

**UNIVERSITY OF EDUCATION, WINNEBA**

**THE RELEVANCE OF AUDITING AND ASSURANCE SERVICE TO PUBLIC  
INSTITUTIONS IN GHANA, CASE STUDY OF SEKYERE SOUTH DISTRICT  
ASSEMBLY AND GHANA EDUCATION SERVICE**



**COMFORT NYARKO BOATENG**

**2017**



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**COMFORT NYARKO BOATENG**



**A Dissertation in the Department of Accounting Education, Faculty of Business  
Education, Submitted to the School of Graduate Studies, University of Education,  
Winneba in Partial Fulfillment of the Requirements for the Award of Degree of  
Master of Business Administration (Accounting Option) degree.**

**AUGUST, 2017**

## DECLARATIONS

### STUDENT'S DECLARATION

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

SIGNATURE.....

DATE.....



### SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this Dissertation was supervised in accordance with the guidelines for supervision of Dissertation laid down by the University of Education, Winneba.

NAME OF SUPERVISOR: DR. JOSEPH MBAWUNI

SIGNATURE.....

DATE.....

## **ACKNOWLEDGEMENT**

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Finally my children; Agnes Annor Shepherd, Isaac Annor Shepherd and Beatrice Annor Shepherd for their patient and support during my studies.



## **DEDICATION**

This work is dedicated to my husband and children.



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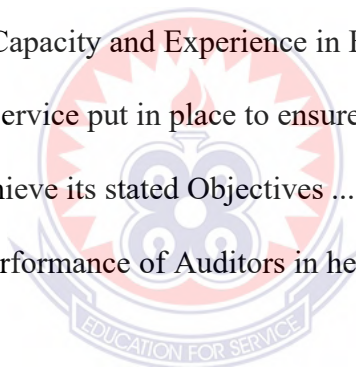


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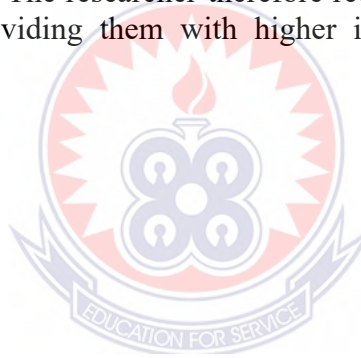
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## ABSTRACT

The aim of this study was to find out the relevance of auditing and assurance services to the public institutions in Ghana. The objective of the study was to examine the relevance of auditing and assurance services in the public institutions in Ghana. The research instrument used to collect data was questionnaires. The questionnaires was administered to three (3) public institutions where 100 employees were given questionnaires. A sample of 100 respondents was selected randomly from a population of 150 public officials. Data was analyzed using statistical package for social scientist (SPSS). From the study, the researcher found out that, public sector managers do not support audit due to the fact that the sector managers are not aware of the exact role of the auditors due to the evolution of the audit activities. Also, public sector officials do not see the relevance of the audit activities in the public sector institutions. The study revealed that one's perception of the auditor was influenced by how they perceive their roles in the sector. The auditors find it difficult to perform their specific responsibilities of preventing, detecting fraud, errors, irregularities, misappropriation and misuse of public resources. This is because they do not have the needed logistics to enable them to carry out their statutory duties. The staff was not well motivated in terms of remuneration, offices and regional accommodation. The researcher therefore recommends that government should motivate auditors by providing them with higher incentives, training and necessary resources such as offices.



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

In recent times, auditing and assurance services to government institutions have become significance as an academic discipline, a focus of study and government policy. There is a realization that no nation develops without the activities of auditors. Audit plays an essential role in serving the public interest to strengthen accountability and reinforce trust and confidence in financial reporting. However, scandals have given the audit profession a lot of publicity, some of which is negative. There are changes that have been made in order to promote greater transparency in the audit and accountability in auditors. The demands for further improvements in auditing and assurance services continue to exist. The business world consists of different groups that are affected by the financial reporting requirements of the regulatory agencies such as shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders including individuals with relatively small shareholding and large institutions such as government, banks or insurance companies. Auditors' decision is usually based on the financial reporting and the performance of the company's or institutions management, who have a responsibility to act in the interests of investors. The goal of the financial statements is to assist the shareholders or owners of the institutions with the evaluation of management's stewardship.

A financial auditing is an accounting process and its major purpose is to accurately account a company's or institutions financial transaction (Bamidele, 2009). The process is being made to ensure that the entity is trading fairly in accordance with the

Accounting Standards so as their issued financial statements will not be misleading for users. Audit is a type of assurance service. An audit serves as a starting point for assurance services. However, audits test the validity of the assertions in financial statements and are subject to regulation under International Standards on Auditing. Auditing centers on examining the historical financial information provided by clients and weighing its legitimacy and accuracy. Also, audit assesses a client's reliability. Basically, audit is represented as a process designed to evaluate the credibility of information of a company's financial statements.

Assurance services are type of professional service usually provided by Chartered Accountant which includes review of financial documents or transactions such as a loan, contract or re-current expenditure. Assurance service also refers to as professional services provided by Accountants, Lawyers and other professionals that assure the integrity and usability of documents and information produced by businesses and other institutions. Assurance service assists businesses', governments and other institutions to manage risk and evaluate potential pitfalls. Audit is an example of assurance services provided by auditors for businesses to assure that information provided to shareholders is accurate and impartial. Several attitudes do exist concerning the expectations of the purpose and operation of the audit.

Humphrey (2010) argued that the most notable distinctions between views of auditing as a socially oriented function in which the auditors are portrayed as ethical, socially responsible individuals and auditing as a monopolistic business. Audits offer the value of an outside, independent firm assessing a company, government business or other party providing confidence that the financial reports of the government institution or

company issues are accurate. Auditor is an independent third party to establish a degree of correspondence between assertions made by management and user criteria (Soltani, 2014).

According to Humphrey (2010) auditing is not regarded as an exact science, designed to specify to one hundred per cent (100%) accuracy of the information contained in the financial statements of the institutions. It is more a process of judgment that concerned to ensure that the information is reasonably accurate, true and fair, not true and correct, sufficient rather than absolute. The creditor's decisions are based on the examination and evaluation of a company's financial resources, future performance and risk. Therefore, financial statements are of great importance to the government, bank or loan officer as well as to the company itself. For employees, financial statements are an important source of information about the profitability of the company and its ability to pay. In the case of governments, the information may be used for tax calculations or government contracting (Soltani, 2014).

In Ghana, the need for an audit has been stipulated in the Companies Code 1963, Audit Service Act 2000 (584), Internal Audit Agency Act 2003 (Act 658), Financial Administration Regulation 2004 (L.I 1802) and Public Financial Management Act 2016 (Act 921) which requires companies either private or public to appoint auditors and regulates the functions that the auditors have to perform examination of the companies' or public institutions annual financial statements.

The aim of the auditor's report is to comment on how accurately the company or public institutions present its financial situation and how it is performing. This should reassure the shareholders or the citizens that their investment is secured and assist to

reduce the practice of misleading accounting procedures designed to show the company in a more favourable.

According to Limperg's theory of inspired confidence, the demand for audit services is the direct consequence of the participation of outside stakeholders (third parties) in the economy (Hayes et al., 2011). However, after several financial statement frauds and company collapses in the past this theory has been reconsidered. The role of the auditor is essential for verifying the accuracy and correctness of the information provided by institutions or corporations. Auditor acts as an intermediary between the management and the users of the financial information.

Sekyere South District formerly called Afigya Sekyere District is located in the north eastern part of the Ashanti Region and was established by legislative instrument (LI) 1898. Its administrative capital is Agona, is located 37 kilometres away from Kumasi along the Kumasi-Mampong trunk road. The district shares common borders with Ejura Sekyerdumasi, Mampong municipal and Sekyere East to the east, Kwabere East to the south and Offinso Municipal to the West.

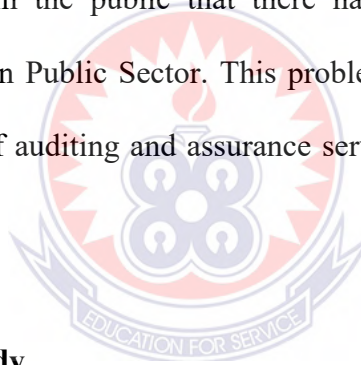
According to the 2010 population and housing census stands at 95,009 with 44,691 males and 49,318 females respectively in the district. The district has about 50 Government institutions of which the district assembly and the Ghana Education service is part.

## **1.2 Statement of the Problem**

In Ghana, there has been a high challenge of financial fraud and corruptions which has been endemic in the detriment of the nation as a whole. This has been major challenges to the Ghanaian economy and hit the western civilization, the law enforcement



agencies and the professional bodies have battle with this menace with little success. Corruption has been a nuisance not only to the Ghanaian economy but to the global economy. This can be by the large scale corporate and public scandals of the 21<sup>st</sup> century involving reputable global companies like Siemens, global crossing and government officials holding reputable positions. The rising fraud and corruption in public institutions has assumed enormous dimensions. This development has battered public trust in the financial statements of the institutions. Auditors express professional opinion on the truth and fairness of the financial statements which is bedeviled with the stagy of problems which could result in the issuances of unpretentious bill to corruption-riddled institutions. There are comments from the public that there has been an increase of fraud and corruption in the Ghanaian Public Sector. This problem has necessitated to research on the topic ‘the relevance of auditing and assurance services to government institutions in Ghana’.



### **1.3 Objectives of the Study**

The main objective of this study is to evaluate relevance of auditing and assurance services to public institutions in Ghana.

The specific objectives of this research topic seek to examine:

1. The benefits of auditing and assurance services to government institutions (District Assembly and Ghana Education Service).
2. The relevance of auditing and assurance services offered by Ghana audit service to Ghana Government within Sekyere South District.
3. Challenges faced by Ghana Audit Service in auditing Ghana Government Institutions.

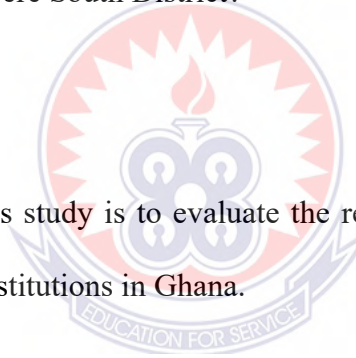
#### **1.4 Research Questions**

The following are the research questions for the study:

1. What are the benefits of auditing and assurance services to government institutions with reference to District Assembly and Ghana Education Service in the Sekyere South District?
2. Does auditing and assurance services offered by Ghana Audit Service to District Assembly and Ghana Education Service within Sekyere South District are relevance?
3. What are challenges which Ghana Audit Service faces in auditing public institutions in Sekyere South District?

#### **1.5 Purpose of the Study**

The purpose of this study is to evaluate the relevance of auditing and assurance services to Government institutions in Ghana.



#### **1.6 Significant of the Study**

The study is expected to impact on the Ghanaian economy, especially the public sector, industries, academia and the general public. On the Academia, the outcome of this study is to augment the existing store of knowledge on the subject and serve as a catalyst for further research on innovative ways of evaluating the relevance of auditing and assurance services to public institutions in Ghana. It is useful as a source of reference to researchers, academics, students, policy makers, marketing professionals and other stakeholders interested in the challenges been faced in the country. The findings and results will also provide a more reliable measure and perspective for evaluating the level

of efficiency and effectiveness of the relevance of auditing and assurance services to public institutions in Ghana.

To policy makers like government agencies such as the Ministry of Education, Trade and Industry, Local Government, Science and Technology and Employment and Labour Relations, the findings and results of the study provides insights and more reliable guide for assessing the relevance of auditing and assurance services to public institutions in Ghana.

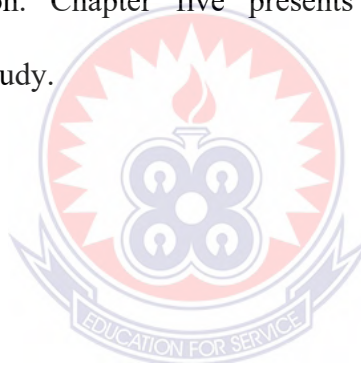
### **1.7 Limitations of the Study**

The study is limited to the public institutions in the country with the particular reference to District Assembly and Ghana education service in Sekyere South District of Ashanti. This location is chosen due to cost, time considerations and also because it is acknowledged that the country needs for its developments. The researcher encountered the following limitations:

Unwillingness of management in the public institutions to release information which should have enriched the study and established a strong validity and reliability was a challenge. Even though, there are institutions nationwide study would have been more appropriate but there are constraints of financial resources and unavailability of data as well as materials which will not make it possible to undertake nationwide study. Furthermore, it is difficult to access certain information that may be useful for this research. In addition, the researcher has to combine academic work with profession; costs in terms of printing, photocopying, binding as well as opportunity cost would be incurred without the requisite bursary from government which would be provided at a much later date.

## **1.8 Organization of the Study**

This study is divided into five chapters. Chapter one introduces the study which deals with the background to the study, the statement of the problem, the objectives of the study, the research questions, purpose of the study, significance of the study, limitations and organization of the study. Chapter two deals with the review of the related literature according to the research questions used in the project work. Chapter three also deals with the methodology that explains the research design, the population, sample and sampling procedures, the research instruments, methods of data collection, ethical consideration, data analysis used in the study. Chapter four also deals with the results of the study and discussion. Chapter five presents the summary, conclusions and recommendations of the study.

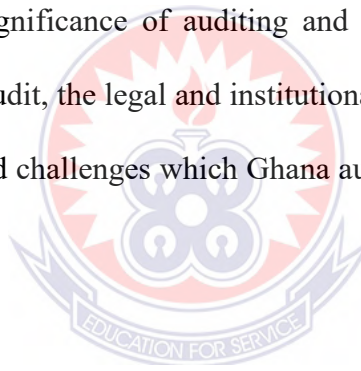


## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter deals with the review of literature. The researcher explores relevant and related literature in support of the objectives of the study. The literature review is from published books and any relevant information on what others have said about the topic 'the relevance of auditing and assurance services to public institutions in Ghana. Literature has been reviewed on the concept of auditing and assurance services to public institutions in Ghana, theories of auditing, risk assurance services, the role of the audit to public institutions, the significance of auditing and assurance services to government institutions, the types of audit, the legal and institutional framework of auditing in Ghana, the process of auditing and challenges which Ghana audit service faces in auditing public institutions in Ghana.



