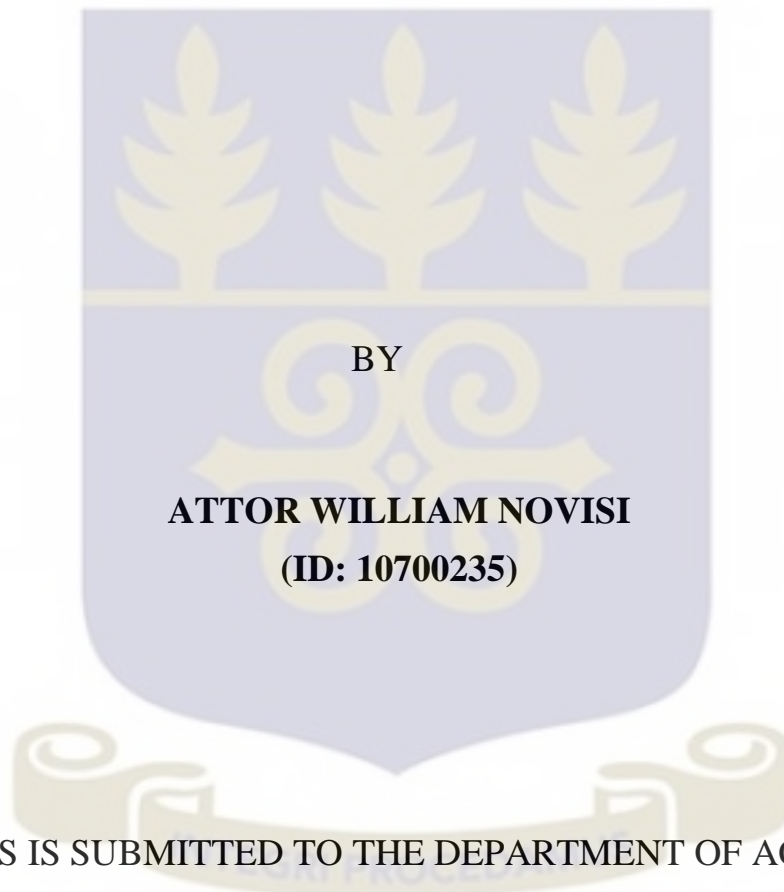


UNIVERSITY OF GHANA

EFFECTIVENESS OF THE ROLE OF INTERNAL AUDIT IN THE  
GHANA POLICE SERVICE



THIS THESIS IS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING  
UNIVERSITY OF GHANA BUSINESS SCHOOL LEGON, IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER  
OF SCIENCE IN (ACCOUNTING & FINANCE) DEGREE

AUGUST, 2019

## DECLARATION

I, Attor William Novisi, hereby declare that this study is my original piece of research conducted under the supervision of Dr. William Coffie of Department of Accounting, University of Ghana Business School, Legon.

Full acknowledgements have been made for all references of other people's work and ideas that have been cited. No part of this work has either been presented whole or in part to any other institution for any degree. I accept full responsibility for errors this research report may contain.

.....

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## **SUPERVISORS CERTIFICATION**

This thesis was conducted under the supervision of the undersigned, of the Department of Accounting, University of Ghana Business School, Legon.

.....  
WILLIAM COFFIE [Phd]  
(SUPERVISOR)

.....  
(DATE)

## **DEDICATION**

I dedicate this work to Almighty God for granting me wisdom and strength to this far, I equally dedicate this piece to my better half Mrs. Celestine Attor, my mum Mrs. Comfort Attor and my beloved sons Magnus Attor and Makafui Attor for their immense support and encouragement.

## **ACKNOWLEDGEMENT**

I am highly indebted to my supervisor, Dr. William Coffie and wish to express my sincere gratitude for his invaluable contributions, review, direction, critique and especially the patience exhibited throughout the research period to ensure the successful completion of this work.

I express my utmost gratitude to the staff of Ghana Police Service Regional offices especially the Director of internal audit department Deputy Commissioner of Police [DCOP] Mr. Emmanuel Ofori for dedicating part of his busy schedules for my interviews and questionnaires administration.

Furthermore, I wish to put on record my deepest appreciation to the following colleagues for their support in the research work Gadufia Pascal, Mabel Lani Amartey and my personal friend DSP Mr. Kwashie Azalekor God bless you all.

## TABLE OF CONTENTS

| CONTENTS   | PAGES |
|--|-------|
| DECLARATION .....  | i     |
| SUPERVISORS CERTIFICATION.....                               | ii    |
| DEDICATION.....  | iii   |
| ACKNOWLEDGEMENT .....  | iv    |
| TABLE OF CONTENTS.....                                       | v     |
| LIST OF TABLES .....   | viii  |
| LIST OF ABBREVIATIONS.....                                   | ix    |
| ABSTRACT.....  | x     |
| CHAPTER ONE.....   | 1     |
| INTRODUCTION .....   | 1     |
| 1.1 Background of the Study .....                            | 1     |
| 1.1.2 Contextual Background of the Ghana Police Service..... | 4     |
| 1.2 Research Problem .....                                   | 5     |
| 1.3 Research Objectives.....                                 | 6     |
| 1.4 Research Limitation .....                                | 7     |
| 1.5 Research Significance.....                               | 7     |
| 1.6 Plan of the Dissertation.....                            | 8     |
| 1.7 Conclusion .....   | 9     |
| CHAPTER TWO .....  | 10    |
| LITERATURE REVIEW .....                                      | 10    |
| 2.1 Introduction.....  | 10    |
| 2.2 Review of Theoretical Literature .....                   | 10    |
| 2.2.1 Overview of Corporate Governance .....                 | 10    |
| 2.2.2 Overview of Internal Auditing.....                     | 11    |
| 2.3 Agency Theory.....                                       | 12    |

|  |    |
|--|----|
| 2.4 Stakeholder Theory .....   | 14 |
| 2.5 Review of Factors that Affect Internal Audit Effectiveness .....                         | 15 |
| 2.5.1 Independence of internal audit .....   | 15 |
| 2.5.2 The relationship between internal and external auditors .....                          | 16 |
| 2.5.3 Competence of Internal Audit Department [IAD] .....                                    | 17 |
| 2.5.4 Size of Internal Audit Department [IAD] .....  | 18 |
| 2.5.5 Management Support for Internal Audit .....  | 18 |
| 2.6 Conclusion .....   | 19 |
| CHAPTER THREE .....  | 21 |
| METHODOLOGY .....  | 21 |
| 3.1 Introduction .....   | 21 |
| 3.2 Research Approach .....  | 21 |
| 3.3 Data Source and Sample Selection .....   | 22 |
| 3.3.1 Data Sources .....   | 22 |
| 3.3.2 Sample Selection .....   | 22 |
| 3.4 Measurement of Estimation Variables .....  | 23 |
| 3.5 Ethical Issues Considered .....  | 24 |
| CHAPTER FOUR .....   | 26 |
| ANALYSIS AND DISCUSSION OF FINDINGS .....  | 26 |
| 4.0 Introduction .....   | 26 |
| 4.1 Respondents personal and professional demographics .....                                 | 27 |
| 4.2 Descriptive statistics on components of independent variables .....                      | 29 |
| 4.3 Correlation analysis .....   | 33 |
| 4.4 Regression analysis between dependent variable and independent variables .....           | 36 |
| 4.5 Discussion of findings on factors that influence internal audit effectiveness .....      | 37 |
| 4.6 Discussion of measures that addresses factors that adversely affect internal audit ..... | 41 |
| 4.7 Summary .....  | 43 |

