



AMERICAN JOURNAL OF ECONOMICS AND BUSINESS INNOVATION (AJEBI)

ISSN: 2831-5588 (ONLINE), 2832-4862 (PRINT)

VOLUME 2 ISSUE 2 (2023)

PUBLISHED BY
E-PALLI PUBLISHERS, DELAWARE, USA

Assessment of Internal Audit Tools: A Study of Some Government Health Institutions in Ghana

Ernest Owusu^{1*}, Baffour Owusu-Boateng²

Article Information

Received: February 19, 2023

Accepted: April 15, 2023

Published: May 06, 2023

Keywords

*Internal Auditing, Public
Institution, Effective
Management*

ABSTRACT

The growing number of allegations on financial statement fraud, lack of accountability, misappropriation and mismanagement of public resources in public institution has created an increase attention for the need of internal auditors. Descriptive research design was used for this study precisely a case study. Simple random sampling technique was used to select two government hospitals located in Manhyia and Mankranso both in Ashanti Region. Out of three hundred and forty (340) population from the combined hospitals, a purposive sampling technique was used in selecting a sample size of twenty-six (26) which was made up of twelve (12) accountants, ten (10) managements and four (4) internal auditors in Manhyia and Mankranso was utilized. A self – structured questionnaire, a four-point modified Likert a scale was the instrument used for data collection. All the 26 respondents correctly completed and returned their questionnaire formed the sample size for the study, while mean, standard deviation and percentage was employed in data analysis. The study found, among other things, that in spite of availability of internal auditors, management override internal controls very often, findings indicated that the internal audit were understaff and are inadequately resourced. The study also pinpointed that internal auditors are recognized in public institution and adds value to the institution overall performance.

INTRODUCTION

Similar to most African nations, Ghana deals with ongoing financial theft, embezzlement, corruption, and procurement violations. Large sums of money that the various governmental entities fail to account for are frequently revealed by the annual auditors' general reports. Government personnel, especially those employed by institutions in the public sector, are found to be mismanaging and utilizing funds inappropriately (Abdullahi and Mansor, 2018). According to the Centre for Democracy and Development Ghana (2002), which results in a significant budget deficit. As instances of mismanagement of public institutions emerge in Ghana periodically, it appears that all efforts made by previous governments have not produced any positive consequences. Hence, internal controls, or internal audit, are necessary for the public sector to operate efficiently. The Institute of Internal Auditors (IIA, 2012) firmly contends that audit duties in public sector governance have diminished and are now of negligible consequence. There has been a huge outcry in the public sector over governance-related issues. The institute goes on to discuss the necessity for regulations to guarantee that internal and external audit play an effective role in public sector governance. Studies by the Financial Reporting Council (2004) and HM Treasury (2002) have indicated that successful internal and external audit functions in public sector governance are of the utmost importance and have a significant impact on important economic activities; as a result, they must be fostered and promoted. Managing the finances of institutions in the public sector

requires internal audit. The purpose of internal auditing is to offer value and enhance an organization's operations. It is an independent, unbiased assurance and consulting activity. By bringing a systematic and disciplined approach to analyze and enhance the performance of the risk management, control, and governance processes, it aids an organization in achieving its goals (The Institute of Internal Auditors, North America, [IIA] 2018). Due to its ability to provide unbiased and objective assessments of whether public resources are used responsibly and effectively to accomplish desired goals, the internal audit function is consequently a pillar of excellent public sector governance (IIA-SG, 2012). The main issue most internal audit units confront is that they lack the necessary resources to do their work due to the proportional size and volume of work associated with the audit department. For effective auditing of computerized accounting systems, the audit unit lacks sufficient auditing technology and has insufficient experience of electronic data processing (EDP). The majority of public sector audit units still use paper documentation, which makes their work challenging (Ozuombe *et al.*, 2016).

METHODOLOGY

Quantitative research approach was used in conducting the study and through purposive sampling technique, twenty-six (26) respondents were selected from the two hospitals. The questionnaires were the main instrument for data collection. Both open and closed ended questions were constructed with the motive of gathering information from respondents. statistical

¹ Kwame Nkrumah University of Science and Technology, Kumasi, Ghana

² University of Lincoln, UK

* Corresponding author's e-mail: keowusu67@gmail.com

package for social science (SPSS) package version 19.0. Descriptive statistic generated percentages; mean score, standard deviation, percentage and proportion which was presented in table, charts and figures.

