

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

DEPARTMENT OF ACCOUNTING AND FINANCE



**Evaluating The Effectiveness of Internal Auditing in The Public Sector. Evidence
from Ghana Cocoa Board (COCOBOD)**

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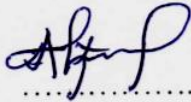
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**A Thesis Submitted to the Department of Accounting and Finance, School of Business,
College of Humanities and Social Sciences in partial fulfillment of the requirement for
the award of Master of Science Degree in Accounting and Finance.**

November, 2020

DECLARATION

I hereby pronounce that this thesis is the result of my own research work towards the award of a degree in MSc. Accounting and Finance and has not been presented to any other University for the award of any other degree, with the exception of work of others which served as information and have been duly acknowledged by referencing them.

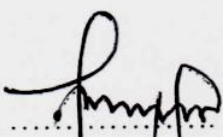
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DEDICATION

I dedicate this work to my parents Mr. and Mrs A. C. K Adjagrah, my siblings George, Kerziah and Kwadwo and my wonderful children Selalinam Kwadzo Kumah and Segayram Komla Kumah.



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I am so grateful to my supervisor Alex de-Graft Hanson for his time, correction and direction.

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ABSTRACT

The study intends to evaluate the effectiveness of internal auditing in the public sector of Ghana. The study was motivated by continues mismanagement of public funds and assets, the rampant act of corruption and many more of which the Ghana Cocoa Board is not exempted. The population covered forty (40) internal audit staff, of which thirty (30) was sampled using convenience and purposive sampling techniques. A questionnaire was administered for data collection. Descriptive statistics were used for the data analysis. The study revealed that the internal auditors at COCOBOD are competent to deliver on their jobs. The study also reveals that an internal audit unit is independent to an extent. The study identified that the competency of the auditor and the independence of the internal audit unit has a significant positive relationship with internal audit effectiveness. Auditors perform an audit based on audit standards and report are timely. The study reveals that internal auditors have little knowledge of the techniques to follow up on their recommendation. The study recommends gender diversity to foster creativity, innovation, value addition and more importantly efficiency and effectiveness. Again, the study recommends that the reporting line for the internal audit is made clear to avoid any ambiguity that would allow the executive management to influence internal audit. The study recommends that an adequate budget is allocated to the internal audit department to ensure the smooth running of the department. The study was limited by, the internal audit staff not ready to give information and the lockdown due to Covid -19. The value of the study is to review existing debates, draw attention to new thinking about internal auditing and bridge the existing gap of internal auditing in our public institutions.

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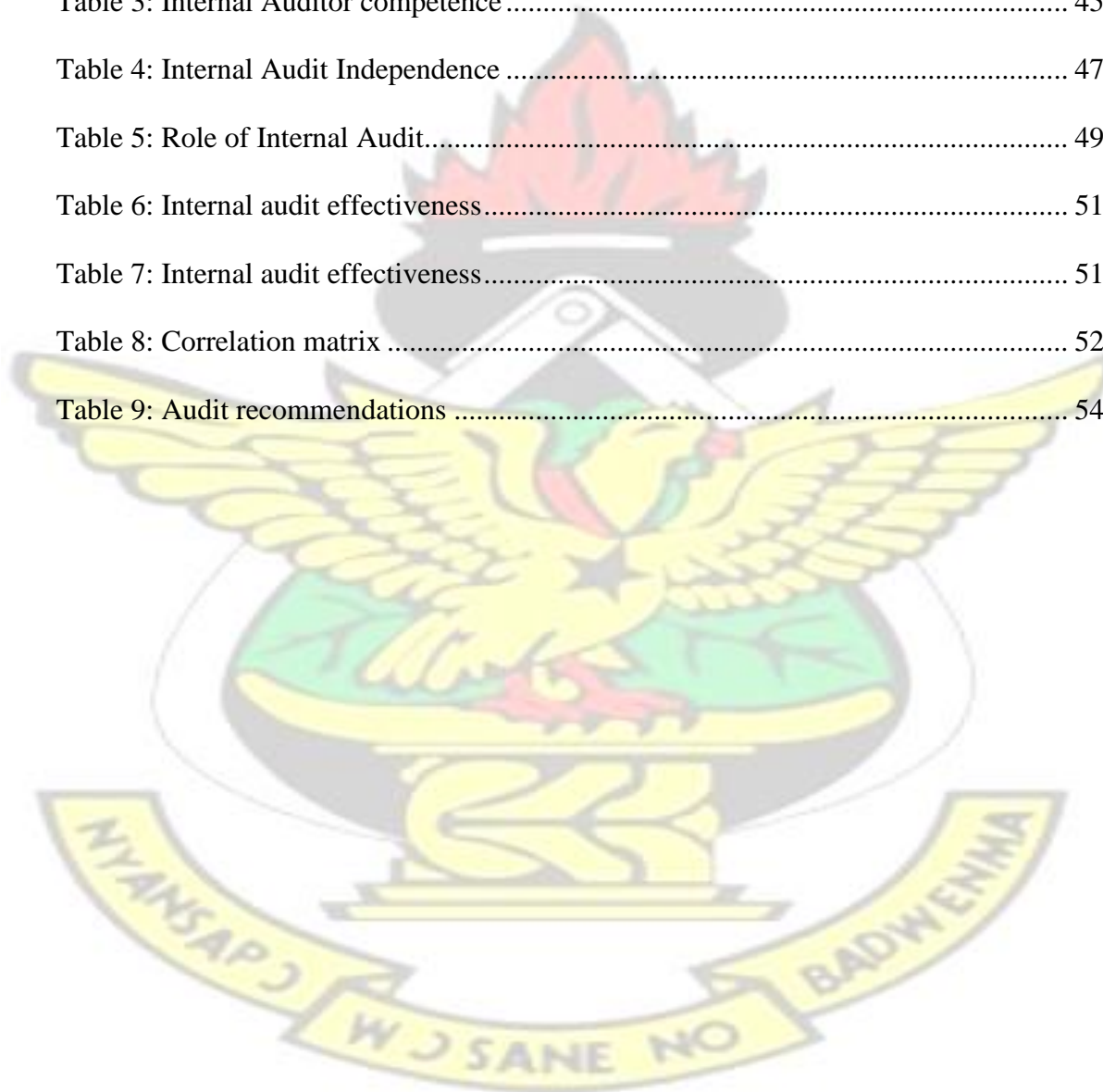
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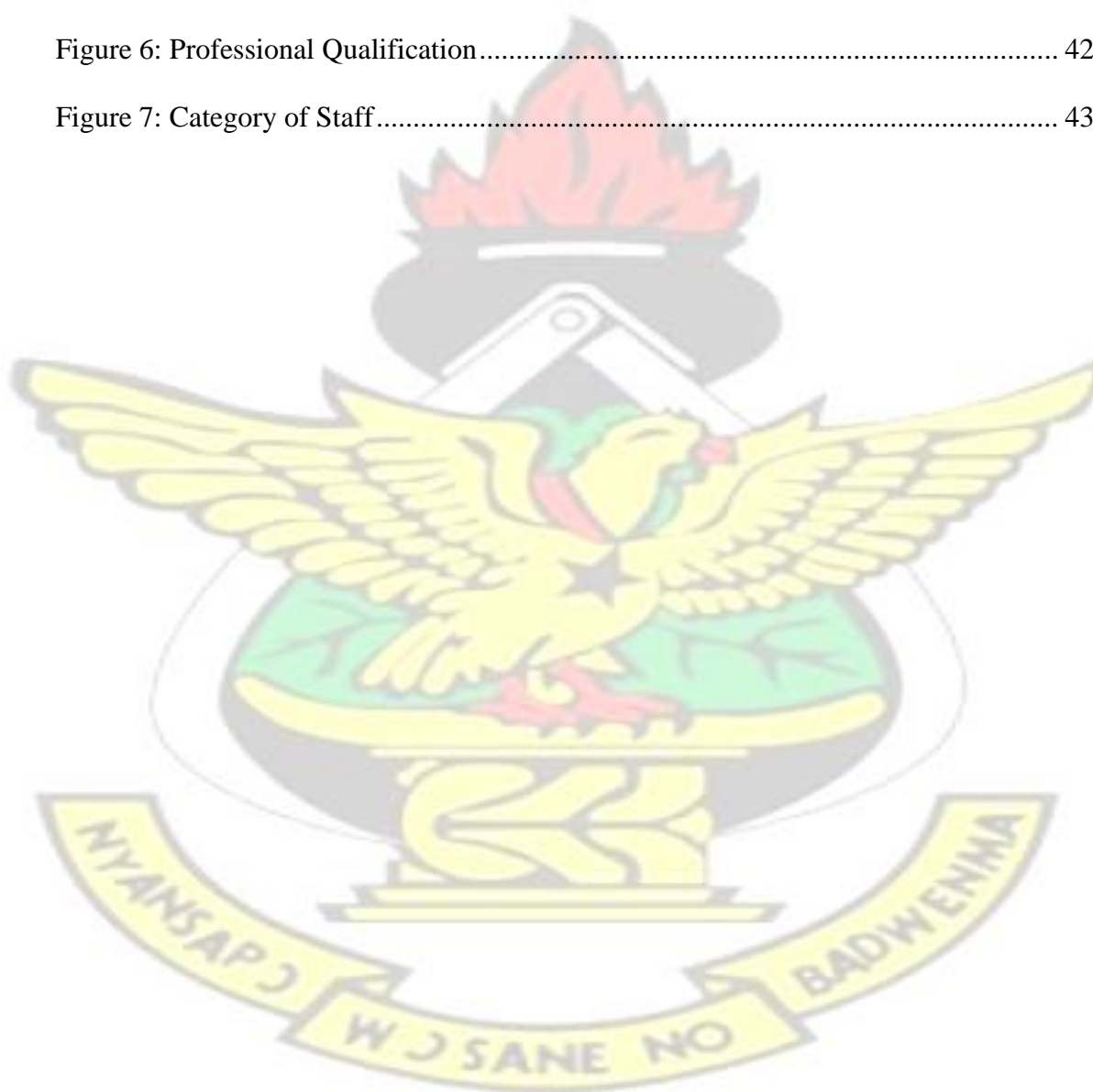
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LIST OF ABBREVIATIONS

ACCA – Association of Chartered Certified Accountants

CIA – Certified Internal Auditors

HND – Higher National Diploma

IA –Internal Audit

IAS – International Auditing Standard

ICA – Institute of Chartered Accountants

IIA – The Institute of Internal Auditors (IIA)

SPSS – Statistical Product for Social Solution



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The development of any country is largely dependent on the effective functioning of the public sector (Tabara & Ungureanu, 2012). As a result, greater attention has been turned to the proper management of public resources to get the best out of them as well as how public institutions can also improve their effectiveness through good public sector management (Wangui, 2012; Omolaye & Jacob, 2017). Ghana's Public Sector like all others contributes significantly to the growth and development of the country. According to Onumah, & Yao Krah (2012), the Ghanaian public sector since independence has played its part serving as the wheels on which government policies are implemented to bring development to the doorsteps of citizens. The role public sector organizations play in ensuring socio-economic development across the country, the work of public servants is always under public scrutiny. Mihret & Admassu (2011) agreed on critically examining public servants because their role in economic transformation is a key ingredient in generating the kind of growth that contributes to reducing poverty in a country. The work of public servants facilitates social progress and sustainable growth when executed within the proper policy framework and sound governance. Thus, public servants are instrumental in making the public sector a critical part of the developmental drive of the country.

The need to ensure that the economic, social and infrastructural goals of the government are fully achieved requires the efficient and effective management of public sector financial resources. This is crucial in bringing about the desired change and the outcomes of the initiatives for which funds have been made available (Laura, Jenny & Nava, 2011; Onumah, &

Krah, 2012). According to Enofe et al. (2013), the public sector is made up of government and other publicly regulated organizations, corporations, and other institutions that provide programs, products, and/or services that are set up by public policy and legislation. El-Mahdy & Park (2013) argued that huge sums of funds are handled in a large political climate by public sector organizations, requiring a high degree of trust in the way their financial affairs are conducted. This level of assurance can only be gained when the public sector is audited. According to Arwinge (2013), audit guarantees transparency and accountability which translate into good governance, which ultimately builds the confidence people have in the government. The Institute of Internal Auditors (2010) posit the maintenance of internal control in public sector organizations and how they are accountable has evolved over the years as more transparency and accountability is required of them. Internal auditing has therefore become an integral part of the new accountability and control era (IIA, 2010). Internal auditing consults on how best to accomplish organizational goals through proper risk management and internal control processes (Enofe et al., 2013; Brown-Liburd et al, 2014; Boateng, 2016). Internal auditing is defined by the Institute of Internal Auditors (IIA) (2010) as an autonomous, objective assurance and consulting process designed to add value and enhance the operations of an organization. Internal audit brings a systematic, disciplined approach to assessing and enhancing the performance of organizations through effective risk management, control, and governance systems. Boateng (2016) and Ege (2015) argued that internal audit has experienced a paradigm shift from a focus on accountability of past events to help auditees work more efficiently and effectively. This makes internal audit significantly important to the organization as it provides insight, recommendation and strategy to help manage risk in the organization. The purpose of the internal audit activity is to strengthen and safeguard organizational value by offering risk-based and objective assurance services, advisory and insight.

In Ghana, despite the efforts of the government in this regard, there have been continuous mismanagement and financial irregularities of public officials and public institutions as a result of wrong management practices in public sector institutions, resulting in loss of public funds (Attor 2019). For example, a total of about GHS 5.2 billion has been misappropriated from government coffers for 4 years (Auditor-General Report, 2018). The Ghana COCOBOD in recent times like many government institutions has also been saddled with a lot of financial scandals which can be largely alluded to as a breakdown in the work of the internal audit department and lack of financial controls that make sure things are done right. The continuous financial mismanagement of institutions such as the COCOBOD brings up the question if internal auditing in these institutions is effective? On this ground, the researcher will want to use these research to identify, examine and investigate internal audit concerning their effectiveness to promote continuous improvement in public sector governance, risk management, and control processes by challenging the status quo. Independent auditing is therefore critical support to good governance in the public sector, which can only be achieved if an internal audit is effective and efficient in its duty.