|  |    |
|--|----|
| CHAPTER FIVE .....                       | 44 |
| SUMMARY, CONCLUSION, RECOMMENDATION..... | 44 |
| 5.0 Introduction.....                    | 44 |
| 5.1 Summary of findings.....             | 44 |
| 5.2 Conclusion .....                     | 47 |
| 5.3 Recommendations.....                 | 48 |
| 5.4 Limitations of the study .....       | 50 |
| REFERENCES .....                         | 51 |
| APPENDIX A.....                          | 55 |

## LIST OF TABLES

|   |                                     |
|---|-------------------------------------|
| Table 4.1: Respondents characteristics .....  | <b>Error! Bookmark not defined.</b> |
| Table 4.2.1 Independence of internal audit function .....   | <b>Error! Bookmark not defined.</b> |
| Table 4.2.2: Relationship with external auditors .....  | <b>Error! Bookmark not defined.</b> |
| Table 4.2.3 Police council support for internal audit.....  | <b>Error! Bookmark not defined.</b> |
| Table 4.2.4 Internal audit effectiveness .....  | <b>Error! Bookmark not defined.</b> |
| Table 4.2.5 Reliability of independent and dependent variables  | <b>Error! Bookmark not defined.</b> |
| Table 4.3: Correlation matrix showing relationship between dependent and independents variables ..... | <b>Error! Bookmark not defined.</b> |
| Table 4.4: Regression results .....   | <b>Error! Bookmark not defined.</b> |

## **LIST OF ABBREVIATIONS**

|       |   |  |
|-------|---|--|
| ACCA  | - | Association Certified Chartered Accountant |
| COMP  | - | Competency                                 |
| IAD   | - | Internal Audit Department                  |
| ICAG  | - | Institute of Certified Accountant, Ghana   |
| GPC   | - | Ghana Police Council                       |
| GPS   | - | Ghana Police Service                       |
| PCSUP | - | Police Council Support                     |
| RAP   | - | Rapport                                    |

## ABSTRACT

Effective internal audit function in an organization has been argued out as one of the best way of curbing the menace of corporate scandals which resulted in the collapse of many corporate institutions in recent years. Internal audit department has been noted to be the custodian of internal control system that monitors and promote good governance system in an organization. The purpose of this study is to assess the effectiveness of the role of internal audit within the Ghana Police Service. It emphasized on how effective the internal audit function is being pursued in the Service. Hence the assessment of factors that influence internal audit effectiveness (IAE) in the Ghana Police Service. Data obtained from the internal audit department in the regional offices of the GPS, and multiple regression analysis used to analyze such data to determine the association between IAE and other five principal factors. The correlation and regression analysis of these factors revealed that Competence and staff Size are positively associated with internal audit effectiveness at 5% significance level respectively. The other variables such as Relationship with external auditors, Ghana Police Council support and Independence of internal audit, showed a positive and significant association with internal audit effectiveness. The findings of the study reveal that independence, competency, the size, coordination between internal and external auditors, top management support have positive influence of effectiveness of internal audit function. Other factors such as competency level of internal audit staff which has been reported to be low and as well as other ad-hoc duties assigned to internal auditors are noted to be the factors that affect its function negatively. The research established that it behooves on the Police Council and Police Management Board to focus attentively on these important factors that pose a challenge, to promote the effectiveness of internal audit department in order to accomplish the vision, mission statements and the core value of the service.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The corporate problems experienced by many companies in the world in recent years, which led to the collapse of many of them, have sparked the need for a set of ethical and professional controls and principles to achieve confidence and credibility in the information contained in the financial statements. These corporate scandals, such as the Enron scandal, Adelphia scandal, WorldCom scandal, the Tyco scandal and the recent collapse of various local banks in Ghana are largely attributed to weak corporate governance structures in these corporations. They have brought into attention the need for examining and understanding the different aspects of corporate governance and its relationship to the organizational bodies which are responsible for the monitoring processes, such as the internal audit department and the audit committee. These scandals brought to light the increasing need for transparency in corporate operations (Drogalas Arampatzis & Anagnostopoulou, 2016).

For every government or private organization, institutions or business unit, corporate governance defines the corporate structure of the organization, the relationships and responsibilities of the various parts of the organization and ensures the transparency in these relationships. Corporate governance structures such as the internal auditing is usually the tool that is used for enhancing transparency, regarding especially financial information which is used by stakeholders of the organization. This is usually the case in corporate organizations where accounting for finances area of the focused for the internal audit committee (Gramling, Maletta, Schneider & Church, 2004).

Internal audit provides assurance to business organizations' by assessing the effectiveness of governance, risk management, and control processes established to help the organization achieve strategic, operational, financial, and compliance goals. It is best situated to provide assurance when its resource, competence, and structure are associated with organizational strategies and when it follows IIA standards.

Entities can perform these practices when it is free from undue influence. By maintaining independence, internal audit can perform its assessments objectively, by providing management and the board an informed and fair critique of governance processes thus risk management, and internal control. Based on its findings, it behooves on internal audit to recommend changes to improve upon processes and make follow ups on their implementation. Functioning independently within the organization, internal audit assignments are performed by professionals who have a deep appreciation of the importance of strong governance, an in-depth understanding of business systems and processes, and an ultimate drive to help their organizations succeed in achieving its intended objectives.

On the whole, internal audit provides awareness by acting as an agent to advocate for management and the board as well to have a deeper understanding of governance processes and structures. The IIA believes internal audit insights on governance, risk and control intensify positive change and innovation within an organization. It inspires organizational confidence and enhances competent and informed decision making. Successful internal auditing can mature to provide foresight to the organization by identifying trends and drawing attention to emerging challenges before they become crises that can affect the organization concern. Internal audit as an agent of change add value to an entity by providing advisory and consulting services, intended to improve governance, risk management, and control processes, so long as

it does not taken any part of management responsibility. This is vital to internal audit's fundamental principles being confidentiality, objectivity, professional competency and behavior, integrity and avoiding conflicts of interest. Selection of the type of audits or services to be performed should be based on the audit activity's authorization, competency, and the purpose for which the audit assignment to be carried as well as the organization's needs.

In Ghana, State institutions have corporate governance structures that formulates policies and systems to oversee the efficient administration of the outfit. The Ghana Police has a corporate governance structure that is in charge of managing all the activities that are carried out by the service. The Ghana Police Service as one of the state institutions was mandated by 1992 Constitution of the Republic of Ghana, to be equipped and maintained to perform its traditional role of maintaining law and order in the country.

