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THE ROLE OF INTERNAL AUDITING FUNCTION IN CORPORATE GOVERNANCE IN A DECENTRALIZED GOVERNMENT SYSTEM: THE CASE OF GHANA

Kwabena Owusu & Ernest Kingsley Enyan
Research Scholar, University of Cape Coast, Cape Coast, Ghana

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ABSTRACT

Internal auditing function is central to good corporate governance. It provides the administrative framework within which financial transactions are to be performed. The study sought to examine the role of internal audit function in corporate governance at the CCMA. It adopted cross-sectional and descriptive study designs. A total of 132 respondents, comprising 76 staff of CCMA and 56 Assembly persons were sampled from a population of 206. Stratified random sampling was used to sample respondents for the study. The study adopted a questionnaire as an instrument to gather data from the respondents. The study found that the internal auditing function was helping to check the efficient use of resources at CCMA, and all the elements of internal auditing function had a positive effect on corporate governance. However, the effectiveness of internal auditing to corporate governance was limited by the lack of punitive measures to deter people from flouting directives from the internal audit unit. The study recommends that the internal audit unit in collaboration with the management of the Assembly should institute punitive measures to personnel who flout directives from the unit.

KEYWORDS: *Agency Theory, Corporate Governance, District Assembly, Internal Auditing Function, Stakeholder Theory*

INTRODUCTION

The need to focus on improving corporate governance has increased in many developed and developing economies during the past few decades, especially in the wake of economic collapse and financial crises (Brown & Caylor, 2006). Corporate governance entails a journey that requires committed senior leadership, integrated planning, coordinated execution, and constant monitoring. It is essential for effective risk management and compliance within firms, and a key element in improving economic efficiency and economic growth in addition to strengthening investor confidence. For these reasons, investors and other stakeholders value companies that anticipate problems and show evidence of strong internal oversight. This suggests that well-governed organizations should recognize that balancing the interest of all stakeholders is critical for a sustainable organization. Best governance addresses the needs of all of an organization's stakeholders.

According to the European Commission (2003), failures and weaknesses in oversight, accountability, and awareness are recognised as key root causes of the recent financial crisis and corporate failures widely. The Commission, therefore, demands that boards of directors and executive management should adhere to sound risk management, and demonstrate publicly that they are in control of their organizations. More specifically, the board of directors is tasked to ensure that appropriate systems of risk management and internal control are put in place.

The global financial crisis has sparked significant changes in the philosophy, intensity, and approach of financial services regulation around the world. Considering the increased regulatory scrutiny as well as directives from executives of the organization to strengthen controls and improve risk management, Cohen, Krishnamoorthy, and Wright (2002) indicate that internal audit's responsibilities are widening rapidly. To achieve the quality of governance, the company must focus on all cornerstones of corporate governance and in particular the internal audit function. Business leaders expect internal audit to play a more strategic – rather than merely tactical – role in the governance process.

Internal auditing is an integral part of corporate governance in both the public and the private sectors (Cohen & Hanno, 2000). It is a champion in assessing opportunities where corporate governance can be strengthened and suggesting corrective action as needed. It helps in improving public confidence in corporate governance. Internal auditors can meet the heightened expectations by taking a more holistic view of corporate governance and aligning internal audit skills and activities to assess, improve, and monitor their organizations' corporate governance capabilities. They are to evaluate and contribute to the improvement of risk management, control, and governance.

An internal audit function can be viewed as a "first line defense" against inadequate corporate governance and financial reporting (Bou-Raad, 2000). It assesses the commitment to the ethics of the organization and its goals, programmes, and activities. Bou-Raad (2000) asserts that the internal audit function has shifted from one of assurance to that of value-added and attempts to move the profession toward a standards-driven approach with a heightened identity. The Institute of Internal Auditors (2004a) alsorecognizes the assurance and consulting role of internal auditing in corporate governance to reflect its definition. The Institute defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

It has been widely recognized that the role of the internal auditor becomes increasingly more important in terms of creating good corporate governance structures (Allegrini, D'Onza, Paape, Melville & Sarens, 2006; Carcello, Hermanson & Raghunandan, 2005; Nagy & Cenker, 2002). The internal auditor is tasked with the gathering of information on inappropriate accounting practices, inadequate internal controls, and ineffective corporate governance.