1.2 Statement of the Problem

Over the years, internal auditing has formed an important part of the financial system of public agencies. Internal auditing has helped in uncovering improper accountability and under-utilization of public assets. (Attor 2019). For example, there have been many instances and revelations of inadequate internal controls in the Ghanaian public sector. There seems to be some negligence in public sector financial resource management and it is for this reason that mechanisms such as the Act 2003 of the Internal Audit Agency (Act 658) have been put in place in Ghana. The Act is meant to strengthen, closely monitor, check, and avert the inaccuracies in our public sector to ensure efficiency and proper utilization of resources for the

achievement of performance goals (Achina, 2015). Achina (2015) further pointed out that the Internal Audit Agency Act requires all public institutions in Ghana to have an internal audit department to strengthen internal controls, prevent fraudulent acts and check or avert the inaccuracies in financial management within the public sector. Abbey (2010) indicated that the efficacy of the internal audit contributes substantially to the auditees effectiveness. The maintenance of internal audit quality will contribute to an effective and efficient public sector. However, it seems a good audit process and audit independence are missing in public sector organizations (Ahmad, 2015).

Despite the benefit of internal audit to the public sector, weak internal controls systems and internal audit system in public sector organizations have therefore led to the rampant misuse of public assets. Institutions like COCOBOD are always in the news for mismanagement of funds that have been committed into the hands of the institutions to manage for the benefit of farmers and all the people working in the cocoa value chain as well as Ghanaians in general. In 2017, purchasing clerks of COCOBOD were involved in the fraudulent adjustment of their scales from 1kg to 5kg to cheat farmers from their profit (COCOBOD, 2017). Also in 2018, there were allegations of employment fraud against COCOBOD, involving the contract staff being offered permanent roles but the jobs were given to people outside the scope of the recruitment. When the contract staff complained about the unfair recruitment that was done, 450 of them were all suspended (Miller, 2018). The biggest financial scandal to hit the public sector in 2018 was when COCOBOD CEO (Stephen Opuni) was reported to have awarded fraudulent fertilizer supply contracts totalling 217 million Ghana cedis (\$49 million). The president (Nana Akufo-Addo) had to fire Stephen Opuni after three-year tenure as head of COCOBOD, which raised concerns by the industry for a lack of transparency (Gibril-Abdul, 2018). All the above happenings raised concerns about the effectiveness of the internal audit of COCOBOD in helping curb the issue of fraud at the institution.

In Ghana, there have been some studies conducted on the effectiveness of internal audit in public sector organizations. A study by the World Bank (2006) identified that there is insufficient understanding, of the role of internal audit in the public sector as a tool that contributes to financial prudence and this has led to the ineffectiveness of the internal audit in the scope of the Ghanaian public sector. Ali et al. (2009) and Ahmad (2015) also posit that internal auditors lack the necessary experience and expertise to conduct quality work which enhances the effectiveness of the internal audit function in safeguarding resources. But a majority of the studies in the internal audit was conducted using the MDAs and MMDAs without much attention paid to quasi-government institutions like COCOBOD. This has necessitated research into the effectiveness of internal audit using COCOBOD as a case study. The research will review existing debates, drawing attention to new thinking about internal auditing and bridge the existing gap of internal auditing in quasi-government institutions.

1.3 The Objective of the Study

1.3.1 Main objective

The main objective is to evaluate the effectiveness of internal auditing in the public sector using COCOBOD as a case study.

1.3.2 Specific objectives

The study seeks;

1. To identify the competence of internal auditors in COCOBOD
2. To establish whether the internal audit unit is independent in the discharge of its duties.
3. To identify the role of internal auditors in safeguarding assets of COCOBOD

4. To establish whether the recommendations from internal audit units are fully implemented.

1.4 Research Questions

1. What is the competence of internal auditors in COCOBOD?
2. How independent is the internal audit unit in COCOBOD?
3. What are the roles of internal auditors in safeguarding the assets of COCOBOD?
4. Are internal audit unit recommendations fully implemented?

1.5 Significance of the Study

The purpose of the study is to uncover the reason why internal auditors cannot do their audit work independently. The continuous waste/loss of valuable assets and fraud within the public sector even with the emergence of internal audit units, causing some of the public sector organizations to perform woefully. The study is very significant to prudent management of public funds and the findings of the study will help policymakers, the Audit Service, Auditor General's department, people in academics and the whole public sector of Ghana including MDAs/MMDAs

The findings of the study will provide recommendations that will help the internal audit unit to become a strategic partner to public sector organizations through internal auditing. The audit unit will be able to develop and implement strategies that will help to improve the integrity of its auditors in the discharge of their objectives and responsibilities efficiently and effectively by providing recommendations on how to better achieve these objectives through managing risk, than acting as a check on public sector organization.

Public sector policymakers and regulators concerned with the overall sanity in the public sector system in the country such as the Ministry of Finance, Controller and Accountant General Department, Audit Service, Auditor General's Department and the government as a whole will also benefit from the findings of the study. Information on the identification of audit loopholes and deficiencies will help policymakers in policy implementations. These policies will help address any bottlenecks there may be that are prohibiting it from doing its work effectively. Based on these, policymakers will be able to bring out the kind of policy instruments that would adequately help shape the system by enacting rules and regulations and also promote compliance for these organizations to better serve the people of Ghana

The research work, therefore, seeks to add to the knowledge and existing literature while creating the necessary atmosphere for future works to be carried on in the public sector institutions of Ghana in this area of study since it will be beneficial to future researchers and academicians interested in this area of research and other related areas of internal audit in the public sector.

The findings of this study will also help auditors in the public sector firms as the findings of this study will provide recommendations that will help to shape their work and the approach to it. The findings will provide information that will reflect the true nature of the challenges these auditors face in their daily work and strategies that can then be created and implemented to overcome these challenges to ensure the effectiveness and efficiency of their work.

Finally, the findings of this study will be made available particularly to the Auditor General's Department since it is the institution specifically tasked to audit and provide assurance on the internal controls systems of public sector organizations. The researcher seeks to use the outcome of this research work to point out weaknesses and also make recommendations on them which will help the planning of their audit engagement.

1.6 Scope of the Study

This study focuses on COCOBOD as a public institution. The demographic data of participants and respondents were collected and the questionnaire was distributed to respondents within the said organization.

1.7 Limitation of the study

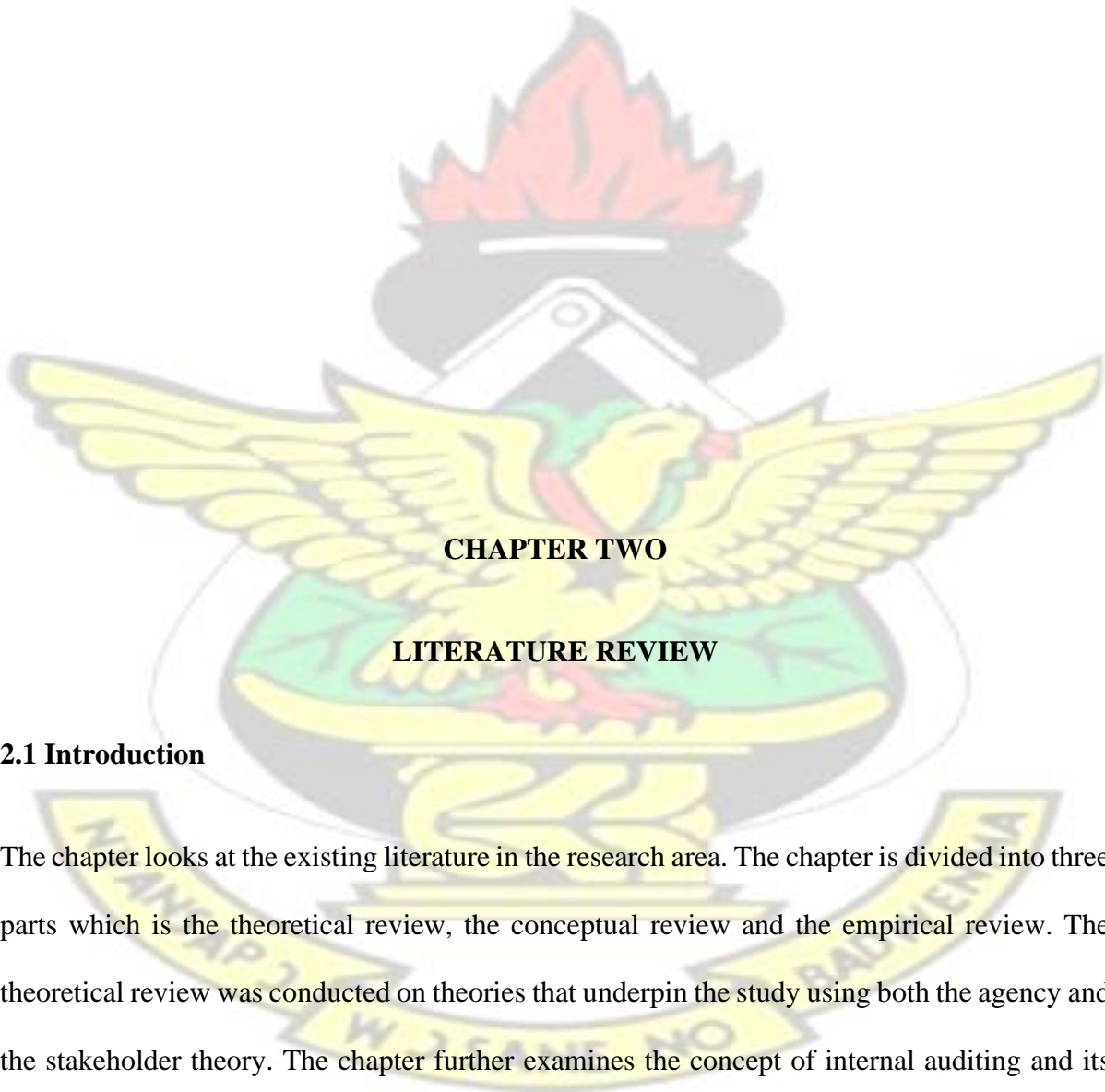
Information on internal audit and other organizational reports are very sensitive information and also confidential and normally institutions protect this kind of information from going out due to the consequences of exposing the organizational weaknesses. Due to this, it was very difficult to get information and assess the needed data for the study but the researcher found ways to surmount these challenges for it not to have an adverse effect on the findings of the work. Opinions are subjective and sometimes digress from the real or true situation on the ground but the research seeks to adopt other strategies such as follow-up questions that can be used to confirm submissions based on opinions. The study will also be limited by time because the study has to be completed within a specific time frame determined by external parties. A conclusion that will be drawn cannot be used to take a broad view of the effectiveness of internal auditing in the public sector in Ghana as a whole because the study is going to be conducted as a case study. Despite these limitations, the research is being conducted in such a way that it will lead to the achievement of the research objectives.

1.8 Organization of the study

Chapter one introduces the research topic with the background of the problem statement and objectives. It also provides information on the scope of significant limitations and organization of the study. Chapter two discusses the definitions, history, and other theories by others on internal audits, in Ghana and other parts of the world. Chapter three also outlines the

methodology for the research. Chapter four gives a presentation and analysis of the data collected. Finally, chapter five presents a summary of findings, recommendations, and conclusions.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter looks at the existing literature in the research area. The chapter is divided into three parts which is the theoretical review, the conceptual review and the empirical review. The theoretical review was conducted on theories that underpin the study using both the agency and the stakeholder theory. The chapter further examines the concept of internal auditing and its importance to the public sector. The chapter also provides explanations of the underlining theories of the study. The empirical review will focus on the review of the work of other

researchers related to the subject matter, discussing their methodology, findings and recommendations. The chapter concludes with a conceptual framework of the study.

2.2 Conceptual Review

2.2.1 Overview of Internal Auditing

Internal auditing has been defined by researchers as “an independent appraisal function, established within an organization to examine and evaluate its activities as a service to the organization” (Institute of Internal Auditors, 2010; Al-Zwyalif, 2015). Onumah and Krah (2012) posit that internal auditing is “a systematic, objective appraisal by internal auditors within an organization to determine whether the financial and operating information is accurate and reliable, risks to the enterprise are identified and minimized, external regulations and acceptable internal policies and procedures are followed, satisfactory operating criteria are met, resources are used efficiently and economically and the organization’s objectives are effectively achieved – all to consult with management and for assisting members of the organization in the effective discharge of their governance responsibilities”.

The primary purpose of internal auditing is to help an organization to achieve its objectives by providing a level of assurance to management about the effectiveness of the governance system it has put in place, its impact on risk management as well as the control that will enable the organization to achieve its operational, financial and compliance objectives. McGee (2012) therefore argued that the effectiveness of the internal audit function and internal auditing process is very critical to the success of the organization. Thus, internal auditing becomes more of a control in itself that can be used to measure and evaluate the effectiveness of the controls systems of an organization (Ayagre, 2014). Internal auditing according to Tabara & Ungureanu (2012) involves activities that are performed by internal auditors in one or more areas such as;

evaluating the operational performance of an organization or a firm, reviewing financial reporting procedures to ensure quality, to enhance integrity and reliability of the organization's financial statements and ensuring that the internal controls systems are adequate and effective.