Article 201 of 1992 Constitution of the Republic of Ghana reiterates that, "There shall be established a Police Council which shall consist of the Vice President, who shall be the chairman; the Minister responsible for internal affairs; the Inspector General of Police; the Attorney – General or his representative; a lawyer nominated by the Ghana Bar Association; a representative of the Retired Senior Police Officers Association; two members of the Police Service, appointed by the President, acting in consultation with the Council of State, one of whom shall be of a junior rank and other two members appointed by the President". The general administration of the Ghana Police Service, evolved on this Constitutional mandate. Within the administrative structures of the Service is the internal audit unit. The researcher is interested in assessing the effectiveness of the role of internal audit unit towards corporate governance of the entire Ghana Police Service.

### **1.1.2 Contextual Background of the Ghana Police Service**

Policing was introduced by the British Colonial Authorities to the Gold Coast now the Republic of Ghana in 1821. Before the introduction of professional policing, maintenance of law and order was prearranged by the traditional authorities such as the local headsmen and chiefs, who engaged unpaid messengers to carry out the executive and judicial functions in their respective localities.

In 1894, the Institution of Police was formalized with the transitory of the Police Ordinance which gave birth to the formation of a Civil Police Force now the Ghana Police Service

The Ghana Police Service as it is now called has as its motto “Service with Integrity”. The core functions of the Ghana Police Service as enshrined in the Police Service Act, 1970 [Act 350] of Ghana are as follows;

Detection and prevention of crime.

Apprehension and prosecution of offenders.

Maintenance of law and order.

Due enforcement of all laws of the land.

Professional policing was introduced by the British Colonial Authorities to the Gold Coast now the Republic of Ghana in 1821. Earlier to that, policing or maintenance of law and order was in the hands of traditional authorities notably, local headsmen and chiefs, who employed unpaid messengers to carry out the executive and judicial functions in their respective communities. In 1894, the Police was formalized with the passing of the Police Ordinance which gave legal authority for the formation of a civil police force.

In 1902 the force was fragmented into General, Escort, Mines and Railway Police, which was legalized by the Police [Amendment] Ordinance of 1904.

The Marine Police was formed in 1916 but break up in 1942 and replaced by Customs Excise and Preventive Service. The Criminal Investigation Department [CID] was formed in 1921 with the finger print section fully operational in the year 1922. In 1948, the Police Reserves Unit was formed to combat riotous mobs, following the 1948 riots in the country. The wireless and Communications Unit was introduced in 1950 with the formal opening of the Police Information Room in Accra by the then Governor of the Gold Coast, Sir Charles Noble Arden Clark, in June 1950.

By 1952, quite a large number of Africans were enlisted into the Police Force as junior officers. The women branch of the service was then established, to be responsible for Juvenile and women who are involved in criminal cases. In 1958, the first Ghanaian Police Commissioner, Mr. E. R. T. Madjitey was appointed to head the service.

Currently, the Ghana Police Service form part of the Public Sector Organizations' (PSOs) under the Ministry of the Interior. The Ghana Police Service was created to produce an enabling environment for commerce through the maintenance of law and order as well as the arrest and prosecution of citizen who fall foul of the laws. After independence the Service received legal backing through the Police Service Act, 1970 (Act 350). Chapter seven of the 1992 Constitution continued to firm up its existence. Administratively, the Service is regimental, headed by the Inspector-General of Police who reports directly to the Minister of the Interior. He is assisted in the day to day administration of the Service by the Schedule Officers and the Regional Commanders.

## **1.2 Research Problem**

Previous empirical studies have largely focused on examining the role the internal audit department with regards to auditing financial statements for accuracy. For instance, (Okolie, 2014; Owolabi & Dada, 2011) riveted on the function of internal audit to enhance the accountability, integrity, transparency, credibility and objectivity of the financial information that is presented to the public and the shareholders of an organization for decision making and policy formulation. Due to the role internal audit plays in a company to ensure that they produce reliable financial report accompanied by sound economic performance that will stand a better chance for survival in the face of competition, empirical works such as (Adegbite, 2012; Adeyemi & Adenugba, 2011) focused on the relevance of the internal audit in delivery sound financial reports.

Some other previous works (Narkchai, Fadzil & Thungwaha, 2018) examined components of the governance structure such as board of directors' size, audit committee size and its effect on the performance of the internal auditors. The findings indicated an affirmative rapport between governance and internal auditing.

Despite the fact that the contribution of internal audit has been indispensable for organizations to achieve their business objectives, very little has been acknowledged of the practical roles of internal audit in the context of specialized state institutions such as the Police Service. The researcher has the conviction that there is the need to contextualize corporate governance on institutional basis. This research therefore strive to examine the effectiveness of the internal audit department of the Ghana Police Service to guarantee good corporate governance. The effectiveness of the role of internal audit will be looked at from an entirely new, yet very important, perspective that is by scrutinizing governance beyond simply avoiding corporate collapse but delivering of quality service to all stakeholders that matters. The research will investigate the efficacy of the role played by internal audit in corporate governance practice to improve upon general administration of the Ghana Police Service.

### **1.3 Research Objectives**

The main aim of this research is based on identifying and examining the effectiveness of the internal audit function within the Ghana Police Service towards the overall corporate governance. To be specific, the study will seek to succeed the following objectives:

Investigate and identify factors that promote effectiveness of internal audit function in the Ghana Police Service.

Examine the correlation that exist between internal audit and Management board of the Ghana Police Service.

Investigate the factors that adversely affects effectiveness of internal audit function in the Police Service.

#### **1.4 Research Limitation**

This research work constrained itself to examining the case of public institutions in Ghana specifically the Ghana Police Service. Though there are several public institutions within the Ghanaian Public Sector, this write up was restricted to only Ghana Police Service and its internal auditors.

Consequently, the level at which the result of the study would be generalized to all other sectors within the public sector or private institution would be subject to error. However, the selected one is significant enough to mitigate the significance of the error. Participants will be expose to appreciate the relevance of the study and its usefulness to Ghana Police Service. These actions, among others, were expected to improve the consistency and robustness of the outcome of the research.

The time frame allocated for this study was woefully inadequate to do in-depth study of the entire government institutions to ascertain the efficiency of internal audit.

#### **1.5 Research Significance**

The research is important because it takes into consideration one of the essential areas in corporate governance, thus internal audit. Internal auditing has enormous benefits to managers but unless they are effective, their presence in the organization would be of no value.

Van Gansberghe, (2005). In his study, seeks to afford an all-inclusive enquiry of factors responsible for effectiveness of internal audit role and various measures resorted to avert adverse factors affecting internal auditing.

This study may also help the Police Administration to value the role played by the internal audit function and appreciate the challenges associated with the discharge of these roles.