A focus on corporate governance, thus, offers internal audit the opportunity to become a more active and strategic team player. Cohen and Hanno (2000) state that the rewards of improved corporate governance encompass more than a greater sense of personal accomplishment or company pride. They assert that internal audit plays a pivotal role in fostering an integrated, well-planned and progressive governance programme which has an effect on profitable investment opportunities.

It is now generally accepted that the correlation between internal auditing and corporate governance affects all kinds of economic activity and that the perceived implications and consequences of this interaction have changed considerably in recent years. Cohen et al. (2002) perceive that effective cooperation of corporate governance and internal auditing improves performance, and is a source of competitive advantage. The contribution of internal auditing to corporate governance is depicted through demarcating the relationship between internal audit and key elements of corporate governance.

Even though corporate governance has several components, Colbert (2002) reports that the Board of Directors has been recognized as the key player in corporate governance by regulators and governance committees. This is because the Board of Directors is ultimately responsible for the organization's accomplishment of its objectives, and the internal auditor's contribution is to providing information to that group. The internal audit's role is also crucial to assisting the Board of Directors in its governance self-assessment and best practices (Razaee & Lander, 1993; Razaee, 1996).

Carmichael, Willingham, and Schaller (1996) mention that internal auditing is an important managerial control device which is directly linked to the organizational structure and the general rules of the business. Internal auditors provide management with information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities (Arena & Azzona, 2009).

The Government of Ghana has taken a proactive step in establishing the Internal Audit Agency (The Agency or IAA) by an Act of Parliament in 2003. The IAA is mandated to co-ordinate, facilitate and provide quality assurance for internal audit activities within the public sector institutions (the IAA Act 2003, Act 658). The Agency has formulated three strategies which it is currently pursuing to improve the image of the Internal Audit function in the public sector. In Ghana, well-performing internal audit function is considered as one of the strongest means in order to monitor and promote good governance system in a company. Good governance is considered as a tool that is used in order to achieve the strategy of a company (Belay, 2007).

As one of the important keystones and foundations of corporate governance, internal auditors are anticipated to work with audit committees, boards, and senior management to help to guarantee that ethical behavior flows down all the way through the ranks to lower level employees (Bailey, Gramling & Ramamoorti, 2003).

The Cape Coast Metropolitan Assembly (CCMA) is one of the 20 political and administrative Districts in the Central Region of Ghana. As statutorily required, the Auditor-General, in accordance with Articles 187(2) and 253 of the 1992 Constitution of the Republic of Ghana and Section 121 of the Local Government Act, (Act 462), undertakes the auditing of the management and utilisation of the District Assemblies' Common Fund and other Statutory Funds annually.

The scope of internal auditing requirements has increased tremendously and this has affected the role internal auditing plays in the context of corporate governance. Bostan and Grosu (2010) indicate that there is now a greater focus on corporate governance and the assessment of the internal audit function's role in organizations. The establishment of the IAA by an Act of Parliament in 2003 helps to coordinate, facilitate and provide quality assurance for internal audit activities within public sector institutions (the IAA Act 2003, Act 658). The Auditor-General is therefore mandated to undertake the auditing of the management and utilization of the District Assemblies' Common Fund and other Statutory Funds annually for Parliament.

Further, the Internal Audit function in the Ghanaian public sector faces a perception and, to some extent, a credibility problem as a value adding a unit of public organizations. The Internal Audit Agency (2006) believes that the importance of Internal Audit is "shrouded in obscurity". These unfortunate background issues continue to play down the importance of Internal Audit as a key function that can strengthen the oversight responsibility of the governing body. Chief executives, boards, audit, and risk committees have also increased expectations of the depth and quality of the work which needs to be performed by their organization's internal audit function in relation to corporate governance. Bailey et al.

(2003) report that the internal audit function continues to play only a minor role in many organizations.

How do the afore-mentioned help to improve the effective functioning of the internal audit function of public organizations to enhance corporate governance? The study, therefore, sought to examine how the internal audit function of CCMA is contributing to corporate governance.

The general objective of the study was to examine the role of the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly.

Specifically, the Study Sought to:

- Examine the internal auditing function at the CCMA.
- Make recommendations on how to improve corporate governance at the CCMA through internal auditing function.

The study sought to find answers to the question of how the internal audit unit function at the Cape Coast Metropolitan Assembly.