Dating back to the formative years of internal audit, it was positioned as the 'eyes and ears of management' (Faudziah et al, 2005; Griffiths, 2006). Internal auditing back then was seen as a monitoring tool that is used by principal or owners of an organization to act as checks on their executive managers to make them do the right thing and in the interest of the organization due to the challenges that the principal-agent relationship (agency conflict). Boateng (2016) argued that due to the conflicting interests of shareholders and management of organizations, the less informed party will have to demand (owners) for information that monitors the behaviour of informed party (managers). According to Morgan (1979), the internal audit function was confined to ensuring that the accounting and underlying records of an entity's transactions were properly maintained, that the assets were safeguarded and policies and procedures were in place and were duly complied with. The work of internal auditors becomes more of the policemen and watchdog, performing financial checking role which is counting and number crunching? (Bou-Raad, 2000; Onumah and Krah, 2012). Diamond (2002) also argued that on the inception of auditing, internal auditors were seen as policemen of a sought for the owners because the internal auditing function was purely based on the arithmetical accuracy of the business information as well as focused on prevention and detection of fraud. This brought to bear the policeman theory where the activities of the internal auditor and his work are directed mainly to keep the business in check by preventing and detecting fraud. However, the nature and scope of the internal auditor's role and the internal audit concept are continuously changing with time as internal auditors are more of strategic business partners, making recommendations than just acting as policemen (Hayali Sarili & Dinc, 2012).

Internal audit function in organizations now works closely with the audit committee of the company whose role is to advise the directors of a company based on the recommendation of the internal auditor's work. The audit committee has oversight responsibility for the internal audit department, direct its affairs and help the function to be independent and objective in their work. The oversight responsibility of the audit committee extends over the annual financial statement reports, reviewing policies and practices as well as monitoring internal control systems. This oversight responsibility establishes a direct reporting line between the internal audit and the audit committee enabling the internal audit to bring findings relating to significant risk that the organization is facing to the audit committee's attention without the interference of management (Millichamp, 2011). Internal audit has therefore moved from performing the role of policemen to helping the organization in strengthening its corporate governance through risk-based audits, which provides assurance and insights into the processes and strategies that determine the organization success. Tabara & Ungureanu (2012) noted that the internal auditor's work is ever-changing and can extend beyond just internal control, operational and risk audit to areas such as organizational culture and behaviour, sustainability, and other non-financial reporting measures depending on the changing business environment, risk profile and the business model of the organizations. Despite all this continuous change in the work of the internal auditor, one thing remains the same which is very much needed if the work of the auditor is going to be of any importance to management. Whether in the private or public sectors, confidence in auditing rests to a great degree on the independence and objectivity of the auditor (McGee, 2012). Independence underlies the work of the internal auditor and gives credibility to his work.

2.2.2 Scope and Objectives of Internal Audit

The objectives of an internal audit department may vary depending on the scope of activities that management and those charged with governance have outlined for the department. Karagiorgos, Drogalas & Giovanis (2011) argues that the objectives and scope of internal audit do not only depend on management responsibilities for the department but are also influenced by the size of the audit department, the skills and experience of the audit personnel and the way the organization is structured. According to Hayali, Sarili & Dinc (2012), the objective of an audit is to express an opinion about the true and fair view of the financial statements which is the primary duty but the auditors also have secondary objectives which are;

- i. To prevent errors and fraud by determining the moral effect of the audit
- ii. To detect errors and fraud
- iii. Review of the accounting system and related internal controls
- iv. To provide spin-off effects by providing other services accounting, taxation, financial, risk management and advisory services
- v. Satisfy statutory requirement, for mergers and acquisitions, among others. They include:
- vi. Examination of financial and operating information for management including detailed testing of transaction, balances and business processes.
- vii. Review of the economy, the efficiency and effectiveness of operations and the functioning of the non-financial controls.

2.2.3 Public Sector Internal Auditing

The audit function over the years has become integrated into government activities and government organizations as a tool that will help public sector organizations to perform at their best. Prudent financial management is needed in the public sector to ensure that there is a proper

use of public funds and for these public sector institutions to demonstrate good governance and accountability there is the need for government to ensure that the activities of public institutions are audited for efficiency and efficient in the delivery of their services to the people (Dawuda, 2010). Asare (2009), therefore asserted that public sector internal auditors duty is to aid the public sector organization better their activities and operations to ensure efficiency and effectiveness. The internal audit function has therefore become an important element that is used by the government to give credibility to its activities and also to promote strong public sector governance. As a result, the check-and-balance process of auditors in the public sector to hold the entity accountable is key to the progress and development of not only the public sector organization but the nation as a whole (Karagiorgos, Drogalas & Giovanis, 2011).

The public sector as it's is very diverse and complex and therefore require that their activities are critically monitored from within the organization to ensure that it does not deviate from its core objectives because of the numerous forces that are acting in public sector organizations (Mihret, James & Mula, 2010). According to Wahid et al. (2015), the independence of public sector auditor is paramount to their work because it ensures that there is auditor's credibility and validates the auditor's work to be true and fair. Auditors in the public sector are normally under a lot of pressure to look sideways while public servants loot public resources and share hence for the auditor to perform has worked diligently in the public sector, his or her independence should not be compromised under any circumstance (Mihret, James & Mula, 2010; McGee, 2012). Apart from independence, professionalism and experience are also required for public sector auditors to give the right assurance on an institution's financial statement and the report they submit to management on internal control lapses discovered in the course of the audit (Asare, 2009). As internal auditors are an integral part of the public sector, the achievement and maintenance of their independence are even more challenging.

2.2.4 Types of Public Sector Audit

The audit generally can exist in many different forms or types depending on the objective of the audit as determined by the management of the organization. Uwaleke & Ubaka. (2016) has pointed out that audit generally falls into the following categories; financial statements audit, operational audit, compliance audit among others but audit in the public sector sometimes take a different dimension from the audit of private firms as the scope and objectives of the audit are generally different even though some can be similar. Audit in the public sector is normally based on deciding on the effectiveness, efficiency or economy (3E's) of public sector activity. The following are the types of auditing carried out in the public sector organizations;

2.2.4.1 Financial audit

Financial audit in the public sector is conducted to determine whether or not the financial information of a public sector organization is presented in accordance with the applicable financial reporting and regulatory framework. The auditor finds sufficient and appropriate audit evidence to enable an opinion to be expressed by the auditor whether or not the financial statement is free from material misstatement and true and fair based on the available evidence (Uwaleke & Ubaka, 2016).

2.2.4.2 Performance audit

The performance audit is carried out in a public sector organization to examine whether the organization is doing well. A performance audit is an independent assessment to determine if the operations of the public sector firms are in conformity to its outlined programs and whether their activities are directed towards achieving them (Uwaleke & Ubaka, 2016).

2.2.4.3 Compliance auditing:

This is concerned with determining whether the company's system to control and record distribution costs were operating as laid down by management and whether distribution costs have been properly determined and disclosed in the account. The audit is set out to investigate whether or not the organization is complying with local laws, regulations, policies, procedures and standards that must guide the operations of the organization, hence compliance audit is a comprehensive review of the adherence to the regulatory guideline by a public organization (Uwaleke & Ubaka, 2016).

2.2.4.4 Operational Audit

The operational audit is the appraisal activities that a public sector undertakes to check the effective workings of the organization's risk management, internal controls and governance to facilitate the achievement of organizational objectives. The scope of an operational audit is very broad and can encompass any matters which can affect the achievement of organizational objectives (Uwaleke & Ubaka, 2016).

2.2.5 Internal Audit and Control Systems

Gray and Manson (2000), about the guidelines on an internal audit by the Auditing Practice Committee, have outlined certain directives for evaluating internal controls risk to ensure that the organizational internal control system is working properly. According to Gray and Manson (2000), basic rules on internal control systems are of value in evaluating internal control system because it helps the auditor resolve to the state of internal control of the organization whether

it is weak or strong. Eight (8) types of Internal Audit System Controls have been identified as a guideline on internal controls needed for an organization to have in place that should be obtainable in an organization and they are as follows:

2.2.5.1 Organizational Control

Every organization is governed from the top and usually the organization's chart is the starting point for outlining reporting lines, allocating authority and responsibilities and therefore a good approach to the organizational control. According to Gray and Manson (2000), segregation of duties cannot be achieved in an organization unless the organization is clear on the duties and responsibilities it has attached to each role, with its accompanying authority. An organizational control determines to a large extent the success and failure of the organization and this is because an organization cannot function properly without the right structure in place. Every firm should have a working plan of all its activities which should be properly designed, defined, duties and responsibilities allocated. This would aid monitoring by the appropriate supervisors termed "responsible officers" and help to exert organizational control on the organization.

2.2.5.2 Segregation of Duties

Segregation of duties is at the heart of the internal control system since it follows the premise that an individual should handle a transaction from end to end. According to Ayagre, Appiah-Gyamerah, and Nartey (2014), a department or an individual should not have total control over a transaction from initiation to finishing as this breaches the fundamental concept of the effective internal control system. Separation of duties is important because it reduces the risk associated with manipulation as it increases the checks that are performed on a process and will serve as a help to reduce the error that is accidentally committed. Initiation, execution and recording of a transaction should be performed by different people in an organization with each

action overlapping and acting as a layer of check on the other one. For example, the function of making a loan decision which is at the initiation level, the function of having custody of the loan funds and the function of keeping loan records should be performed by different officers in a financial institution. Furthermore, the Internal Audit system should be well resourced to monitor daily operations. For controls to be effective in an organization whether public or private, duties must be segregated.

2.2.5.3 Arithmetical and Accounting Control

To check that the transactions are recorded and the process is carried out by authorized personnel with the proper authorization received these are some of the controls that affect the recording function in the accounting environment. Arithmetical and Accounting controls include checking the arithmetical accuracy of the records, reconciliation differences by use of control accounts and trial balances and maintenance of accounting document which involves filing. If accounting controls are adequately put in place by organizations, it ensures that accounting fraud is reduced or eliminated. Also, proper implementation of Arithmetic and accounting control enables easy verification of transactions and improves the credibility of accounting figures.

2.2.5.4 Personnel Control

Getting the right people to run an organization is very important for the optimal performance of the organization. People are the engine that drives organizational performance hence organizations must find people with the right qualifications, training, personal characteristics to be part of it. The auditor must determine that the organization has competent employees and whether or not management has set up the needed control to attract the right talents to the organization which is the best way to ensure that the firm is effective and efficient in the

achievement of its objective. Every organization in this regard should take adequate and appropriate steps to ensure that the capabilities of employees commensurate with their responsibilities and they are the best “fit” for their positions and the organization as a whole since employees are the driving force behind every organization. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it (Gray and Manson, 2000)

2.2.5.5 Supervision Control

Supervision is the constant and continuous monitoring of the activities of subordinated by their supervisors. According to Romero (2010), in an internal control system, there should be the supervision of day-to-day transactions of the entity by responsible officials. That is, all actions at every level in the organization that is performed by staff should be supervised. Any system of internal control should include in it the day-to-day supervision of transactions and recording thereof by responsible officials that are put in place to ensure that the right thing is done. Setting up of organizational controls gives the right to supervision controls and every single activity performed in the organization by staff should have laid down rules of engagement which should be correctly communicated to the person supervising.

2.2.5.6 Physical Control

Assets are resources that are used to run the operations of a business and these assets exist in various form; fixed and current. When the assets of the organization are not managed effectively and efficiently the business runs into challenges. The organization’s assets help it to generate profit hence the physical custody of these assets are important. Again Gray and Manson (2000), physical security over assets are critical to ensure they are not misused or misappropriated. Physical custody of assets is the procedures and measure that are put in place

to limit the access and use of assets to authorized personnel only. When assets are recorded and assigned it enables tracking of the intended assets and direct responsibility for its proper use can also be laid on the specified personnel. These controls are very necessary when the intended assets are valuable and desirable to the firm's primary business activities. Also granting access to files using the electronic I.D and passwords in a computerized environment can constitute physical control.

2.2.5.7 Management Controls

Management controls are the controls that are exercised by management for the day-to-day running of the system. Some of these controls are; overall supervisory controls, internal audit function, the review of management accounts and making the necessary comparison with budget among many others. For an organization to operate smoothly which is one of the objectives of an effective internal control system, the management must ensure that internal control processes and procedures are reviewed from time to time to accommodate changes in the financial management operations (Selim et al., 2014)

2.2.5.8 Authorization and Approval

The organizational structure sets the tone for authorization and approval controls because it creates the necessary line of command in the organization. Transactions should require authorization from appropriate responsible persons. Authorization and approvals from senior personnel prevent fraud and error in respect of separating between legitimate and illegitimate transaction and put responsibility at the doorstep of those in management. For example, in organizations that use high volumes of cash like restaurants, supermarkets, banks as well as some public organization there is the need to put in place controls that require approval and authorization before certain transactions are carried out. All cash transactions should receive

authorization or approval by an appropriate person, and the limit to authorizations should be specified clearly.

2.2.6 Factors that affect Internal Audit Effectiveness

The purpose of the internal audit is to assist the business to deliver on objectives that are core to their operations and the audit work can only provide that service when their work is effective (PricewaterhouseCoopers, 2014). Internal audit effectiveness drives internal audit work and internal audit work is relevant to management if only it helps the firm achieve its operational and financial objectives. According to Ege (2015), effectiveness can be defined “as the capacity to obtain results that are consistent with targets objective”. When the internal audit service can deliver its work in line with the audit standard and the objectives of the audit then audit effectiveness would have been achieved. The Institute of Internal Audit (2010) also defined internal audit effectiveness “as the degree (including quality) to which established objectives are achieved.” Effectiveness of an internal audit is affected by many different factors which when present would positively influence the audit work and also allow internal auditors to achieve their target objectives. The effectiveness of the auditor is when the outcome of the auditors’ activities, duties, professional practices and responsibilities can meet its objectives by producing the necessary results while adhering to the audit standards, policies and procedures that guide the audit work. Independence, competence, internal audit resourcing and quality of audit work are all factors that affect the effectiveness of the auditors’ work.