The legal framework of governance, the rule and procedures rolled out by the Internal Audit Agency Act may serve as a guarantee that internal audit unit is a true agent of change in state institution.

The findings of this study may be of substance to Policy makers who seeks to address the menace of corruption in the society.

Although there have been previous studies in this area of internal audit the researcher's checks reveal no significant work has been done within the sub Saharan Africa. This research will therefore boost the existing literature for internal audit especially the public sector.

### **1.6 Plan of the Dissertation**

The study is systematically organized to five main chapters: Chapter one focuses on the introduction for the study; an outline of the study; research problem; objectives; significance of the study and the scope of the study. This is intended to provide the frame of reference within which the findings of this research as well as the methodology used should be assessed. That is to say, it is intended to provide a sense of direction for the research work.

Chapter two reviews the extant literature on internal auditing. In this chapter, varying views and opinions would be discussed as well as research work already conducted on this subject

area. This is necessary for the purposes of comparison and references to establish and accept theories and acknowledge beliefs that may be employed or referenced in the course of the research.

Chapter three highlighted the research approach and strategy; sampling; data collection and analysis processes; limitation of the study; and other methodological issues.

Chapter four presents data analysis and discussion for the research findings.

Chapter five summarizes key findings and conclusions of the study and makes recommendations to construction an effective internal audit function in the Ghana Police Service and other areas for further research.

## **1.7 Conclusion**

This chapter laid the foundation for the research since it clearly gave background of the study and contextual background of the Ghana Police. The internal audit function and its relevance were explored and the gap in literature was indicated in the problem statement. The objectives of the studies were stated as well as the plan for the dissertation. The next chapter focuses on the review of existing write ups to authenticate the identified gaps.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the existing literature that deals with this topic. The chapter provides information on Corporate Governance and Internal Audit with its relevance to every institution, especially public organizations. The chapter also provides explanations on the underlining theories of the study. This section provides the review of theoretical and empirical literature about the role of internal audit in corporate governance. This section, is to review articles and working papers published by scholars and researchers in relation to the subject matter of the study. The main focus is based on effective role of internal audit in governance of the Ghana Police Service to enhance performance.

#### **2.2 Review of Theoretical Literature**

##### **2.2.1 Overview of Corporate Governance**

Corporate Governance is perceived as a mechanism to monitor the actions, policies and decisions taken by management to sustain business objectives. The practice succeeded in attracting great deal of public interest due to its apparent importance for the good economic health of public and private organizations. According to Cadbury Report (2005), governance is the system by which companies and most related organizations are directed and controlled. This report indicated that governance displays a major role in establishing systems and procedures within an entity which establish its vision and mission, and as a result monitors the achievement of these goals and objectives in a way which conform to the operating values of the entity. Corporate Governance seeks to do the right things at the right time by improving good associations between companies and their shareholders; improve the best quality of Board

of directors; encourage related parties to reason for the long-term benefits of the company; ensure that the necessary available information needs of all stakeholders are met and also to ensure efficient executive management monitoring in the interest of shareholders. Corporate Governance is all about relating the company to different stakeholders that include shareholders, policyholders, employees, suppliers and the society as a whole.

In a typical public organization, Corporate Governance deals with the government to assure itself that finances voted for the operation of various sectors are well utilized. However, in private organization it mostly probes how to secure efficient management of corporations by the use of incentive mechanisms, such as contracts, organizational designs and legislation. The owners of such entity, mostly seek ways of improving financial performance, for example, how the corporate owners can be assured that the corporate managers will deliver and presents competitive rate of return (Armstrong, Jia & Totikidis, 2005).

Good governance structures refer to the processes that provide answers to the question how well is the organization managed and are demonstrated through the assessment of leadership, direction and control, authority, stewardship, and accountability.

### **2.2.2 Overview of Internal Auditing**

Internal audit provides assurance to its management by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help an organization to achieve strategic, operational, financial, and compliance objectives. Based on these assertions, internal audit recommends changes to improve processes and follows up on the implementation of recommended changes.

The activities performed by internal auditors' can be abridged in the following perspectives: evaluating the operational performance of an institution, organization or a firm; ensuring the adequacy and effectiveness of internal control system that have been accepted and implemented by organizations relevant to shareholders; and reviewing financial reporting procedures to ensure quality and to enhance integrity in the production of reliable financial information (Tabara & Ungureanu, 2012).

The internal audit committee has a role to advise the directors of a company. There is the tendency for Audit committees to have oversight responsibility of the design of annual accounts, reviewing policies and practices and as well as monitoring internal control systems. Internal audit strengthens corporate governance through risk-based audits that intends to provide assurance and insights on the processes and structures that determine the organization success. As undetected risks grow and become more complex, internal audit's role is likely to expand in areas such as organizational culture and behavior, sustainability, and other nonfinancial reporting measures (Whitley, 2005).

In the Ghana Police Service, the accounting for control measures and other institutionalized culture is largely depends on the internal auditors of the service.

### **2.3 Agency Theory**

Agency theory was propounded by Jensen and Meckling (1976) and has been described as the bond between the shareholders of a company and the agents who are responsible for the daily handling of a company. Agency theory has emerged to be among the prevalent theories for explaining corporate governance in organizations across the world due to how popular agency has become relevant in corporate organizations (Laiho, 2011).

The segregation from ownership and management in corporate organization breeds conflicts of interests which consequently increase cost in agency. The agent could concurrently enter into personal ventures which eventually compromises and overrides the profit motives and interest of his stakeholders (Padilla, 2002). Fears also can exist as to if managers are putting in enough and appropriate efforts to ensure profit maximization for shareholders. Also, the control of assets of companies may be diverted or used to the detriment to companies and their stakeholders. This theory therefore recommends that systems that could check and balance managers of companies and to resolve conflicts amicably to enhance performance. A sound corporate environment which thrives efficient channels of communication and work becomes a recipe for conflict prevention and cost reduction but weak channels of communication breeds conflicts and hamper productivity and performance (Gursoy & Aydogan, 2002).

The study used the agency theory to highlight on the role of internal audit in corporate governance. The adoption of the theory is based on the assumption that there is a clear-cut relationship between the principal (government) and the agent (members of Ghana Police Service). The agency theory is significant in the current study because it will go a long way to explain the principal agent bond that exists between the Government of Ghana as the principal and the Officers of the service as the agents.

The agency theory expresses the idea that proper cooperate governance is one which clearly state that there is a separation between ownership and control. Unlike typical business organizations, agency theory is used in the study to explain the need for the internal audit Officers to perform their roles diligently to ensure that citizens are treated fairly and they receive the justice they deserve. The agency theory proposes a system of checks and balances;

this is applied in this study to explain the oversight duty of the Police Council to supervise the activities of the agent.