Theoretical Review

The study adopted the agency theory, and the stakeholder theory of corporate governance to help study the codes of practice in corporate governance.

Agency theory is the dominant philosophical base behind the relationships between financial markets and organizations. It is a supposition that explains the relationship between principals and agents in the business. It is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). The theory was developed in the financial economics literature (e.g., Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976), and has attracted organization theorists and strategic management scholars, thereby resulting in a large number of studies over the last three decades.

Jensen and Meckling (1976) identify managers as the agents who are employed to work for maximizing the returns to the shareholders, who are the principals. Owners become principals when they contract with executives to manage their companies for them. Principals invest their capital in a company and design governance systems that maximize their utility. The executive accepts the agent status when they perceive the opportunity to maximize their own utility. Agents accept the task of managing. Jensen (1983) assumes that as agents do not own the corporation's resources, they may commit 'moral hazards' (such as shirking duties to enjoy leisure and hiding inefficiency to avoid loss of rewards) merely to enhance their own personal wealth at the cost of their principals.

In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen & Meckling 1976). Eisenhardt (1989) stresses that agency theory specifies mechanisms which reduce agency loss.

The stakeholder theory which assesses governance and performance was also important for this study. It was originally developed by Ed Freeman in the 1980s. Stakeholders are instrumental in the corporate success and have moral and legal rights (Donaldson & Preston, 1995). The theory challenges agency assumptions about the primacy of shareholder interests.

Conversely, stakeholder theory argues that there are a whole variety of stakeholders involved in the organization and each deserves some return for their involvement. According to the theory, a benefit is maximized if the business is operated by its management on behalf of all stakeholders and returns are divided appropriately amongst those stakeholders, in some way which is acceptable to all (Freeman, 1984). Unfortunately, Freeman and McVea (2001) mention that a mechanism for dividing returns amongst all stakeholders which have universal acceptance does not exist, and stakeholder theory is significantly lacking in suggestions in this respect.

The theory argues that a company should be managed in the interests of all its stakeholders. These interests include not only those of the shareholder but also a range of other direct and indirect interests (Freeman & McVea, 2001). Employees are obviously key stakeholders and they have a voice in the governance of the firm. Suppliers and customers have strong direct interests in company performance, while local communities, the environment as well as society at large have legitimate indirect interests.

The argument that is repeatedly raised against a stakeholder view of the firm is that it is hard to operationalize because of the difficulties of deciding what weight should be given to different stakeholder interests. In terms of corporate governance, Kaptein and van Tulder (2003) argued that if executives are to be made accountable to all of a company’s stakeholders, they will, in effect, be answerable to none. Enlightened stakeholder theory, therefore, suggests the practical value of accountability to shareholders even if a board takes other interests into account in its conduct of a firm.

Agency theory is relevant to many aspects of organizations, from the fundamental question of why they exist to questions of corporate structure. The agency theory was adopted to advocate that the purpose of corporate governance is to minimize the potential for managers to act in a manner contrary to the interests of shareholders. It assessed whether principals and agents act rationally and use the contracting process to maximize their wealth. This is because it is believed that some agents have self-seeking motives, so they are likely to take the opportunity to act against the interests of the owners of the Assembly.

The agency theory helped to explain the existence of internal auditing at the CCMA, which also helped to explain important characteristics of the internal audit function, namely its size. It is assumed that the more information asymmetry, the greater the need for monitoring to reduce this information asymmetry, resulting in a larger internal audit function. The theory helped to explain that internal auditing, like other intervention mechanisms such as financial reporting and external auditing, helps to maintain cost-efficient contracting between owners and managers of the Assembly.

The stakeholder theory of corporate governance was used to explain that those who have a stake in the functioning of the Cape Coast Metropolitan Assembly (CCMA) are made up of large and diverse groups. There are many stakeholders with different goals and they seek different benefits from the Assembly. For example, employees of the Assembly seek job security, the Internal Revenue Service wants its tax payments, and the community wants a solid economic base. The stakeholder theory helped to describe that these different interests control the Assembly in their own specific ways, and none has any better right to have its voice heard than any other.

METHODOLOGY

This section discusses the methodology used to collect and analyse data for the study.