2.2.6.1 Independence of internal audit

IIA (2012) defines independence as “the freedom from conditions that threaten objectivity or the appearance of objectivity and such threats to objectivity must be managed at the individual auditors’ engagement, functional and organizational levels”. Independence is a drive of

effective audit and crucial to the proper functioning of the internal audit department (Brown-Libur, Mason and Shelton, 2014). For the internal auditor to conduct his work professionally, given a true and fair opinion based on the audit evidence, the auditor has to be independent. Auditor independence prevents them from being influenced by external parties. According to Quansah (2015), internal auditors in the public sector are mostly under a lot of pressure to overlook the misappropriation and mismanagement of public resources. Rainer & Ulrich (2015) also said that audit independence is “an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. It is objectivity that allows the internal auditor to put his reputation and the image of his profession ahead of financial benefits. When independence is lacking in the work of the internal auditor it leads to mismanagement, misappropriation, fraud and the eventual failure of the organization. Also, the lack of independence undermines the findings, conclusions, and recommendations of the internal auditor and also cast a shadow on the professionalism and integrity of his or her work. Objectivity, therefore, requires internal auditors not to subordinate their judgment on audit matters to that of others (Ege, 2015).

2.2.6.2 Competence of the Internal Audit Department

There is the need for professionals especially in highly skilled oriented professions like auditing to always have the necessary education, training, experience and exposure that makes them adequately qualify to carry out an audit. Staff competence is a vital element of effective internal audit activity (IIA, 2010). Competency is an important factor that external auditors look at when they are deciding whether or not to rely on the work of the internal audit in their financial statement audit (Al-Zwyalif, 2015). Research has identified that competence is an issue that internal audits in public sector institutions are facing which is having a negative effect on their

effectiveness when it comes to audit work (Ege, 2015). Ali et al. (2009) found that qualified audit staff must have the necessary training and requisite professional qualification as they are very important requirements for improving internal audit work. Standard-setters have therefore taken a stance to regularly highlight the importance of knowledge, dexterity, and other competencies necessary to undertake internal audit work in spelling out the responsibilities of internal auditors (IIA, 2010).

2.2.6.3 Resourcing the internal audit

The audit department like any other department in the organization requires resources that will enable them to work effectively. Ensuring that the audit department is well resourced is the first step to ensuring that the department performs its work to the highest standard. Resourcing the audit department requires the necessary logistics as well as qualified staffs that are needed by the department to carry out its duties successfully. Every department needs qualified personnel to work in it and an internal audit is supposed to ensure that the organization hire the right people which goes for its department too. Ali et al. (2007) noted in their work that the problem facing internal auditing is a shortage of adequate qualified staff. Rainer & Ulrich (2015) also stated that the internal audit function needs to be equipped with sufficient human resources to carry out its responsibilities appropriately. It is, therefore, necessary that the organization would take into serious consideration the needs of the audit department and ensure that the audit department has all it needs to work with. The responsibility lies with the board to ensure that the internal audit department is well resourced and running efficiently. Appropriate numbers of internal auditors should be employed, trained to sharpen their skills and continuous professional competence must also be built into the department (Ege, 2015). The audit staff can also bring any lack of resources to the attention of that in-charge of governance.

2.2.6.4 Quality of audit work

According to Ege (2015) and Arkchai & Fadzil (2017), performing auditing work according to internal auditing standards contributes significantly to the effectiveness of the auditing. In general, internal audit also provides services and audit work cannot be done unless auditing standards have been followed as a guide to performing the audit (Onumah & Krah, 2012; Achina, 2015). Quality of audit work is the degree or extent of excellent audit work carried out by an auditor. Auditors are therefore required to carry out their duty objectively and in compliance with accepted criteria for professional practice such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach (Enofe et al, 2013). The quality of audit work is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgement is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Hayali, Sarili & Dinc, 2012). The quality of an internal audit depends on compliance with formal standards, as well as on the level of efficiency in the audit's planning and execution.

2.3 Theoretical Review

2.3.1 Agency Theory

The agency theory was propounded by Jensen and Meckling (1976) who argued that when businesses are increasing in size, it becomes difficult for the owner to run the affairs of the business hence they find managers to take care of the daily running of the business. This arrangement initiates a relationship between, the owners and the managers and the relationship that is developed is known as the agency relationship or principal-agent relationship. For an

agency relationship to be created, the principal who is the owners of the business contracts an agent, the managers of the business to run the business on their behalf through delegated decision-making authority (Arwinge, 2013). The agency relationship separate ownership from control where the owners have the ownership but the business managers have control. Pratt and Zeckhauser (1985) therefore argued that at the heart of the agency theory is the separation of ownership and control. The separation of ownership and controls create divergent interest for each party (owners and manager) involved in the contract where each party wants to maximize their utility, leading to a conflict (Principal-Agent conflict). The agency relationship makes the agents autonomous and increases the likelihood of the agent working to increase his gains at the expense of the principals (Laiho, 2011). Similarly, the agency theory postulates that the agent, as well as the principal each, look out for their self-interest thereby ignoring their cumulative interest in the relationship (Jensen & Meckling, 1976). According to Pratt and Zeckhauser (1985), separating ownership from management is the reason why there are conflicts between agent and principal. Apart from diverging interest, information symmetry is also characterized by the agency relationship. According to Miller (2005), he argued that the agents have superior information about the organization than the principals because they run the operations of the organization and most of the time tend to hold on to that information from their principals.

It has become necessary to resolve issues concerning the principal-agent conflict. Asare (2009) explains that the principal should always take steps to create an environment that will enable the monitoring of the activities of the agents by designing and implementing appropriate controls to ensure increased oversight, reporting of performance, evaluation of risk, as well as improvement of information flow between the principal and the agent. El-Mahdy and Park (2013) argued that oversight of the activities of the agent using independent professionals (auditors) will help to align the interest of both the principal and the agent from the strategic

level to the tactical level. When a strong internal mechanism is in place it will help reduce the scope of the information asymmetry between the two parties to stimulate performance in the organization.

The study adopted the agency theory because it highlights the agency relationship that exists between the government as the principal and public sectors firms who are responsible for carrying out the government agenda. The government through the Audit Unit can put checks on public officers not to satisfy their interest to the disadvantage of the government and its citizens. The internal auditors to act as a control system on behalf of the government in the various institutions to ensure that officers perform their roles diligently. The agency theory, therefore, proposes a system of checks and balances.

2.3.2 Stakeholder Theory

A stakeholder of an organization can exist in many different forms based on their interest in the organization. According to Edward Freeman in 1988 who propounded the stakeholder theory, a stakeholder can be the media, customers, suppliers, local community, employees, government, civil society and owners (Freeman, 1988). According to Freeman (1988), the affair and how an organization is run is of concern to the various stakeholders because their interest in the organization exposes them to a certain amount of risk. For the stakeholders to reduce the risk associated with their interest as a stakeholder, there must be a balance between the shareholder's interest and that of its stakeholders (Freeman & Mcvea, 2001).

A business or an organization cannot survive in a vacuum, therefore the success of a business depends mainly on the activities of its stakeholders. For instance, a business needs employees to provide their service and products, customers to buy the products, community and government to provide a conducive environment for business, media to provide the needed

reportage. Therefore, stakeholders are involved in every aspect of the business and they must get the benefits that compensate for the risks they take regarding their involvement with the company which is in line with the stakeholder theory (Campbell, 2007). Freeman & Mcvea (2001), therefore argued that a business does not only enter into business contracts with other parties but it has a social contract with its stakeholders. The stakeholder theory, therefore, posits that the interests of all stakeholders should be considered in the daily operation of the business and considered in every decision. It is only when the interest of both parties (business and stakeholders) align that the maximum benefit can be derived from the relationship. In summary, the stakeholder theory examines the reason why corporations attend to the interests of stakeholders in addition to their corporate interests of making a profit and increasing the shareholder's wealth (Campbell, 2007).

The study adopted the stakeholder theory to underpin the study due to the fact the public sector which is made up of the government has a social contract with the citizens of the nation. The government as an institution or a body of people that are supposed to be responsible for the administration of the country on behalf of the citizenry, it is only fair that the citizens acting as stakeholder have a vested interest in the way in which they are governed and their monies are spent. The stakeholders to the government or a public sector organization are the media, civil society, chiefs, opinion leaders and the citizens. It is therefore important that the government meets the expectations of good governance by ensuring the proper functioning of its internal audit service to act as checks on the various public sector organizations. Internal auditing, therefore, plays a critical role in ensuring the government is transparent and accountable to its stakeholders (citizens).

2.4 Empirical Review

Onumah & Krah (2012) conducted a study on the Barriers and Catalyst to effective Audit in the Ghanaian Public Sector. The study was conducted with the primary purpose of investigating the role the internal audit plays in the public sector entities of Ghana and the limiting factors to their effectiveness. The study adopted a descriptive research design collecting data from 120 internal Auditors in 40 Ministries, Department and Agencies (MDAs). The instrument used for the data collection was the questionnaire which was self-administered and a semi-structured interview was conducted with senior managers of the Internal Audit Agency. To perform better analysis, the analytical tool SPSS was used. The findings of the study showed that the scope of the activities of the internal auditor was limited and that auditors spend a majority of their time auditing payment vouchers. The study identified some factors that hamper the effectiveness of the work of internal auditor in the public sector; lack of support for internal auditors by management, lack of budget authority of the audit unit, lack of adequate monitoring of the auditor's work by the audit committee and lack of professional education. The study recommends that the internal audit department should be seen as a strategic partner rather than an oversight department. Also, auditors must improve their skills and also the scope of work of the audit department must be increased to make them relevant.

Badara and Saidin (2013) investigated the topic "The Relationship between Audit Experience and Internal Audit Effectiveness in the Public Sector Organizations". The purpose of the was to establish if audit experience has an effect on audit effectiveness based on the hypothesis that auditors who are experienced turn to perform more effectively than auditors with less experience. The study reviewed papers on the issues on researches that were conducted by others on internal audit effectiveness. Therefore, the research was mainly a literature review paper on internal audit. The paper showed that many types of research have been conducted

on internal audit effectiveness (Cohen & Sayag, 2010; Dominic & Nonna, 2011; Omar & Abu Bakar, 2012; Theofanis, et al 2011). According to Cohen and Sayag (2010) cited in Badara and Saidin (2013), the researchers carried out a study on the effectiveness of internal auditing: An empirical examination of its determinants in Israeli Organizations. The study examined the impact that professional proficiency of internal auditors, quality of audit work, career and advancement, organizational independence, top management support have on the effectiveness of the internal audit. Using primary data collected through a questionnaire 292 respondent were used for the study. The findings of the study revealed that the support of management is very important to the operation and success of internal audit effectiveness. The study also revealed that other factors affect the internal audit effectiveness and the study identified experience of internal audit staff, lack of training and development, organizational independence for internal audit work. The study showed that most of these challenges are from the top. The study, therefore, recommended that the management of public firms should be more accommodating and support the auditor's work. Also, the auditor should undergo continuous training to have the professional competence to deliver their jobs with the required skills and updated knowledge in the field.

Achina (2015) conducted a study to look at the effectiveness of Internal Audit MMDAs in the Ashanti Region of Ghana. The study used a quantitative approach and focused on 30 MMDs in the Ashanti Region where the researcher collected data. A sample size of 120 which represented the entire population was used. Primary data for the study was collected using a closed-ended questionnaire and data analysis was done using Statistical Product for Social Solution (SPSS) 17. The data which was collected was analyzed using descriptive statistics and also inference analysis was further performed on the data, tested against a hypothesis at an alpha level of 0.5 (test of significance). The findings revealed high compliance with internal audits in the MMDAs in the region as the auditors followed the needed standard, policies and

procedure that guides their work. The study also revealed that internal auditors in the region are professional as they demonstrate professional efficiency in their work. The independence of auditors in the region is appreciable due to the discoveries that the audit department was making and how they were helping the MMDAs to shape their operation and finances by following a recommendation of the auditors. The study found out that continues education was missing and that most of the auditors require career advancement. The study recommended professional training for the audit and also the researcher recommended that the internal audit units need to be adequately resourced including the use of appropriate resources and that internal auditors should report to the audit committee to removed management control over auditors. Finally, for improved performance, it was recommended that the internal auditors' promotion should not be prolonged and interfered with.

Agbodzie (2019) researched the topic “Assessing Internal Audit Quality in Quasi-Government Institutions” The purpose of the study was to evaluate if audit quality exists in Quasi-Government institutions in preventing financial malpractices. The study paid attention to audit coverage, independence and whether public sector audit adds value to public firms. Data were collected from 70 respondents from 10 hospitals using the purposive sampling method. The primary data collection made use of questionnaires as well as interview whereas available data in documents and records constituted the secondary source. A descriptive analysis was then used to analyze the data and Statistical Product and Service Solution(SPSS) was the tool employed to run the analysis. The finding of the study revealed that internal audit work mainly covered operation and financial controls. The finding also revealed that internal auditors were not giving access to information that will allow them to deliver on their jobs and their roles were limited to verification of transaction after they were made. The study also showed that the internal auditors have to report to executive managers who are responsible for appraising their work and the audit committee was not performing its monitoring role well. The audit

department lack qualified auditors and needed resources to do their work. The study recommended that the work coverage of auditor should be increased, training of auditors and necessary logistics should be provided to them.

