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The Efficiency of Ghanaian Government Agencies' Internal Audits

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Abstract: The purpose of this study is to investigate what makes internal auditing successful in Ghanaian public institutions, discover what other employees think about the topic, and find out what they can do to help make it work. The methodology used was a qualitative one. Internal auditors and other staff members were also targeted with questionnaires. Two public universities and a public hospital were each given 80 surveys. A percentage analysis was performed on the collected data. The research found that successful internal auditing is influenced positively by management support, internal auditor independence to operate, resource availability, and appraisal of internal auditors by other staff. Effective internal auditing also requires greater training and solid working relationships. - A Implications and Limitations of the Study: While the research did interview employees of three public institutions in Kumasi, Ghana, with an internal auditing department, it did not interview members of the audit committee. More city and county governments, as well as audit committee members, could be involved in a future research. Computerization of public sector internal auditing units is another potential area for future research. Research suggests creating auditing software, which has practical implications. • Other employees should assess internal auditors. Both the government and management should place a premium on the components of good internal audits. Uniqueness/Value: The Institute of Internal Auditors, the Internal Audit Agency, management, investors, and the government will all benefit from this study's findings.

Keywords: Internal Auditing, Internal Audit Functions, Internal Audit Agency, Public Institutions

I. INTRODUCTION

In order for a government to remain stable, it must be able to meet the requirements of its citizens, which include providing for their health, safety, and education, as well as funding developmental initiatives. Local districts receive funds with the intention of improving the lives of their residents via efficient utilization of those funds. Two things—management and available resources—drive public sector performance [1]. The distribution of resources to districts in order to satisfy the needs of inhabitants is overseen to verify its accuracy. Taxpayers have faith that their demands will be granted and that their taxes will be used to advance the nation economically. Electricity, water, hospitals, schools, police stations, and other social facilities are controlled to improve life for everyone. Appropriate management makes it easy for heads of local government to account for the resources allocated to them. People all throughout the globe are demanding that the public sector be improved. This is due to the fact that governments are the largest corporations in the world, and any actions taken by governments have an impact on every other part of the economy.

Public organizations in particular need better and more accurate accounting and auditing standards to keep up with the massive amount of government activity. The 134 public service

entities in Ghana need efficient and cost-effective management of their respective budgets and finances.

In order to facilitate the execution of officers' tasks and the attainment of established objectives, many Acts and Regulations are at their disposal, including the Public Procurement Act 2003 (Act 663), the Financial Administration Regulation 2004, the Financial Administration Act 2003 (Act 654), and others. Unlike the private sector, the public sector is notoriously inefficient; however, in order to achieve its goals, the necessary funds are distributed to MDAs and MMDAs to guarantee high-quality performance.

In order to guarantee that funds are utilized efficiently according to the budget, the Ghana Audit Service (GAS) and the Internal Audit Agency (IIA) were set up to oversee the implementation of internal controls, financial structures, Acts, regulations, policies, and procedures, as well as the use of resources.

Good governance, the implementation of government policies, procedures, internal controls, and processes, risk management, and the advancement of the economy through the attainment of specific goals were the motivations

behind the enactment of the Audit Service Act 2000 (Act 584) and the Internal Audit Agency Act 2003 (Act 658). This shows that auditors are held to high standards. The long-term health of the economy, transparency in government, and quality public services for the people are all benefits of thorough internal auditing. When done well, internal auditing contributes to the achievement of goals.

In Ghana, leaders of different sectors and agencies are facing corruption scandals and questions about the proper use of allocated funds, which has led to discussions about fraud, conflict of interest, and misappropriation of funds. Electricity load shedding, high unemployment, tariffs, outstanding debts, and fuel prices are all signs of a struggling economy. (New Statesman, 30 May 2016) and "Fraud at Komfo Anokye Teaching Hospital (KATH) as patients are made to escape paying bills, July 4th, 2016") are two examples of incidents where Ghana owes more than 10% of the \$35 billion in African Eurobond debt. As a result, citizens are questioning the role of internal auditors and calling for more transparency in the use of public finances. A lot of people want to know whether there are competent internal auditors, if they have easy access to the money they need to do their jobs, if their recommendations are implemented, and if the rules against offenders are effective. Should the penalty for offenders be raised, and whether or not internal auditors, as workers of the state, are impartial and unbiased in carrying out their duties. The components of successful internal auditing in public organizations will be the focus of the study. Factors such as availability of cash, effectiveness of internal controls, support from management, functions of internal audits, assessment of auditor performance, and execution of audit recommendations are included.