Research Design

The study adopted cross-sectional and descriptive study designs. Cross-sectional study design was adopted because the researcher wanted to gather data from the study institution at a single point in time. Thus, issues about the internal audit function and corporate governance about CCMA were gathered once without tracking variations over time as certain conditions changes. According to Neuman (2006), a cross-sectional study design entails observation of a subset of a population, description of the current nature and conditions that exist, studying of the relationship between different variables at a single point in time and showing how variables affect each other.

This study design was adopted because the researcher assumed uniformity in the operational conditions of the Assembly in relation to issues about internal audit and corporate governance. This assumption was crucial because good corporate governance should always form the basis of the activities and decisions of the Assembly. Similarly, since the activities of the internal audit unit are governed by an Act, it is expected that all actions of the unit would be uniform as directed in the Act that establishes the Internal Audit Agency.

Sarantakos (2005) defines a descriptive study design as a design that involves compromise or contrast and attempts to discover relationships between existing variables. As a result, the study was designed to gather relevant and accurate information on the internal audit function and corporate governance at CCMA. The design combined both quantitative and qualitative techniques to examine the role of the internal audit function on corporate governance at CCMA.

Study Population, Sample Size, and Sampling Procedure

The population of the study constituted all staff of the central administration of the Cape Coast Metropolitan Assembly, and Assembly members under the CCMA. There are a total of 119 workers under the central administration of the CCMA, 87 Assembly members under CCMA. The implication is that the total population of the study was 206.

The sampling frame for the study comprises the staff of the central administration of the CCMA and Assembly members of CCMA. According to Krejcie and Morgan (1970), a population of 206 requires a sample size of 132. Stratified random sampling technique was used to sample respondents for the study. The respondents were categorized into two strata, staff from central administration and Assembly members. Proportionate sampling was used to determine the number of respondents to be sampled from each stratum. Per the total numbers in each category in the population, staff from the central administration constituted 57.8 percent of the total population, whereas the Assembly members constituted 42.2 percent. Deducing these proportions from the sample size implies that 76 respondents were sampled from the staff of the central administration while 56 respondents were sampled from the Assembly members' category.

The list of members from each stratum was obtained from the central administration of the CCMA. The lottery method was used to randomly sample respondents for the study. With the lottery method, the names of members in each stratum were written on equally sized papers and folded into a bowl. The papers were shuffled for some time to make sure they were not in any pre-determined positions. The adoption of this method was to give each member in the sampling frame equal chance of getting selection into the sample. It was also to reduce sampling bias and gather fair data about the effectiveness of the internal audit function towards corporate governance. In other words, ensuring fairness in the sampling process was to help to gather unbiased data about the internal audit functions at the Assembly.

After shuffling, the first draw was made without replacement and the name of the respondent was noted. The process was repeated until the required sample from a category was exhausted. The process was also repeated to select members from the other category.

Method of Data Collection

A survey was used as the data collection procedure for the study. Creswell (2003) indicates that the survey method of data collection is used when a researcher wishes to collect data from a segment of a population. According to Sarantakos (2005), the advantage of the survey data collection method is that it uses cost-effective procedures to gather data and generalize findings to cover the entire population. A questionnaire, as a method, was used to gather data from the respondents. Questionnaire administration enabled the respondents to administer the instruments at their own convenience without any pressure from their superiors. The disadvantage with the questionnaire administration was non-response and misplacement of the questionnaire.

Research Instrument

A questionnaire was used as the instrument for data collection in the study. A questionnaire was used because all the respondents were perceived to be literates who can read and administer the instrument themselves without the support of the researcher. A questionnaire was also used to enable the respondents to administer their instrument at their own convenient time without any pressure from superiors. It was perceived that the questionnaire would enable the respondents to present unbiased data on issues about internal audit functions and corporate governance at the CCMA. The use of questionnaire also enabled the respondents to hide their identity.

Both close-ended and open-ended questions were used to solicit for data from the respondents. However, the majority of the questions were close-ended. Five-point Likert scale type of questions was also employed in the questionnaire.

Data Analysis

The data was first cleaned to do away with grammatical errors and inconsistencies in responses. The data was entered into Statistical Product for Service Solutions (SPSS) software, version 21, for analysis. The data was processed by both SPSS and Microsoft Excel 2013 Professional Edition. Descriptive statistics such as frequencies, percentages, cross-tabulations, means and standard deviations as well as chi-square test of independence were used. Statistical tables were used to present aggregated trends in the data.