2.5 Conceptual Framework

Internal auditing requires advising organizations regarding how to better achieve their objectives through managing risk and improving their internal control system by analyzing business processes, financial records, control systems and making recommending (Ozuomba, Nwadiolor, & Ifurene 2016). The internal auditor can only issue recommendations that reflect his independence, competence, experience and skills based on the available audit evidence. The recommendation of an auditor is only of importance to an organization if the audit that produced the audit evidence is believed to be effectively conducted and all material issues are presented. The effectiveness of the internal audit is not only of importance to the organization but also to the auditor, audit department and the Audit Unit. Different studies have been conducted on audit effectiveness as seen in the literature review across different continents and different nations but a couple of things stand out. Internal audit has a positive effect on organizational performance and internal audit effectiveness are affected by factors such as qualification, the scope of audit work, independence of auditors, auditor competence, skills and experience of auditors, internal controls and implementation of audit recommendations. The framework of the study is a pictorial view of what the study seeks to achieve in relation to evaluating the effectiveness of internal auditing,

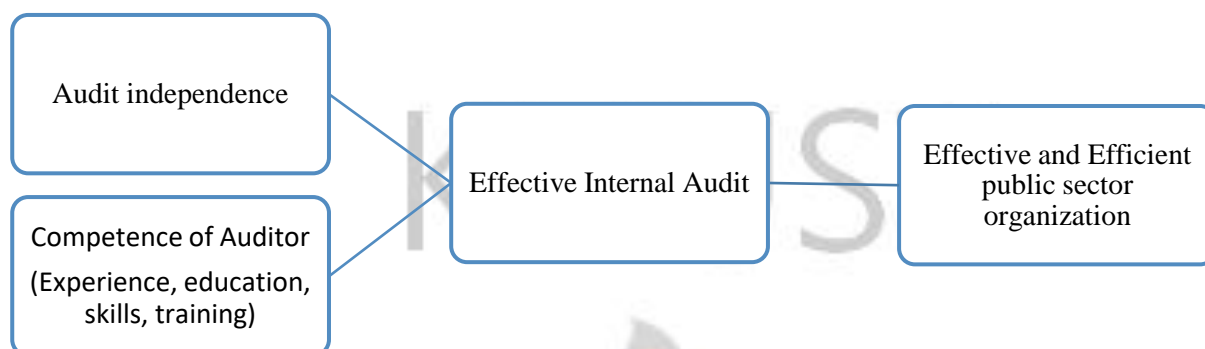


Figure 1: Conceptual Framework

Source: Researcher constructs 2020

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter provides the methodology necessary for investigating the variables under study. It helps to enhance the understanding of the research strategy used, which enables the research to be compared with other studies while enhancing possible replication of the study in future (Pallant, 2011). The chapter focuses on the methods used to collect and analyse data. The research methodology involves the research design, the population under study, the sample size and sampling procedures, instruments used for the data collection, tools used to analyse the data, reliability and validity of data, issues of ethical considerations.

3.2 Research Design

According to Johnson (2014) and McGregor (2019), research design is a plan that helps a researcher to investigate a research problem to provide answers to the research questions emanating from the research objectives that have been set by the researcher. The research design can be considered a blueprint the researcher uses for variable selection, data collection, instrument development and data analysis to come to an appropriate conclusion for the study. According to Creswell (2009), the research design necessitates the choice of the most relevant procedure to collect and analyse data to generate a good finding. Restating, the purpose of this research is to evaluate the effectiveness of internal auditing in public sector organizations. For the researcher to achieve the purpose of the research a case study method was used to conduct a detailed contextual analysis to gain a deeper understanding of the issue of effective internal auditing. Also, a descriptive survey design is used to collect data from the intended respondents (Oso and Onen, 2008; Singh, 2015). Finally, the study adopted a quantitative research approach. According to Creswell (2013), the quantitative research method primarily deals with quantifying relationships that exist between the various factors or variables under study through the use of statistical measures such as the correlation coefficient, mean difference, or relative frequency.

3.3 Study Population

A research population describes a group of all possible items that share the same characteristics of interest to a researcher. The population is the pool from which the sampling frame is drawn from and according to the study, the population of this study will involve all internal auditors at COCOBOD. The COCOBOD audit staff satisfies the definition of population in the context of this research. COCOBOD has 9 regional audit departments in addition to the head office in

Accra. Each regional office has 3 auditors at post and 13 in the head office. A total of 40 internal audits therefore forms the population for this study.

3.4 Sample Size and Sampling Procedures

A sample defines a set of objects or people taken from a larger population to make a representation of that population to a greater extent (Mason et al, 1997, Saunders et al, 2016). The sample for the study is 30 respondents (auditors) from the population of audit staff in COCOBOD. According to Mugenda and Mugenda (2003), a sample size of 50 % or more is considered adequate to conduct a study. To obtain a representative sample for the study, an appropriate sampling technique was used to select respondents from the various sections or units in the organization. Convenience and purposive sampling were used by the researcher to collect data. Convenience sampling is a non-probability sampling technique where subjects selected are selected because of their convenient accessibility and proximity to the researcher and there was less cost involved. Purposive sampling occurs when research is aimed at identifying particular types of cases for in-depth analysis.

3.5 Data Source and Collection Tools

The study used both primary and secondary data for its analysis. The primary data was collected through the use of a structured questionnaire. According to Oso and Onen, (2008) questionnaires are data collection method in which the respondents are asked to respond to the number of items in writing by the researcher. The data collection instrument used was a questionnaire carefully designed to cover relevant themes of the study. A well-structured questionnaire was administered to respondents (auditors) sampled from COCOBOD. The questionnaire contained both open and close-ended types of questions to gather the appropriate data for the study and which represents the research objectives of the study.

The data collection instrument called the questionnaire had six sections namely Section A: demographic information of respondents, Section B: Auditor Competence, Section C: Audit Unit Independence, Section D: The Role of Internal Auditor in Safeguarding Assets, Section E: Implementation of Audit Recommendations and Section F: Internal Audit Effectiveness. The items were designed using a five (5) point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree). The items were sourced from various studies on auditor competence (Abbey, 2010; Achina, 2015), Audit independence (Ege, 2015; Agbodzi, 2019), Role of Internal Auditor in Safeguarding Assets (Asare, 2009, Al-Zwyalif, 2015), Implementation of Audit Recommendations (Bou-Raad, 2000; Omolaye and Jacob, 2017) and Internal Audit Effectiveness (Ahmad, 2015, Attor, 2019).

3.6 Method of Data Analysis

The data were analyzed using descriptive statistics. The data were collected and checked for exactness and comprehensiveness. The data was summarized and thereafter coded to easily classify and facilitate tabulation. The SPSS 20 and Microsoft Excel were used by the researcher for the analysis.

3.7 Reliability and Validity of Data

To achieve the objectives of the study, the researcher ensured that the instrument applied in the data collection process was both valid and reliable. Largely, the validity of the instrument was met by ensuring that it was intended to measure what was to be measured. In other words, the instrument addressed the research objectives. This was done by first of all ensuring that most of the questions were made close-ended. The statements in the questionnaire were also made

simple and concise, making readability easy for the respondents to respond to the questions without much difficulty. The pretesting of the questionnaire in a pilot study conducted on a similar public institution like COCOBOD ensure that improvements were made to the questionnaire to make it reliable and acceptable for collecting the data needed for the research. Cronbach's alpha was used to estimate internal consistency reliability by determining how items of the instrument relate to each other and the entire instrument. According to the literature, a Cronbach's alpha of 0.7 is enough to confirm whether variables are reliable (Sekaran & Bougie, 2009). However, Field (2009) argues that a Cronbach's alpha value equal to or great than 0.5 is regarded to be an indication of reliability while Hair et al., (2009) also suggest that the lower limit of acceptability is usually 0.70 and may be decreased to 0.60 for exploratory research. Given these provisions, this study considered a coefficient alpha greater than 0.5 to indicate the reliability of the research instrument. The Cronbach alpha value for the instruments used is 0.861 as seen in Table 1, which is above 0.5 and 0.7, therefore the instrument is reliable.

Table 1: Cronbach's Alpha

Reliability Statistics	
Cronbach's Alpha	0.861
No. of Items	30

Source: Researcher, 2020

3.8 Ethical Consideration

Saunders et al. (2012) define ethics as the researcher's conduct in relation to the rights of the respondent who become the subjects of the research work. To complete a study, the research

must gain access to people and data thus access and ethics have become critical aspects of educational research. The researcher's ability to obtain data relies on accessing appropriate and relevant resources and respondents. For the above, an introductory letter was obtained from the Institute of Distance Learning, KNUST. This will enable the researcher to have access to data COCOBOD. The researcher will also take a step to assure respondents of confidentiality of information provided for the study as well as informed them that the data will be used strictly for the intended purpose for which it was obtained. These are the steps taking by the researcher in relation to ethical consideration.

The logo of the Kwame Nkrumah University of Science and Technology (KNUST) is centered in the background. It features a yellow eagle with its wings spread, perched on a green shield. Above the eagle is a black mortar and pestle with a red flame. A yellow banner at the bottom contains the university's name in a circular arrangement.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter covers the analysis of data, detail presentation of facts emanating from the data analysis and discussion of the findings of the data analysis. The analysis and discussion of finding in this chapter are based on the primary data obtained using a questionnaire for the study. The researcher adopted the descriptive approach which used percentages, a measure of central tendency and a measure of dispersion to analysis the data and presented the result in tables. The analysis is based on the objectives and the design of the questionnaire.

4.2 Background of Respondents

The personal demographics of the respondents is presented in this section. This includes gender, department in the organization, length of service, level of education and finally the level in the organization.

4.2.1 Gender of Respondents

The gender of the respondents as represented by Figure 2 showed that the total respondents that responded to the questionnaire were 30 and out of that number, 20% of the respondents which represented 6 respondents were females and 80% of the respondents which represented 24 respondents were males. There is an indication that the number of men working in the internal audit department of COCOBOD is four times the number of women. Women are grossly underrepresented in the department which affects diversity at the workplace and leads to power dynamics.

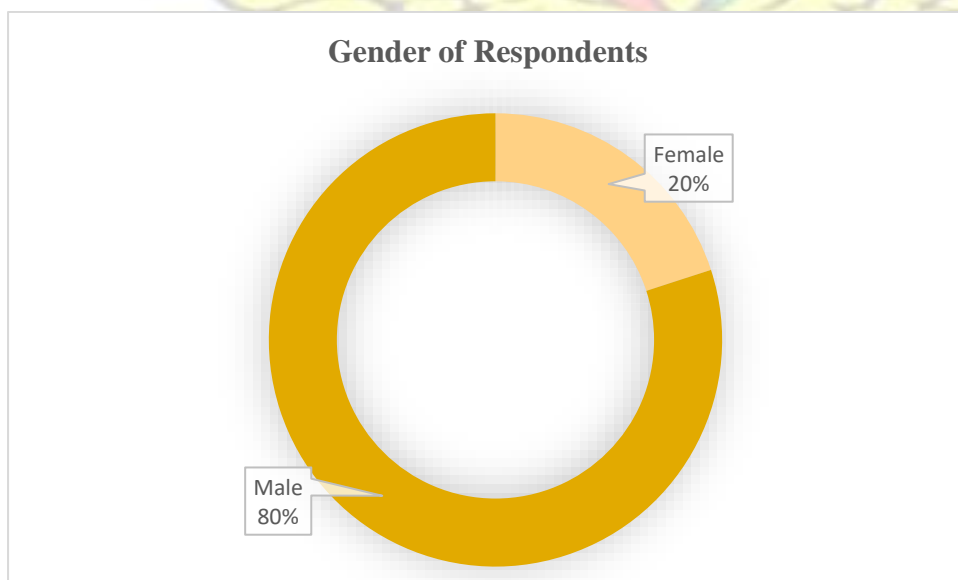


Figure 2: Gender of respondent

Source: Field data, 2020

4.2.2 Age of respondents

Figure 3 showed the number of years of experience the respondents have as internal auditors. The highest number of respondents represented by 24(80%) were between the ages of 31 - 40 years, 3(10%) of the respondents were between the ages of 41 – 50 year and 3(10%) of the respondents were above the age of 50 years. The domination of the age group (31 – 40 years) is indicative that most of the workers in the internal audit unit are in their prime age and energetic

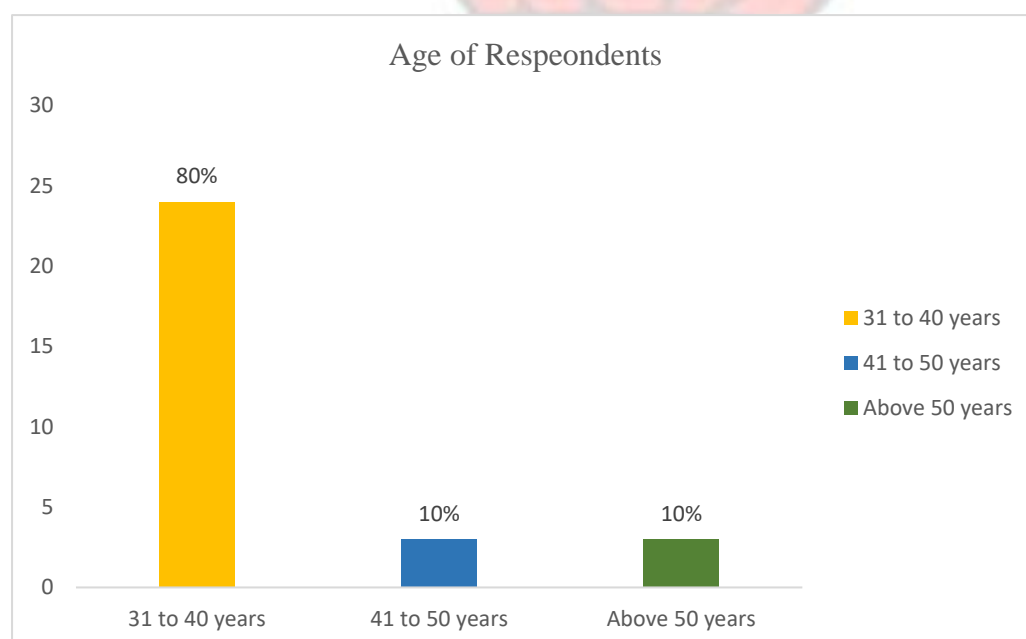


Figure 3: Age of Respondents

Source: Field data, 2020

4.2.3 Experience of Respondents

The researcher sought to know whether the internal auditors have adequate knowledge about their work based on an assessment of their years of experience. The results as captured in Figure

4 indicated that only 10% which represents 3 workers have spent less than 5 years working as an auditor, 21(70%) which represents the majority have spent 5 – 10 years at the COCOBOD in the capacity of the internal auditor and 6(20%) have spent above 10 years of experience. COCOBOD, therefore, have workers with the right experience workings as internal auditors in the organization.