#### 2.1 The Concept of Auditing and Assurance Services

The Industrial Revolution in the 18th century led to the development of large industrial companies with complex bureaucratic structures. In the course of time, specialists were needed to provide appropriate bookkeeping and auditing. Auditing has many definitions, Auditing is a formal examination of accounting books, documents and vouchers of a business concern in order to verify the profit and loss and the financial position of a business. It's a systematic check or assessment of financial records of a business, department or organization to establish accuracy or efficiency or effectiveness. Griffiths (2012) defined auditing as a means of evaluating the effectiveness of a

company's internal control, maintaining an effective system of internal control, the notes is vital for achieving a company's business objectives obtaining reliable financial reporting on its objectives, preventing fraud and misappropriation of its assets and minimizing its cost of capital. Auditing is an independent examination of and expression of opinion on the financial statements of an enterprise, by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation (Okezie, 2008 and Uwota, 2012).

Agyemang (2008) argued that auditing plays an important role in accounting of a system of internal control which seeks to provide a reasonable assurance that the financial statements are free from material misstatement and error.

Uwota (2012) stated that auditing consists of a searching investigation of the accounting records and other evidences supporting the financial statements in order to provide a fair and reasonable picture of financial details of the company. Auditing therefore conducts assignments and provides feedback that enables management demonstrates the relevant authority that public performance and accountability responsibilities have been duly discharged and fulfilled. The extent of the role of auditing depends on the responsibilities and authority granted by management which is found in the audit charter of the organization. In the 21<sup>st</sup> century, the concept of auditing has undergone significant changes with regard to its definition, scope of coverage and approach. In some institutions, the scope of modern auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness and governance processes.

Omane-Antwi (2009) as cited by Auditing Standards and Guidelines of the Auditing Practices Committee defined auditing as ‘an independent examination of, and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with the relevant statutory obligation’.

Lennox (2007) stated auditing as, ‘an independent appraisal activity established within an organization as a service to the organization’. It is a control which functions as examining and evaluating the adequacy and effectiveness of other controls in the institutions. The objective of auditing is to assist members of the public institutions or organisations in the effective discharge of their responsibilities. Auditing furnishes the financial and government institutions with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed (Ali et al., 2007).

According to Asare (2008), auditing is ‘an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It assists an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.

Assurance services, according to IIA (2008) ‘involve the auditor’s objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, an operation, a function, a process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services; The person or group directly involved with the entity, operation, function, process, system, or other subject matter are

the process owner, the person or group making the assessment, the auditor and the person or group using the assessment and the user.

Consulting services, according to the same source are advisory in nature and generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties; the person or group offering the advice, the internal auditor and the person or group seeking and receiving the advice and the engagement client. When performing consulting services the auditor should maintain objectivity and not assume management responsibility (IIA, 2008).

According to IIA (2008), even though the above differences in definition may affect the practice of internal auditing in each environment, adhering to the IIA International Standards for the Professional Practice of Internal Auditing (Standards) would ensure that the responsibilities of internal auditors and the internal audit activity are met.

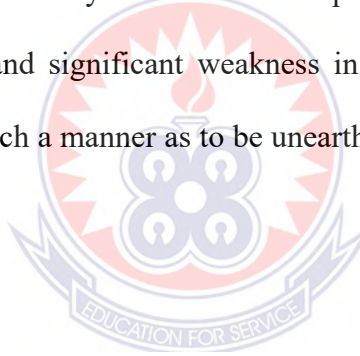
According to Tawiah of Institute of Chartered Accountants (Ghana) in presentation at the 5<sup>th</sup> Annual Internal Audit Forum, (2010) stated that quality assurance involves procedures, processes and activities designed and implemented to ensure that services provided to the client of the organisation meets the standard of quality. The establishment of the quality assurance system is the responsibility of corporate governance and management. Assurance can also refer to professional services provided by accountants, lawyers and other professionals that assure the integrity and usability of documents and information produced by businesses and other organizations.



### 2.1.1 Objective of Audit

Every audit has objective which enable the auditor to express opinion whether the financial statements prepared in material respect in accordance with identified financial recording frameworks. The phrase that the auditors use to express their opinion is to ‘give true and fair view’ or present fairly in all the material respect.

Asare (2007) stated that auditors opinion enhance the credibility of the financial statements, the users cannot assumes that the opinion is an assurance to the future viability of the entity or effectiveness or efficiency with which the auditor has conducted the affairs of the entity. Other objective is to prevent errors, fraud and to improve client internal and accounting control systems. It must emphasize that audit work is not design to identify fraud, errors and significant weakness in the client system but audit work should be carried out in such a manner as to be unearth errors, fraud and weakness if they exist.



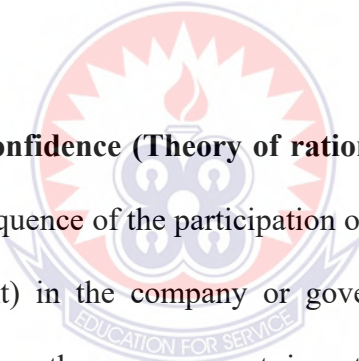
### 2.2 Theories of Auditing

There are several different theories that may explain the demand for audit services. Some of them are well known in research and some of them are more based on perceptions. Four audit theories according to Hayes et al. (2005) were:

**The policeman theory** states that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is still a hot topic in the debate on the auditor’s responsibilities and typically after events where

financial statement frauds have been revealed and the pressure increases on the responsibilities of auditors in detecting fraud.

**The lending credibility theory** suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management. The users' are perceived to benefit from the increased credibility. These benefits are typically considered to be of quality of investment decisions improve based on reliable information.



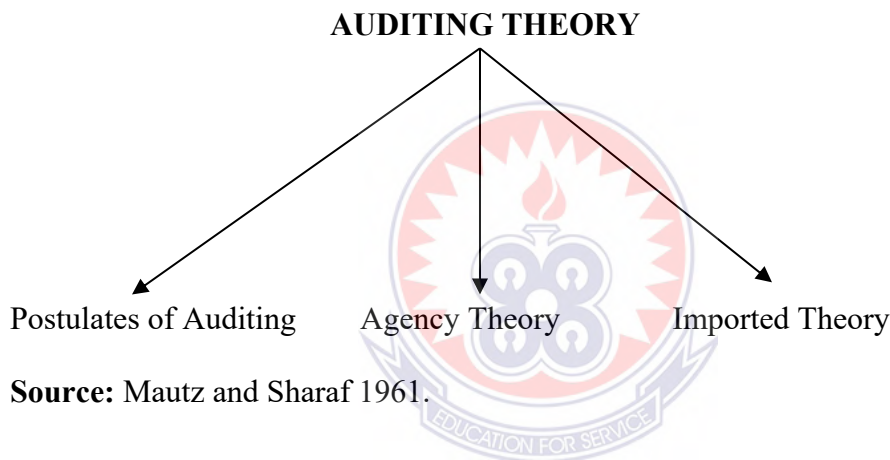
**The theory of inspired confidence (Theory of rational expectations)** states that audit services is the direct consequence of the participation of third parties (interested parties of a company or government) in the company or government institution. These parties demand accountability from the management in return for their investments in the company or the economy. Accountability is realized through the issuance of periodic financial reports. However, this information provided by the management may be biased and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, Limperg (2007) argued that the auditor should always strive to meet the public expectations.

**Agency theory** suggests that the auditor is appointed in the interests of both the third parties as well as the management. A company or government is viewed as a web of

contracts. Several groups such as suppliers, bankers, customers, employees etc. make some kind of contribution or pay tax to the government. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships' management is the agent which tries to gain contributions from principals such as bankers, shareholders, government, etc.

According to Mautz and Sharaf 1961, auditing theory were diagrammatically showed in

**Figure 2.1**



**Source:** Mautz and Sharaf 1961.

From the diagram, postulate of auditing assumed that something is to be true as the basis for an argument. There are no means of directly verifying postulates and they represent 'facts of life' which cannot be further reduced and which must be accepted in order to operate in the field.

Mautz and Sharaf further stated that if the postulates were not true then auditing as discipline has no defence because certain issues such as independence cannot be resolved. Mautz and Sharaf also identified eight postulates which were: Financial statements and financial data were verifiable, there is no necessary conflict of interest

between the auditor and the management of the enterprise under audit, financial statements and other information submitted for verification are free from collusive and other unusual irregularities, the existence of a satisfactory system of internal control eliminates the probability of irregularities, the consistent application of GAAP results in fair presentation of financial position and results of operations, in the absence of clear evidence to the contrary, what has held true in the past for the enterprise under examination will hold true in the future, when examining financial data for the purpose of expressing an independent opinion thereon, the auditor acts exclusively in the capacity of auditor and the professional status of the independent auditor imposes commensurate professional obligations.

Under the Agency theory Mautz and Sharaf (1961) argued that the auditor acts as an agent on behalf of the shareholders. Managers may not always act in the interest of the shareholders. A way for the shareholders to regain some control over the use of their money is to insist on external audit exercise.

Mautz and Sharaf posited that there was large variety of theories relating to the many different aspects of the auditor's work. These are represented by the variety of tasks the auditors undertake in the course of statutory audit relating to management, accounting and financial, information technology, economics and communication. The principal elements of the bodies of theories relating to auditing has confirmed a body of theory relating to justification of audit and to their role as auditors and a body of theory which covers their approach to their auditing job.

### **2.3 Risk Assurance Services**

The risk assurance services are designed to provide services to assist government or companies to manage four areas of risks: financial; commercial; operational/organisational and compliance/ regulatory (Lennox, 2007).

These services have been organised into six solution sets as: performance assurance, internal audit, business resilience, it risk assurance, business controls advisory and treasury risk assurance services. According to Lennox (2007), a portfolio of inter-related solutions developed around the theme of risk, controls and assurance using skills and competencies that are also fundamental to the delivery of a high-quality financial audit.

### **2.4 The Roles of the Audit to Government Institutions**

The roles of auditing have been identified as involving three main elements namely the evaluation and improvement of risk management, control and governance processes. These elements are sometimes referred to as the “three pillars” of auditing (Asare, 2008).

Risk management, control and governance encompass the policies and procedures established to ensure the achievement of objectives and include the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for public organizations and employees. The three elements are further discussed below as reinforcements of the fundamentals of an internal audit function in the public sector (Asare, 2008).

Auditing activity is primarily directed at improving internal control (Marfo-Yiadom, 2009). Robert, Anthony, David, Hawkins, Kenneth and Merchant (2007) stated that internal control in auditing as a process, affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal Control is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical such as machinery and property and intangible such as reputation or intellectual property such as trademarks (Robert et al., 2007). Robert et al., (2007) further argued that internal control is designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories: Effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations.

Management is responsible for internal control and establishes policies and processes to assist the organization to achieve its objectives. Auditors perform audits to evaluate whether the policies and processes are designed and operating effectively and provide recommendations for improvement (Omane-Antwi, 2007). Management control in the public sector includes all the policies and procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources.

In the public sector, controls are mainly in-built in the public financial management system. Public financial management includes the legal and institutional framework for supervising all phases of the budget cycle which include the preparation of

the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit. The broad objectives of Public Financial Management Act 2016 (Act 921) are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of public services. Internal audit, in turn, has the key function of reporting to the senior management of public sector entities on the functioning of the management control systems, and recommending improvement where applicable (Asare, 2008).

Control structures and the accountability framework cover a broader spectrum of Public Financial Management issues which include strategic planning such as budgeting, managerial activities such as procurement, public debt and asset management, accounting and reporting, internal and external audit and legislative oversight (Asare, 2008).

According to Baltaci and Yilmaz (2006), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Audit activity is an essential assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation. Auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance with applicable laws.

Public procurement constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials (Public Procurement Act 2003). Omane-Antwi (2008) stated that audit activities enhance

transparency, fairness, reduce corruption and ensure value for money in public procurement.

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

Ridley and D'Silva (2011) compared and contrasted senior managers' perceptions of auditing value and it was found that most senior managers saw auditing in its traditional role of providing assurance through investigation, check and assessment. Some recognised a widening auditing scope into new roles as consultants and advisers, particularly in control associated with information technology and management performance.

Auditing has become a factor of the new accountability and control era. The manner in which public sector entities maintain internal control and how they are held accountable has evolved to require transparency and accountability from the organizations that spend investor or taxpayer funds. This trend has significantly impact on how management implements, monitors, and reports on internal control. Although, auditors can be a valuable advisory resource on internal control, the auditor should not be a substitute for a strong internal control system. A system of internal control is the



primary response to risks. The role of auditing has evolved from an administrative procedure with focus on compliance to significant element of good governance. In many cases auditing of educational institutions and district assemblies are mandatory (Internal Audit Agency Act 2003 (Act 658)).

Bayuk (2004) stated that auditing is an independent objective assurance and consulting activity designed to add value and improve organizations operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. IIA definition of audit therefore places emphasis on the value adding role of audit as an assurance and consulting activity.

The assurance services provided by the auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence of appearance. They provide assurance and consulting activities. They add value by helping to improve organizations operations and meet objectives. As the auditor's responsibilities grow, so does the demand for greater accountability, independence and objectivity.

Independence means freedom from conditions that threaten objectivity or the appearance of objectivity. The audit department can be performed in-house by employees who understand the operations and activities being undertaken. This function can also be co-sourced with the services being provided by in-house employees and service providers usually other audit firms. It could still further be provided by these external service providers but managed by in-house employees and finally and especially when funds have been provided by other un-regular sources could lead to full outsourcings.

The audit activity assesses and make appropriate recommendations for improving the governance process by coordinating the activities of and communicating information among the board (Michael, 2007). External and internal audit and management ensure effective organization performance management and accountability, communicating risk and control information to appropriate areas of the organization and promoting appropriate ethics and values within the organization. Audit provides assurance in design and how well risk management processes are working, management of risks and reliable, appropriate assessment of risks and the subsequent risk reporting (Michael, 2007).

The auditor could also offer a consultancy role including providing advice, facilitating training programmes on risk management, development of common terms in a risk framework, supporting management on the best way to identify, analyze, and mitigate risk in so far as these consulting roles do not compromise the auditor's objectivity and independence. The internal auditor's core role identified with regard to risk management is to provide objective assurance that the major business risks are being managed appropriately.

According to Deloitte (2012) there are several types of audit that exist in modern day practices such as statutory audit, private audit, interim audit, management audit, continues audit, internal audit, financial and regularity audit, effectiveness and value for money audit, financial audits, system audits, process audits and tax audits. Audits are either external or internal.

