations

Throughout the data collection process, the inquirer was able to identify and address all ethical issues that cropped up especially in establishing contact with the respondents. First of all, the respondents' institutions demanded an introductory letter from the inquirer's school to identify and authenticate the inquirer's personality. Secondly, a close-ended questionnaire guide stating the objectives of the study was sent to the respondent in about two weeks before the scheduled dates. In addition, an express consent of each respondent was obtained for the purposes of data gathering. Finally, as indicated earlier, the inquirer assured the respondents' and their institutions' anonymity.

CHAPTER FOUR

FINDINGS OF THE RESEARCH STUDY

4.0 Introduction

The outcome of the research is presented and explained in this chapter. The findings are made in prose and references made to tables only to make it simple for readers to understand it. Under this chapter sub sections including, section 4.2 The Means and Standard deviations of responses relating to the dependent variables adopted by the study and section 4.3 Discussions on the regression and variances between the dependent and independent variable.

4.1 The Independence of Internal Auditors (IA)

Table 1 show that respondents confirmed on the first paragraph, with the most approval, have a mean 4.28 and STD .687. This paragraph shows that "*the internal audit department has an organizational independence and the ability to communicate with the board of directors and senior management.*"Also, it should be noted that the fifth paragraph represent the lowest acceptance of the respondents with mean 3.6 and Std 1.042. The paragraph shows "*the independence of internal auditor since the executive departments are not interfering in the appointment, identification of fees, and remuneration of the auditor*." The total average of all factors is 4.1. Therefore, this indicates that the level independence of internal auditing was high in SOE sectors in Ghana.

Table 1. Means and standard deviations of Independence of internal auditors

Number	Description	Mean	STD	Rank
1	The internal audit department has an organizational independence and ability to communicate with the board of directors	4.28	0.687	3
2.	The internal auditor is independent to audit all activities	4.23	0.77	1
3.	The internal auditor's performance is objectivity as neutral, unbiased and non-conflict of personal interests with all parties.	4.19	0.736	5
4.	The recommendations of the internal auditor shall be taken in all financial and administrative aspects.	4.17	0.838	2
5.	The internal auditor is independent since the executive department are not interfering in the appointment, identification of fees, and remuneration of the auditor.	3.6	1.04	4
	Average	**4.1**	**0.578**	

4.2 The Proficiency and Due Professional Care

However, from Table 2 below, the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.32 and Std .824. This paragraph shows that "*the Internal auditor is continuously trained on professional standards*," while the seventh paragraph represent the lowest acceptance of the respondents with mean 3.80 and Std.705. The paragraph shows that "*the Internal Auditor has accumulated experience in economics, taxation, finance, and law*." The total average of all paragraphs is 4.13. Therefore, this indicates that the level of proficiency and due professional care of internal auditing was high in SOE sectors in Ghana.

Table 2. Means and standard deviations of Proficiency and Due Professional Care

Number	Description	Mean	STD	Rank
1	Internal audit (IA) is continuously trained on professional standards.	4.32	0.824	1
2.	The internal auditor is skilled in the performance of work and scientific and practical qualifications	4.22	0.717	3
3.	The internal auditor has communication skills, persuasion, teamwork, and dialogue skills.	4.19	0.736	2
4.	The internal auditor has the ability to handle the computer	4.16	0.74	5
5.	The internal auditor is strengthened by their definition of IT and technology	4.13	0.636	4
6.	The internal auditor has experience and knowledge of all laws and authorities	4.1	0.878	6
7.	The internal auditor has accumulated experience in economics, taxation, finance and law.	3.8	0.705	7
	Average	**4.13**		

4.3 The Nature of Work of the IA

From Table 3 below, the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.48 and Std .591. This paragraph shows that "*the internal audit department contributes to the control and protection of the Organization's assets.*" While the fourth paragraph represents the lowest acceptance of the respondents with mean 3.84 and Std .925, the paragraph shows that "*the internal audit department does a separate work from the Internal Control department.*" The total average of all paragraphs is 4.16. Therefore, this indicates that the level of nature of work for internal auditing was high in SOE sectors in Ghana.