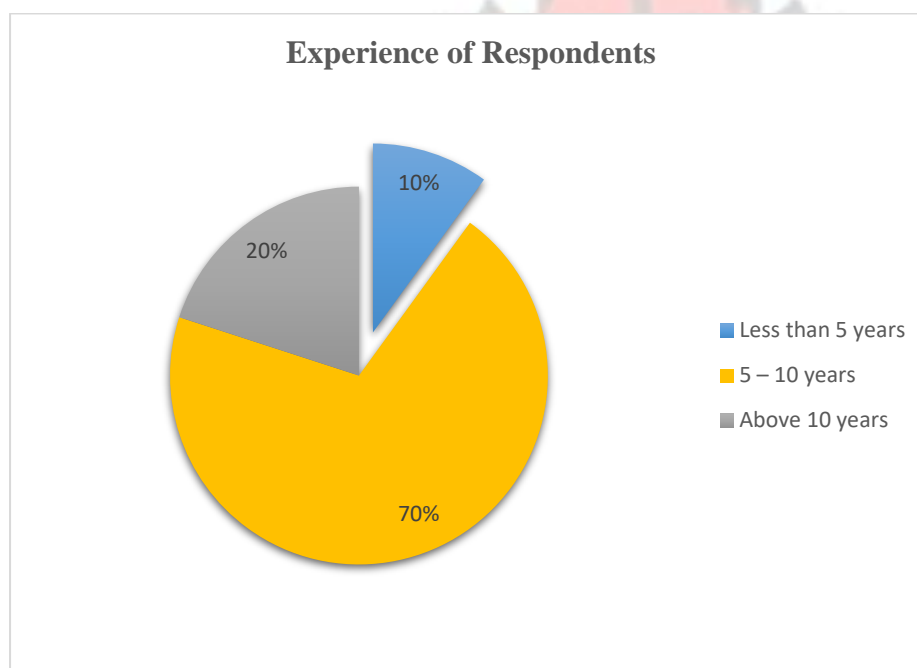


Figure 4: Length of Service

Source: Field data, 2020

4.2.4 Level of Education

From Figure 5, it is indicative that the respondents are from varied educational backgrounds and holders of varied educational certificates, 3(10%) of the respondents have Higher National

Diploma (HND), 6(20%) of the total respondents have a first degree, 21(70%) have a postgraduate degree. COCOBOD has an internal audit department that is made up of the majority of master's degree holders which shows that the department has well-educated people to carry out their duty as internal auditors. Respondents hold varied and appropriate certifications in their respective fields and are learned individuals who would have a fair idea of topic under study.

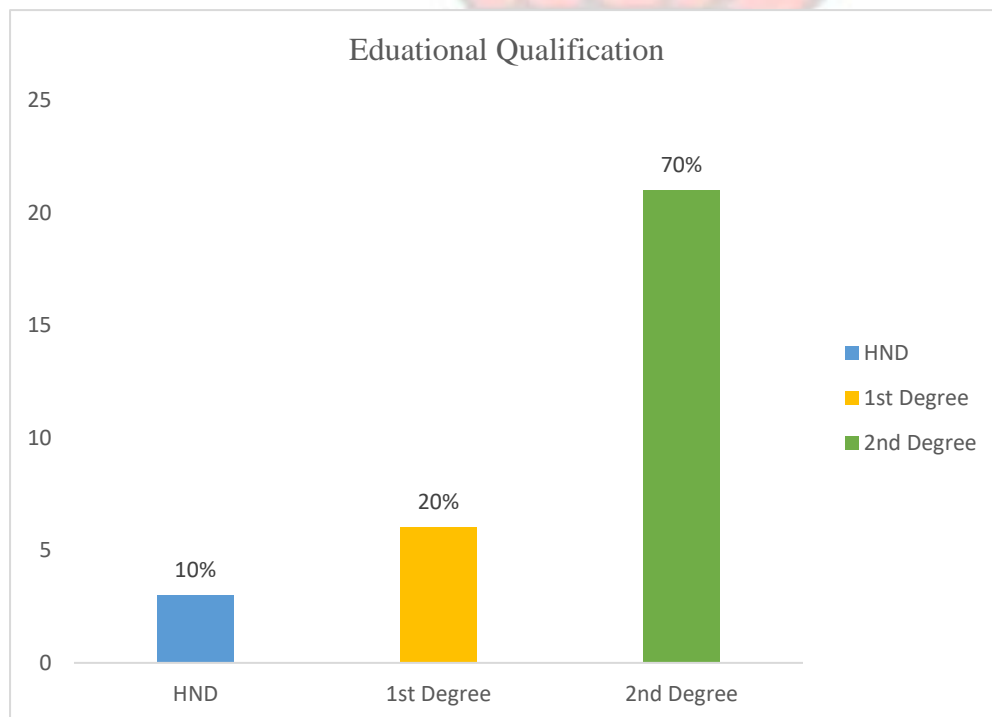


Figure 5: Educational Qualification

Source: Field data, 2020

4.2.5 Professional Qualification Status of Workers

The nature of the job of internal auditors makes it very sensitive and important and on this bases, the auditor requires specialized skills and training to properly function gained through professional training and certification. The researcher, therefore, sought to find out whether or not internal auditors at COCOBOD belong to a professional body. The findings from Table 6 showed that 18(60%) of the respondents were professionally qualified to practice as an internal auditor while 12(40%) of the workers do not have a professional qualification which could include the process of getting one. Out of the qualified internal auditors; 9(30%) belong to the Institute of Chartered Accountants, 3(10%) to the Institute of Certified Internal Auditors and 6(20%) Association of Chartered Certified Accountants.

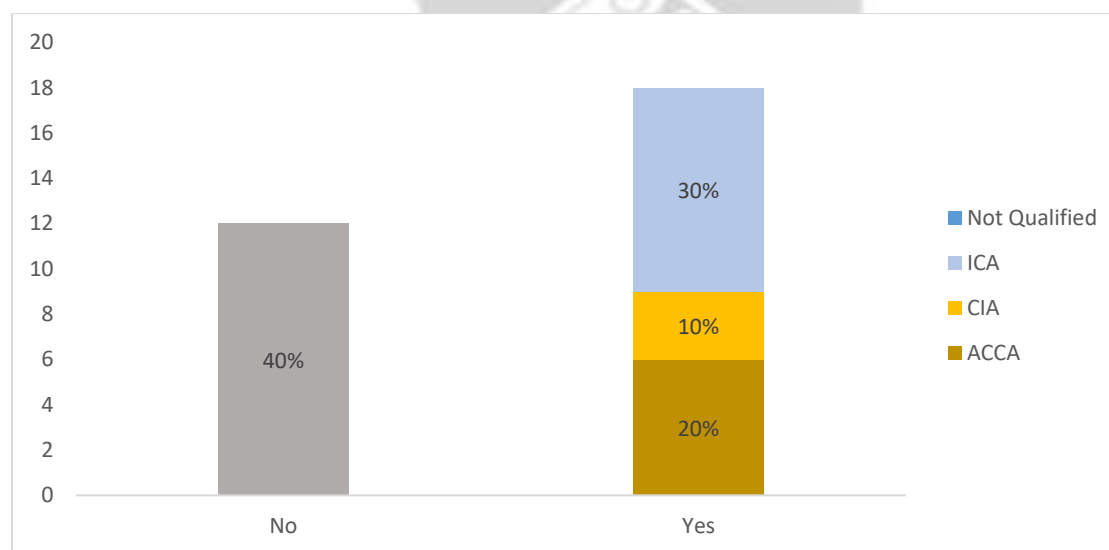


Figure 6: Professional Qualification

Source: Field data, 2020

4.2.6 Staff Level

The respondents were grouped into levels in respect of their roles at COCOBOD and as indicated by Table 7, the majority of the respondents were Senior staff representing 27(90%)

of the total respondents and 3(10%) of the staff were in junior-level positions. The level of the respondent's capture in the study is indicative that the majority of internal auditors are senior auditors which go to show that the findings of the study are very reflective of the real issues on the ground. The study results are therefore considered a true reflection of issues in COCOBOD.

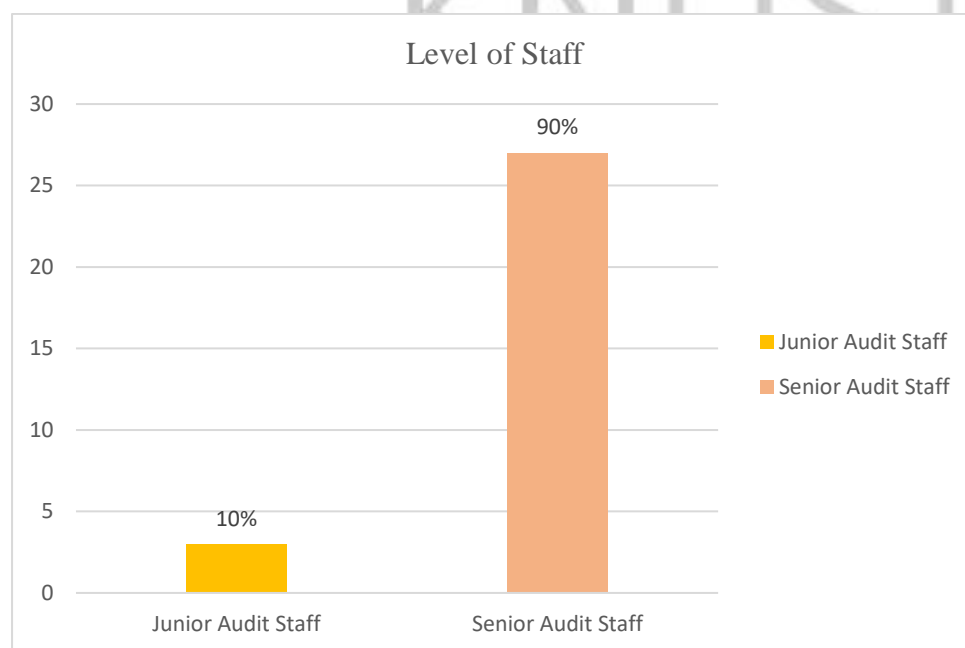


Figure 7: Category of Staff

Source: Field data, 2018

4.3 Auditor Competence

The competence of the internal auditor is very critical to their work, that is why according to IAS 610 which is the standard on using the work of the internal Auditor; looks at competence as an important factor when the external auditors are deciding whether or not to rely on the work of the internal auditor (Al-Zwyalif, 2015). According to Table 2, the findings revealed that 24(80%) of the respondents do not belong to the association of internal auditors while 6(20%) are part of the association of internal auditors. Comparing the findings in Figure 6 and Table 2, it is indicative that even though a total of 18 internal auditors are qualified representing

60% of the total internal auditors at COCOBOD, only 6 among the 18 belong to the association of internal auditors while the remaining 12 qualified respondents belong to other professional bodies (ICA & ACCA). It will be prudent to ensure that all internal auditors attain the CIA designation before adding any other professional qualification if they so wish.

Table 2: CIA Professional qualification

	Yes	No	Total
Do you belong to the association of internal auditors	6 20.0%	24 80.0%	30 100%

Source: Field data, 2020

Table 3 revealed that there exists an overall competence level among the internal auditors working in COCOBOD. The findings revealed a total of 24(80%) of the respondents agreed that internal audit has the appropriate skills as compared with 20% who disagreed. Also, half of the respondent disagreed that internal audit units are versatile in all areas in the discharge of their duties. This can be due to the fact that more than half of the internal auditors working at COCOBOD are qualified accountants or internal auditors with the necessary training and certification. The finding is in line with the work of Ali et al. (2009) who found that qualified audit staff must have the necessary training and requisite professional qualification. The results from Table 3 show that 18(60%) of the respondents agreed that the organization has programs for continuous learning for internal auditors while 9(20%) are in disagreement and 6(30%) not sure. There is indication that even if there exist programs for continuous learning those who stand to benefit are unaware of its existence and only very few people benefit from it. 24(80%) of the respondents are sure internal audit team members participate in development training programs. Dawuda, (2010) argued that prudent financial management can only exist in the public sector if internal auditors have the right training and professional development. The

Institute of Internal Auditors (IIA) (2010) posit that staff competence is a vital element for effective internal audit activity.

Table 3: Internal Auditor competence

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Grand Total
Internal audit unit possess the appropriate professional skills, qualifications and experience	0	6	0	15	9	30
	0%	20.0%	0%	50.0%	30.0%	100.0%
The internal audit unit is versatile in all areas in the discharge of their work	0	6	9	9	6	30
	0%	20%	30%	30%	20%	100%
The internal audit team have an appropriate programme of continuing education.	3	9	0	9	9	30
	10%	30%	0%	30%	30%	100%
Members of the team participate in professional development training programmes.	0	6	0	15	9	30
	0%	20%	0%	50%	30%	100

Source: Field data, 2020

4.4 Audit Unit Independence

Independence underlies the practice of internal auditing and serves as the foundation of internal audit work. Without independence, audit decisions and findings will not be of value. According to Table 4, 15(50%) of the respondents agreed internal audit is autonomous while 12(40%) disagreed and the rest 3(10%) were not sure. In line with the findings of Ege (2015), the researcher posits that when the internal audit is not autonomous, it affects the objectivity of the internal auditor in the conduct of his work. Brown- Liburd et al (2014) therefore pointed independence is the cornerstone of an effective audit and crucial to the proper functioning of an audit department. Also, 3(30%) agreed with the statement that the internal audit unit has the authority to audit all parts of COCOBOD, 15(50%) strongly agreed to the statement as compared with 3(10%) of the respondents who disagreed and 3(10%) of the respondents also

were not sure about whether the internal audit has the authority or not to audit all parts of COCOBOD. The findings indicate that the internal audit of COCOBOD does not restrict the scope of the internal auditor's work allowing them to perform value-adding audits.