External audits of organization's financial statement are conducted within the parameters of reporting procedures specified by the International Financial Reporting Standards, issued by the International Accounting Standards Board, or the Generally

Accepted Accounting Principles, according to Accounting-Simplified and the Financial Accounting Foundation. Operational or process audit are conducted internally to assess the effectiveness of an organization's internal controls (Bayuk, 2004). These audits, which are not limited in scope as financial audits are verify compliance with the organization's policies and procedures, such as predetermined instructions, quality control and testing protocol, risk management policies and measurement criteria. Internal audits may assess compliance with laws and regulations.

System audits include audits of an organization's environmental, food safety, information or other systems. Such audits include evaluation of objective data to determine the system being audited work effectively as planned and that the system is operating in compliance with related requirements and performance standards. Audit programs generally come in two types: internal and external. Internal audit programs are a sort of self-evaluation for company to help in determine the effectiveness of its own risk management, control and government.

External audits are performed by a second or third party that is independent of the company. Most jurisdictions require annual external audits for companies that reach a particular size. Other types of audit programs include forensic audit, public sector audit, tax audit, information system audit and compliance audit. Statutory audit is that type of audit imposed by statute, which is carried out because the law requires it. The duties of an auditor under this type are spelt out in the enabling statute like the Company's Code 1963 and other Acts.

The private audit is an audit not imposed by law. A private audit is therefore a special audit where the duties and functions of the auditors are specified in their

engagement letter and not statute. Interim audit is also, a term used to describe the audit conducted before the end of the financial year. This is where the external auditor reviews the records of an organization before the year end and may be required by management of companies or their financiers.

Financial Audits include financial statement and financial-related audits or reviews. The primary focus of a traditional financial statement audit is the examination and verification of information provided through an entity's financial statements. This may result in an opinion on the "fairness" of the information presented in the financial statements or determine whether the entity has adhered to specific federal and financial compliance requirements. These audits may involve a review of the internal controls over financial operations and typically result in a letter to management identifying any weaknesses and recommending corrective action.

Compliance audits determine whether the organization is following provisions of laws, regulations and contractual grant or loan agreements. The purpose of compliance auditing is to identify significant deviation from specific requirements and to seek corrective action. State compliance audits review compliance with specific state laws and regulations.

**Investigative Audits:** Investigative audits are performed as a result of reported allegations related to improper activities by government employees or agencies. An investigation may also result when auditors, while on another assignment, become aware of inappropriate or suspicious activity that may fall under the reporting of improper governmental activities.

Performance auditing is an independent evaluation of an organization's operation with an eye towards making it work better, faster, and cheaper. Along with these streamlining efforts, a performance audit may also determine whether management is fulfilling its promises to the taxpayers by effectively providing services intended to meet its goals and objectives.

#### **2.4 The Significance of Auditing and Assurance Services to Government Institutions**

The need of audit arises due to the fact that a business enterprise and government needs to ensure the correctness of all accounts pertaining to the business and the economy. It is also important to ascertain whether or not, the financial statements, profit and loss account and financial position of the institutions have been prepared in a way as to show the summary of the flow of transactions for the financial accounting year and the true picture and position of a business enterprise. In order to ensure the accuracy or the efficiency of the records, detection and prevention of errors audit is an effective tool for a business and public institutions management as it is conducted in order to ensure that the policies are being followed. It also assists management to review the policies from time to time.

Since audit involves a detailed verification of accounting records, it helps to discover errors or frauds while it promotes a moral check on the employees and government through which their efficiency may also be determined. Audit motivates employee or the stakeholders to maintain the efficiency leading to increase their performance level. Audit helps to identify misappropriation of goods and manipulation of records. Audit is of great importance to gain confidence in investors of a joint stock

company and government (Temkin, 2007). Since the audited statements are very much useful, the investors can ensure whether or not they need to invest their capital. Auditors assess the risk of material misstatement in a company's financial reports (Temkin, 2007). Without a system of internal controls or audit system of company or government institutions would not be able to create reliable financial reports for internal or external purposes (Temkin, 2007). Thus, it would not be able to determine how to allocate its resources and would be unable to know which of its segments or product lines are profitable or not. Additionally, it could not manage its affairs, as it would not have the ability to tell the status of its assets and liabilities and would be rendered undependable in the marketplace due to its inability to consistently produce its goods and services in a reliable fashion. Audit system is crucial in preventing debilitating misstatements in a company's records and reports.

Internal or external audit serves significant role for government institutions or companies in fraud prevention. Recurring analysis of a company's and government operations and maintaining rigorous systems of internal controls can prevent and detect various forms of fraud and other accounting irregularities or corruption in the public sector of the economy. Auditors assist in the design and modification of internal control systems which assist in the fraud prevention.

The cost of capital is important for every government or company, regardless of its size. It is comprised of risk associated with investments and if an investment has more risk, an investor will require a higher rate of return to invest. Audit systems may reduce various forms of risk in an enterprise or government information risk (the risk of material

misstatement in financial reporting), the risk of fraud and misappropriation of assets, as well the risk of suboptimal management due to insufficient information on its operations.

An audit plays a valuable role for companies and charitable organizations to maintain integrity and attain specific goals (Asare, 2007). Asare further stated that an effective audit helps organizations achieve goals and objectives by measuring overall performance and productivity, as detected in transactions and business records.

Further, an audit protects an organization from financial misstatements, presenting a reliable health picture of the organization to the markets. Fraud protection is a benefit of audits achieved through internal controls that prevent and detect accounting irregularities. Strengthening the financial integrity of an organization through an audit reduces risk and the cost of capital.

According to Marfo-Yiadom (2009), an audit confirms the financial claims as stated by an organization in various ways which provides investors and shareholders confidence by providing trusted information concerning financial statements and how well the organization is run. It inspects internal control systems, ensuring that they are sufficiently strong and working properly. In addition, it benefits accountants and tax collectors by addressing accounting problems and offering up-to-date information on techniques, rules, and regulations. Finally, financial analysts use an audit to determine the value of an organization's shares.

Assurance service helps businesses and other institutions manage risk and evaluate potential pitfalls. Auditors assess the adequacy of corporate governance and the control environment; the effectiveness of processes to identify, assess, and manage risks; the assurance provided by control policies, procedures, and activities; the completeness

and accuracy of information and communication systems and practices; and the effectiveness of management's monitoring and evaluation activities. Many jurisdictions have developed a systems audit to assess the full scope of the organization's financial and performance control systems and to identify deficiencies and recommend corrective actions.

## **2.5 The Legal and Institutional Framework of Auditing in Ghana**

As part of the reforms under the Public Financial Management Reform Programme, a scoping study for the establishment of internal control audit functions in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) was carried out in 2000. It resulted in proposals for the establishment of a Audit Service to enhance efficiency, accountability and transparency in the management of resources in the public sector. This resulted in the passage of the Audit Service Act 2000 (Act 584) and Internal Audit Agency Act, 2003 (Act 658). Prior to Act 658, the Auditor General operating under the Audit Service Act 2000 (Act 584) had a lot of scope for internal auditing work in addition to the main activity as the public sector external auditor with the responsibility to assuring the citizenry of accountability by government in the use of the country's financial resources.

The Auditor General under the 1992 Constitution and Act 584 is not subject to the direction or control of any other person or authority and has the power to disallow any item of expenditure that is contrary to law. Significantly, Act 584 enjoins internal auditors of any public institution or body to submit copies of all reports issued as a result of internal audit work to the Auditor General. This requirement is corroborated by Act



658 Section 16 (7) that “a copy of the audit report of an autonomous body shall be submitted to the Auditor-General”.

### **2.5.1 The Process of Auditing**

According to the Audit Service Act 2000 (Act 584) the audit process consist of risk based audit plan, planning phase, fieldwork phase, reporting phase and follow-up phase. The Audit Service Act 2000 (Act 584) states that the audit process begins with the risk based audit plan which should be updated annually and approved by the Audit Committee of the Board of Governors. If the committee approved, the plan becomes a guideline for conducting audits.

The Audit Service Act 2000 states that the planning phase is the second stage which the audit staff reviews any past audit work, looks over literature on the area being reviewed and makes a preliminary review of the unit budgeted and actual revenues and expenses. The Act further states that auditors also formulate the audit scope and objectives on which they base the fieldwork phase. The planning phase also includes an introductory meeting to discuss objectives, timelines, and other important information that can ease the internal audit process.

The lengthiest part of the audit process is the fieldwork phase that makes the audit staffs gather information about the client operations, gains understanding of the unit's functions and identifies the strengths and weaknesses (Audit Service Act 2000 (Act 584)). The Act continues to states that the fieldwork includes reviewing financial activity, administrative and business procedures, overall unit functions, and other activities specific to each section in the unit. The audit staffs interviews key personnel, observes

unit procedures, and periodically reviews the audit progress with the unit's heads and personnel. The fieldwork phase allows the auditors to identify areas of risk and concern in the department's internal controls and procedures in the organisation.

Audit Service Act 2000 (Act 584) states that the reporting phase is where all fieldwork results are compiled, presented and discussed with the client. The client must provide action plans with timeframes that address all recommendations before final summary report goes to management, parliament and the audit committee for review. Based on timeframes in the action plans, a follow-up is performed to ensure that the required measures have indeed been implemented.

## **2.6 Ethical Principles Govern Professional Auditors**

According to Griffiths (2012) a professional auditor always demonstrate some quality like objectivity and independence, professional competence and due care, confidentiality, integrity and professional behaviour as established to enable the auditors exercise their duty diligently.

Auditor's independence requires integrity and objectivity approach to the audit process (Khan, 2006). The concept requires auditors to carry out their work freely and in an objective manner. Independence means independence from parties whose might be harmed as a result of an audit. The United States Panel on Audit effectiveness (2000) stressed that the independence of the auditors were fundamental to the reliability of auditors' report. Specifically, internal management is inadequate, risk management, internal controls and poor governance. The charter and the reporting committee provide

independence from management, the code of ethics of the company helps give guidance on independence from suppliers, client and the third parties (Gventher, 2005).

According to Deloitte and Touché auditors' independence could be programming, investigative, reporting and perceived. Programming independence protects the auditor's ability to select the most appropriate strategy when conducting an audit. Investigative independence protect the auditors ability to implement the strategies in whatever manner they considered necessary and have unlimited access to all the company information. Also, reporting independence protects the auditor ability to choose to reveal to the public any information they believe should be disclosed, if the company's directive have been misleading. Perceived independence suggests that the auditor must not act independently, but must be seen to be independent too.

### **2.6.1 Professional Competence**

According to Mutchler (2010) professional competence requires auditors apply reasonable skill in whatever they do and adopt proper techniques in all their dealings. Every Auditor has the duty to ensure care; diligence and expedition are taken in consideration in executing their duties (Menon and William, 2009). Soltani (2000) stated that the professional knowledge and skills of an auditor is not absolute as sometime advice could lead to unexpected result.

### **2.6.2 Scope of Audit**

Wallace (2004) defined the scope of the audit as the audit procedure deemed necessary in the circumstances to achieve the objective of the audit. The procedures required to conduct the audit in accordance with ISA's should be determined by the

auditor having regard for the requirement of ISA relevant professional bodies, legislation, regulations and where appropriate, the term of the audit engagement and the reporting requirement.

### **2.6.3 Assurance Audit**

Krishnamurthy and Zhou (2006) posited that audit is designed to provide reasonable assurance that financial statement is taken as a whole are free from material misstatements. The concept relating to the accumulation evidence necessary for the auditor to conclude that there is no material misstatements in the financial statement taken as a whole. The auditor cannot obtain an absolute assurance because there is an inherent misstatement that result from this factor. The use of testing the inherent limitation of internal control and persuasive audit evidence gathered rather than the conclusive audit evidence relating to timing, nature and the extent of the audit procedure (IFAC, 2003).

### **2.6.4 Audit Risk and Materiality**

Hoitash and Bedard (2008) stated that risk is anything that serves a hindrance to corporate objective. Hoitash and Bedard further argued that entities pursue strategies to achieve objectives and depending on the nature of the operations, environments in which they operate, the size and complexity of their work they face a business risk. The risk that the auditors encounter put limitation on their ability to express independent opinion on the institutions financial statements. The concept of reasonable assurance acknowledged that there is risk that auditor's opinion might not be appropriate. Hoitash and Bedard also

stated that when auditors are not able to express their independent audit opinion on the financial statement as a result of material misstatement is known as audit risk. According to (IASB), financial information is material if its omission or misstatement could influence the economic decision of the users taken on the basis of the financial statement. The application of materiality during the planning stage helps us to identify potential risk areas like trade receivables, payables, invoice and fixed assets.

## **2.7 Accumulating and Evaluating Audit Evidence**

Wallace (2004) stated that evidence is any information used by the audit to determine whether or not the financial statement represents true and fair view and prepared in accordance with the established criteria. Wallace (2004) further stated that evidence takes many different forms including: oral, testimony of the clients, written communication with outsiders, observation by the auditor and electronic data about transactions. The auditors have to obtain a sufficient quality and volume of evidence to satisfy the purpose of the audit. Mutchler (2010) also stated that the auditors should determine the type and amount of evidence and evaluate whether the information corresponds to the established criteria is critical in every audit.

### **2.7.1 Auditors Reports**

Gventher (2005) defined auditors report as a formal opinion or disclaimer thereof issued by either an internal auditor or an independent external auditor as a result of his/her evaluation performed on a legal entity or subdivision thereof. The report is subsequently provided to the users such as an individual, group of persons, a government,

and the general public and among others. Audit report is considered an essential tool when reporting financial information to the users, particular in business. Many third parties prefer or even require financial information to be satisfied by an independent external auditor, many organisations rely on the auditor's report to certify the information in order to attract investors, obtain loans, boost public confidence. Some have even stated that financial information without an auditor's report is 'essentially worthless' for investigating purposes (Houghton, 1983).

Houghton (1983) further stated that auditors report may take many different forms such as unqualified opinion. Houghton (1983) defined an unqualified opinion as when the auditor conclude that the financial statement give true and fair view in accordance with financial reporting frame work used for the preparation and presentation of the financial statement. This type of report issued by an auditor where financial statement presented are free from material misstatement and represented fairly in accordance with the Generally Accepted Accounting principle (GAAP) or that the company financial condition, position and operations are fairly presented in a financial statement. There is an adequate disclosure of all material matters relevant to the proper presentation of financial statement subject to statutory requirement where applicable. Any changes in the accounting principles or in the method of their application and effect there off have been properly determined and disclosed in the financial statement. Qualified opinion report, is issued when the auditor encounter one of the two types of situations which does not comply with the generally accepted accounting principles, however financial statement is fairly presented (Houghton, 1983).