LITERATURE REVIEW

The proliferation of large, dispersed, complex corporations, starting in the twentieth century, spurred the accelerated development of the internal audit function. The Institute of Internal Auditors (IIA) was established in 1941, largely in response to this development and modern internal auditing owes much of its early progress to the Institute of Internal Auditors. This includes the gradual expansion of the scope of internal audit activities and the professionalization of the internal audit practice. It was not until 1947 that Institute of Internal Auditors (IIA) issued its first Statement of Responsibilities.

The Code of Ethics was issued in 1968 and Standards in 1979. The first Certified Internal Auditor (CIA) exams were written in 1974, indicating that there was, that time, deemed to be recognized body of knowledge available for internal audit professionals. According to Pickett (2004), internal audit has come a long way over the last two or three decades. In the past, internal auditing was seen as a mechanism to double-check the thousands of financial transactions that were posted to the account each week. In the 1950s and 1960s, it only consisted of basic test of the accounts with a view to isolating errors and irregularities.

In contrast, today's internal auditors facilitate the development of suitable controls as part of a wider risk strategy and provide assurances on the reliability of these controls. The move from detailed low-level checks of huge volume of mainly transactions to high-level put into corporate risk management has been tremendous (Rudasingwa, 2006).

Internal Auditors Roles and Responsibilities

As the public sector are mostly financed by the tax payer's money the said motive of the audit unit is to measure and evaluate the effective use of resources, compliance to statutory laws, protection of assets and controls Vos (1997). Enofe *et al* (2013) findings showed that the objective internal audit is to report on the usefulness, accuracy and implementations of control systems. The duties of an internal auditor in a public sector in Johnson (1996) include the following:

1. To provide an audited copy of statement of accounts to appropriate minister or secretary who presents the account before the district assembly together with any report.
2. The auditor must state the account is reliable that is it giving a true and fair view of the entity
3. Auditors must state whether there was compliance to all applicable standards and regulation.

Internal Control Processes

Internal controls are policies or structures put in place to ensure reliability of financial reporting, effectiveness

and efficient of operations and to ensure compliance to laws and regulation (COSO 1992). Sawyer *et al* (2003) was of the view that internal controls are any action taken by management to improve the likelihood of achieving objectives and goals. This definition of Sawyer *et al* (2003) was backed by the Institute of Internal Auditing. This implies that internal controls are efficient and effective when it helps an entity to achieve its objectives and goals. Controls may be preventive, detective and directive. Control systems usually instituted in an organization may range from physical controls, authorization controls, personal controls, accounting controls, management controls, organizational controls, supervisory controls, and segregation of duties and the internal auditor is the custodian of all these controls. Belay (2007), Mention (2010) are in support of effective and efficient internal controls been a tool of improving internal audit effectiveness.

According to the Institute of Internal Auditors Position Paper Organizational Governance: Internal Auditors can give better advises to the Board of directors, executive management on the need for changes in structure, policies and design. This will lead to very strong and vibrant corporate governance with the following resultant benefits to the entity: maintenance of investors' confidence, corporate success and economic growth. This will make it possible for an entity to raise capital, minimize and prevent waste, corruption, fraud and mismanagement (Anderson *et al.* 2004; Pittman and Fortin 2004).

Sawyer (1995) is much concerned of the internal auditing fishing out fraud. From this context, it has become globally important that much focus should be emphasis in how an entity is governed. The internal auditing function therefore plays an important role by providing such assurance and thus promoting corporate governance. The role of the internal audit is to examine and focus in the process of helping the board and audit committee in fulfilling their governance responsibility. This includes examination of business process linked with controls, review of going concern and value of assets, gathering sufficient and appropriate information on frauds, irregularities and reviewing risk associated with the entity (Deepak, 2010).

Internal auditors provide recommendation on areas that are deficient and on new opportunities available, management are tasked to develop internal controls and the internal audit is mandated to provide assurance to management and the board that these controls are effective and working. The knowledge competent, skills and objective of the internal auditor can massively add value to organizational internals, risk management and governance process. Thus, provides absolute assurance to all stakeholders (IIA Research Foundation, 2004). Internal audit is relevant to the success of a company by reducing or preventing fraud, errors, irregularities and helps in the preparation of reliable financial statement (Herdman, 2002).