II. LITERATURE REVIEW

Many have done research on internal auditing in the public sector but my research is on ascertaining the factors that creates effective internal auditing in public institutions to promote good economy and eradicate fraud, risk management, to promote the growth of the public sector.

A. Definition of Internal Auditing

Internal auditing has been defined by several authors.

An independent auditor, in accordance with the terms of his contract and in accordance with statutory regulations and experienced requirements, independently analyzes and expresses an opinion on an organization's financial accounts. [2] in As a service to the company, it is an impartial evaluation function that reviews the control system and performance quality. the third

Financial statement analysis is a methodical look at the processes, methods, and outcomes of financial transactions. [4] The purpose of an internal audit is to improve a company's operations by providing unbiased assurance and advising services. By providing a structured method for assessing and bettering the efficacy of risk management, control, and governance procedures, it aids a company in reaching its goals. [5]

Evidently, the purpose of conducting internal audits in public organizations is to identify potential weak spots, test the efficacy of the control system, investigate and assess the efficacy of policies and processes, and assess overall performance. With the help of the audit client and easily measurable support from senior officials, all of this may be done effectively. By conducting audits in-house, organizations may reduce the burden on external auditors, safeguard against financial fraud, aid in decision-making by management, and pay extra attention to high-risk areas to ensure they are well-prepared for any surprises. Because of the reasons mentioned above, internal auditing is very successful.

B. Objectives of Internal Auditing

Internal auditing aims to achieve the following:

Help senior executives with governance, risk management, and internal control examinations. Validate that Acts, policies, procedures, rules, and regulations are all contributing to improved operations. Help the management team reach their goals. Providing "management with analysis, appraisal, recommendations and pertinent comments concerning the activities

reviewed" is what internal audits are all about.

[6] An internal auditor's job is to prevent management from making irrational decisions and shirking their duties.

[7] Rather than acting as the police, internal auditors should guide management to make sound decisions, implement sound policies and procedures, and maintain accurate internal controls in order to ensure that public institutions achieve their goals and ideals in an economical, efficient, and effective manner.

C. Internal Auditing Functions

When it comes to internal auditors, stakeholders have varying expectations. The purpose of an internal audit is to guarantee that a public entity is using its resources effectively to achieve its goals and protect its assets. Internal auditors make sure that all operational and financial data is recorded for easy reference and reference in the future.

They guarantee that those in charge or on the council will make wiser decisions that will help public institutions last longer and continue to provide excellent services to the public. With their support, management is able to pinpoint potentially dangerous regions and implement preventative measures.

They guarantee that funds are allocated to the right areas and put to good use in all government agencies according to the allocated budget.

Internal auditors can more accurately portray the state of affairs with this help. Honesty and complete operational control are essential for internal auditors to carry out their duties effectively.

An integral part of global control, internal auditing helps management evaluate controls and performance, making it a crucial tool for many modern firms. [8] So, the goal of both management and internal auditors is the same: to make sure the organization is doing its best job of meeting its goals.

D. Challenges in Internal Auditing

Some high-ranking officials block internal auditors' work because they feel the rules do not apply to them or because they do not appreciate having their offices examined.

Internal auditors are unable to meet the needs of all stakeholders due to factors such as limited access to data and records and diverse objectives.

Internal auditors devote a great deal of effort to auditing different parts of the organization and providing recommendations to address problems in the examined departments, yet their recommendations often go unheeded. Unfulfilled suggestions mean unanswered questions about the results.