Adverse opinion, is when the auditor determines that financial statement are materially misstated and when considered as a whole do not conform with GAAP, it is considered the opposite of an unqualified or clean opinion. Generally an adverse opinion is only given when the financial statement seem to be pervasive and different from GAAP. Disclaimer of opinion is commonly referred to as disclaimer issued when the auditors could not form an opinion on the financial statement (Lennox, and Park, 2006). IFAC auditing provides certain situations where a disclaimer of opinion may be appropriate such as when there is lack of independence or conflicts of interest exist between the auditor and the management of organisation been audited. There is a substantial doubt about the organisations audited on their ability to continue as a going concern (Lennox, and Park, 2006).

### **2.7.2 Auditor and Internal control**

Effectiveness of the internal control system of an organisation is influenced considerably by an audit conducted by the auditor. Deloitte and Touché emphasized that auditor or accountant being familiar with the internal controls as they relate to the audit of the financial statement is an obvious choice in examining the appropriateness of the design of the internal control system or the operating effectiveness of the internal control system. The auditor has to evaluate and set the internal control so as to determine the degrees of reliance that may be placed on the information in the accounting records. Hoitash and Bedard (2008) stated that the auditors should obtained reasonable assurance by means of compliance test and procedure that internal control are effective in ensuring completeness and accuracy of accounting records. On the other hand the test disclosed

that controls are virtually nonexistent or they are not operated properly, the auditor should ascertain reasonable assurance for such expectations. Hoitash and Bedard (2008) further argue that the auditor will assess whether it raises the presumption of possible existence of fraud or errors in accounting records. The control can be relied on if there is a confirmation as a result of further test that the internal control tested was being improperly operated. Despite the numerous contribution of internal control towards the achievement of operational efficiency, they have their own limitation. Paragraph four (4) of National Standard Auditing states that 'internal control can only provide reasonable assurance that management objectives are not reached because of inherent limitations' Therefore no internal control system can by itself guarantee efficient administration and reliability of records nor can it be proved against fraudulent collusion especially internal control which depends on separation of duties can be avoided by collusion of those involved. Hoitash and Bedard stated that authorisation of control can be abused by person or official in whom authority is rested. Pressure exerted from both within and outside the organisation may also influence the competence and integrity of personnel operating controls. The potential of human error in operation of internal control due to carelessness, fatigue, distraction, misunderstanding, errors of judgement are among numerous factors likely to undermine effective operation of internal control Hoitash and Bedard (2008).



## **2.8 Challenges which Ghana Audit Service faces in Auditing Government**

### **Institutions**

The challenge of public sector audit, however, is to avoid becoming compliance based due to the presence of a strict legal framework that sets out the public financial controls and internal auditing processes (Knechel, Salterio and Ballou, 2007). Uwota (2012) stressed that as useful as audit is to an organization, certain side effects are known with the process of audit. Uwota stated that the challenges which the audit service faces include: costly exercise, time consuming and sometimes leads to stop of work, especially during cash or stock taking. The auditors are moving towards risk-based internal audit which require a foresight function of monitoring and advising on the improvement of program efficiency and effectiveness and mitigating risks that hinder the achievement of organisational objectives.

Knechel et al., (2007) stated that auditing professional standards require monitoring and evaluating the effectiveness of the organization's risk management processes. Risk management relates to how an organization sets objectives, then identifies, analyzes, and responds to those risks that could potentially impact its ability to realize its objectives. The three broad areas identified as challenges during the audit of performance information were: non-compliance with regulatory requirements, performance information that is not useful and reported performance that is not reliable (Knechel et al., 2007). The causes identified for non-compliance with regulatory requirements include inadequate management processes, non-compliance with internal policies and procedures or inadequate internal performance management operating procedures, deficiencies in key controls and lack or limited review of performance

management processes and reporting by internal audit (Spira and Page, 2003). Further areas include inadequate training and guidance on performance management, monitoring, and reporting processes and practices.



## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter deals with the methods employed in gathering data to evaluate the relevance of auditing and assurance services to government organisations in Ghana reference to the District Assembly and Ghana Education Service in Sekyere South District in Ashanti. The chapter is subdivided under the following headings: research design, population, sample and sampling procedure, instrument for data collection, validity and reliability, data analysis and ethical consideration.

#### 3.1 Research Design

The research design of this research covers the procedure employed by the researcher to answer the research questions on the topic ‘the relevance of auditing and assurance services to government institutions in Ghana’ treatment and analyse the data. Basically, the researcher used both quantitative and qualitative approaches to find answers to the research questions. Quantitative approach is the traditional, the positivist, etc. Quantitative research in an objective approach in researching that seeks precise measurement and analysis of the target concepts. The researchers use surveys and questionnaire for gathering data.

The quantitative research is less time consuming and the information gathered is in the form of numbers and statistics. This approach is generally consisting of experiment and survey.

Experiments include true experiments with the random assignment of the subjects to treatment condition and quasi-experiments with that use non-randomised designs. Surveys also include cross-sectional, longitudinal and pooled studies using questionnaire or structured interviews for the collection of data.

Qualitative approach is the constructivist approach which is also known as post-positivism. In this, the individuals' interpretations of the events are significant. It involves analysis of the data such as words as from interviews, picture such as video or objects such as an artifact. In case studies, the researchers explore a single entity bounded by time and collects detailed information by using a variety of data collection procedures during the period of the study. This approach of research is subjective because it is based on the perception of others. This research is on the relevance of auditing and assurance services to government institutions in Ghana with specific reference to Sekyere South District in Ashanti.

The designed for this research was based on mixed methods which permitted the researcher to be more flexible in exploring in the topic rather than being narrow in that area. Both qualitative and quantitative, strenuous approaches were made to collect data that will be used in carrying out this project work.

The quantitative methodology is the older one and previously more used. However this has been changing and qualitative methodologies have become widely used (Sunders et al., 2007). Both of these approaches have their advantages and disadvantages. Nonetheless, the choice of method is often dependent on the particular theme for research. Approaches give overviews and are useful in penetrating large amounts of data, as well as being an essential tool for explaining correlations studies, on the other hand,

use often little or no statistics and consist of more soft data, often individual related views. The qualitative approach is very useful in researching social, sociological and ethnological issues, as it allows the researcher to get detail of experiences and certain effects. Within qualitative approaches one must be very careful to balance between a descriptive and interpretative presentation. This is one of the dilemmas of qualitative studies, as a researcher should not exaggerate the situation but should neither become a journalist-like descriptor.

This study demands more participatory methods which can only be achieved using these techniques. In gathering data through the administering of questionnaire, quantitative method is the best choice. Since this study used participatory method and the administering of questionnaire both quantitative and qualitative study was adopted of which were the usage of questionnaires, which is a list of structured questions, chosen after considerable testing, with a view of eliciting reliable responses from a chosen sample. Observations were also used to look at how the Government institutions strengthen the internal controls in their daily activities. The aim was to find out from the employees and management on how they were able to identify the internal controls weakness in the government institutions in Ghana so that these institutions may manage the available resources given to them. Also the study was to assess whether the relevance of auditing and assurance services to government institutions in Ghana assist in reducing corruption in the public sector. The form of research design selected is questionnaire to provide answers to the research questions.

### **3.2 Population**

The population covers all the categories of employees in the public institutions in the Sekyere South District. The total population of the study was 150 employees from the District Assembly and Ghana Education Service in Sekyere South District. Since the study involves the employees in the District Assembly and Ghana Education Service, were identified as respondents and they were at the proper position to provide the necessary information needed for the study.

### **3.3 Sample and Sampling Procedure**

In all, one hundred (100) respondents from District Assembly and Ghana Education Service in the Sekyere South District were used as sample size. The sample was selected by means of stratified random sampling technique. The process of sampling helps to limit the study to a relatively small portion of the sampling frame known as the sample size. Sample helped the researcher to collect all the necessary information in order to achieve the results quickly. It also assisted the researcher to save time and cost so as to meet deadlines (Saunders et al, 2007). The Quota sampling technique was used to select this sample from the population. A stratified sampling is obtained by taking samples from each stratum or sub group of a population. The stratified sampling technique was used because the population was dissimilar, where certain homogeneous, or similar, sub- populations can be isolated.

The sampling selection was stringent to ensure generalisability and validity of findings. Also convenient sampling was used to select the management and the employees of the two institutions since they were much scattered. Afterward purposive

sampling technique was used to select fifty (50) management members, two (2) executives' members, eight (8) auditors and forty (40) employees from selected public institutions in the district. In using purposive sampling technique, respondents were asked if they were employee or management in the selected government institutions before they were handed over the questionnaire. This is because those who were management members and employees were the main target for the study, fifty (50) management staff, forty (40) employees, eight (8) auditors and two (2) executives members for this study making a total number of one hundred (100) respondents. A total number of 100 respondents from the selected government institutions were chosen as the sample size. The sample size consists of 50 management members, 2 executives' members, 8 auditors and 40 employees from both District Assembly and Ghana Education Service.

### **3.4 Sources of Data Collection**

The study used two main sources of data, that is the primary and secondary sources.

**Primary data:** It refers to all data that were gathered from the field through the use of questionnaires, observation and interviews. Primary data may be obtained from individual, subject matter experts, random samplings of a target segment, organizations, and other sources. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc. The primary data have own advantages and disadvantages. The following are the advantages of primary data are as follows:

Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts. It can include a large population and wide geographical coverage, moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration, reliability of primary data is very high because these are collected by the concerned and reliable party. The following are the disadvantages of primary data:

For collection of primary data where interview is to be conducted the coverage is limited and for wider coverage a more number of researchers are required, it is expensive to collect the data, and it often takes a long time to process the information, a lot of time and efforts are required for data collection. By the time the data collected, analysed and report is ready the problem of the research becomes very serious or out dated. So the purpose of the research may be defeated.

It has design problems like how to design the surveys. The questions must be simple to understand and respond, some respondents do not give timely responses. Sometimes, the respondents may give fake, socially acceptable and sweet answers and try to cover up the realities. Time and efforts involvement and the cost of the data collection go high. The importance of the research may go down. In some primary data collection methods there is no control over the data collection. Incomplete questionnaire always give a negative impact on research. Trained persons are required for data collection. In experienced person in data collection may give inadequate data of the research.



**Secondary data:** It refer to data that were gathered from sources such as books, journals, reports, newspapers, and internet among other article which are of relevant to the study (Sunders et al., 2007). These may be available in written, typed or in electronic forms. Secondary data collection may be conducted by collecting information from a diverse source of documents or electronically stored information census. The source of the secondary data can be internal or external. The sources may include books or periodicals, published reports, data services, etc. Secondary data is classified in terms of its source either internal or external. Internal or in-house data is secondary information acquired within the organization where research is being carried out. External secondary data is obtained from outside sources. Some advantages of using secondary data: it is less expensive, the primary advantage of secondary data is that it is cheaper and faster to access, it provides a way to access the work of the best scholars all over the world, thirdly, secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research, secondary data save time, efforts and money and add to the value of the research study.

The following are the disadvantage of secondary data: the data collected by the third party may not be a reliable party so the reliability and accuracy of data go down, data collected in one location may not be suitable for the other one due variable environmental factor, with the passage of time the data becomes obsolete and very old, secondary data collected can distort the results of the research, secondary data can also raise issues of authenticity and copyright and the investigator is not personally responsible for the quality of data.

Some disadvantages of using Secondary data: one can only hope that the data is of good quality and obtaining additional data (or even clarification) about something is not possible (Butler, et al., 2004).

Since the assessment of the relevance of auditing and assurance services to government institutions in Ghana in the Sekyere South District in Ashanti was very important the researcher used both the primary and secondary data to give proper coverage to the topic.

### **3.5 Instrument for Data Collection**

A study of this nature can utilize archival records, interviews, direct observations, physical artifacts', participants, observation, and documentation for data collection tools: Questionnaires, unstructured interviews and direct observations. Questionnaire and observation was the main instrument used to gain a thorough understanding from the respondents for this study.

**Questionnaire:** Questionnaire is a set of questions has been prepared to ask a number of questions and collect answers from respondents relating to the research topic. It is also, a series of questions asked to individuals to obtain statistically useful information about a given topic. The research instrument used in this study was questionnaire. According to Oxford Advance Learner's Dictionary, a questionnaire is written or a printed list of questions to be answered by a number of people, especially as part of survey. The questionnaire was chosen with reference to the study topic of this research. The researcher then are requires to identity problems as suggest solutions to the problems raised.

Inappropriate questions, incorrect ordering of questions, incorrect scaling, or bad questionnaire make the survey valueless, as it may not accurately reflect the views and opinions of the participants. In a research or survey questions asked to respondents and designed to extract specific information. Questionnaire serves four basic purposes. These are to: collect the appropriate data, make data comparable and amenable to analysis, minimize bias in formulating and asking question and make questions engaging and varied. In this study a structured questionnaire has been used with different types of questions such as closed ended and open ended. The following are the advantages of using questionnaire: it can cover a large number of people or organizations, wide geographic coverage, relatively cheap, no prior arrangements are needed, avoids embarrassment on the part of the respondent, respondent can consider responses, possible anonymity of respondent and no interviewer bias.

The following are the disadvantages of using questionnaire to collect data: design problems, historically low response rate, time delay whilst waiting for responses to be returned, require a return deadline, several reminders may be required, assumes no literacy problems, no control over who completes it, not possible to give assistance if required, problems with incomplete questionnaires, replies not spontaneous and independent of each other and respondent can read all questions beforehand and then decide whether to complete or not. The questionnaire entitled the relevance of auditing and assurance services to government institutions in Ghana was used to collect data about the topic. The questionnaire described participants' socio-demographic information: categories include: age, level of educational qualification etc. the second section covered benefits of auditing and assurance services to government institutions, the third section

also deal with the relevance of auditing and assurance services to government institutions and the last section covered challenges faced in auditing government institutions was used to collect data about the topic.

### **Observation**

Observation is a complex research method because it often requires the researcher to play a number of roles and to use a number of techniques; including their five senses to collect data. The observer puts himself in the actual situation and watch carefully (Kline 2008). On the basis of the knowledge of the respondents, skills and experience and the researcher collects the data without contacting the respondents.

The results of observation entirely depend on the talents of the researcher. This method can be used only by expert persons in the research. Observation methods have been developed with the objective of 'observing people in their natural setting - as they go about their everyday lives. Observation methods can overcome some of the criticisms of quantitative research methods and can be useful when its subject can't provide information, or can only provide inaccurate information. Out of available methods for collecting primary data, survey and observation methods have been found suitable for the topic study. These have fulfilled the requirements for data collection properly. Employees in the organization were observed to see the relevance of auditing and assurance services to the institutions were done.