RESULTS AND DISCUSSION

This part presents the results and discussion of the data gathered from the field.

The research objective sought to examine the internal auditing function at the CCMA. According to Nagy and

Cenker (2002), the internal audit function is to control and maintain the quality of corporate governance. The implication is that careful examination of the internal audit function of an organisation is a critical step and necessary for assessing the quality of corporate governance. In other words, the quality of corporate governance of an organization greatly hinges on the quality of the internal auditing function. Some of the issues considered under the section include ensuring proper record systems and transactions, providing an independent assessment of transactions, and managing risks associated with the activities of the Assembly.

Ensuring proper records systems on transactions helps to track the activities of organizations and makes it possible to relate such activities with the strategic goals of organizations. This is an important element in the internal auditing function of an organization as it enables stakeholders or the agents to evaluate the activities of the principals. The respondents were asked to indicate how well transactions are properly recorded at the CCMA. The results show that the majority (76.5%) of the respondents strongly agreed and agreed that the internal auditing functions of the CCMA help to ensure proper records system on transactions, while 23.5 percent disagreed and strongly disagreed. The implication is that the majority of the respondents had confidence in the system and mode of recording transactions of the Assembly.

This is likely to enhance the effectiveness of the internal audit function of the Assembly as indicated by Fernandez and Rainey (2006) that the effectiveness of the system for recording and keeping transactions enhances the confidence of employees or agents in the checks and balances systems to guarantee good corporate governance as directed by the principals. The results further showed that both staff of the CCMA and the Assemblypersons had similar perceptions about the records system on transactions at the CCMA. This could be attributed to the common system used to record transactions in the organization.

The respondents were also requested to indicate the extent to which the internal audit function of CCMA was providing an independent and objective assessment of transactions. This was necessary because Gyasi (2005) emphasizes that the internal auditing function of an organization is to hold management accountable by providing independent and objective analysis on the transaction. The results show that a little over half (53.8%) of the respondents strongly agreed and agreed that the internal auditing function provides an independent and objective assessment of transaction at the CCMA, while 46.2 percent disagreed and strongly disagreed.

The results show that quite a significant proportion (46.2%) of the respondents was not satisfied with the independent and objective assessment of transactions through the internal auditing functions. This is likely to dent the image and reduce the confidence of people in the internal audit reports. Some employees of the CCMA added that the internal audit unit is perceived to be more of the managerial role and as a result, does not present different views and assessment from that of the management of the Assembly. The implication is that the placement of the internal auditing unit in the organizational structure of the Assembly is essential in preserving the independence and objective assessment of the unit as well as enhancing people’s perception on the independence and objectivity of the unit.

It further shows that while the majority (64.5%) of the staff of CCMA strongly agreed and agreed that the internal auditing function provides an independent and objective assessment of transactions at the Assembly, the majority (60.7%) of the Assemblypersons disagreed and strongly disagreed. A chi-square test of independence was used to assess the association between staff of CCMA and the Assemblypersons on the provision of independent and objective assessment of transactions at the Assembly by the internal audit unit. A chi-square value 81.7 (p-value = 0.001, degree of freedom = 7) shows that there was a significant association between staff of CCMA and Assembly persons on the provision of independent and objective assessment of transactions at the Assembly by the internal audit unit. Thus, since the asymptotic significance of 0.001 was lower than or within the acceptable margin of error of 0.05, there was a statistical significant association between the responses from the staff of CCMA and Assembly persons on the provision of independent and objective assessment of transactions at the Assembly by the internal audit unit.

Another issue considered under the research objective was the ability of the internal auditing function of the CCMA to manage risks associated with activities of the Assembly. This was imperative because Holm and Laursen (2007) posit that risk management is one of the primary roles of the internal auditing functions of institutions. It aims at avoiding unnecessary risks that may pose a challenge to the ability of institutions to achieve their operational goals. The results show that the majority (57.5%) of the respondents disagreed and strongly disagreed that the internal auditing function of CCMA was managing risks associated with the activities of the Assembly, while 42.5 percent strongly agreed and agreed. The implication is that the majority of the respondents perceived the internal auditing function as less effective in preventing the CCMA from engaging in or transacting high-risked activities. The less effectiveness of the internal audit function in managing risks associated with the activities of the Assembly is also likely to reduce the quality of corporate governance of the Assembly. This is because the internal auditing function may be unable to control or help the Assembly to avoid incurring the cost associated with high-risked transactions which may reduce the cost-effectiveness in the operations and management of the Assembly.