Table 3. Means and standard deviations of Nature of work

Number	Description	Mean	Std	Rank
1	The internal auditor department contributes to the control and protection of the Organisation's assets.	4.48	0.591	1
2.	The internal auditor contributes to maintaining the integrity of financial and operational information within the organization	4.35	0.688	3
3.	The effectiveness of the role of internal audit in the follow-up and conduct of the organisation's business properly.	4.32	0.697	4
4.	The internal auditor department does a separate work from internal control department	3.84	0.925	2
	Average	**4.16**		

4.4 Quality Assurance and Improvement Program

Moreover, from Table 4 below, the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.29 and Std 576. In this paragraph, "*the auditor collects and examines all information to obtain results that support his review*." While the fourth paragraph represent the lowest acceptance of the respondents with mean 4.21 and Std .678, "*the auditor follow up and ensure that the correct procedures are taken in the light of the audit results*." The total average of all paragraphs is 4.27. This indicates that the level of quality assurance and Improvement program for internal auditing was very high in SOEs in Ghana.

Table 4. Means and standard deviations of Quality Assurance and Improvement Program

Number	Description	Mean	Std	Rank
1	The auditor collects and examines all information to obtain results that support his views.	4.29	0.576	2
2.	The auditor will write the report and communicates the results of the audit work to the organization.	4.29	0.708	3
3.	The auditor plans and check each review	4.27	0.628	1
4.	The auditor follows up and ensures that the correct procedures are taken in the light of audit results	4.21	0.678	4
	Average	**4.27**		

4.5 Managing the Internal Audit Activity

Nevertheless from Table 5 below, the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.25 and Std.726. This paragraph was "*The internal audit Manager prepares risk plans to prioritize internal audit activity.*" While the fifth paragraph represents the lowest acceptance of the respondents with mean 4.05 and Std .855, "*the internal audit manager coordinates with the internal and external parties that provide the services.*"The total average of all paragraphs is 4.16. Therefore, this indicates that the level of quality assurance and Improvement program for internal auditing was high in SOEs in Ghana.

Table 5. Means and standard deviations of Managing the Internal Audit Activity

Number	Description	Mean	Std	Rank
1	The internal audit manager prepares risk plan to prioritize internal audit activity	4.25	0.726	1
2.	The internal auditor manager shall develop a program to evaluate the work of internal audit section	4.2	0.74	5
3.	The audit executive will communicate and follow up the internal activity plans.	4.15	0.783	2
4.	The internal audit manager shall develop the policies and procedures necessary to guide the internal audit work.	4.13	0.69	3
5.	The internal audit manager coordinates with the internal and external parties that provide the services	4.05	0.855	4
	Average	**4.16**		

4.6 The level of Management in SOEs in Ghana

From Table 6 above, the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.29 and Std .635. This paragraph shows that "*the corporate management encourages the Organization's growth, competitiveness*." While the twelfth paragraph represents the lowest acceptance of the respondents with mean 3.79 and Std .913, it however shows that "*there was a separation between ownership, management, and control of work*."Thetotal average of all paragraphs is 4.11. Therefore, this indicates that the level of corporate governance was high in the SOEs in Ghana.

Table 6. Means and standard deviations of the level of corporate governance in SOEs in Ghana.

Number	Description	Mean	Std	Rank
1	Corporate Management encourage the organisation's growth and competitiveness	4.29	0.635	5
2.	Management in SOE's respects the rights of stakeholders as prescribed by law and ensure compensation in caser of violation of their rights.	4.27	0.826	1
3.	Corporate management leads to integrity, disclosure, transparency, responsibility, and equality	4.2	0.74.	4
4.	Management achieves financial sustainability objectives, growth and business development	4.16	0.741	6
5.	Achieve equity among shareholders through controls bases on law and order	4.15	0.719	7
6.	Achieve sustainable growth	4.15	0.72	10
7.	Ensuring the application of accounting standards to prevent corruption and mismanagement	4.14	0.88	11
8.	Ensure a review of financial performance, reduce the cost of financing and comply with provision.	4.11	0.674	2
9.	Encourage institutions to make optimal use of the resources	4.1	0.711	3
10.	Protecting shareholders and preventing conflicts of objectives and conflicts of authority	4.08	0.779	12
11.	Addressing imbalances in financial structures	3.96	0.767	9
12.	There is separation between management, ownership, and control of work	3.79	0.913	8
	Average	**4.11**		

4.7 Testing the Hypotheses of the Study

The main hypothesis is that there is no statistically significant impact of the internal audit on corporate governance in the Ghanaian SOE sector. To test this hypothesis, multiple regression and simultaneous input were used. All independent variables were introduced into the regression equation at once. The following tables illustrate this.

Table 7. The model of the impact of the internal audit in strengthening corporate governance in the Ghanaian SOE sector.