Failure of giant companies in United State of America led to the report of Treadway Commission on fraudulent financial reporting and the formation of Committee of Sponsoring Organization (COSO Model, 1985). The model is of the view that internal controls are fundamental tools for organizational success and survival. The model focused in enhancing the quality of financial reporting, internal control effectiveness and corporate governance. The COSO Model (1985) gives the purpose of internal control as reliability of financial reporting, effectiveness and efficiency of operations and compliance with all applicable standards, framework, regulations and laws. The reason behind COSO Model was weak internal controls that lead to the corporate losses and failure in the cases of Enron and WorldCom.

Internal Control and Internal Auditing

Internal control and internal auditing are mostly misunderstood to mean the same. However, their difference can be derived from their scope and objective. Internal audit is a subset of internal control. The purpose of Internal Auditing is to provide assistance to the organization management and board of directors by acting as a policeman to guide them (Management and board of directors) to perform their responsibility effectively and efficiently. Internal audit therefore reports to management and the board with recommendation, advice, analyses and appraisal concerning activities reviewed.

The Institute of Internal Auditors (2006) explains internal audit as the means of managing and checking whether the control systems designed by management are working and effective. Internal control is the cornerstone of internal auditing, making it the responsibility of internal auditors to ensure that all workers including top management adhere to all control systems, identify deficiency and weakness in controls and make needed corrections. Therefore, as internal control is the cornerstone of internal audit, internal audit is the relevant tool needed to ensure that internal control is efficient (IIA, 2006).

Economic Implication of Ineffective Auditing System in Public Sector Management in Ghana

Many public institutions in Ghana have collapsed or have been privatized due to mismanagement, misappropriation and corruption. Many other private institutions such as Tano Agya rural bank, Tama Rural Bank, Median Biao Bank, DKM microfinance, Eden Financial Service, Noble Dream micro finance, Ghana co-operative Bank and many others have collapsed in Ghana leading to an increase in unemployment, low standard of living and other economic implications (Appiah, 2011). The effectiveness of internal control and audit enhances the prevention of fraud and provides reliable accounting data. The economic effects on an ineffective auditing system in the public sector are the negative aspect of developing an effective auditing system (Azubuike, 2002). The presence of an ineffective auditing system is likely to cause the below (Azubuike, 2002):

1. Inability to make effective financial decision
2. Inability to detect risk of corporate failure
3. Lack of credibility of enterprise before financial house
4. Inability to rely on past financial statement and information
5. Emergence of fraud, misappropriation and mismanagement
6. Inability to detect non-compliance of laws and regulation.

Several reasons have been identified for ineffectiveness of internal auditing in the public sector in Ghana and notable among them are according to Appiah (2011) are

1. Lack of audit manual: there is no standard internal audit manual. This makes work difficult for internal auditors who are either non-accountants or do not qualify as auditors.
2. On-career auditors and lack of growth prospective: most people who qualified to be professional accountants and auditors are prevented from heading financial and account department. This gives those heading the advantage to feel superior over internal auditors, therefore hoarding data and information relevant to the auditor and making available information to auditors when they want the auditor to see or know.

Relevance of Internal Audit to an Entity

The expertise and knowledge of Internal Auditors and audit department can help in the following areas; accuracy, integrity and reliability of financial and operational information, compliance with laws, regulations, standards, procedures and framework; safeguards to ensure judicious use of entity's resources; facilitates the prevention and detection of fraud; assess the effectiveness of design, maintenance and implementation of an entity's internal control systems; assist management to with the motive of ensuring that plans, goals and objectives are achieved and reduce the exposure to unpleasant surprises; provides recommendations for improvement of operations and ensures adequacy of risks management in the entity. Studies from Enofe, Mgbame, Osa-erhabor & Ehirobo (2013) prove this point.

One of the most important components of corporate governance is internal auditing. Internal auditing helps the board and management to ensure that the financial statement prepared by management is reliable and meets all applicable standards, regulations and law (Public Oversight Board, 1993). The three keys to corporate governance are external audit, internal audit and directorship (Anderson, 1993, Blue Ribbon Committee 1999). The Institute of Internal Auditors (2003) accepts these three key elements and added the audit committee to make it four key components to enhance corporate governance.