## **2.4 Stakeholder Theory**

Stakeholder theory was propounded by Edward Freeman in 1988. Stakeholders are a group that are broader than shareholders. They are individuals or groups that provide critical support to business firms, such as shareholders, employees, suppliers, customers, local community, environment, even the world community. Therefore, they get benefits and risks regarding their involvement with a company. According to stakeholder theory, business leaders' duty is to balance the shareholders' interests with other stakeholders' interests. In other words, stakeholder theory demands that interests of all stakeholders should be considered. It also shows the importance of social contracts, not just a business contracts.

American philosopher Freeman (2001), in his book, *Strategic Management: A Stakeholder Approach*, argues that business firms have clear obligations to groups other than stockholders when these groups are affected by the actions of the firm. Freeman classifies stakeholders as any individual or group that has a concern (or stake) in the actions of firms, such as shareholders, suppliers, consumers, employees, lenders, and the community at large. The concept of stakeholders has since been expanded to include the natural environment. Stakeholder theory examines whether and why corporations attend to the interests of stakeholders along with their own immediate corporate interests (Campbell, 2007).

The stakeholder theory is used in this study to indicate the expectations of the Government, the Ghana Police Service, the internal audit officers and the citizens who are directly involved in

the stakeholders theory. In the corporate governance system of the police service, and with regards to this study, these individuals are the stakeholders.

## **2.5 Review of Factors that Affect Internal Audit Effectiveness**

Though there have been little research works on internal audit effectiveness, the very few have provided academia and practice with some insightful ideas. Significantly, previous researches has given us the following propositions to influence positively the effectiveness of internal audit. These include independence, competency, and size, relationship between internal audit and external auditors, and management support for internal audit department.

### **2.5.1 Independence of internal audit**

Independence is the cornerstone of the IA definition and a crucial condition to the effectiveness of IA functioning, and objectivity is considered essential for internal auditors' proper discharge of their responsibilities (Christopher, Sarens, & Leung, 2009). IIA (2012) defines independence as "the freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditors' engagement, functional and organizational levels".

The IIA (2012) also defines objectivity as "an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others." Studies within Arab region suggested that IA independence and objectivity were aspects crucial to the functioning and effectiveness of IA. Some of these studies tested IA independence and

objectivity from external auditors' perspective and the impact they have on their work. Others examined compliance of IA departments with IIA standards. For example, Al-Twajjry, Brierley, and Gwilliam (2003) examined the nature, practice and development of IA in Saudi companies including IA independence. Al-Twajjry et al. explored factors that compel companies to establish an IA department and the degree of compliance of that department with the IIA standards. Their results indicated that while IA independence was significant to their work, independence was lacking and access of IA to documentation and the board of directors was restricted largely because of poor management support and the fact that organizational status of IA departments hindered IA effectiveness.

### **2.5.2 The relationship between internal and external auditors**

Another proposition that is helpful in ensuring internal audit effectiveness is a good association between internal auditors and external auditors. Harmonization and teamwork between internal and external auditors has long been seen as important to the audit's benefits for the organization and external stakeholders. Examples of such coordination and cooperation include joint planning and exchange of information, opinions, and reports to facilitate higher-quality audits and prevent unnecessary duplication of work. Professional standards address the relationship between internal and external auditors. For example, ISPPPIA, in Coordination Standard, suggests that coordination should include sharing information and coordination of activities.

The standards require establishing a professional working relationship between the respective audit parties, which consequently assists internal auditors in achieving their objectives and providing better service to the company. From the external auditors' perspective, the information provided by the internal auditor is likely to assist in providing a higher-quality

audit opinion and possibly one delivered with greater resource efficiency in circumstances where the external auditor is able to rely on work carried out by the internal auditor. Academic studies indicates that appropriate cooperation increases the economy, efficiency, and effectiveness of audits and help management to provide a high-quality public service. The absence of cooperation between internal and external auditors is frequently identified as a factor impairing the quality of both forms of audit in the public sector in developing countries (Brierley et al., 2001).

### **2.5.3 Competence of Internal Audit Department [IAD]**

Staff competence is a vital element in effective internal audit activity (IIA, 2006). Standard-setters regularly highlighted the importance of internal auditors who possess the knowledge, dexterity, and other competencies necessary to undertake internal audit and responsibilities. In addition, competencies have been notoriously known as an indicator of reliance on internal audit work by external auditors (Al-twajry et al., 2004). Prior studies focused on the need for personnel to be appropriately qualified to achieve a high level of IAE.

Ali et al. (2009) examined the import of internal auditing in the Malaysian public sector and found that lack of qualified staff in terms of training and requisite professional qualification as an important requirement for improving internal audit work. In the South African public sector, Schyf (2000) acknowledged a number of challenges affecting internal audit performance, including lack of internal audit competencies. Similar results were attained in other studies in developing countries. These studies advocates that the internal audit staff required adequate educational and professional qualifications and that inadequate continuous professional training was not available to enable the affected staffs to upgrade their skills.

#### **2.5.4 Size of Internal Audit Department [IAD]**

The internal audit function needs to be equipped with sufficient human resources to carry out its responsibilities appropriately. The onus lies on the audit staff to bring any lack of resources to the attention of senior management. Appropriate numbers of internal auditors should be employed, and trained to sharpen their skills to ensure continuous professional competence.

Previous studies propose that the quality of internal audit work is likely higher when there is adequate number of staff. For example, in Malaysian state and local government bodies, Ali et al. (2007) noted that the ‘severest problem’ facing internal auditing is shortage of qualified staff. Another study conducted by Ahmad et al. (2009) reported that ‘the small number of internal auditors’ was graded by questionnaire administered to respondents as the paramount issue obstructing the success of the internal audit function in Malaysian public sector organizations. They opined that with adequate support from management, IAD will have the desire staffing and sufficient resources, enabling the staff to execute their responsibilities successfully.

Other studies suggest a linkage between a sufficient number of staff enhances the ability of an IAD to perform its duties (Mihret & Woldeyohannis, 2008; Mulugeta, 2008) For instance, Brierley et al. (2003) in their study revealed that IADs were considerably understaffed in the Sudanese public sector, restraining the staff’s ability to execute their mandatory task.

#### **2.5.5 Management Support for Internal Audit**

The IIA definition of internal auditing entails issues such as good governance, which partly relies on the professionalism of management to ensure a demanding internal audit function. In appreciation of this issue, senior management have attached increased importance to the audit

function and change their beliefs of internal auditing (Carcello et al., 2005). With the support of top management, internal auditors can obtain adequate resources to effect their duties and responsibilities, and in the absence, the IAD can lease qualified staff and provide continuous training and development (Alzeban & Sawan, 2013; Cohen & Sayag, 2010).

Furthermore, International Standards for the Professional Practice of Internal Auditing [ISPPA] highlights the importance of Audit Chief Executive reporting to senior management any scope or budgetary limitation that inhibits its performance. The manner in which senior management demonstrate their support likely provides an important indication of the role and worth of internal auditing throughout an organization. This support in turn permits the IAD to execute its duties and fulfil its responsibilities. The IAD is required to provide senior management with satisfactory, consistent, and relevant reports about the work performed, conclusions reached, and recommendations made.