In all one hundred (100) questionnaires were administered to respondent. The questionnaires were mainly closed ended and a few open ended items, questionnaires were distributed by hand.

To administer the questionnaires, personal visits were made to the premises of the selected public sector organizations. After the normal greetings, the researcher made the mission known to the respondents; thus the purpose of the study was explained and copies of the questionnaires were distributed to them. The respondents were entreated to complete the questionnaires within a week; after which case the researcher went round to collect them.

### **3.6 Validity and Reliability**

Validity and reliability are concepts that capture the measurement properties of a survey, questionnaire or another type of measure (Cohen and Swerdlik, 2010). Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. It is also the extent to which the interpretations of the results of a test are warranted which depends on the particular use the test is intended to serve. Validity refers to the credibility or believability of the research (Cohen and Swerdlik, 2010). It involves collecting and analyzing data to assess the accuracy of an instrument. On the other hand, reliability estimates evaluate the stability of measures, internal consistency of measurement instruments. It is also the degree to which an assessment tool produces stable and consistent results. Data collection procedure was valid and realizable as primary and secondary data collection techniques were employed through the writing of this research. The instrument corresponded to the concept designed to measure. After that it was vetted by an expert in the research field to ascertain its adequacy to measure the desired concept. The language was simple, not too long, and double negatives were avoided to make the interpretation clear.

### **3.7 Data Analysis**

Sample was selected by means of stratified random sampling technique. The Quota sampling technique was also used to select this sample from the population. A stratified sampling is obtained by taking samples from each stratum or sub group of a population. The stratified sampling technique was used because the population was dissimilar, where certain homogeneous, or similar, sub- populations can be isolated. Data collection was edited to check consistency in response to the nature of the question. The research instrument used in this study was questionnaire. The questionnaire was chosen with reference to the study topic of this research and researcher requires to identify problems and suggests solutions to the problems raised.

Inappropriate questions, incorrect ordering of questions, incorrect scaling, or bad questionnaire make the survey valueless, as it may not accurately reflect the views and opinions of the participants. Out of available methods for collecting primary data, survey and observation methods have been found suitable for the topic study. These have fulfilled the requirements for data collection properly. Employees in the organization were observed to see the relevance of auditing and assurance services to the institutions were done. It was analysed with the assistance of frequency table. Further analysis of the results obtained was made by the use of percentages.

### **3.8 Ethical Consideration**

Importance of adherence to accepted ethical behaviour is recognised in any research work (Khan & McCleary, 1996; Schmidgall, 1992). This is necessary so that the rights of respondents are not infringed upon. Before administration of the questionnaires

and the conduct of the interviews, the objectives of the study were carefully explained to the respondents and key informants, who then decided on whether to participate in the research or not. Permission was also sought from the respondents before asking questions about them from their management. The respondents and key informants were assured that all information collected would be treated in confidence and only used for the purpose of this study.



## **CHAPTER FOUR**

### **RESULTS OF THE STUDY**

#### **4.0 Introduction**

This chapter deals with the analysis of the results of the study gathered from the field from the administered questionnaire. Statistical tools such as percentages and graphs were used for the analysis. Tables were also used to simplify the outcome of the results.

Statistical Package for Social Sciences (SPSS) and Excel were used to assist the researcher look at the various objectives of this study with respect to the questionnaire administered on the field. The questionnaire was designed purposely to gather information on the assessment of the relevance of auditing and assurance services in the public institutions in selected public institutions in the Sekyere South District in the Ashanti Region. In all one hundred (100) questionnaires were administered to the respondents but only seventy-five (75) administered questionnaire were obtained for this study.

#### **4.1 Socio-Demographic Characteristics of the Respondents**

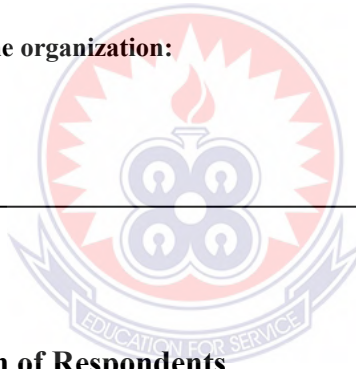
Under the socio-demographic characteristics four issues were picked on the personal information of the respondents which include gender, age in years, educational level and number of years in the service affects the response people give to questions. It was necessary for data to be collected on these demographic variables. The socio-demographic characteristics were established to know the nature of the respondents who participated in the study.



**Table 4.1: Socio-Demographic Characteristic of Respondents**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender:</b>		
Male	50	66.66
Female	25	33.34
<b>Total</b>	<b>75</b>	<b>100</b>
<b>Age:</b>		
Less than 30 years	20	26.67
30 -50 years	40	53.33
50 and above	15	20
<b>Total</b>	<b>75</b>	<b>100</b>
<b>Educational background:</b>		
Degree	35	46.67
HND	15	20
Professional	5	6.66
Other	20	26.67
<b>Total</b>	<b>75</b>	<b>100</b>
<b>Number of years worked in the organization:</b>		
Less than 3 years	18	24
4-5 years	21	28
6 years and above	36	48
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.



#### 4.1.1 Gender Distribution of Respondents

From table 4.1 it reveals that 66.88% of the respondents were males while 33.34% were females. The data clearly indicates that majority of the respondents were males. This shows that in the Ghana the public sector more male have been employed than female counterpart.

#### 4.1.2 Age Distribution of Respondents

The age distribution of the respondents was also ascertained. The data obtained indicated that majority of the respondents representing 53.33% were between the ages of 30 and 50. Again, 26.67% of the respondents were less than the ages of 30 while 20% of

the respondents were 50 years and above. It is expected that the chance of the respondents to increase their career level is influenced by their age. The young respondents should be motivated to upgrade their career level because of the number of years left in their working life and the opportunity to develop.

#### **4.1.3 Educational Background of Respondents**

The response obtained indicated that 46.67% hold First Degree qualification, 26.67% hold other qualification. On the other hand, 20% had a HND while 6.66% had other respectively.

This shows that majority of the respondents hold First Degree qualification. This is because most of the respondents were selected from the public sector office whose minimum required qualification was a degree.

#### **4.1.4 Number of Years Worked in the Service**

The response obtained indicated that 48% have worked in the service for 6 years and above, 28% have worked in the organization for 4 to 5 years while 24% have worked in the service for less than 3 years. This shows that majority of the respondents have worked in the service for 6 years and above in the service. This means that majority of the respondents have worked in the institutions for more than six years and above. This shows that most of the respondents have gained working experience in their job.

**Table 4.2: Auditors Verify the Items and Examine the Necessary Document(S)**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
True	65	86.67
False	10	13.33
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017

From Table 4.2, 65 respondents that represent 86.67% stated that auditors verify the items and examine the necessary documents in the District Assembly and Ghana Education Service in Sekyere South District when auditing, while 13.33% stated that auditors do not verify the items and examine the necessary documents in the District Assembly and Ghana Education Service in Sekyere South District when auditing. This means that majority of the respondents stated that auditors verify the items and examine the necessary documents in the District Assembly and Ghana Education Service in Sekyere South District when auditing. Auditors evaluate the accounting policies and the source documents to verify whether they are reliable, understandable and relevant and how consistent they are been used to achieve the objective of the institutions.

**Table 4.3: Auditors Offer Assurance Services to District Assembly and Ghana Education Service**

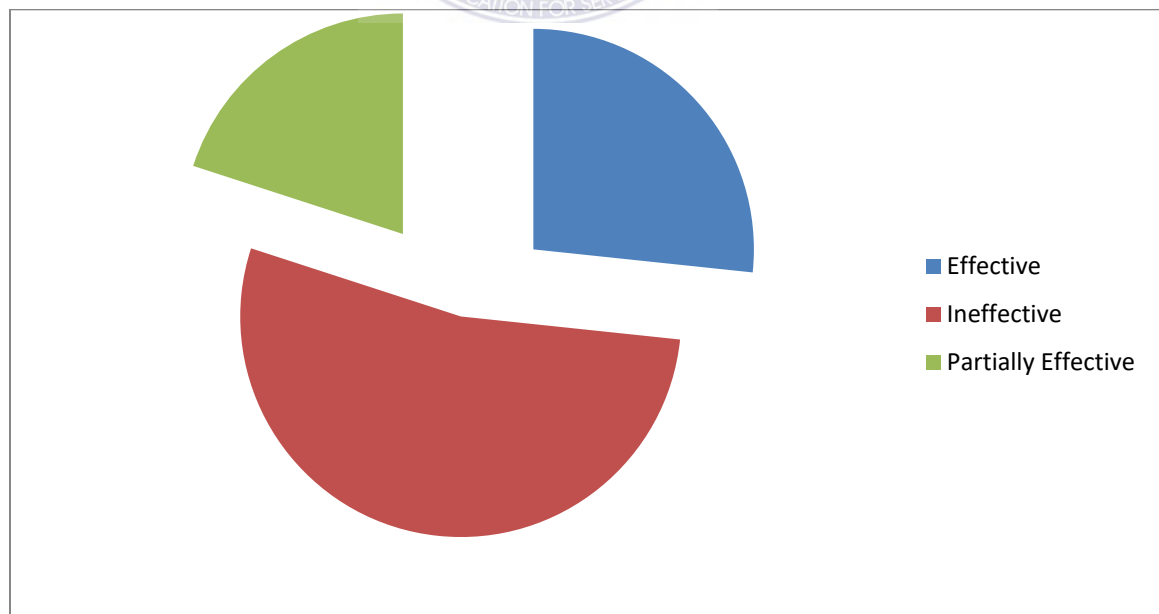
<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	70	93.33
No	5	6.67
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

Table 4.3 shows that 70 respondents representing 93.33% stated that auditors always offer assurance services to the public institutions while 5 respondents representing 6.67% stated that auditors do not offer any assurance service to the District Assembly and

Ghana Education Service in Sekyere South District. This means that majority of the respondents stated that auditors always offer assurance services to the public institutions. The success of auditors depends on how well they have contributed to development of public institutions. The auditor offered the relevant information and advice that enable management take decisions that enhance the welfare of the public institutions with reference to District Assembly and Ghana Education Service in Sekyere South District. The knowledge and experience of auditor has acquired and ability to provide timely advice in the form of assurance services to management to assist the public institutions to achieve its goals and objectives. However, the activities of auditors have been restrictive in terms of scope and ability to take right decision that will bring inefficiencies of management to bear and expose financial malfeasance of management.

**Figure 4.1: Operations of Auditors on the District Assembly and Ghana Education Service**



**Source:** Field Data, 2017.

Figure 4.1 shows that 40 respondents representing 53.33% stated that operations of auditors on the public institutions was ineffective, 20 respondents representing 26.33% stated that that operations of auditors on the public institutions was effective while 15 respondents representing 20% stated that operations of auditors on the public institutions was partially effective. This means that majority of the respondents stated that operations of auditors on the public institutions was ineffective.

**Table 4.4: Segregation of Duty among the Staff in the Public Institutions**

Response	Frequency	Percentage
Yes	65	86.67
No	10	13.33
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017

Table 4.4 shows that 65 respondents representing 86.67% stated that there was segregation of duty among the staff in the public institutions while 10 respondents representing 13.33% stated that there was no segregation of duty among the staff in the public institutions. This means that majority of the respondents stated that there were segregation of duty among the staff in the public institutions. This would assist in strengthen the internal control systems in the public institutions.

**Table 4.5: Control Practices Recommended by Auditors Adhere to by Management**

Response	Frequency	Percentage
Yes	70	93.33
No	5	6.67
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

Table 4.5 shows that 70 respondents representing 93.33% stated that the control practices recommended by auditors when they issue audit report was adhere to by management while 5 respondents representing 6.67% stated that the control practices recommended by auditors when they issue audit report was not adhere to by management. At times, management does not comply with the laid procedures and sanctions which enhance the growth of the public institutions because they see auditors as hindrance to their progress. This means that majority of the respondents stated that the control practices recommended by auditors when issue audit report was adhere to by management in the public institutions. The audit report evaluate the accounting policies to verify whether they are reliable, understandable and relevant and how consistent the policies are been used to achieve the objective of the institutions. The audit report convey to management and government who happen to be a major shareholder in public service institutions to assess overall presentation, structure and content of the financial statements to identify strength and weakness of the various departments in the institutions. It is the duty of managements and government to take necessary actions to rectify all material misstatements and other inefficiencies which the auditors pointed out in their report to ensure smooth running of the institutions.

**Table 4.6: Audit Units have Enough Resources to Carry Out their Audit Activities as Expected**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	20	2.67
No	55	73.33
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

Table 4.6 shows that 55 respondents representing 73.33% stated that the audit units have inadequate resources to carry out their audit activities as expected while 20 respondents representing 26.67% stated that the audit units have enough resources to carry out their audit activities as expected. This means that majority of the respondents stated that the audit units have inadequate resources to carry out their audit activities as expected.