The increase in corporate failure has led to much focus in corporate governance and internal auditing. In recent years, high profile corporate collapses have focused attention on corporate. The Institute of Internal Auditing views the objective of internal auditing as adding value

through improving and strengthening an organizational risk management and internal controls (The Institute of Internal Auditors, 1999). The New York Stock Exchange (NYSE) noticed the importance of internal auditing and made it a mandatory requirement for all listed companies to have an audit committee and internal auditors, external auditors and for all companies to see to the independence of the internal and external auditor. Research from Gramling (2004) shows that companies facing high risk can reduce their risk to a low level through internal audit function which underpins the importance of internal auditing. Gramling (2004) also came out that the presence of internal audit function improves corporate governance as external auditors rely on the work of internal auditors. Examination of various literature review shows that the external auditor relies on internal auditors work when the internal audit function is effective and efficient. The presence of internal auditors helps to reduce or prevent fraud and also help in the preparation of reliable financial statement (James 2003, Lowe *et al* 1999)

Determination of Internal Audit Efficiency

Every organization, be it public or private sector can be seen as a socio-economic entity into which resources are committed for the purpose of attaining some specified objectives. It may be business unit, producing goods and services to a market or governmental agency providing a number of services to people. The business unit or governmental organizations needs to be managed in an efficient way, and this is ensured by proper institutionalized internal audit in the respective units. However, the internal audit function itself needs to be efficient in order to live up to its billing of as performance improvement tool. Studies from Mu'azu and Siti (2013), Cohen and Sayag (2010) all back the above explanation. There cannot be efficiency without effectiveness that is the believe of Peter Drucker. Drucker (2001 P.147) is of the view that is relevant to perform better on what you have proposed effectively than to perform better on something that is of no relevant to you. Effectiveness is a needed condition to be efficient. Thus, in measuring the performance of the internal audit unit the unit should be effective leading to efficiency.

Theoretical Review

Several theories give the need for audit services. Some of the theories base on perception and others are based on popular research.

Policeman Theory

The theory is of the view that the auditor is obliged in searching, detecting and preventing fraud or the occurrence of fraud. The theory performed this function of detecting and avoiding fraud exactly in the 20th century. However, the main objective of auditors recently is to provide a reasonable or absolute assurance that the financial statement prepared by management gives a true and fair view of the entity. Nevertheless, the auditor's responsibility still recently comprises of detecting of

fraud in financial statement and more emphasis has been suggested to broaden the auditor's responsibility in detecting fraud (Hayes *et al* 2005).

Lending Credibility Theory

The theory is of the view that the main function of auditing is to add credibility of the financial statement. Therefore, the service the auditors give to its client is providing evidence that the financial statement prepared in credible. Financial statements that are seen to be audited, increases users of financial statement confidence in the figures and information provided by management. Investors therefore believed that information provided in audited financial statement are credible and reliable and make relevant decision based on them (Hayes *et al* 2005).

Theory of Inspired Confidence

Another name for this theory is theory of rational expectations. The demand and supply for audit services was addressed by Limperg (1932). Audit services are demand due to third parties' interest in a company. These third parties want accountability from management for investing in the company. Management provides periodic financial statement in other to realize accountability. Since this information or financial statement are prepared by management may be biases and cannot be monitored by third parties, the need for audit services arises to give a reasonable assurance whether the financial statement prepared by management is reliable. Limperg (1932) pinpointed that the auditor is expected to meet public expectations with regard to the need of audit assurance.

Agency Theory

The presence of an auditor is in the best interest of management, stakeholders and third parties (Watts and Zimmerman 1978 and 1986). A company comprises of so many groups such as employees, suppliers, customers, investors, shareholders and many other more. In a nutshell a company is a web of contract and each group provides some sort of contribution for a given price. It is the duty of management to optimize these contracts and manage these various groups to maximize shareholders wealth through acquiring quality materials from suppliers at low price, borrowing from banks at low interest rate, selling goods and services at reasonable price to make profit, increasing the share price of shareholders and many more. From the above explanation management can be describe as agents acting on behalf of their principle (shareholders). Agency theory has become the most prominent and widely used theory in auditing. The concept of agency theory will be used in this research as management of public sector institution is acting as agent on behalf of the government and citizens (Hayes *et al* 2005).