Standard error for Estimation	Modified coefficient	coefficient of determination	Coefficient of Correlation
.37166	.460	.493	.702

Table 7 shows that the coefficient of correlation between the independent variables and the dependent variable (corporate governance or management) was0.702, while the modified coefficient of the model is equal to 0.460. This indicates that independent variables collectively account for 46% of the variation in corporate governance, and the rest are due to other factors. This ratio is good and supports the results of the research.

Table 8. Analysis of the individual variance of internal audit role levels on governance

Source of contrast	Total Squares	Degree of Freedom	Average Squares	F Value	Significant
Regression	10.456	5	2.091	15.140	.000
Errors	10.774	78	.138		
Total	**21.230**	**83**			

Table 8 above presents that the value of the regression model (F) was15.140 and the statistical significance is 0.000. This means it is less than the statistical significance level

(0.01). Therefore, the results confirm that there is a statistically significant effect of internal audit on corporate governance in the SOE sector in Ghana, and the level of statistical significance (0.01). This result indicates that the model is significant and the internal audit is expected to affect corporate governance in the SOE sector in Ghana. As a result, the decision is to accept the hypothesis of the research (H0) that there is a significant impact of internal audit on the effective and efficient corporate governance in the SOE sector in Ghana. This result can be confirmed in Table 8, which shows the regression coefficients of the influence of internal audit on corporate governance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the summary findings of the study, connection of the study to previous research, conclusions as well as recommendations and suggestions for future researchers are highlighted. In order to achieve this, the chapter has been divided into four major sections. The first section presents the summary of key findings of the research. The second section discusses the connection of the study to previous research. The third section focuses on the conclusions drawn from the findings whiles the fourth section emphasizes the recommendations for the study. Suggestions for future research are also provided in section five.

5.1 Summary of Key Findings

The findings of this study based on the analysis of the five independent variables including Internal audit independence; Proficiency and due professional Care; Nature of work; Quality assurance and improvement Program; Managing the internal audit Activity and the analysis on the model of the impact of the internal audit in strengthening corporate governance in the Ghanaian SOEs, as well as the analysis of the individual variance of internal audit role levels on governance are briefly summarized and discussed below.

The first finding showed most approval of "*the internal audit department has an organizational independence and the ability to communicate with the board of directors and senior management*" with a mean of 4.28 and a standard deviation (STD) of.687. Also, it should be noted that lowest acceptance of the respondents with mean 3.6 and Std

1.042shows that "*the independence of internal auditor since the executive departments are not interfering in the appointment, identification of fees, and remuneration of the auditor.*"

Moreover, the findings on proficiency and due professional care show that, a particular response with the most approval, a mean of 4.32 and a standard deviation (Std)of .824was confirmed and this response is that "*the Internal auditor is continuously trained on professional standards*," The total average of all responses under this dependent variable is 4.1. Therefore, this indicates that the level of proficiency and due professional care of internal auditing was high in SOEs in Ghana.

Also the analysis on nature of work of the Internal Audit unit shows that respondents confirmed on a particular response with the most approval, shows a mean 4.48 and Std .688. This response or paragraph shows that "*the internal audit department contributes to the control and protection of the Organization's assets*." The total average of all responses under this dependent variable is 4.16. Therefore, this indicates that the level of nature of work for internal auditing was high in SOEs in Ghana.

On 'quality assurance and improvement program', the respondents confirmed with the most approval showing a mean of 4.29 and Std of .576 indicating that "*the auditor collects and examines all information to obtain results that support his review*." The total average of all paragraphs or responses under the independent variable is 4.27. This indicates that the level of quality assurance and Improvement program for internal auditing was very high in SOEs in Ghana.

From Table 5 in chapter four (4), the respondents confirmed on the first paragraph, with the most approval, shows a mean 4.25 and Std.726. This paragraph was "*The internal audit*

Manager prepares risk plans to prioritize internal audit activity." The total average of all paragraphs is 4.16. Therefore, this indicates that the level of quality assurance and Improvement program for internal auditing was high in SOEs in Ghana.

From Table 6 in chapter four (4), the respondents confirmed on the fifth paragraph, with the most approval showing a mean of 4.29 and Std of .635. This paragraph shows that "the corporate governance encourages the Organization's growth and competitiveness." The total average of all responses under this independent variable is 4.11. Therefore, this indicates that the level of corporate governance was high in the SOE sectors in Ghana.