There is the budgetary allocation to the audit unit for the conduct of their work which is necessary for their independence. From Table 4, 50% of the respondents agreed that there is budgeting allocation and 40% of the respondents disagreed while 3(10%) were not sure. The findings show that there is an allocation of the budgetary amount to the internal audit unit but "there cannot be considered adequate due to the response of the respondent on the variable. 21(70%) of the respondents agreed that the internal audit performs activities even if it is not defined as their direct responsibility and 3(10%) disagreed while 6(20%) were unsure. The findings just reiterate that there is no limitation to the scope of work of internal audits. The finds corroborate the findings of Attor (2019) who argue that the limitation of the scope of the internal audit affects audit work adversely. 24(80%) of the respondents agreed that internal audit staff have free access to information while 60% agreed that internal audit can audit issues they consider necessary compared to 3(10%) and 9(30%) who disagreed respectively. From Table 3, 18(60%), 3(10%) agreed and strongly agreed respectively that internal audit reports to only the audit committee while 6(20%) disagreed and 3(10%) are in doubt. Likewise, 21(70%) of the respondent agreed their work are not being appraised by executive managers while 3(10%) disagreed and 6(30%) were unsure. A further check revealed that even though internal auditors at COCOBOD report directly to the internal audit unit, their work is partly influenced by executive managers who are normally the auditees. The finding of Enofe et al. (2013) and Attor (2019) revealed independence has a positive influence on the effectiveness of internal audit output and the finding show that the independence of auditors at COCOBOD is somewhat compromised.

Table 4: Internal Audit Independence

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Grand Total
Internal audit unit is an autonomous and independent body	0	12	3	6	9	30
	0%	40%	10%	20%	30%	100%
The internal audit unit has the authority to audit all parts of the COCOBOD	0	3	3	9	15	30
	0%	10%	10%	30%	50%	100%
Adequate budget allocation is made for the internal audit unit each year to aid their work	0	9	6	3	12	30
	0%	30%	20%	10%	40%	100%
Internal audit performs other activities even if they are not defined as its direct responsibility	0	3	6	18	3	30
	0%	10%	20%	60%	10%	100%
Internal audit operates independently, can audit any issue it considers necessary of auditing	0	9	3	3	15	30
	0%	30%	10%	10%	50%	100
Internal audit staff have free access to information and data about the COCOBOD	0	3	3	15	9	30
	0%	10%	10%	50%	30%	100%
Internal audit report to only the audit committee	0	6	3	18	3	30
	0%	20%	10%	60%	10%	100%
The audit unit is not appraised by executive managers	0	3	6	15	6	30
	0%	10%	20%	50%	20%	100%

Source: Field data, 2020

4.5 Role of Internal Audit Unit

There is an overall agreement among the internal auditors about the role played by the internal Audit at COCOBOD to safeguard the asset of the company in the quest to perform a quality

audit. There is confirmation that audit standards are required to ensure that the work of the unit is carried out successfully. According to Table 5, a mean of 3.8 and a standard deviation of 0.887 is an indication that the IIA principles on ethics adhere too. Also, respondents conduct their internal audit according to international standards for professional practices depicted by a mean of 4.1 and a deviation of 0.548. This is indicative of a strong agreement among the respondents. Onumah & Krah, (2012) also found out that audit work cannot be done unless auditing standards have been followed which is in line with the findings.

The study revealed that quality assurance and improvement programs exist at COCOBOD indicated by a mean value of 3.5 (std=0.938). The mean value of 3.8(std=0.887) and 3.7(std=0.951) are a respective agreement that peer reviews are carried out and also audit conducts regular follow-ups to correct problems that have been identified. According to Hayali, Sarili & Dinc, (2012), peer reviews enhances quality assurance which in turn promote the quality of the audits that auditors carry out. There is a strong agreement from responses that audit plans are aligned with a key risk of COCOBOD and this was shown by the mean value of 4.1 and a standard deviation of 0.961. This in line with the COSO framework which sets risk management as a key area to ensure that organizations adequately audit the risks they face and their impact on them.

Reports are produced on a timely basis, they are also clear and accurate according to respondents (mean=4.3, std=0.448) and as a result, the work of the internal auditor is normally relied on by external auditors in the conduct of their external audit (mean=3.9,0.961). The findings also showed that respondents agreed that the work of internal auditors at COCOBOD is proactive. Reports that are produced and their recommendation have an impact on management decisions and this was depicted by the mean value of 3.5(std=0.821) and 3.8(0.761) respectively. In line with the findings of Tabara & Ungureanu (2012), the study

demonstrated that the work of internal auditors is based on investigating and reporting. Tabara & Ungureanu (2012) also found evidence to point to the fact that evaluating the operational performance, reviewing financial reporting procedures, assessing internal controls systems can only be of value when the internal auditor reports his findings and make recommendations for improvement for management to implement recommendations.

Table 5: Role of Internal Audit

	N	Min	Max	Mean	Std. Deviation
The internal audit unit adhere to the Institute of Internal Auditors (IIA) code of ethics	30	2	5	3.8	0.887
Internal audits are conducted in conformity with the international standard for the professional practice of internal auditing	30	3	5	4.1	0.548
Internal audit unit has a quality assurance and improvement program	30	2	5	3.5	0.938
The internal audit unit organizes or performs peer reviews or self– assessment of its performance	30	2	5	3.8	0.887
Internal audit unit do regular follow-ups to examine actions taken to correct problems identified	30	2	5	3.9	0.96
An internal audit plan is aligned to the key risks of the COCOBOD and other assurance activities	30	3	5	4.1	0.548
External auditors and other external authorities rely on the report of internal auditors	30	2	5	3.9	0.96
Internal audit reports are clear and accurate	30	3	5	3.9	0.548
The work of Internal audit is timely and proactive in the conduct and reporting of issues and addressing the management	30	2	5	3.5	0.82
Management decision-making process is strongly affected by reports, findings and recommendations of the internal audit unit	30	2	5	3.8	0.761

Source: Field data, 2020. Hint Mean of 1.0 – 1.8 = strongly disagree; 1.9 – 2.6 = disagree;

2.7 – 3.4 = Moderate; 3.5 – 4.2 = agree; 4.3 – 5.0 = strongly agree

Source: Field data, 2020

4.6 Internal Audit Effectiveness

An internal audit can be considered effective if it accomplishes its objectives. The objectives of the internal audit unit vary according to the scope of the work of the internal audit unit but the primary objective of the internal auditor is to provide an independent and objective assurance on corporate governance, risk management, internal controls and compliance to add value to the organization.

Based on this, the researcher sought to find out if the internal audit of COCOBOD is effective in carrying out its mandate. Table 6, the findings revealed that 21(70%) of the respondents agreed that internal audit has improved the operations of COCOBOD and 9(30%) strongly agreed. All the respondent agreed that COCOBOD operations have been improved by the internal audit but 6(20%) believe that internal audit processes need improvement, 15(50%) believe it is satisfactory and the rest 9(30%) believe that internal auditing is effective. The is an indication that internal audit has been effective at COCOBOD based on the finds in Table

7

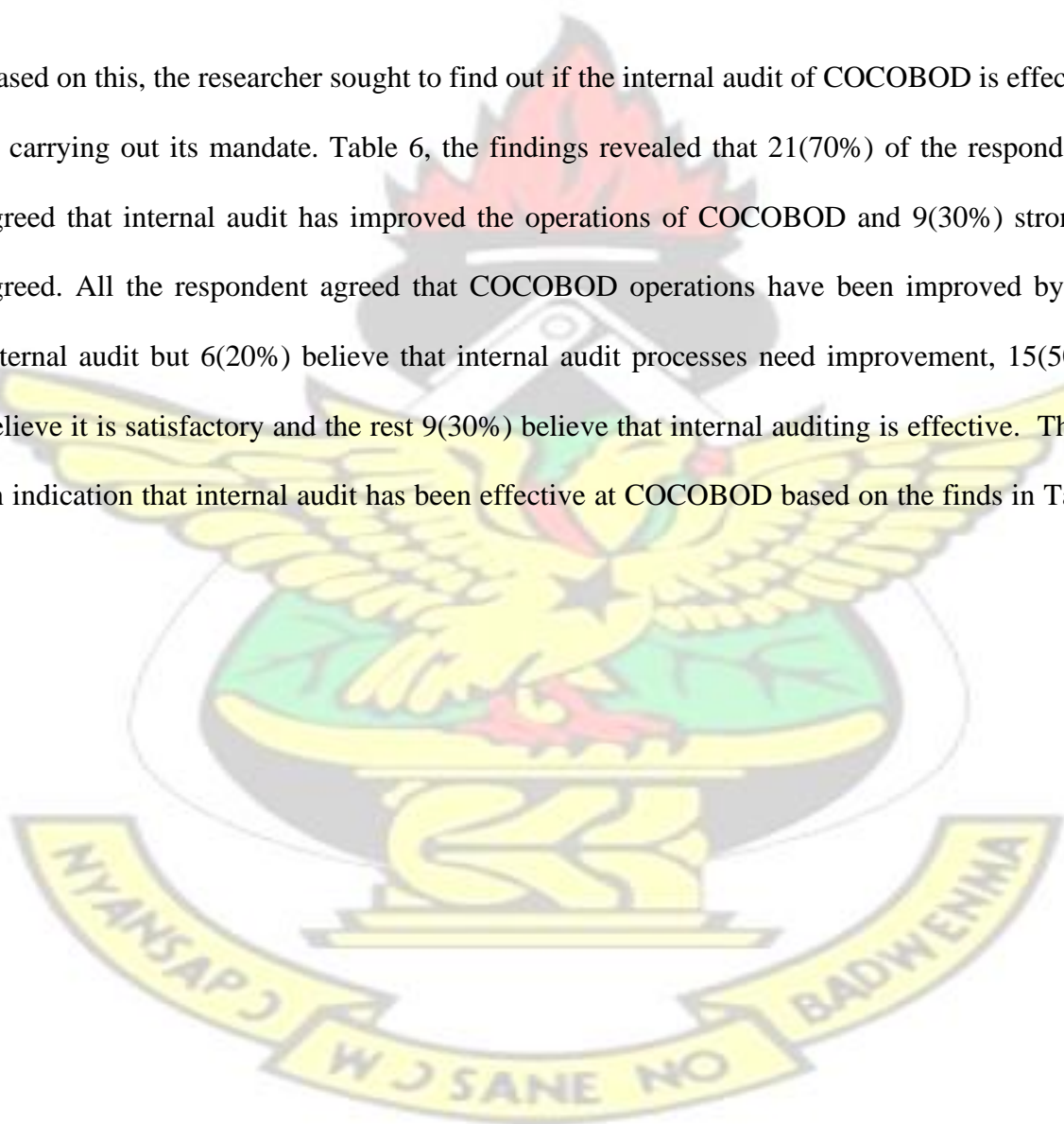


Table 6: Internal audit effectiveness

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Grand Total
	0	0	0	21	9	30
Has internal audit improved COCOBOD operations	0%	0%	0%	70%	30%	100%

Source: Field data, 2020

Table 7: Internal audit effectiveness

	Need improvement	Satisfactory	Very effective	Grand Total
	6	15	9	30
How do you assess the effectiveness of the IA unit?	20%	50%	30%	100%

Source: Field data, 2020

4.6.1 Correlation Analysis

Correlation coefficients measure the strength of the relationship between two variables and in respect to the study; internal audit effectiveness and competence as well as internal audit effectiveness and independence of the internal auditor. Positive correlation shows that the relationship between two variables moves in tandem—that is, in the same direction. Negative correlation or inverse correlation is a relationship between two variables whereby they move in opposite directions. From Table 8, it is evident that there exists a positive relationship between the competence of the internal auditor and internal audit effectiveness. Also, the independence of the internal audit unit has a positive relationship with internal audit effectiveness. The findings, therefore, revealed that when competence increase through continuous training, education and workshops, the work of the internal audit at COCOBOD

will become more effective. Also, when the internal audit unit at COCOBOD is independent in their work by adhering to all standards, conducting their audit independently from management interference will promote internal audit effectiveness. The reverse is also true in both cases. From the literature, competence is strongly correlated with internal audit effectiveness because it has a value of 0.814 compared to independence which is moderately correlated with internal audit effectiveness at a value of 0.569 because the closer the value of ρ is to +1, the stronger the linear relationship. The findings, therefore, conclude that internal audit effectiveness is positively associated with the independence and competence of the internal auditor.

Table 8: Correlation matrix

		Internal Audit Effectiveness	Competence	Independence
Internal Audit Effectiveness	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	30		
Competence	Pearson Correlation	.814**	1	
	Sig. (2-tailed)	.000		
	N	30	30	
Independence	Pearson Correlation	.569*	.167	1
	Sig. (2-tailed)	.045	.378	
	N	30	30	30

**, Correlation is significant at the 0.01 level (2-tailed).

*, Correlation is significant at the 0.05 level (2-tailed).