The agency theory will be used in this research as management are acting as agents on behalf of citizens, government and all stakeholders in public sector to manage the resources allocated to them to build a better future for all Ghanaians. The auditor (internal

audit department) is therefore the policeman to ensure that these resources are used effectively and efficient by management to enhance economic growth.

Empirical Studies

Effective Internal Audit

Many studies have been done on the subject matter in so many countries across the world. Mihret and Yismaw (2007) studied on Internal Audit Effectiveness a case study of Ethiopian public sector. The study used questionnaires, interviews and observation as the main source of methodology for collecting data. It was discovered in their research that support from management and internal audit quality strongly affect the effectiveness of the internal audit and improves organizational performance.

Ahmad, Othman & Jusoff (2009) also conducted a study on the effectiveness of the internal audit in Malaysian public sector. They found out that lack of audit staff was a major deterrent to the effectiveness of the internal audit function. Ozuomba, Chidinma N *et al* also conducted the same study in Nigeria and also came out with the same findings. Arena and Azzone (2009) also conducted research in Italy on identifying organization drivers of internal audit effectiveness. Arena and Azzone used 153 Italian companies and came out that the internal audit team (qualification and experience), the audit process and independence influence the effectiveness of the internal audit.

Moreover, Cohen and Sayag (2010) studied on the effectiveness of the internal auditing using questionnaires and a mail survey of 292 organization, their study indicated that management, well staff internal audit unit, independence of internal auditors plays a major role of the effectiveness of the internal audit. Further studies were conducted by Theofanis, *et al.* (2011) on the relationship between elements of internal control and internal audit effectiveness by using 52 Hotels in Greek, their outcome suggested that there is a positive relationship between internal control and internal audit effectiveness. They further suggested that the outcome may differ significantly if a larger sample size is used.

The way to make internal audit effective has been a common and well-focused interest of study for many. To this effect the Institute of Internal Audit (2010) viewed internal audit effectiveness as the value adding, that is the process to which set down objectives are achieved. Study by Vijayakumar and Nagaraja (2012) gave an outcome that effective internal audit process helps to improve organization performance, profit, reduce and prevent loss of revenue particularly in the public sector. Much emphasizes has being placed on achieving audit's objective by gathering sufficient and appropriate audit evidence to determine the effectiveness of the internal audit. Shoommurangpak and Ussahawanitchakit (2009) were of the view that effectiveness is achieved when the internal auditor gives an opinion that financial statement prepared by management are reliable and in compliance with all accepted principle and standards based on

appropriate and sufficient evident gathered.

Alberta (2005) as cited in Mu'azu and Siti (2013) agrees with that internal audit is effective when there is high training of the audit staff, education, experience, professional qualification, strong internal controls that are effective and efficient. When all these are available Alberta (2005), Mu'azu and Siti (2013) believe there is a very effective internal audit. Belay (2007) and Desmet and Mention (2011) attributes effectiveness of internal audit base on effective internal control, auditors' independence, unrestricted access to various book keepings, sufficient staff, present of audit committee, well qualified staff, existence of audit charter. Mu'azi and Siti (2013) sees internal audit to be effective when the audit unit understands the whole organization, the needs and motive of the organization and add value assistance to the organization.

The Challenges of Internal Audit Departments

The internal audit department faces numerous challenges which stifle their ability to perform its duties effectively. Some of these challenges include

Independence is Compromised

The independence and objectivity of the internal audit function is much needed for them to perform their task efficiently and effectively. Most often their independence is compromised. Auditing as a profession is faced with a problem of independence since is the board and management who appoint the internal audit and there is a high risk one cannot perform independently. The independency of the internal audit has drawn much attention and there is much focused on it now due to corporate governance and corporate failure (Ahmed and Taylor 2009 and Rittenberg 2006). Studies show that internal audit role with management with management such as advisory role and audit oversight can lead to conflict (Reynold, 2000, Ahmad and Taylor 2009 and Cooper and Craig 1983). Internal audit role with management and consistent providing of oversight can cause conflict. The problem of familiarity threat reduces the independence of the internal audit function as the auditor gets to know management and workers and Board. In audit role it is believed the internal auditor is independent from management, given them the total freedom to make professional judgment and opinion which is mostly not the case (Ahmad and Taylor 2009).