The study examined the ability of the internal auditing function to establish control systems to monitor the financial performance of the Assembly. This was essential because the control systems help to instill financial discipline in the governance process of organizations. From the study, the majority (57.6%) of the respondents strongly agreed and agreed that the internal auditing function of CCMA has established control systems to monitor financial performance, whereas 42.4 percent disagreed and strongly disagreed. The response of the minority (42.4%) shows that quite a significant proportion of the respondents did not see any mechanism for instilling financial discipline in the organization. This is likely to affect the level of compliance of the control systems for monitoring financial performance. Paape et al. (2003) indicate that knowledge and understanding of people about financial control systems of institutions influence their level of compliance to safeguard the importance and effectiveness of such controls in enhancing corporate governance.

Another issue considered under the examination of the internal auditing function of the CCMA was ensuring efficient use of resources. The results show that the majority (56.7%) of the respondents strongly agreed and agreed that the internal auditing function has ensured efficient use of resources at the CCMA, whereas 43.2 percent disagreed and strongly disagreed. The results show that quite a significant proportion of the respondents were not satisfied with the use of resources at the Assembly. This is likely to cause an increase in the operational cost of the Assembly. The implication is that the internal auditing function of the Assembly is unable to hold a quite significant number of people accountable to the use of resources. In addition, poor perception about the use of resources among such people may also influence them to misuse resources as stipulated by Sarens and DeBeelde (2006) that people actions are greatly influenced by their perceptions.

It further shows that while the majority (69.6%) of the Assemblypersons strongly agreed and agreed that the internal auditing function of the Assembly was ensuring efficient use of resources, the majority (52.6%) of the staff of the Assembly disagreed and strongly disagreed. The implication is that the Assemblypersons may use resources of the Assembly more efficiently in their operations than the staff of the Assembly. The results further show that the Assemblypersons were more committed to obeying the tenets of the internal audit function of the Assembly stipulating the use of resources. This could be attributed to the political accountability of the Assemblypersons to the electorates compared to the civil servants who, to a large extent, do not depend on anybody to maintain their jobs. This shows that staff of the Assembly could be made to be committed to the efficient use of resources of the Assembly if part of their annual appraisal and promotion issues captures the assessment of efficient use of resources.

CONCLUSIONS

This part presents a summary of the major findings of the study and the overall conclusions of the study. The chapter also recommends ways of improving internal auditing function to improve corporate governance at CCMA.

The internal audit unit was perceived to be more of a managerial role and as a result, does not present different views and assessment from that of the management of the Assembly. The majority (57.5%) of the respondents disagreed that the internal auditing function of CCMA was managing risks associated with the activities of the Assembly. The study found that quite significant proportion (43.2%) of the respondents was not satisfied with the use of resources at the Assembly. While the majority (69.6%) of the Assembly-persons agreed that the internal auditing function of the Assembly was ensuring efficient use of resources, the majority (52.6%) of the staff of the Assembly disagreed.

The study concludes that internal auditing function is central to good corporate governance. Based on the findings, the study concludes that the internal auditing function was helping to check the efficient use of resources at CCMA. This was done by instituting proper measures to manage assets of the organization as well as the standard reporting system.

Based on the Findings and Conclusion, the Study Recommends the Following

The internal audit unit of CCMA together with management should educate both staff of the Assembly and Assembly members on the role of the unit to the entire organization. This would help diffuse the perception of staff and Assembly members that the unit is part of management and may not present different views and assessment from that of the management of the Assembly. It would also help to improve the level of acceptability and credibility people attach to internal audit reports.

The internal audit unit should institute sanctions against departments which delay in submitting their financial records to the unit on time. This could be done by establishing clear timelines for financial reporting from the various departments to the internal audit unit. Failure of departments to comply with such timelines should attract sanctions.

The management of CCMA should deepen its role in implementing the reports of the internal audit unit to the point where all staff will indeed attest to its practicability. This will help to increase the confidence of staff of reports issued by the internal audit unit.

The internal audit unit at CCMA should institute strict risk assessment measures in place to check the level of risks associated with the transactions of the Assembly. This would help to reduce unnecessary financial risks and losses.