**Table 4.7: Effective Implementation of Audit Report enhance Fortune of Public Institutions**

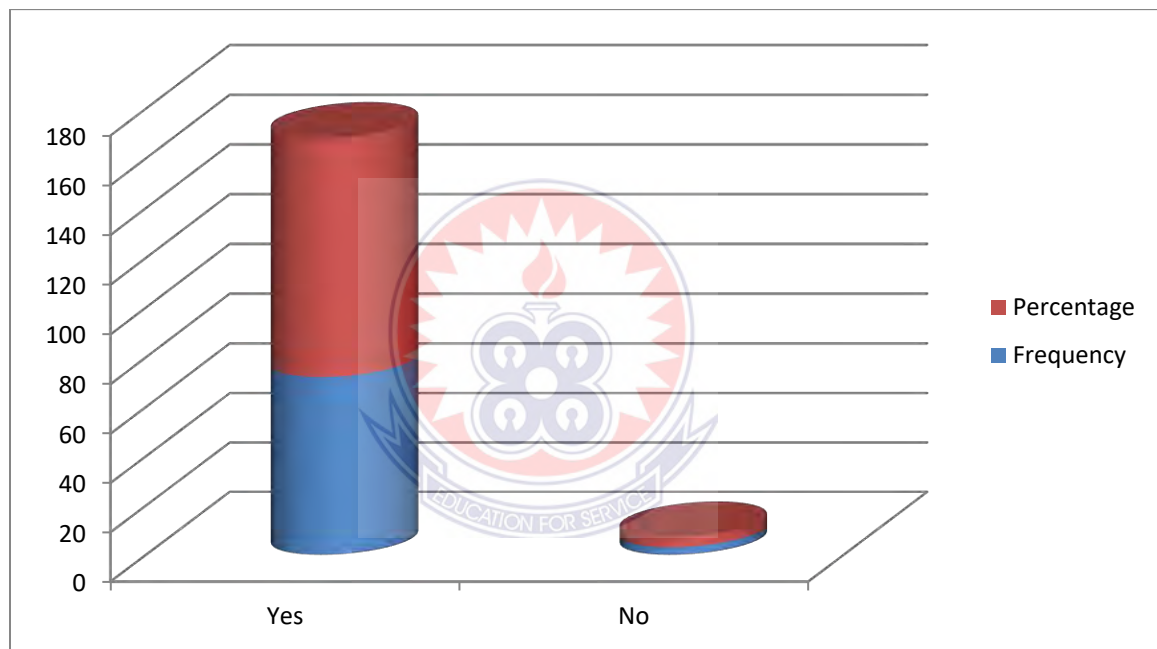
Response	Frequency	Percentage
Yes	70	93.33
No	5	6.67
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

Table 4.7 shows that 70 respondents representing 93.33% stated that there was an effective implementation of audit report enhance fortune of public institutions with reference to District Assembly and Ghana Education Service in Sekyere South District audit units have inadequate resources to carry out their audit activities as expected while 5 respondents representing 6.67% stated that effective implementation of audit report do not enhance fortune of public institutions with reference to District Assembly and Ghana Education Service in Sekyere South District. This means that majority of the respondents stated that the effective implementation of audit report enhance fortune of public institutions. The respondents agreed to the fact that with effective audit, public service institutions is performing well. The respondents were of the opinion that auditors have been able to reduce malpractices, misapplication and malfeasance of management and

other employees to barest minimum. They said with corporation of board of directors and management, auditors will do more to review the compliance with existing government financial regulations, instructions and procedures, evaluate the effectiveness of the internal control system and review the reliability and integrity of the record keeping and reporting on the financial and operating information system.

**Figure 4.2: Auditors issue Report to Public Institutions after every Audit**



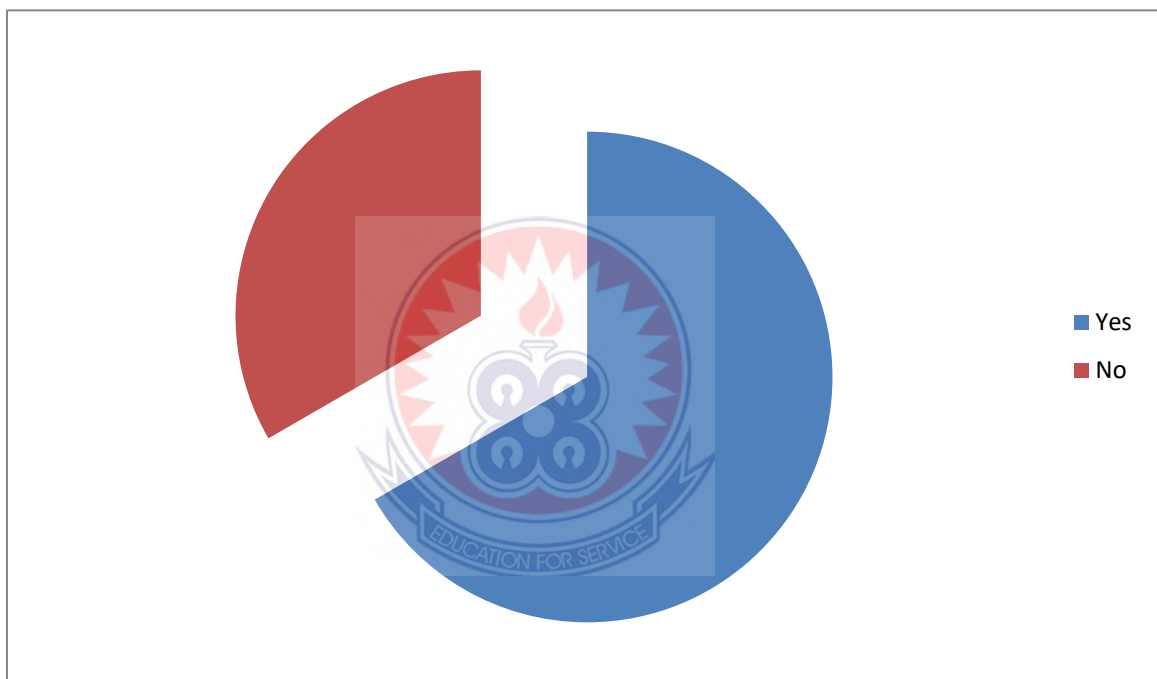
**Source:** Field Data, 2017.

Figure 4.2 show that 72 respondents representing 96% stated that auditors issue report to public institutions after every audit while 3 respondents representing 4% stated that auditors do not issue report to public institutions after every audit. This means that majority of the respondents stated that auditors issue report to public institutions after every audit. Auditor's reports disclose to managements and shareholders to assess whether the financial statement give a true and fair view or presented fairly, in all



material respects in accordance with the applicable financial reporting frameworks. It is the duty of management and government to take necessary actions to rectify all material misstatements and other inefficiencies which the auditors pointed out to ensure smooth running of the public institutions.

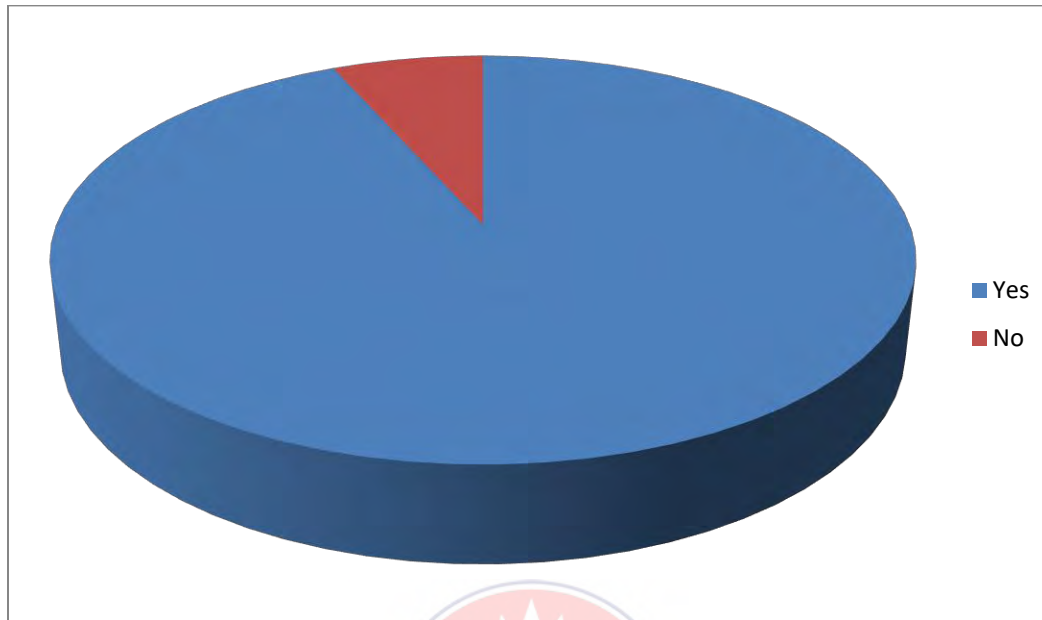
**Figure 4.3: Auditors' Appointment, Remuneration and Budget Support from Government and Management placed Restricts to Auditors Independence**



Source: Field Data, 2017.

Figure 4.3 shows that 50 respondents representing 66.66% stated that auditors' appointment, remuneration and budget support from government and management placed restricts to auditors independence while 25 respondents representing 33.34% stated that auditors' appointment, remuneration and budget support from government and management do not placed restricts to auditors independence. This shows that majority of the respondents stated that auditors' appointment, remuneration and budget support from government and management placed restricts to auditors independence.

**Figure 4.4: Accountability plays important Role in improving District Assembly and Ghana Education Service**



Source: Field Data, 2017

Figure 4.4 shows that 70 respondents representing 93.33% stated that accountability plays important role in improving public service institutions reference to District Assembly and Ghana Education Service in Sekyere South District while 5 respondents representing 6.67% stated that accountability do not plays important role in improving public service institutions with reference to District Assembly and Ghana Education Service in Sekyere South District. This shows that majority of the respondents stated that accountability plays important role in improving public service institutions. Accountability required officials to be transparent, responsive and accountable for their actions. Management is responsible for the prevention and detection of fraud and errors through the implementation of proper policies and procedures to ensure adequate accounting and internal control system of the public service institutions. Management should also protect the organization's equipment, document and other resources that

could be wrongfully used, damage or stolen. Managements and employees of public service ensure that public resources are not wasted and any offender of the rules are been asked to account for his or her action which result in fraud and embezzlement. The officials of the service should be made to account for their stewardship for using public resources and failure to give proper account the culprit must be dealt with.

**Table 4.8: Measures that Audit Service put in place to ensure that District Assembly and Ghana Education Service achieve its stated Objectives**

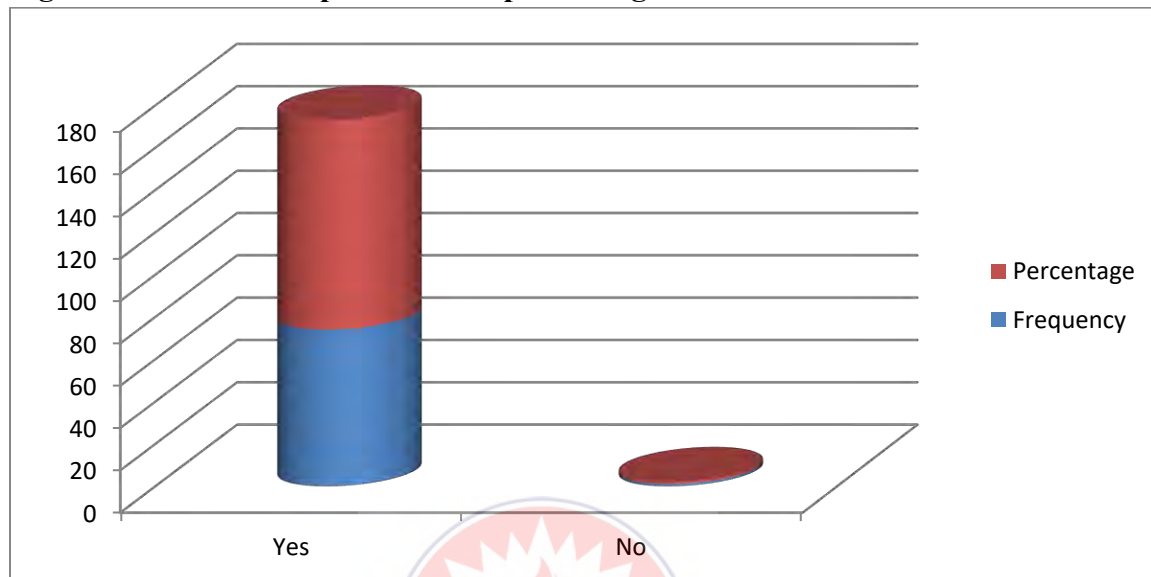
<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Strengthen internal control	30	40
Identify internal control weakness	15	20
Audit quarterly	10	13.33
Management implemente audit recommandation	20	26.67
<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data, 2017.

Table 4.8 shows that 30 respondents representing 40% stated that measures that Audit Service should put in place to ensure that public institutions achieve its stated objectives was to strengthen the internal control systems in the sector, 20 respondents representing 26.67% stated that measures that Audit Service should put in place to ensure that public institutions achieve its stated objectives was management implement audit recommendation, 15 respondents representing 20% stated that measures that Audit Service should put in place to ensure that public institutions achieve its stated objectives was to identify internal control systems weakness while 5 respondents representing 6.67% stated that measures that Audit Service put in place to ensure that public institutions achieve its stated objectives was to audit the institutions every quarter of the year. This means that majority of the respondents stated that measures that Audit Service

put in place to ensure that public institutions achieve its stated objectives was to strengthen of the internal control systems in the sector.

**Figure 4.5: Head of Department Prepare Budget**



Source: Field Data, 2017.

Figure 4.5 shows that 74 respondents representing 98.67% stated that head of department prepare budget while a respondent representing 1.33% stated that head of departments do not prepare budget before spending. This means that majority of the respondents stated that head of departments prepare budget that serve as a guide for the institution.

**Table 4.9: Budget approved before Executed**

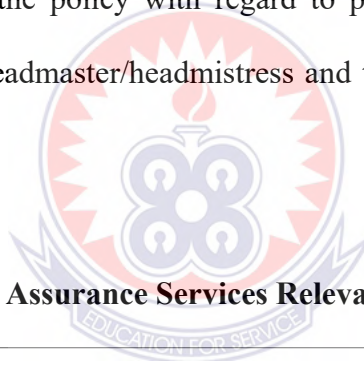
Response	Frequency	Percentage
Yes	68	90.67
No	7	9.33
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

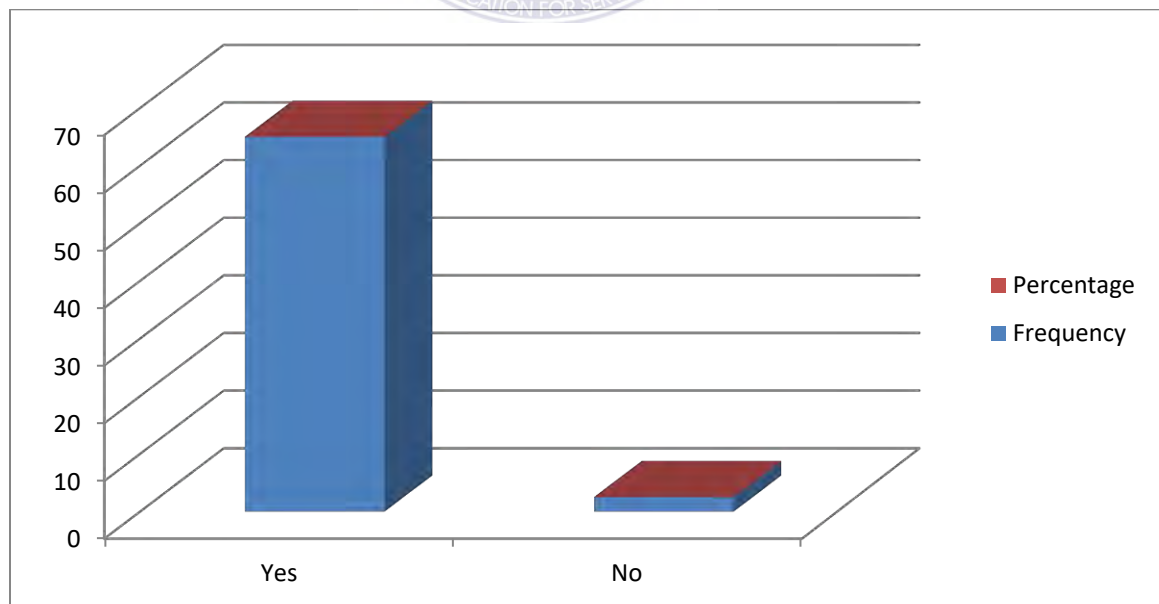
Table 4.9 shows that 68 respondents representing 90.67% stated that budget approved before executed while 7 respondents representing 9.33% stated that budget do

not approved before executed. This means that majority of the respondents stated that budget approved before executed. Sources from the audit unit disclosed that, payment of common fund and subsidies or grant could only be done after the Board of Governors and the assembly members had examined and approved budget as endorsed by 90.67% of majority of respondents and 9.33% disagree.