Expectation Gap

This is the gap between the auditors' actual standard of performance and what the general public expects the auditor's performance to be. The public has the expectation that the auditor should or must be able to detect all frauds and unethical behaviors' going on in the business or entity, which is basically not so. This is because internal auditors have their scope and objectives as laid down and determined by management and therefore can be limited (Institute of Internal Audit).

The Size of the Audit Staff

Ozuomba *et al* (2016), are of the view that the major challenges faced by most audit unit is relatively it size and the bulky amount of work associated to the audit unit. From their study and other empirical studies, the audit department has historically been understaffed and because of the increase of task, the audit units are not able to perform their task effectively. I strongly agree with them since a small audit staff cannot perform all its bulky duties within a year.

Inadequacy of Critical Tools and Resources

studies show that the internal audit unit does not have the adequate resources to perform their task and there is less knowledge on Electronic Data Processing and computers for efficient auditing of computerized systems. Most of the audit unit in the public sector still counts on paper documentation for making audit which makes their work difficult (Ozuomba *et al*, 2016).

RESULTS AND DISCUSSIONS

Internal Audit Unit Examination

The study made use of two set of data and the respondents were divided into two with one set of data focusing on the management and accounts department of the hospitals and another set of data provided to the internal control unit staff. According to the results from the data analyzed, it revealed that majority of the respondents 85% formed part of the management and accounts department and the remaining 15% were part of the internal auditing staff. The study further indicated that, the two public institutions lack strong staff (internal Auditors) to effectively perform their roles as require by law as each institution had two auditors each. This to some extent limited their operations and performances, thus because they were in charge of auditing large volumes of government expenditures. Thus, the study agrees with some earlier studies such as Ozuomba *et al* (2016), where they remarked that one of the major challenges faced by

Table 1: Respondents' category

Questionnaire respondent	Frequency	Percentage
Management and accounts department	22	84.62
Auditors	4	15.38

Source: Researcher's field data (2022)

most audit unit is relatively it size and the bulky amount of work associated to the audit unit. From their study and other empirical studies, the audit department has historically been understaffed and because of the increase of task, the audit units are not able to perform their task effectively.

Management and Audits Staff Views on Internal Controls

The results from the data showed that, the management and accounts departments agreed that there were internal controls within the institutions understudied which indicated a mean score of 1.00 with no standard deviation.

It was also indicated from the findings that management were responsible for implementing internal controls which gave a means score of 1.32. On the designing of internal controls, the research findings indicated that departmental heads were responsible for designing internal controls in the hospitals under study with a mean score of 2.45. Findings indicated that internal controls were often evaluated in the institutions under study which gave a mean score of 1.50. Management and accounts departments were of the view that financial records were verified and checked by the internal auditors very often indicating a mean score of 1.32. Findings indicated that management sometimes overrides controls which gave

Table 2: Respondents' views on internal controls

Question	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Are there designed internal control systems implemented within this institution?	22	1.00	.000	.000
If "Yes", which body is responsible for its implementation?	22	1.32	.194	.477
Who are involved in the design of internal controls in the organization?	22	2.45	.143	.671
Internal controls are evaluated within this organization?	22	1.50	.127	.598
Financial records are checked by internal auditors?	22	1.32	.102	.477
Management overrides the controls within the organization?	22	3.14	.151	.710
Your organization under takes ethics training?	22	2.50	.171	.802

Source: Researcher's field data (2022).

a mean score of 3.14. Also, findings further established that, the staff are allowed to embark on periodic capacity enhancement in the area of ethics training which was indicated by a mean score of 2.50.

Internal Auditors' Views on Internal Controls

The study sought to find it how the internal auditors are involved in the internal control mechanism of the institutions. Findings from the study indicated that the internal audit units were often involved in developing controls, giving a mean score of 1.50. it also became evident that, even though the internal auditors are involved in the internal control processes, sometimes the

management disregard the views of the internal auditor and this is represented with a mean score of 3.00. The internal auditors further confirmed the assertion made by the management that; they conduct timely ethics training for the staff which indicated a mean score of 3.00. A mean score of 2.75 indicated that the internal auditors in the institution sometimes communicate risk to management.