However, analysis on the model of the impact of the internal audit in strengthening corporate governance in the Ghanaian SOEs shows that the coefficient of correlation between the independent variables and the dependent variable (Effective corporate governance) was0.702, while the modified coefficient of the model is equal to 0.460. This indicates that independent variables collectively account for 46% of the variation in corporate governance, and the rest are due to other factors. This ratio is good and supports the results of the research.

Lastly, the findings on the analysis of the individual variance of internal audit role levels on governance therefore confirms that there is a statistically significant effect of internal audit on effective and efficient corporate governance in SOEs in Ghana, and the level of statistical significance (0.01). This result indicates that the model is significant and the internal audit is expected to affect corporate governance in the SOE sector in Ghana. Table 8 shows that the regression coefficients of the nature of work, Internal audit independence, proficiency and due professional care, and nature of work were statistically significant at 0.01.

5.2 Connection to Previous Research and Theories

This section presents the connection of the study to previous research works. This current study's findings are in affirmation with previous studies that found significantly positive relationship between internal audit and corporate governance, such as the studies of Bilal & Twafik. (2018), Yassin et al. (2012), Kibet (2008), Allegrini et al. (2006), and Carcello et al. (2005).

Theoretically, an organization with effective system of internal control is expected to achieve its objective efficiently and effectively, which is regarded as good management or corporate governance. On the other hand, an Organization with weak system of internal control will experience bad corporate governance or poor management. Also, the lack of internal controls and their deficient operation make companies vulnerable to a number of risks, such as improper recording of accounting transactions, making unauthorized transactions, fraud, all these having a significant impact on financial performance and competitiveness (Mihaela & Iulian, 2012). However, it is the duty of the internal auditors to ensure efficient and effective management of control risk to ensure that control structures are working properly and effectively. However, this study's finding is robust with the theory above.

5.3 Conclusions

Internal Audit (IA) has become an indispensable corporate governance or management tool in contemporary organizational settings in both public and private sectors. Its increased importance in the public sector has been embraced through the enactment of laws and establishment of regulatory authorities to ensure the establishment and operations of IAFs in most countries like Ghana. But the concern of both IA practitioners and academicians is IA as control for effective and efficient corporate governance, which is the focus of this study.

The primary objective of the research is to investigate the direct relationship between the internal audit and effective corporate governance in the SOEs in Ghana. This section provides a discussion of the results concerning the impact of internal audit on effective and efficient governance in the SOEs in Ghana. The independent variables were internal audit independence; proficiency and due professional care; Nature of work; quality assurance and improvement program and managing the internal Audit Activity. The sample consisted of 100 SOEs within the duration of three years (2017-2019).Multiple regression analysis was used to examine the relationship between the independent and dependent variables.

This research expects to fill in the void in literature on the internal audit as a control for effective corporate governance in SOEs in Ghana in particular and West Africa at large. In this research, all five independent variables have been used to analyze the effectiveness of internal audit as a control for effective corporate governance in SOEs in Ghana.

Based on the results obtained, this study found a positive and significant association between internal audit and effective governance which confirms that of Twafik & Bilal (2018), who did his work on banking sector in Oman.

5.4 Recommendations

It is therefore recommended that the IAA should step up its attentions to the IAFs of the various SOEs. By so doing, the IAFs will be given the necessary government supports to carry out their mandate, thus being effective because it serves as a control for effective and efficient corporate governance or management.

Furthermore, it is recommended that top managements of the SOEs in Ghana need to put in place proper structures and resources such as networked computers with productivity software that would facilitate the efficiency and effectiveness of the IAFs which turns to influence effective corporate governance. This would also require the training and hiring of IAF staffs with IT skills. In the same vein, IAFs need to be resourced with the required number and composition of staff so that it can manage the different risks that the organization faces.

Lastly internal audit as a control which provides maximum management of financial risk, operational risk and compliance risk must be given total and full independency in their discharge of duties so as to efficient and effective management in SOEs in Ghana.

5.5 Future Research Direction

Drawing from the aforementioned limitations, the following suggestions are made for future directions. Future researches expected to attempt to include other sectors of the economy such as banking and investment institutions as well as private sectors etc.

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APPENDIX

UNIVERSITY OF EDUCATION WINNEBA, KUMASI

MBA, ACCOUNTING DEPARTMENT

RESEARCH QUESTIONNAIRE

Title of Research Work

INTERNAL AUDIT AS A CONTROL FOR EFFICIENT AND EFFECTIVE CORPORATE GOVERNANCE IN SOEs IN GHANA

The questionnaire is set under five (5) IA standards and the level of corporate governance in SOEs in Ghana. Each question is answered by choosing either AGREE OR DISAGREE.