The main reason the internal audit function is unsuccessful is because management does not provide enough support. [9] There are a number of potential risks to the independence and objectivity of internal auditors if they are required to report directly to the audit committee. These include concerns about career and reputation, overreaction from audit committee members, retaliation from management, and the need to offer solutions when fraud risks are reported. [10]

The research aims to determine how well public sector organizations use internal auditing for management and accountability purposes. The following theories were developed after reviewing the aforementioned material. H1 The effectiveness of internal auditing is impacted by management's support and operational autonomy. Effective internal auditing is affected by factors such as the availability of resources, the quality of training, the effectiveness of internal controls, and the quality of working relationships.

III. DATA ANALYSIS

A. Methodology

Interview

Researchers prefer in-person interviews because they allow them to ask clarifying questions and make notes throughout the interview. We will be conducting interviews with internal auditors, managers, and other employees. Data was collected about the positive and negative experiences of internal auditors, management, and other staff members in regards to their working relationship.

Research

Due to time limitations, many questions or pieces of information cannot be asked or acquired during the interview. In order to meet the goals set forth for the study, it is decided to use a questionnaire that allows respondents plenty of time to answer the questions.

Survey

Everyone on staff, including internal auditors and managers, received a copy. The goal is to get an understanding of the state of internal auditing in government agencies, the difficulties encountered by auditors, and the attitudes held by management and other employees toward investigators.

Data was collected using a survey study approach. Data collection for this study was a top priority, and the main sources of information came from questionnaires, interviews, and field observations. Internal controls, policies, processes, legislation, rules, regulations, and Acts were reviewed in order to compile secondary data. This study was conducted in three (3) public universities in Kumasi, Ghana, namely Kumasi Technical University, Komfo Anokye Teaching Hospital, and the University of Education, Winneba, Kumasi Campus. The Ashanti region is home to these institutions. Internal auditors and other employees, including managers, are each given their own section of the survey. The goal was to collect input from internal auditors and other staff members so we could better understand the issues and formulate appropriate study questions. The survey had one hundred participants. The first of its three parts assesses the maturity of internal audit departments by looking at things like resource availability, auditors' working conditions, audit documentation for carrying out their work, and auditors' training.

The second one concerns rules, laws, and regulations; the third one is about management support, which includes management allowing internal auditors autonomy to work, putting internal audit recommendations into action, and incorporating internal audit into decision-making.

In the last part, we will discuss the laws, regulations, codes of conduct, policies, processes, rules, and internal controls of public organizations. We looked at how the interview and questionnaire data stacked up against the hypothesis. For the analysis, simple percentages were used. In order to achieve the study goals, the following hypotheses were developed. One factor that affects how well internal auditors do their jobs is the level of autonomy and support they get from upper management.

Effective internal auditing requires solid working relationships, enough resources, improved training, and internal controls. Research Survey

Out of 100 questionnaires that were sent out, 80 were returned, which is equivalent to 80% and was considered suitable for the study. Of the 80 people who took the survey, 30 were internal auditors (or 37% of the total) and 50 were from other departments (or 63% of the total). Previous Work Experience The internal auditors have the necessary expertise to carefully carry out their tasks and obtain correct information. Out of the total, 16 had worked for 1-10 years, accounting for 53.3%, and 14 for 11-20 years, 46.7%.

Agency Membership in Internal Audits The data shows that out of 30 internal auditors surveyed, 12 are registered members of the Internal Audit Agency of Ghana, while 18 are not (representing 60% of the

total). The fact that so few internal auditors are part of this group is evident from this. Internal auditors are the only target audience for this organization, and only members will have access to resources like training programs and documentation. Assistance with Management Stick to the Rules Of those who took the survey, 80% think management is good at sticking to procedures, rules, and internal controls, while 20% think the opposite is true. Application of Suggestions Of those who took the survey, 56.7% claimed that management does not follow the suggestions provided in internal audit reports, while 43.3% said that management does.