The results further revealed that, the external auditors often relied on the internal auditors which were indicated by a mean score of 1.50. A strong mean score of 1.00 indicated that internal controls were implemented in the institutions under study.

Table 3: Internal auditors' view on internal controls

Question	N	Mean		Std. Deviation
		Statistic	Std. Error	
How frequently does the internal audit department help in developing control systems?	4	1.50	.289	.577
Management overrides the control systems within the organization?	4	3.00	.408	.816
How often does your institution undertake ethics training?	4	3.00	.000	.000
At what frequency does the internal audit department communicate risk and control information to management and the governing board?	4	2.75	.479	.957
How often does internal audit department coordinate internal and external audit activities conducted within the organization?	4	1.50	.289	.577
At what frequency does management evaluate internal control systems?	4	2.25	.250	.500
How frequently are financial records and assets checked and inspected by internal auditors?	4	1.50	.289	.577
Are the control systems implemented and maintained?	4	1.00	.000	.000
Does your organization have a secured website or hotline to report suspected fraud, waste and abuse anonymously?	4	2.00	.000	.000
What mode of communication does the internal audit unit use to communicate risk and other control information to management and the governing board?	4	2.00	.577	1.155

Source: Researcher's field data (2022).

Effectiveness And Efficiency of Internal Audit

The Institute of Internal Auditors (2006) states that the existence of an audit committee, professional audit standards, a code of ethics, management backing, size, strength, and experience all contribute to an internal audit's performance. The results showed that the audit committee is completely present at the institution under study and is quite active. In general, the audit committees in each of the public institutions investigated were well-balanced and had auditors with at least 30 years of experience.

According to the Institute of Internal Auditors (2003), the audit committee is one of the crucial elements of corporate governance that ensures that resources are used wisely and efficiently to achieve the aims and objectives of the firm. One of the key elements of corporate governance is the audit committee, which makes sure

that resources are spent wisely and effectively to advance organizational objectives. According to Bishop, *et al.* (2000), Institute of Internal Auditors (2003), Anderson (1993), and Blue Ribbon Committee (1999), the audit committee's participation renders the internal auditor independent because they uphold that independence. The relationship between the audit committee and internal auditor is crucial to corporate governance.

Furthermore, data showed that the four auditors had previously worked for an audit unit and had been on the audit staff for between two and five years, demonstrating the depth of expertise of the auditors in the institutions under study. Additionally, the results showed that the internal auditors depend on their work, showing that they have the necessary knowledge and skills, with a mean score of 2.25. Internal auditors may carry out

their duties successfully and efficiently when they possess the necessary and suitable knowledge, abilities, and competence in the field of auditing, according to Mihret & Yismaw's (2007) study. The knowledge, skills and competence of the internal auditor would help in planning the audit work properly, detecting of fraud and error, communicating findings on a timely basis and giving recommendations to the right people which is not different from our finding.

In addition, management support is one of the key factors affecting internal audit effectiveness. The results showed that management follows internal auditors' suggestions quite frequently, as seen by the mean score of 1.32 above. Gray and Manson (2000) and Mihret and Yismaw (2007) found that if management overlooks an internal audit report, it undermines the function and makes it less successful, but in the institutions, they studied, management adopted their recommendations, increasing the effectiveness of their role. Van Gansberghe (2005) concurs with the aforementioned viewpoint and holds that the effectiveness of the unit depends on whether internal audit recommendations are carried out. Finally, results showed that the internal audit department

frequently conducts ethics training, which was indicated by a mean score of 2.0. The Institute of Internal Auditors (2009) states that effective internal audit functions should operate independently, add value to the organization, and enhance operation by providing objective assurance on risk management and consulting activities. This can be accomplished through ethical training, which is frequently conducted in the institutions under study.

How internal audit improves operational efficiency

In other to find out if internal audit adds value public sector institutions, management and the account unit were questioned on the relationship between internal audit and operational efficiency. A scale of 1-4 was used to measure the overall performance of the internal unit. Findings with a mean score of 1.05 representing strongly agree agreed that the internal audit department contributes to the overall institution's performance. Further findings indicated that the internal auditing is performing its work within the institution very well (good) which represents a mean score of 1.86. The findings are presented in the table below.