Common Fund and government subsidy (grant) is amount of money set aside by government annually to assist public institutions to cushion them in terms of finances. In addition, the school headmasters/headmistresses and the DCEs are expected to raise some money internally to ease their financial constraints. The respondents endorse the proper record of this grant and the policy with regard to payment of the grant. Expenditure returns are prepared by headmaster/headmistress and the DFO detailing how the money has been spent.



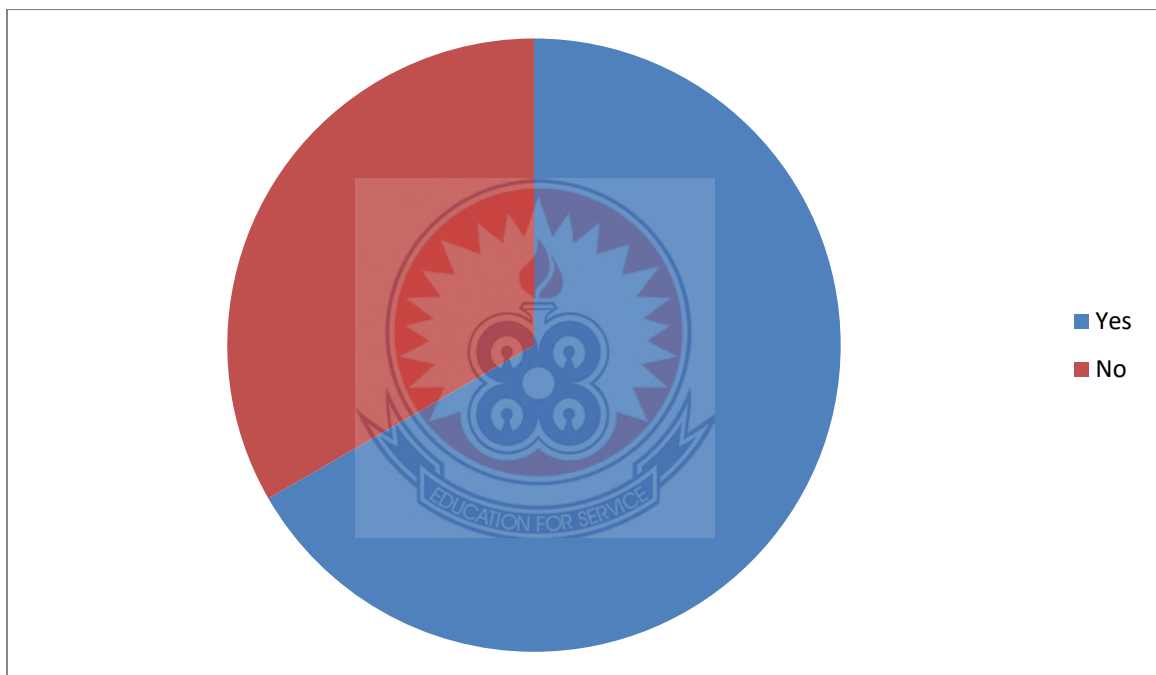
**Figure 4.6: Auditing and Assurance Services Relevance to Public Institutions**



Source: Field Data, 2017.

Figure 4.6 shows that 65 respondents representing 86.67% stated that auditing and assurance services are relevance to public institutions while 10 respondents representing 13.33% stated that auditing and assurance services are not relevance to public institutions. This means that majority of the respondents stated that auditing and assurance services are relevance to public institutions.

**Figure 4.7: Audit Staffs lack the Capacity and Experience in Executing their Work**



**Source:** Field Data, 2017.

Figure 4.7 shows that 50 respondents representing 66.66% stated that audit staffs lack the capacity and experience in executing their work while 25 respondents representing 13.34% stated that audit staffs do not lack the capacity and experience in executing their work. This means that majority of the respondents stated that audit staffs lack the capacity and experience in executing their work. Independence is one of the fundamental principles of professional ethics and required all auditors to be seen as

independent people in the performance of their duties by those to whom they are accountable to. The result shows that auditors are not independent. They argued that the independent of auditors depend on the management ability to establish policies and procedures designed to provide reasonable assurance that the firm and its personnel are subject to independence requirements .It is the duty of managements to identify and evaluate circumstances and the relationship that create threat to independence, and to take appropriate action to eliminate those threats or reduce them to barest minimum level by applying adequate safeguards.

**Table 4.10: Factors Account for low Performance of Audit Service**

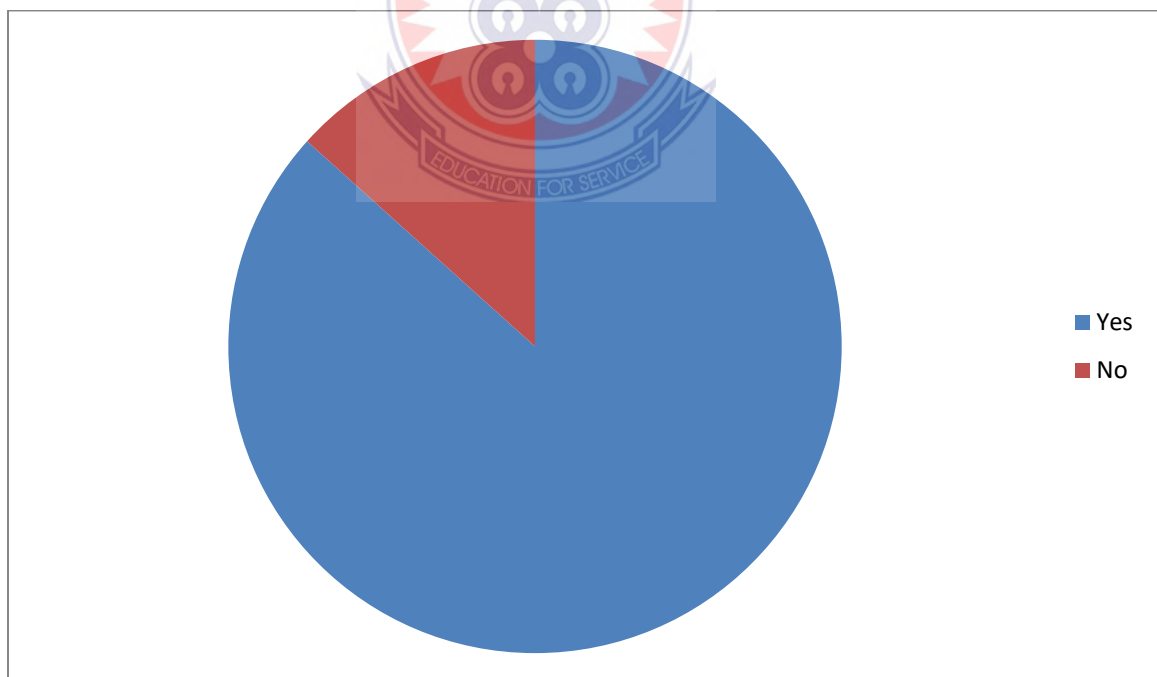
<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Inadequate personnel and others	30	40
Low remunerations	15	20
Insufficient in-service training	30	40
<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data, 2017.

Table 4.10 shows that 30 respondents representing 40% stated that factors account for low performance of audit service was inadequate personnel and others in the sector also, 30 respondents representing 40% indicated that factors account for low performance of audit service was in-sufficient in-service training given to the auditors while 15 respondents representing 20% stated that factors account for low performance of audit service was low remuneration of the auditors. This means that majority of the respondents stated that factors account for low performance of audit service were inadequate personnel and insufficient in-service training given to the auditors. Public service institutions are expected to perform well in order to meet the expectation of the

general public. Inability of most public institutions are not able to meet the desire of the population has called for public outcry to examining the reasons of such low performance. The respondents attributed this situation to low remuneration, lack of resources and other logistics are main factors. They said the public workers take home pay is woefully inadequate to take them home and for that matter they are not motivated to give out their best to improve the fortune of the service. Resources like funds and other logistics like computers and vehicles are no available to facilitate their work. With these problems the audit service has been to reduce malpractices, misapplication and malfeasance of management and other employees to barest minimum.

**Figure 4.8: Follow Procurement Process and Procured items Rooted through Stores for Safe keeping**

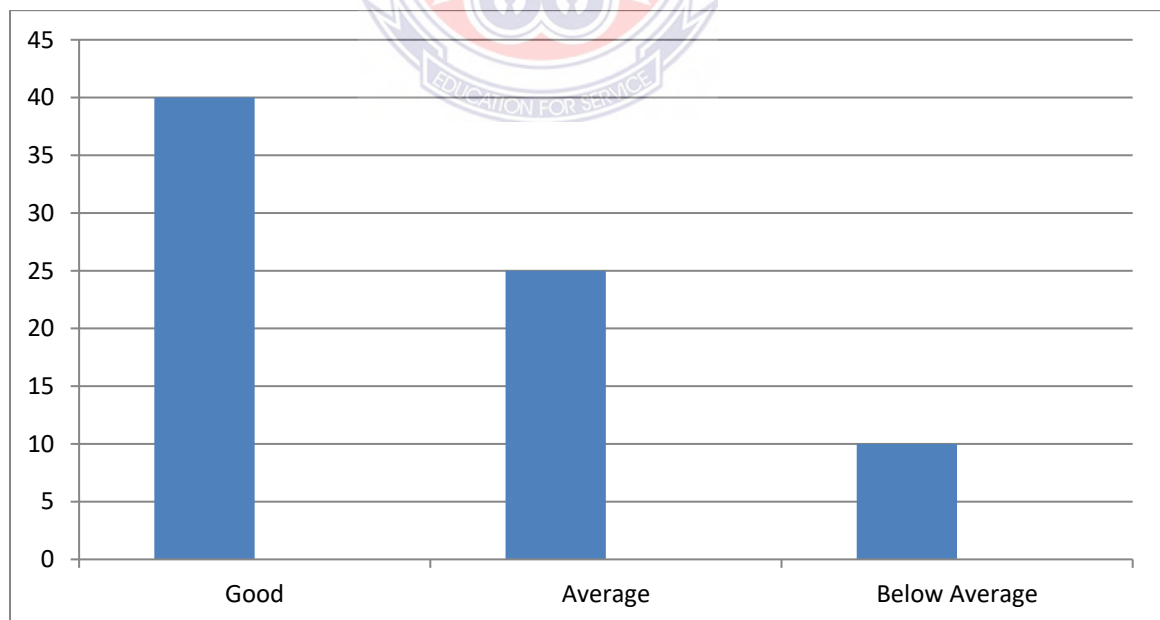


**Source:** Field Data, 2017.



Figure 4.8 shows that 65 respondents representing 86.67% stated that management follow procurement process and procured items routed through stores for safe keeping while 10 respondents representing 13.33% stated that management do not follow procurement process and procured items routed through stores for safe keeping. This means that majority of the respondents stated that management follow procurement process and procured items routed through stores for safe keeping. Public Procurement Act 2003 is to ensure all government agencies, ministries and departments procure goods and service through procedures which has been laid by the act. This will ensure fairness and value for money in procurement of goods and service for public used. This indicates that procurement rules and regulations are adhered to by the officials responsible for procurement. It implied that procured items are given heavy protection.

**Figure 4.9: Assess the General Performance of Auditors in helping to improve their Services**



Source: Field Data, 2017.

Figure 4.9 shows that 40 respondents representing 53.33% stated that the general performance of auditors in helping to improve their services was good, 25 respondents representing 33.34% indicated that the general performance of auditors in helping to improve their services was average while 10 respondents representing 13.33% stated that the general performance of auditors in helping to improve their services was below average. This means that majority of the respondents stated that the general performance of auditors in helping to improve their services was good. The success of auditor depends on how well that person has contributed to development of organizations. The auditor should provide the relevant information and advice that enable management take decisions that enhance the welfare of the organizations. Employers should organise regular training for auditors to update their knowledge in the profession and audit manuals are always available at the office of the unit to facilitate their work in order to achieve the required result. These manuals are frequently updated to meet current economy situations. With co-operation of board of directors and management, auditors will do more to review the compliance with existing government financial regulations, instructions and procedures and evaluate the effectiveness of the internal control system.

**Table 4.11: Major Challenges which Ghana Audit Service faces in Auditing Public Institutions**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Inadequate incentives	30	40
Insufficient of logistics and infrastructure	15	20
Lack of transport	10	13.33
Inadequate In-Service Training	20	26.67
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Data, 2017.

Table 4.11 shows that 30 respondents representing 40% stated that the major challenges which Ghana audit service faces in auditing public institutions with reference to District Assembly and Ghana Education Service in Sekyere South District was inadequate incentives to the auditors, 20 respondents representing 33.34% indicated that major challenges which Ghana audit service faces in auditing public institutions with reference to District Assembly and Ghana Education Service in Sekyere South District was inadequate in-service training to upgrade their knowledge in the profession, 15 respondents representing 20% indicated that major challenges which Ghana audit service faces in auditing public institutions was Insufficient of logistics and infrastructure while 10 respondents representing 13.33% stated that major challenges which Ghana audit service faces in auditing public institutions was lack of transport. This means that majority of the respondents stated that the major challenges which Ghana audit service faces in auditing public institutions was inadequate incentives to the auditors. Lack of financial independence and threat from management was a major operational bottleneck of auditors to put measures in place to promote good governance in public service. Financial resources and human resource requirements were lacking in the service. Poor condition of service and lack of logistics to enable the unit to perform were not enough.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter deals with the summary of findings, conclusions and recommendations made for this study.