Previous studies cited support from top management as critical to the success of internal audit function. Ahmad et al. (2009) found that management support was the second most important element of IAE within the Malaysian public sector. Without such consent, senior management might reduce resourcing when it feels threatened. Management support might also be deficient if management fails to implement the recommendations of the internal audit; such insignificance could greatly reduce the effectiveness of the function (Van Gansberghe, 2005).

## **2.6 Conclusion**

The chapter explained the concept of Corporate Governance and internal auditing. Corporate Governance was explained to mean the organizational structure that ensures that the needs of

stakeholders are met in the most beneficial manner. Agency theory and the Stakeholder theory were examined to support the research. Various empirical studies that explained the relationship of key factors that promotes the effectiveness of internal audit function in an organization were also highlighted.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter deals with the method used for the study. The chapter focuses on the research design, method of data collection, population and sample size, sampling procedure, measurement of estimated variables and data analysis.

#### **3.2 Research Approach**

According to Fraenkel, Wallen and Hyun (2011) the research approach provides the appropriate bases and guidelines for researchers with an indication of what to include in the research, how to accomplish the research, and what types of inferences are probable based on the data collected. The three appropriate approaches to conducting research are quantitative, qualitative, and mixed methods.

The research design is the overall strategy through which the different works of the study will be integrated in a comprehensible and logical manner thereby ensuring that the research problem will be effectively addressed. The three relevant types of research are Descriptive Research, Explanatory Research and Exploratory Research.

This work adopts a quantitative approach, and it is used to help draw explanations and predictions so as to be able to make empirical conclusions. The intent was to institute, confirm, or validate relationships and to develop generalities that contribute to variables under consideration. The study used the descriptive research to gather information regarding the

current status of corporate governance in the Ghana Police Service and pronounces what exists with respect to internal auditing within the service.

### **3.3 Data Source and Sample Selection**

#### **3.3.1 Data Sources**

Primary data was collected for the purpose of this study. Primary data was collected using a questionnaire. The questionnaire was semi-structured, having both open-ended and closed-ended questions. The questionnaire was divided into two parts. The objective of the first part aimed at accessing demographic information of the respondents. The second part of the questionnaire examined the internal audit situation in the Ghana Police Service. It also looked at ways that the internal auditors manage challenges and the importance of their role to the overall objective of the police service.

#### **3.3.2 Sample Selection**

The study used both purposive and convenience sampling techniques. Convenience Sampling and Purposive Sampling are nonprobability sampling techniques.

Purposeful sampling is a technique widely used for the identification and selection of information-rich respondent. This involves identifying and selecting individuals or groups of individuals who are especially knowledgeable about the subject matter or experienced with a phenomenon of interest (Cresswell & Plano Clark, 2011).

In addition to knowledge and experience, the respondents were selected because of their availability and willingness to participate, and the ability to provide the right information on the internal auditing function within the Ghana Police Service hence the fifty (50) internal audit staff used for the study.

Convenience sampling is a type of non-probability or non-random sampling in which members of the target population are selected for the purpose of the study if they fall within certain practical criteria, such as geographical closeness, availability at a certain time, easy availability, or the willingness to volunteer information (Farrokhi & Mahmoudi-Hamidabad, 2012). Convenience sampling was used for this study because only respondents who were available and willing to answer the questions on the questionnaire were used for the study.

### **3.4 Measurement of Estimation Variables**

In line with the key objectives, data collected is analyzed quantitatively by the use of Ordinary least squares (OLS) multiple regression. This is used to assess the magnitude of the effect of the five factors identified above (independent variables) on internal audit effectiveness [IAE] (dependent variable). The component of analysis was the organization, with responses from the director and internal auditors. The simple OLS regression model is denoted as:

$$IAE_{GPS} = \alpha_i + \beta_1 COMP + \beta_2 SIZE + \beta_3 RAP + \beta_4 PCSUP + \beta_5 IND + \epsilon_i$$

Where IAE denotes internal audit effectiveness of Ghana Police Service; COMP denotes competence of the IAD (training and experience) of Ghana Police Service; SIZE denotes size of the IAD of Ghana Police Service; RAP represents rapport concerning internal and external auditors; PCSUP indicates Police Council support for internal auditing; IND indicates independence of the IAD.

The independent variables is quantified by collating and grouping internal auditors' responses to the questions within the questionnaire. These questions will touch on the five principal factors as set out in the next paragraph:

The competency of the internal audit department [IAD] is measured by the following indicators: both educational and professional qualifications, were assessed by quantifying the number of audit personnel with Association of Certified Chartered Accountant (ACCA), Institute of Chartered Accountant, Ghana (ICAG) First and Second Degree as well as Higher National Diploma (HND) and Senior High School Certificate. Work experience and constant development were also measure by the number of times and hour in-service training and other skill development programs have been organized within a year. The size of the IAD is tested by the number of internal auditors within each regional offices.

The rapport between internal and external auditors is being measured by a number of factors such as: attitude towards external auditors; co-ordination, including discussing related interests; discussion of the audit plan; external auditors' dependence on the work of the internal audit; frequency of meetings; sharing working papers; and Council's promotion of the relationship between these two groups.

Police Council's support for internal audit (PCSUP) is also measured by a number of pointers: support for internal audit to execute its duties and responsibilities, contribution in the internal audit plan, reports on the work of the internal audit team being provided to the Police Council, Council's reaction to internal audit reports, and quick response to resource needs of the IAD.

### **3.5 Ethical Issues Considered**

The ethical issues in this study were significant. The respondents were much concerned about the confidentiality, fairness and privacy of the information needed from them. Due to the regimental nature of the profession the respondents entertain fears of victimization since the researcher is a senior most in the audit department. Conscious effort have been made to let them understand that it is a requirement by a tertiary institution as part of partial fulfillment to

award Master of Science (Accounting & Finance) degree. They were made to appreciate that there are underlying principles that guide data collection.

It is the responsibility of the researcher to handle respondents with due care, their identity will remain unknown, each and every respondent will be treated fairly and equally devoid of their rank. They were made to understand that their participation will help to realign the work of other research works in internal audit and it will also assist to update the experiences and decision making of the Police Management Board and other public institutions in Ghana and other countries as well within the sub region. The final result and the conclusions drawn from the research must be meaningful and go a long way to make a substantial contribution to the audit department and other sister security services in Ghana. The education has gone down well with the respondent before they agree to participate.

## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

The current section of the study presents analysis of data collected from the administration of questionnaires to respondents. The analysis is done in line with the objectives of the study which seek to examine the role to evaluate the effectiveness of the internal audit department within the Ghana Police Service. The study also scanned the relationship that exist between the internal audit unit and the board (Police Council) within the Ghana Police Service to enhance good corporate governance.