Table 4: Internal audit and operational efficiency

Question	N	Mean		Std. Deviation
		Statistic	Std. Error	
Do you think the existence of internal audit department contributes to overall institution's performance?	22	1.05	.045	.213
What is the overall performance of the internal audit unit within the organization?	22	1.86	.136	.640

Source: Researcher's field data (2022).

CONCLUSION

Ghana, like many other African nations, is plagued with rampant public sector violations. Large sums of money are lost to individuals every year as a result of poor internal auditing and poor accounting. The study comes to the conclusion that although the Manhyia and Mankranso Government Hospital's internal audit function is clearly defined and largely effective, there is still some room for administrative and accounting violations, the commission of fraud, and resource misuse because management frequently ignores internal controls. The main elements affecting internal audit effectiveness include management recognition and support, independence of the internal audit function, provision of resources, technology, and skill development. Governmental Hospital of Manhyia and Mankranso

REFERENCES

- Adeniyi A. A (2004). Auditing and Investigations, Wyse Associates Limited, *Ikeja Nigeria*, 204.
- Ahmad, N., Othman, R. & Jusoff, K. (2009). The effectiveness of internal audit in Malaysian Public Sector. *Journal of Modern Accounting and Auditing*, 5(9), 84 – 790.
- Anderson, R. C., Mansi, S. A., Reeb, D. M. (2004). Board characteristics, accounting report integrity and the cost of debt.
- Beasley, M. S (1996). An Empirical Relation between Board of Directors Composition and Financial Statement Fraud. *The American Review*. 443-465
- Belay, Z. (2007). A Study on effective implementation of internal audit function to promote good governance in the public sector. Presented to 'The achievements, challenges, and prospects of the Civil Service Reform Programme Implementation in Ethiopia College Research, Publication and Consultancy Coordination Office.
- Belloli, A. (2006). The impact of changing Corporate Governance norms on economic crime.
- COSO, (1985). Committee of Sponsoring Organization of the Treadway Commission. (National Commission on Fraudulent Financial Reporting)
- Enofe, A.O., Mgbame, C. J., Osa –Erhabor, V. E. & Ehioroba, A. J. (2013). The Role of Internal Audit in Effective Management in Public Sector. *Research Journal of Finance and Accounting*, 4(6), 162 – 168.
- Institute of Internal Auditors (1999). Definition of Internal Auditing, The Institute of Internal Auditors,

- Altamonte Springs, FL
- Johnson, I.E. (1996). Solving Public Sector Management *Accounting Problems: Star Press Logos*, 15.
- Myers, P.M, and Ziegenfuss, D.E. (2006). Audit Committee Pre-Enron efforts to increase the Effectiveness of Corporate Governance Corporate Governance. *The international journal of business in society*, 6, 49-63.
- Ozuomba C, Nwadiakor E and Ifureze S.M (2010). Effective internal audit as a tool for improving governance and accountability in public sector.
- Pickett (2004). developing internal Audit competence R.K. Mautz and Hussein. A. Sharat (2002). the philosophy of auditing Utouh, I.S (2006) 'The role internal audit in public sector' NBAA workshop paper on internal audit function its role and relevance 2006 Dar es Salaam.
- Rezaee, Z, Olibe, K & Minnier, G (2003). Improving Corporate Governance: The Role of Audit Committee Disclosures, *Managerial Auditing Journal*, 18(6/7), 530 – 537
- Rudasingwa, J. (2006). The role of the internal Audit function in enhancing risk management in the Rwandan Social Security Fund
- Van Gansberghe, C. N. (2005). Internal auditing in the public sector: a consultative forum in Nairobi, Kenya, shores up best practices for government audit professionals in developing nations', *Internal Auditor*, 62(4), 69-73.
- Vani, S. (2010). Internal Audit in the Public Sector: Underdeveloped and Underused. Retrieved from <http://blog-pfm.imf.org/pfmblog/2010/08>
- Vos P. M (1987). Auditing Practice Macdonald & Evens Press Ltd. London pp
- Zelege, B. (2007). A Study on effective implementation of internal audit function to promote good governance in the public sector. Presented to "The achievements, challenges, and prospects of the Civil Service Reform Programme Implementation in Ethiopia College Research Publication and Consultancy Coordination Office.