#### **5.1 Summary of Findings**

The data collected shows that management of public organizations do not support audit activities or audit as a unit in the public organizations. The research indicated that the government updated the audit acts to meet international standard. The study also revealed that internal control is been adhered to by the officials responsible for procurement and any procured items are sent to proper place for safekeeping. Segregation of duty in the public service and all grants and funds generated internally are proper accounted for and used for its intended purpose. The study shown that all the respondents viewed accountability in public service as vital and public officials must be called upon to render account on their stewardship for using the state resources.

Again, the researcher found out that auditor is not independent, motivated and well-resourced base on the fact that they are not to make decisions and recommendations for the betterment of the public sector but to cover the deeds of the officials. The auditors are not motivated enough bases on proper incentives, training and are not well resourced in terms of infrastructure and other resources.

Also, the data collected showed that the relevance of auditing and assurance services to the public institutions is moderate. This means that management does not see the relevance of employing auditor when the audit is to examine the operations and activities of the public officials in the public institutions in Ghana. Audit function or unit in public institutions is neither relevant nor irrelevant in public sector institutions.

Auditors revealed that most of management or majority of managers in the public institutions do not carry out the advices and recommendations of the auditors. The evolution of audit has added up to the audit framework which makes auditors and managers lack clarity about the exact role of the audit function.

## 5.2 Conclusions

From the analysis of findings, the following conclusions were made on the relevance of the auditing and assurance service to the public institutions. It evident from the study that, the audit service plays an important role in promoting good governance in the public sector by safe guarding public assets and ensuring good financial management system. They are not able to play this role effectively and efficiently because of the challenges they face.

The findings on the study of relevance of auditing and assurance services to public institutions in Ghana District Assembly and Ghana Education Service in Sekyere South District has shown to be effective and they have helped in diverse ways to transform many public institutions to achieve their set goals. The result suggested that audit unit are performing despite many challenges they encounter with regard to freedom to operate well, financial constrain, inadequate resources and other logistics like cars to

enable them to audit public institutions regularly to reduce malpractices of the service. There should be effective co-operation from government, board of governors, management and staff of public institutions will move forward to reduce the rate of unemployment in country and enhance the growth of the nation for betterment of all and the generation unborn. The study revealed that the appointment, remuneration and budget from government and management place restriction on the auditors' independence and ability to report freely. Improving good governance and accountability in the public service would remain a mirage under these conditions. The results from the study gave a clear indication that the low performance of the service cannot be attributed to inefficiencies of auditors but lack of requisite human resource requirements, poor remunerations coupled with lack of resources for the service are the main factors. These factors hinder the progress of the service as commitment of the staff to give out their best is been compromised. They are not well resourced and motivated and above all, auditors are not independently enough to take decisions as to whether public organization financial statements are prepared accordingly and their actions towards fraud, errors and irregularities detected in the course of their activities.

The service also receives insufficient funds from the central government to meet its obligations and lacks infrastructural facilities such as offices, libraries and residential premises for staff, logistics such as vehicles for operational duties, computer for processing data. Internet available has had serious repercussion on their performance. Human resource is one of the service short falls. Staff strength of the audit service is in adequate considering the number of organizations they have to audit. A hand full of the staff is computer literate who can carry out computer-based auditing. Even the fewer

staff is also not motivated in terms of remuneration. This affects the morale of the auditors which may have adverse effect on their performance to public duty.

### **5.3 Recommendations**

Based on the findings of the study, the following recommendations are made:

The audit service plays crucial roles of the public sector institution; it needs to be adequately funded by the Ghana Government. Any other institution (s), foreign agency or government(s) supporting the audit service financially will have effect on the audit judgment.

It is evident from the finding that the audit service is understaffed, considering the number of public institutions that the auditors have to audit. It is recommended that the service should liaise with the national service scheme so that some personnel can be posted to serve to augment their staff strength. Also, graduates with Accounting and Auditing background should be employed into the service, by given the new employees training to assist reduce their work load in an acceptably lowest level. The reduction in the work load will enable the auditors to get more time to plan and carry out audit work effectively.

It is recommended that the government should improve upon the conditions of service of the auditors. Allowances, incentives and fringe benefits should be provided by the government to retain and motivate the staff of the service.

It is also recommend that the audit service should liaise with accounting firms such as Price Waterhouse and Coopers, Ernest and Young, Delloite, KPMG, Owusu Afriyie and Associates and other local audit firms to train both old and new staff of the

service. This will provide new staff of the service with requisite knowledge and skills to enable all staff of the service to be abreast with current trends in the auditing profession. Besides, the service should organize refresher courses for staff of the service to update the current trends in the profession.

Due to sophisticated nature of some organizations and specialized knowledge to audit these companies, the audit services have difficulties in auditing these institutions such as petroleum companies, mining companies, forestry concessions, pharmaceutical companies and others need special skills to carry out their auditing successfully. The audit service should employ geologist, petrol chemist, pharmacist, foresters, actuaries to help them carry out a successful audit in those organizations.

It is recommend that the audit service should engage the services of a computer training institution such as IPMC, NIIT, First choice computers, etc. to train auditors so that they will be well equipped in Information Communication Technology to enable them audit institutions that have computerized their financial information to avoid the outsourcing the computer specialist which cost the service dearly. Funding for such training can be sought from the ministry of finance.

The government should provide the needed logistics and infrastructure to enable the staff performs their responsibilities efficiently. Enough vehicles should be provided for the field staff to enable them to carry out their assignments more effectively. Those who use their personal vehicles for official duties should be adequately given allowance.



#### **5.4 Suggestion for further Research**

The relevance of auditing and assurance services to public institutions in Ghana was the topic of this study, conducted on the management, audit unit and head of departments in the public institutions in Sekyere South District as the main population target. However, the findings and conclusion was based on sample size of 100 and was limited to Sekyere South District due to time constrains. The researcher suggests that any further research to be done on this topic in the other districts in the country.



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## APPENDIX A

**UNIVERSITY OF EDUCATION, WINNEBA - KUMASI CAMPUS**

**MASTERS IN BUSINESS ADMINISTRATION, ACCOUNTING**

**QUESTIONNAIRES**

**A: STAFF OF GHANA AUDIT SERVICE**

**RESEARCH ON THE RELEVANCE OF AUDITING AND ASSURANCE**

**SERVICE TO PUBLIC INSTITUTIONS IN GHANA, CASE STUDY OF**

**SEKYERE SOUTH DISTRICT ASSEMBLY AND GHANA EDUCATION**

**SERVICE**

Dear Respondent,

This research work is to gather information on the relevance of auditing and assurance services to public institutions in Ghana with particular reference to the Sekyere South District Assembly and Ghana Education Service. I would therefore be grateful if you could take time off your schedule to answer the following questions to enable me have a fair view on the topic. All information gathered will be treated with the utmost confidentiality. Filling this questionnaire implies that you have willingly consented contributed to this study. Thank you for your co-operation.

Please tick [] the appropriate box where applicable

### **Section A: Socio-Demographic Characteristics**

1. Gender:

Male [  ]

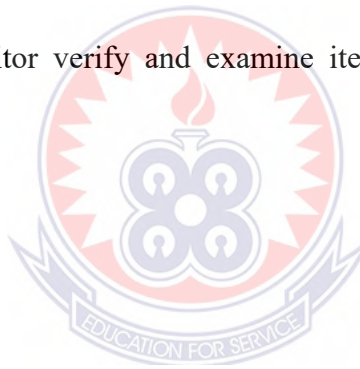
Female [  ]

2. Age:  
Below 30years [ ]  
Between 30-50 Years [ ]  
Above 50years [ ]
3. Educational Background:  
Degree [ ]  
Professional [ ]  
HND [ ]

Others specify.....

**Section B: Benefits of Auditing and Assurance Services to Government Institutions**

4. Does the auditor verifies the items and examines the necessary document(s)?  
True [ ]  
False [ ]
5. How often does Auditor verify and examine items purchased and the supporting documents?  
Weekly [ ]  
Monthly [ ]  
Quarterly [ ]  
Annually [ ]
6. Do auditors offer assurance services to your institution?  
Yes [ ]  
No [ ]
7. Does Auditor issue a report to your institution after every audit?  
Yes [ ]  
No [ ]
8. How do you see the operations of the Auditor on the institution's operations?  
Effective [ ]  
Ineffective [ ]  
Partially Effective [ ]
9. Is there any segregation of duty among the staff in the institution?  
Yes [ ]



No [ ]

10. Do control practices recommended by auditors adhere to by management?

Yes [ ]

No [ ]

11. Do you think Audit Unit has enough resources to carry out their activities as expected?

Yes [ ]

No [ ]

12. Effective implementation of audit report enhance the fortune of every organization, in your opinion do you think management attach serious attention to internal recommendations?

Yes [ ]

No [ ]

13. The Auditor appointment, remuneration and budget from government and management have placed restrictions on their independence and freedom to report freely.

Agree [ ]

Disagree [ ]

14. Accountability requires the officials to be transparent, responsive and accountable for their actions?

Yes [ ]

No [ ]

15. Do you think accountability plays important role in improving public service institutions?

Yes [ ]

No [ ]

16. What are some of the measures that audit unit can put in place to ensure that public service institutions achieve its stated objective

i.....

ii.....

iii.....



**Section C: Relevance of Auditing and Assurance Services to Government Institutions**

17. Do Head of department prepare budget?

True [ ]

False [ ]

18. Does budget approved before the budget executed?

Yes [ ]

No [ ]

19. Does auditing and assurance services offered by Ghana audit service to government institutions are relevance?

Yes [ ]

No [ ]

**Section D: Challenges faced in Auditing Government Institutions**

20. Do you agree with the statement that audit staff lack the capacity and experience in executing their work?

Yes [ ]

No [ ]

21. What factors account for low performance of the service?

i).....

ii).....

iii).....

22. How can these factors be addressed to ensure that the service leave up to expectation?

i).....

ii).....

iii).....

23. How do you assess the general performance of auditors in helping to improve the service?

Good [ ]

Average [ ]

Below Average [ ]

24. In your opinion, what are the major challenges which Ghana audit service faces in auditing Ghana government institutions.....

.....

.....

.....



## APPENDIX B

UNIVERSITY OF EDUCATION, WINNEBA - KUMASI CAMPUS

MASTERS IN BUSINESS ADMINISTRATION, ACCOUNTING

### QUESTIONNAIRES

#### B: HEAD OF PUBLIC INSTITUTIONS

RESEARCH ON THE RELEVANCE OF AUDITING AND ASSURANCE

SERVICE TO PUBLIC INSTITUTIONS IN GHANA, CASE STUDY OF

SEKYERE SOUTH DISTRICT ASSEMBLY AND GHANA EDUCATION

#### SERVICE

Dear Respondent,

This research work is to gather information on the relevance of auditing and assurance services to public institutions in Ghana: A case study of District assembly and Ghana education service in the Sekyere South District. I would therefore be grateful if you could take time off your schedule to answer the following questions to enable me have a fair view on the topic. All information gathered will be treated with the utmost confidentiality. Filling this questionnaire implies that you have willingly consented contributed to this study. Thank you for your co-operation.

**Please tick [✓] the appropriate box where applicable**

#### Section A: Socio-Demographic Characteristics

1. Gender:

Male [  ]

Female [  ]

2. Age:

Below 30years [  ]

Between 30-50 Years [  ]

Above 50years [  ]

3. Educational Background:

Degree [  ]

Professional [  ]

HND [  ]

Others specify.....

**Section B: Benefits of Auditing and Assurance Services to Public Institutions**

4. Does the Auditor verifies the items and examines the necessary document(s)

True [  ]

False [  ]

5. How often does Auditor verify and examine items purchased and the supporting documents?

Weekly [  ]

Monthly [  ]

Quarterly [  ]

Annually [  ]

6. Do auditors offer assurance services to your institution?

Yes [  ]

No [  ]

7. Does Auditor issue a report to your institution after every audit?

Yes [  ]

No [  ]

8. How often do headmasters/headmistresses or Accountants prepare expenditure returns?

Monthly [  ]

Quarterly [  ]

Annually [  ]

9. How do you see the operations of the Auditor on the institution's operations?

Effective [  ]



Ineffective [ ]

Partially Effective [ ]

10. Is there any segregation of duty among the staff?

Yes [ ]

No [ ]

11. Does the committee responsible for procurement comply with procurement practice?

Yes [ ]

No [ ]

12. Do procured items routed through stores for safe keeping?

Yes [ ]

No [ ]

13. Do control practices recommended by auditors adhere to by management?

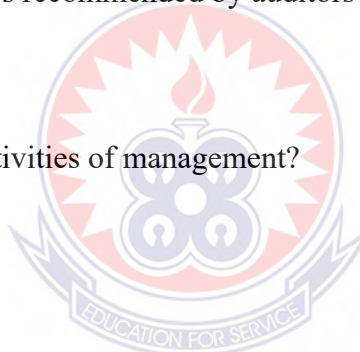
Yes [ ]

No [ ]

14. Does it help the activities of management?

Yes [ ]

No [ ]



### **Section C: Relevance of Auditing and Assurance Services to Government Institutions**

15. Do Headmasters/Headmistress prepare budget?

True [ ]

False [ ]

16. Does school budget is approved by the Board of Governor?

Yes [ ]

No [ ]

17. Is there any proper record for government subsidy, common fund and fund generated internally by school and the district assemblies Accountants?

Yes [ ]

No [ ]

18. Does the grants and internally generated fund use for purpose for which they meant for?

Yes [ ]

No [ ]

19. Do headmasters/headmistresses, accountants record the revenue and payment into school/ district assembly cash books?

Yes [ ]

No [ ]

20. Does auditing and assurance services offered by Ghana audit service to government institutions are relevance?

Yes [ ]

No [ ]

**Section D: Challenges faced in Auditing Government Institutions**

21. What factors account for low performance of the service?

i).....

ii).....

iii).....

22. How can these factors be addressed to ensure that the service leave up to expectation?

i).....

ii).....

iii).....

23. How do you assess the general performance of auditors in helping to improve the service?

Good [ ]

Average [ ]

Below Average [ ]

24. In your opinion what are the challenges which Ghana audit service faces in auditing public institutions.....  
.....  
.....  
.....