**4.1 Respondents personal and professional demographics****Table 4.1: Respondents characteristics**

|   | <b>Respondents Profile</b> | <b>Frequency</b> | <b>%</b> |
|---|----------------------------|------------------|----------|
| Gender  | Male                       | 35               | 70       |
|   | Female                     | 15               | 30       |
| Number of years in the service                | 1 - 5 Year                 | 8                | 16       |
|   | 6 - 10 Years               | 22               | 44       |
|   | 11 - 15 Years              | 15               | 30       |
|   | 15 - 20 Years              | 5                | 10       |
|   | 20 Years and above         | 0                |          |
| Level of Education                            | Secondary and A level      |                  |          |
|   | HND/Diploma                | 10               | 20       |
|   | Degree                     | 32               | 64       |
|   | Masters                    | 8                | 16       |
|   | Professional qualification | 12               | 24       |
| Audit work experience                         | 1 year                     | 3                | 6        |
|   | 1 – 5 years                | 17               | 34       |
|   | 5 – 10 years               | 20               | 40       |
|   | 10 – 15 years              | 6                | 12       |
|   | 15 years or more           | 4                | 8        |
| Yearly training hours                         | No training                |                  |          |
|   | 20                         | 3                | 6        |
|   | 21 – 40                    | 12               | 24       |
|   | 41 – 80                    | 20               | 40       |
|   | 81 – 120                   | 10               | 20       |
| Internal Audit courses attended               | More than 120              | 5                | 10       |
|   | None                       | 40               | 80       |
|   | One course                 | 10               | 20       |
|   | Two courses                |                  |          |
|   | Three courses              |                  |          |
| Total number of internal auditors in a region | Four or more courses       |                  |          |
|   | 1 – 5                      | 20               | 40       |
|   | 6 – 10                     | 25               | 50       |
|   | 11 – 15                    | 5                | 10       |
|   | 16 - 20                    |                  |          |
|   | More than 20               |                  |          |

Source: Field data, 2019

The responses summarized in table 4.1 shows that the highest number of respondents were male 70% which confirms the research findings that the accounting profession is a male dominated in most part of Africa. The result however, contradicts the result of similar study conducted by Baharud-din et al. (2014) in Malaysia, was females dominated with a sample of internal auditors' and accountants used for their study.

Considering the years of experience with the internal audit in the Ghana Police Service where respondents were sampled for the study, the results from table 4.1 shows that substantial number of them had worked for at least 6 to 10 years representing 44% followed by 11 to 15 years 30%. The results shows that respondents have enough knowledge and dexterity required for workings in the respective regional formation and could provide the needed responses for the study.

On the level of education, majority of respondents which represents 64% had a degree, while 24% in addition to either a degree or masters had professional accounting qualification. The results affirm the earlier assertion that respondents were knowledgeable enough to provide the needed responses for the study. Apart from the educational background of the respondents, the study also examined the number of years they have spent in audit department of the service. The results to that effect in the above statistics shows that the average years of experience of respondents in auditing is 5 to 10 years representing 40%.

On whether respondents had undergone any internal audit course organized by the Ghana Police Service or any relevant entity, majority of respondents representing 80% had not

undergone any such training in the service with only 20% who had the privilege of such experience.

The average internal auditors in the sampled on regional command basis of the Ghana Police Service is 6 to 10 staff thus 50% while the largest number of internal audit staff is 11 to 15 with the representation of 10%.

#### **4.2 Descriptive statistics on components of independent variables**

This part of the research presents responses from each of the questions posed under the independent variables of relationship between internal and external auditors; Police Council support for internal audit function and independence of internal audit. Each variable had a division of sub-questions where respondents were asked to choose from a score of 1 to 5 the extent to which they agree or disagree with the statement. The mid-point is 3 meaning more than half agree with that statement. The level of variations in the responses also presents in the standard deviation from each response analyzed.

**Table 4.2.1 Independence of internal audit function**

| Items   | Mean | SD   |
|---|------|------|
| Internal audit staffs are sufficiently independent to perform their professional obligations and duties without restriction.        | 3.78 | 0.43 |
| The head of internal audit reports to a level within the organization that allows the internal audit to fulfil its responsibilities | 3.65 | 0.51 |
| The internal audit department has direct correlation with Police Council other than the finance director                            | 3.81 | 0.42 |
| Conflict of interest is hardly present in the work of internal auditors   | 3.25 | 0.54 |
| Internal auditors seldom face interference by management while they conduct their work  | 3.58 | 0.48 |
| Internal audit staff have unrestricted access to all departments and employees in the organization                                  | 3.72 | 0.36 |
| The Police Council responsible for the appointment and replacement of the head of internal auditing                                 | 3.65 | 0.35 |

Source: Field data, 2019

The mean of all the questions unfolding to the independence of internal audit function in the sampled size shows an overall average of 3.64. This proposes that, the internal audit units have the needed independence to function effectively. The result conform to the findings of Alzeban & Gwillian (2014) in their study on internal audit effectiveness in Saudi public sector.

**Table 4.2.2: Relationship that exist with external auditors**

| Items   | Mean | SD   |
|---|------|------|
| External auditors are noted to be friendly and supportive                                       | 3.98 | 0.75 |
| External auditors are seen to be insolence towards internal auditors                            | 3.85 | 0.82 |
| External auditors are willing to give internal auditors an opportunity to table their concerns  | 3.65 | 0.65 |
| External and internal auditors affirm the timing of work in which they have a mutual interest   | 3.45 | 0.74 |
| External auditors discuss their audit plans with internal audit                                 | 2.85 | 0.72 |
| External auditors depend on on internal audit work and reports                                  | 3.25 | 0.81 |
| External and internal auditors meet on a regular basis  | 3.45 | 0.65 |
| External and internal auditors share their working papers                                       | 2.58 | 0.75 |
| Senior management helps to encourage effective co-operation between internal and external audit | 3.58 | 0.76 |

Source: Field data, 2019

The average means score for the variables that examined the relationship between internal auditors of the sampled regions and their external auditors are 3.40. The result depicts that on average they have good relationship with external auditors. The variable with the highest mean score is 3.98 which represents the friendliness of external auditors in time of interaction with internal auditors. The variable with least scores is external auditors sharing working papers with internal auditors. The result 3.65 indicates that more of the respondents were not sure whether internal auditors share their working papers with external auditors even though they agree that external auditors are willing to explain concerns raised in the course of audit work with internal auditors.

**Table 4.2.3 Police Council support for internal audit**

| Items  | Mean | SD   |
|--|------|------|
| Senior management gives supporting hand to internal audit to perform its duties and responsibilities                                     | 3.95 | 0.65 |
| Senior management are involved in the internal audit planning  | 3.9  | 0.75 |
| Internal audit provides senior management with adequate, reliable and relevant reports about the work performed and recommendations made | 3.85 | 0.64 |
| The response to internal audit reports by the senior management is rapid   | 3.45 | 0.68 |
| Internal audit department has the requisite number of personnel to successfully carry out its duties and responsibilities                | 2.75 | 0.72 |
| Internal audit department has appropriate budget to successfully carry out its duties and responsibilities                               | 2.85 | 0.56 |

Source: Field data, 2019

The total average score showing the extent of Police Council support for internal audit function is 3.45. This result shows that internal audit of the sampled regions has good support from the

Council for their work. The variable with the highest mean total is 3.95 which states that management support internal audit staffs in the performance of their duties and responsibilities. The responses with the least mean 2.75 are either the internal audit function of the sampled regions are big enough to be able to successfully undertake their duties and responsibilities.