4.7 Implementation of Audit Recommendation

Implementation of audit recommendation is important to ensure that areas of weakness that have been identified or the possible risk that the audit unit has identified are properly addressed. As part of the work of internal auditors, they are to advise the directors of a company based on the recommendation of their work and when recommendations are implemented to improve processes, profitability is assured.

The table below shows the responses of internal auditors at COCOBOD in respect to the implementation of their recommendations by management. According to Table 9, the researcher asked if internal audit unit issue reports on all their activities and 70% represented by 21 respondents agreed that reports are issued on all activities, 6(20%) responded “No” while 3(10%) were unsure. There is an indication that reports are duly issued by COCOBOD internal auditors. Also, 27(90%) of the respondents agreed that reports are submitted to the unit while 3(10%) were unsure. Likewise, 24(80%) of the respondents agreed the auditees are always served with a copy of the inter audit report to facilitate implementation. 6(20%) of the respondents were not sure if auditees are given a copy of the audit report.

The majority of the internal auditor agreed that audit recommendations are implemented but 6(20%) of the respondents disagreed compared to the 24(80%) who agreed. Achina (2015) argued that for the audit work of the internal auditor to be implemented, it means the audit work must be of great quality, performed according to standard and recommendations must be clear as well as convincing, addressing the real issues on the ground that need to be addressed. 15(50%) of the respondents agreed that the internal audit can ensure the implementation of the audit report while 3(10%) of the respondents disagreed while 12(40%) were unsure. The finding indicates that internal auditors care more about the conduct of their audits and the production of the reports but do not care about making their recommendations

actionable. Internal audits lack knowledge on ways to persuade management to implement recommendations in their audit reports. Internal auditors, therefore, need to be trained in that regard. According to Ahmad (2015), the internal audit can ensure that recommendations are implemented through the audit committee and follow-up techniques of internal auditors/unit. Institute of Internal Auditors (2010), outlined that follow-up can be a good way to persuade management on the implementation of recommendations since it shows the seriousness of the internal auditors.

Table 9: Audit recommendations

	Yes	No	Unsure	Total
Does the internal audit unit issue a report on all its activities	21 70%	6 20%	3 10%	30 100%
Does the internal audit unit submit audit reports to the audit committee	27 90%	0 0%	3 10%	30 100%
Does the internal audit unit serve the auditee a copy of the audit report	24 80%	0 0%	6 20%	30 100%
Does management implement audit recommendations in accordance with the audit report	24 80%	0 0%	6 20%	30 100%
Can the audit unit ensure the implementation of the audit report	15 50%	3 10%	12 40%	30 100%

Source: Field data, 2020

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is primarily dedicated to discussing the summary of findings, conclusion drawn from the findings as well as making specific and appropriate recommendations based on the findings. The summary of the finding is based on detailed discussions made by the researcher in chapter four of the study in relations to how effective internal auditing is promoted in public sector organizations.

5.2 Summary of Findings

The main objective for the conduct of the study is an evaluation of the effectiveness of internal audit in the public sector using COCOBOD as a case. The study was conducted to address the research problem by finding answers to the research questions which emanated from the research objectives. The specific research objectives are to identify the competence of internal auditors in COCOBOD, to establish whether the internal audit unit is independence in the discharge of their duties, to identify the role of internal auditors in safeguarding assets of COCOBOD, establish whether the recommendations from internal audit units are fully implemented. The study analyzed the personal data collected from 30 respondents and the findings revealed that there is a lack of gender diversity on the internal audit team at COCOBOD evident from the fact that the number of male internal auditors were four times their female counterpart. The majority of the respondents were between the ages 31-40 years making up 80% of the total respondents. 70% of the respondent have worked between 5-10 years and 90% of the respondents have a working experience above 5 years. The internal auditors at COCOBOD have sound academic education because 70% of the respondents are

postgraduate degree holders while 60% have professional training but only 20% out of the 60% are trained specifically in internal auditing while the other 40% are professional accountants holding ICA and ACCA designations. This stand to reason that, internal auditors at COCOBOD must be made to undergo training that is directly relevant to their profession (CIA). Finally, the majority of the respondents are senior audit staff making their view very reflective on the real issues on the ground. Finally, the study revealed that both competence and independence influence internal audit effectiveness which is in line with the studies of other researchers (Onumah & Krah, 2012; Badara and Saidin, 2013; Achina, 2015). Competence exhibited a strong positive association with internal audit effectiveness while independence was positive and moderate correlated to internal audit effectiveness at a p of 0.814 and 0.569 respectively which were both significant. All the respondents agreed that internal audit has improved the operations of COCOBOD but 20% of the respondents believe that the internal audit processes need improvement compared to 50% who found it satisfactory and 30% believe the current processes are very effective.

5.2.1 Competence of Internal Auditors

The findings of the study revealed that the majority of the internal auditors do not belong to the association of internal auditors with only 20% of the internal auditors being Certified Internal Auditors even though an additional 40% belong to other professional bodies. Onumah & Krah (2012) identified skills to be an important ingredient to the internal audit. Cohen and Sayag (2010) and Badara and Saidin (2013), also identified professional proficiency as one of the factors that affect the auditor's work. The finding contradicts Agbodzie (2019), who argued that Quasi-Government Institutions lack skilled auditors. The study indicates the fact that internal auditors have both academic and professional training and also participate in development programs. The study also discovered that internal auditors are not very versatile

in the conduct of their work and areas such as IT audit and forensic audit are weak in the organization. Also, skills training through formal education and professional are critical for Internal Auditors at COCOBOD.

5.2.2 Independence of Internal Audit Unit

The findings of the study revealed that the internal audit unit is autonomous which is in line with the findings of Ege (2015). Also, the internal audit has the mandate to conduct an audit into all parts of COCOBOD which is an indication that the scope of audit work in the organization is not limited in contradiction to the findings of Agbodzie (2019) who found that the roles of the internal auditors are limited in Quasi-Government Institutions. Also, the findings revealed that there is budgetary allocation but the disagreement with this statement show that even though there is an allocation, it is not adequate. 70% of the respondents also agreed that the internal auditor's work is independent while 80% agreed the internal auditors have free access to information and data which contradicts Agbodzie (2019) who found that internal auditors are not allowed access to information in the conduct of their work. Finally, reports are made to the audit committee and executive managers do not appraise the work of the unit which contradict the findings of Cohen & Sayag (2010) and Agbodzie (2019), who revealed that internal auditors have to report to executive managers who are responsible for appraising their work. Nonetheless, further checks revealed that executive officers have a level of influence on their decisions of an internal auditor.

5.2.3 Role of Internal Audit Unit

The findings of the study revealed that internal audits are conducted in accordance with international standards and this agrees with the finding of Nonumah & Krah, (2012) who posit that audit work cannot be done unless auditing standards have been followed. Also, quality

assurance and improvement programs are carried out. The respondent also agreed as indicated by the mean of 3.8 that peer reviews and follow-ups are done to address problem areas in the course of the audit. Hayali, Sarili & Dinc, (2012), found that peer reviews enhance quality assurance and the study findings align themselves with this evidence. There is a strong agreement from respondents that the audit plans are in line with key risks of COCOBOD and this was shown by the mean value of 4.1 and a standard deviation of 0.961. The study also revealed that reports are produced on time and are accurate and clear for decision making. As a result, a majority of respondents agreed that the work of internal auditors is used by both external auditors in accordance with ISA 610 and management for decision making.

5.2.4 Implementation of Recommendation

The findings revealed that timely reports are issued by the internal audit unit on all activities that the internal audit is involved in and the majority have supported the fact that reports are provided to the auditees. 90% of the respondents also agreed all reports by the internal audit unit are reported to the audit committee to ensure that it is presented to the Board. The majority of the internal auditors agreed that audit recommendations are implemented. Half of the respondents have agreed that internal audit can ensure implementation of an audit with the rest either in disagreement or have no clue. There is an indication that the internal audits lack knowledge on way to persuade management to implement recommendations.

5.3 Conclusion

Internal auditing has helped organizations to achieve their operational, financial and compliance objectives which can only be possible if the internal auditing process is effective. The study is an evaluation of the effectiveness of internal auditing in the public sector using the Ghana Cocoa Board (COCOBOD) as a case study. Based on the findings and the discussion

that emanated, the study concludes that internal auditing is integrated into COCOBOD. The study identified that the competency of the auditor and the independence of the internal audit unit has a significant positive relationship with internal audit effectiveness. The study concluded that internal auditors in COCOBOD are having the right competency but they should acquire professional certification that directly reflect on their job. The study discovered that the internal audit unit is independent to an extent because their work is somewhat affected by executive managers. The study identified lack of proper training, diversity of the workforce, inadequate budgetary allocation, management interference as some of the challenges that affect the effectiveness of the internal audit at COCOBOD.

5.4 Recommendation

The following are the recommendations based on the research findings;

1. COCOBOD management should encourage gender diversity at the workplace to ensure that there is a balance working environment that will foster creativity, innovation, value addition and most importantly efficiency and effectiveness.
2. Management must ensure that the reporting line for the internal audit is clear to avoid any ambiguity in order to prevent executive management influence on the internal audit.
3. An adequate budgetary allocation must be made for the internal audit to ensure it's smooth running.
4. Internal Auditor must be made to acquire a CIA certification that is specifically tailored to their job, as this will help them improve on their competence and improve their audit quality.
5. Training programs must be organized regularly to educate internal auditors on specialized auditing skills (IT audit, forensic audit) and follow-up techniques among others which are currently lacking in the department.

5.5 Recommendation for Further Studies

The study was conducted using only one public sector organization and it is recommended that all quasi-government institutions are used in future research.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

QUESTIONNAIRE

Evaluating the effectiveness of internal auditing in the public sector. Evidence from Ghana Cocoa Board (COCOBOD)

Dear Sir / Madam,

I am a student of Kwame Nkrumah University of Science and Technology and in partial fulfilment for the award of my degree, I am conducting a study on **“Evaluating the effectiveness of internal auditing in the public sector. Evidence from Ghana Cocoa Board (COCOBOD)”**. In order to address the specific objectives of the study, questionnaire administration has become quite relevant and your organization has been selected to help me collect data. This study is purely academic and respondents are assured that whatever information is provided will be highly confidential. Thank you.

Please kindly tick (✓) the appropriate box to indicate your response to each question.

A. Personal Data

1. Sex: Male [] Female []

2. Age: Under 30 year [] 31 to 40 years [] 41 to 50 years [] Over 50 years []

3. How long have you been working as an internal auditor?

Less than 5 years [] 5 – 10 years [] Above 10 years []

4. Highest educational qualification

HND [] 1st Degree [] 2nd Degree [] Doctorate degree []

Other (s), please specify.....

5. Professional Qualification

ICAG [] ACCA [] CIA [] CPA [] CIMA [] None []

6. Which staff category do you belong?

Junior audit staff [] senior audit staff [] Director []

B. Auditor Competence

6. Do you belong to a professional body (ACCA, CIMA, ICA etc)

Yes [] No []

7. Do you belong to the association of internal auditors

Yes [] No []

To what extent do you agree with the following statements

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
The internal audit unit possesses the appropriate professional skills, qualifications and experience.					
The internal audit unit is versatile in all areas in the discharge of their work					
The internal audit team have an appropriate programme of continuing education.					
Members of the team participate in professional development training programmes.					

(Abbey, 2010; Achina, 2015)

C. Audit Unit Independence

To what extent do you agree with the following statements

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree

1. Internal audit unit is an autonomous and independent body					
2. Internal audit unit has the authority to audit all parts of the COCOBOD					
3. Adequate budget allocation is made for the internal audit unit each year to aid their work					
4. Internal audit performs other activities even if they are not defined as its direct responsibility					
5. Internal audit operates independently, can audit any issue it considers necessary of auditing					
6. Internal audit staff have free access to information and data about the COCOBOD					
7. Internal audit report to only the audit committee					
8. The audit unit is not appraised by executive managers					

(Ege, 2015; Agbodzi, 2019)

D. The Role of Internal Auditor in Safeguarding Assets

To what extent do you agree with the following statements

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
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1. Internal audit unit adhere to the Institute of Internal Auditors (IIA) code of ethics					
2. Internal audits are conducted in conformance with the international standard for the professional practice of internal auditing					
3. Internal audit unit has a quality assurance and improvement program					
4. Internal audit unit organizes or performs peer reviews or self– assessment of its performance					
5. Internal audit unit do regular follow-up to examine actions taken to correct problems identified					
6. Internal audit plan is aligned to the key risks of the COCOBOD and other assurance activities					
7. External auditors and other external authorities is rely on the report of internal auditors					
8. Internal audit reports are clear and accurate					
9. The work of Internal audit is timely and proactive in the conduct and reporting of issues and addressing the management					
10. Management decision-making process is strongly affected by reports, findings and recommendations of the internal audit unit					

(Asare, 2009, Al-Zwyalif, 2015)

E. Implementation of Audit Recommendations

1. Does the internal audit unit issue a report on all their activities?

Yes [☐] No [☐] Not Sure [☐]

2. Does the internal audit unit submit audit reports to the audit committee?

Yes [☐] No [☐] Not Sure [☐]

3. Does the internal audit unit serve the auditees a copy of the audit report?

Yes [☐] No [☐] Not Sure [☐]

4. Does management implement audit recommendations in accordance with the audit report?

Yes [☐] No [☐] Not Sure [☐]

5. Can the audit unit enforce the implementation of the audit report?

Yes [☐] No [☐] Not Sure [☐]

(Bou-Raad, 2000; Omolaye and Jacob, 2017)

**F: Internal Audit
Effectiveness**

1. Has an internal audit added value to the operations of the COCOBOD?

Strongly Disagree [] Disagree [] Not Sure [] Agree [] Strongly Agree []

2. How do you assess the effectiveness of the IA unit?

Very effective [] Satisfactory [] Need improvement [] Unsatisfactory []

(Ahmad, 2015, Attor, 2019).

THANK YOU