This would help to increase the contribution of the unit to corporate governance at the Assembly.

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APPENDICES

A. QUESTIONNAIRE FOR STAFF OF CCMA

Dear Sir/Madam,

This questionnaire is designed to examine the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly. It aims at examining the role of internal audit function in corporate governance at CCMA. This is purely for academic exercise. I humbly request that you provide information based on the stated aims. Any information given would be treated with utmost confidentiality.

Thank you

Section A: Background Characteristics of Respondents

1. Category of respondent: [1] Staff [2] Assembly member
2. Sex of respondent: [1] Male [2] Female
3. Age (years) of respondent: [1] Below 20 [2] 20 – 29 [3] 30 – 39 [4] 40 – 49 [5] 50 – 59 [6] 60 and above
4. Highest level of education: [1] Basic [2] SHS [3] Tertiary
5. Length of years of service: ………………
6. Department: [1] Finance [2] Cooperatives [3] Administration [4] Internal Audit [5] Others

Section B: Internal Auditing Function at the CCMA

How do you agree to the following as the functioning of internal auditing at CCMA? Using strongly disagree = 1, disagree = 2, Agree = 3, strongly agree = 4

Table 1

Functions	1	2	3	4
Ensuring proper records systems on transactions				
Establishing proper asset management system				
Establishing clear policies and procedures for financial transactions				
Ensuring compliance with procedures and policies in financial transactions				
Helping to improve managerial efficiency and effectiveness				
Helping to improve governance processes				
Providing independent assessment of transactions				
Providing objective examination of transactions				
Managing risks associated with the activities of the Assembly				
Established control systems to monitor financial performance				
Ensuring accurate and reliable financial information				
Ensuring timeliness in financial reporting				
Ensuring proper financial reporting system				

Ensuring efficient use of resources				
Ensuring the achievement of institutional goals and objectives				

1. Does management give maximum attention to audit reports?
2. [1] Yes [2] No
3. What level of confidence do you have in internal audit reports? [1] Low [2] Medium [3] High
4. How would you describe the quality of internal auditing in the Institution? ....
5. Any additional information:
6. …… ……... ....

Thank you

B. QUESTIONNAIRE FOR ASSEMBLY MEMBERS OF CCMA

Dear Sir/Madam,

This questionnaire is designed to examine the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly. It aims at examining the role of internal audit function in corporate governance at CCMA. This is purely for academic exercise. I humbly request that you provide information based on the stated aims. Any information given would be treated with utmost confidentiality.

Thank you

Section A: Background Characteristics of Respondents

1. Sex of respondent: [1] Male [2] Female
2. Age (years) of respondent: [1] Below 20 [2] 20 – 29 [3] 30 – 39 [4] 40 – 49 [5] 50 – 59 [6] 60 and above
3. Highest level of education: [1] Basic [2] Secondary [3] Tertiary [4] N/A
4. Number of terms serving as an Assembly member: ………………….
5. Serving committee(s) [1] Budget [2] Finance & Administration [3] ARIC [4] Revenue
6. Mobilization [5] Other...

Section B: Internal Auditing Function at the CCMA

How do you agree to the following as the functioning of internal auditing at CCMA? Using strongly disagree = 1, disagree = 2, Agree = 3, strongly agree = 4

Table 2

Functions	1	2	3	4
Ensuring proper records systems on transactions				
Establishing proper asset management system				
Establishing clear policies and procedures for financial transactions				
Ensuring compliance with procedures and policies in financial transactions				
Helping to improve managerial efficiency and effectiveness				
Helping to improve governance processes				
Table 2 Contd.,				
Providing independent assessment of transactions				
Providing objective examination of transactions				
Managing risks associated with the activities of the Assembly				
Established control systems to monitor financial performance				
Ensuring accurate and reliable financial information				
Ensuring timeliness in financial reporting				
Ensuring proper financial reporting system				
Ensuring efficient use of resources				
Ensuring the achievement of institutional goals and objectives				

Does management give maximum attention to audit reports?

[1] Yes [2] No

1. What level of confidence do you have in internal audit reports? [1] Low [2] Medium [3] High
2. How would you describe the quality of internal auditing in the Institution? ....
3. Any additional information:
4. ……...

Thank you