Independence of Internal Audit

1. The internal audit department has an organizational independence and ability to communicate with the board of directors and senior management.

   A. Agree B. Disagree

2. The internal auditor is independent to audit all activities.

   A. Agree B. Disagree

3. The internal auditor's performance is objectivity as neutral, unbiased and non-conflict of personal interests with all parties.

   A. Agree B. Disagree

4. The recommendations of the internal auditor shall be taken in all financial and administrative aspects.

   A. Agree B. Disagree

5. The internal auditor is independent since the executive departments are not interfering in the appointment, identification of fees, and remuneration of the auditor.

   A. Agree B. Disagree

Internal Audit Proficiency and Professional Due Care

6. Internal auditor is continuously trained on professional standards.

   A. Agree B. Disagree

7. The internal auditor is skilled in the performance of work and scientific and practical qualifications.

   A. Agree B. Disagree

8. The Internal Auditor has communication skills, persuasion, teamwork, and dialogue skills.

   A. Agree B. Disagree

9. The internal auditor has the ability to handle the computer.

   A. Agree B. Disagree

10. The internal auditor is strengthened by their definition of IT and technology.

    A. Agree B. Disagree

11. The internal auditor has experience and knowledge of all laws and authorities.

    A. Agree B. Disagree

12. The internal auditor has accumulated experience in economics, taxation, finance, and law.

    A. Agree B. Disagree

Nature of Work of the Internal Audit (IA)

13. The internal audit department contributes to the control and protection of the Organization’s assets.

    A. Agree B. Disagree

14. The Internal Audit Department contributes to maintaining the integrity of financial and operational information within the organization.

    A. Agree B. Disagree

15. The effectiveness of the role of internal audit is in the follow-up and conduct of the organization's business properly.

    A. Agree B. Disagree

16. The internal audit department does a separate work from the internal control department.

    A. Agree B. Disagree

Quality Assurance and Improvement Program by IA

17. The auditor collects and examines all information to obtain results that support his review.

    A. Agree B. Disagree

18. The auditor will write the report and communicate the results of the audit work to the Organization.

    A. Agree B. Disagree

19. The auditor plans and checks each review.

    A. Agree B. Disagree

20. The auditor follows up and ensures that the correct procedures are taken in the light of the audit results.

    A. Agree B. Disagree

Managing the Internal Audit Activity

21. The internal audit Manager prepares risk plans to prioritize internal audit activity.

    A. Agree B. Disagree

22. The Internal Audit Manager shall develop a program to evaluate the work of the Internal Audit Section.

    A. Agree B. Disagree

23. The audit executive will communicate and follow-up the internal audit activity plans.

    A. Agree B. Disagree

24. The Internal Audit Manager shall develop the policies and procedures necessary to guide the internal audit work.

    A. Agree B. Disagree

25. The internal audit manager coordinates with the internal and external parties that provide the services.

    A. Agree B. Disagree

The Level of Corporate Governance in SOES in Ghana

26. Corporate governance encourages the Organization's growth and competitiveness.

    A. Agree B. Disagree

27. Corporate governance respects the rights of stakeholders as prescribed by law and ensure compensation in case of violation of their rights.

    A. Agree B. Disagree

28. The firm's management leads to integrity, disclosure, transparency, responsibility, and equality.

    A. Agree B. Disagree

29. The governance achieves financial sustainability objectives, growth, and business development.

    A. Agree B. Disagree

30. Corporate governance achieves equity among shareholders through controls based on law and order.

    A. Agree B. Disagree

31. Corporate governance achieves sustainable growth and encourages profits.

    A. Agree B. Disagree

32. Corporate governance ensures the application of accounting standards to prevent corruption and mismanagement.

    A. Agree B. Disagree

33. Corporate governance ensures a review of financial performance, reduce the cost of financing, and comply with provisions.

    A. Agree B. Disagree

34. Corporate governance encourages institutions to make optimal use of their resources.

    A. Agree B. Disagree

35. Corporate governance protects shareholders and preventing conflict of objectives and conflict of authority.

    A. Agree B. Disagree

36. Corporate governance addresses imbalances in financial structures.

    A. Agree B. Disagree

37. There is a separation between ownership, management, and control of work in your firm.

    A. Agree B. Disagree