Management buy-in is crucial to the work of internal auditors in government agencies, according to the researcher's interviews. Public institutions rely heavily on their management teams for decision-making, policy-and procedure-making, internal control, the governance process, and overall operation control, all of which are necessary to attain predetermined goals. The management team backs the internal auditors by listening to their recommendations and adhering to all applicable laws, regulations, and policies. External Auditors' Independence

Of those who took the survey, 53% found the rate of internal auditor independence to be high, 30% found it to be very strong, and 17% found it to be poor. This shows that internal auditors are free to do their jobs as they see fit.

Successful internal auditing requires the autonomy of auditors to do their jobs, said the questioned auditors. Internal auditors require complete autonomy to conduct audits of any area of the organization; otherwise, they will not be able to enhance any element of the institution and will be unable to identify or prevent fraudulent activities in any part of the institution. Access to Materials

While 76.7% of people indicated resources are accessible, 23.3% claimed they aren't. This is excellent. Seminars on Internal Auditing It's encouraging that 70% of people think internal auditors go to seminars on internal auditing and 30% think differently. Service Requirement

According to the survey, 67% of people think the current situation of internal auditors' service is excellent, 20% think it's terrible, 7% think it's worse, and 6% think it's better. It seems like everything is in terrific shape.

Interaction Between Internal Auditors and Management A total of 97% of respondents said that management and internal auditors get along well, while 3% expressed the opposite. Good working connection is indicated by this.

In order for other employees to fully grasp what internal auditing entails, it is essential that internal auditors have the chance to discuss their role and responsibilities during seminars. Some individuals see internal auditors negatively because they believe they are like the police or invaders who are always trying to find someone to blame when problems arise at work. This will alter their minds. When other employees help out by providing the required paperwork and refraining from obstructing information, internal auditing becomes a breeze and yields great results for the organization.

Internal auditors are able to complete their tasks on time when they have access to the tools they require, which in turn creates a positive work environment and healthy relationships between employees. Good working circumstances encourage internal auditors to work harder and provide better results, guaranteeing that the institution's goals are effectively realized. Internal auditors are loyal and honest. Independent Third Parties Assess Internal Auditors External auditors do not assess internal auditors, according to 63% of respondents, while 37% disagree. According to 64% of respondents, internal auditors are not evaluated by other staff members, whereas 36% of respondents said that this is the case.

IV. RECOMMENDATION AND CONCLUSION

According to the research, efficient internal auditing is crucial to the development of government agencies and the country of Ghana overall. Internal auditing is defined in the research

should be updated to better assist with governance and risk management procedures due to the technology and ever-changing nature of our environment. The development of internal audit software is necessary to facilitate the performance of internal audit duties. When conducting audits across many departments, it is important for internal auditors to be proficient in the software utilized by each. In order for other employees to voice their opinions about institutional difficulties and report fraudulent activities to internal auditors, a suggestion box must be set up. In order to have complete access to training and essential materials to enhance their knowledge and abilities, internal auditors need enroll with both the Internal Audit Agency (IAA) and the Institute of Internal Auditors (IIA). Other departments should assess internal auditors; the planning or quality assurance teams might create a questionnaire for this purpose. As a result, internal auditors will be able to assess their own performance and make adjustments as needed.

To ensure a good working relationship and better outcomes, internal auditors should arrange an internal auditing session for other members of staff.

Everyone should be treated fairly under the law, and internal auditors should not act in a way that intimidates audit clients or favors major officials at the expense of ordinary workers. Prior to writing the final audit report, internal

auditors should consult with audit clients to go over findings. Proactivity is key for internal auditors as they carry out their responsibilities. Employees may aid internal auditors by reporting wrongdoing and by adhering to all applicable laws, regulations, policies, and processes. Public sector organizations should have officers from the Internal Audit Agency (IAA) drop by their audit departments to get a feel for how things are going and provide assistance with any problems that may arise. All public organizations, not only those in Ghana, would benefit from the aforementioned suggestions for improving internal auditing.

Limitations

Although audit committee members were not part of the interviews, the research did include three public institutions in one of Ghana's major cities with internal auditing departments. Additional public institutions in urban and rural regions might be included in a future research. Computerization of public sector internal auditing units is another potential area for future research.

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