**Table 4.2.4 Internal audit effectiveness**

| Items  | Mean | SD   |
|--|------|------|
| Internal audit function improves organizational performance  | 3.12 | 0.68 |
| Internal audit undertake review of organizational programs to determine whether results are consistent with set objectives | 3.25 | 0.71 |
| Internal audit defines the adequacy and effectiveness of the service's internal control systems                            | 4.25 | 0.35 |
| Internal audit reviews the accuracy and reliability of financial reports   | 3.95 | 0.45 |
| Internal audit perform compliance test with procedures, policies and plans as well as regulations                          | 3.8  | 0.54 |
| Internal audit appraises the service's compliance with laws and regulations  | 3.98 | 0.63 |
| Internal audit reviews economical and effective use of the service's resources   | 2.95 | 0.78 |
| Internal audit makes recommendations for the improvements of internal control systems                                      | 4.1  | 2.35 |
| Internal audit improves organizational performance or output   | 3.1  | 0.71 |
| Internal audit develops appropriate annual audit plans   | 2.85 | 0.82 |
| Internal audit recommendations are implemented timeously   | 3.65 | 0.45 |
| Internal audit provides adequate follow-ups to ensure that the right action is taken                                       | 3.45 | 0.59 |

Source: Field data, 2019

The effectiveness of internal audit showed an average means score of 3.54. The variable with the highest mean score is 4.25 which relate to the statement that internal audit determines adequacy and efficiency of internal controls. This was followed by internal audit makes recommendations for enhancement of internal control systems. In the nutshell, all the questions that had direct relation with internal control systems had a higher mean score which corresponds with the core mandate of internal audit department.

**Table 4.2.5 Reliability of independent and dependent variables**

| Variable   | No. of Items | Cronbach's Alpha |
|--|--------------|------------------|
| Independence of internal audit department            | 7            | 0.722            |
| Police Council support for internal audit department | 6            | 0.835            |
| Relationship between internal and external auditors  | 9            | 0.731            |
| Auditors competency                                  | 4            | 0.778            |
| Internal Audit effectiveness                         | 11           | 0.88             |

The Cronbach's alpha is used to conclude the extent to which the items under each variable are associated for which items are relatively correlated with other variables. The results from table 4.2.5 show that the items reliability in measuring each variable is high.

### **4.3 Correlation analysis**

The study first used the Pearson correlation matrix to establish the connection between the dependent variable of internal audit effectiveness (IAE) and the various variable are

competency (CIAD), size (SIZE), link between internal and external auditor (REL), management support for internal audit (PCSUP), and independence of internal auditor (IAD).

**Table 4.3: Correlation matrix showing relationship between dependent and independents variables**

|       | IAE    | CIAD   | SIZE  | REL  | PCSUP | IND |
|-------|--------|--------|-------|------|-------|-----|
| IAE   | 1      |        |       |      |       |     |
| CIAD  | 0.69** | 1      |       |      |       |     |
| SIZE  | 0.69** | 0.52** | 1     |      |       |     |
| REL   | 0.53** | 0.45** | 0.19  | 1    |       |     |
| PCSUP | 0.66** | 0.47*  | 0.48* | 0.4  | 1     |     |
| IND   | 0.48*  | 0.25   | 0.26  | 0.21 | 0.38* | 1   |

\*\*\* Significant at 1%, \*\*Significant at 5%, \* significant at 10%

The results of the correlation analysis from table 4.3 confirmed that competence (COMP) of internal audit department has a positive and significant relationship with internal audit effectiveness at 5% significance level. This means that any adverse factor that affected these factors will give a substantial change in the effectiveness of internal audit department. The results are affirmed the findings of Baharud-din et al. (2014) and Alzeban & Gwillian (2014).

Krisnamoorthy (2002) concluded that even though the competence of audit department is positive and relatively associated with internal audit effectiveness but the question as to which variable among internal audit competence have also come up which in their opinion, no attempt should be made to rank the underlying forces that determine competence of internal audit unit.

The second variable (SIZE) of the department is also positively associated with internal audit efficiency at 5% significance level. The results suggest that more personnel at the internal audit

department of the organization ensures that they are able to perform their functions relating to monitoring and implementing internal controls.

The third variable the relationship (REL) between internal and external auditors also showed positive and significant relationship with internal audit effectiveness 0.47 at 5% significance level. The results show that cordial relationship between internal and external auditors improves the effectiveness of the internal audit unit of the institution.

The fourth variable Police Council support (PCSUP) has a positive and significant association with audit effectiveness at 5% significance level. The coefficient of the variable is the highest in the correlation matrix with 0.66 suggesting that Police Council support is very critical for its effectiveness in carrying out core mandate of internal audit. The results corroborate with the final result of Baharud-din et al. (2014) in their studies which argued about management support for internal audit is noted to be the most important determinant of internal audit effectiveness.

The last variable independence (IND) is also positively associated with efficacy of internal audit unit at 10% significance level. The results suggest that internal audit department needed its independence to be effective in carrying out its legitimate duties to attain core values, vision and mission statements of the service.

#### 4.4 Regression analysis between dependent variable and independent variables

**Table 4.4: Regression Results**

| Variable                | Coefficient | Std. Error | t-value |
|-------------------------|-------------|------------|---------|
| COMP                    | 0.201*      | 0.074      | 2.702   |
| SIZE                    | 0.213***    | 0.064      | 3.352   |
| REL                     | 0.116**     | 0.057      | 2.021   |
| PCSUP                   | 0.262***    | 0.075      | 3.507   |
| IND                     | 0.162**     | 0.074      | 2.197   |
| CONST                   | 0.551       | 0.265      | 2.082   |
| R <sup>2</sup>          | 0.65        |            |         |
| Adjusted R <sup>2</sup> | 0.63        |            |         |
| F                       | 27378       |            |         |
| P- value                | 0           |            |         |

\*\*\* Significant at 1%, \*\*Significant at 5%, \* significant at 10%

The results from the table 4.4 shows an adjusted R-square of 63% which suggest that the variables can give vivid account of 63% of the changes in the dependent variable. The probability of the F-statistics is also significant at 1% significance level meaning that the model is well fit.

The results from the regression analysis confirm the correlation analysis and shows that competence of internal audit department (CIAD) is in line with internal audit effectiveness (IAE) at 10% significance level. Competence which was measured by qualification as well as working experience improves the perception of internal audit effectiveness. On the relationship between internal and external auditors (REL), the results posits a positive and significant association with effectiveness of internal audit (IAE) at 5% significance level. The results show that internal auditors as well as management believes that a good relationship between internal and external auditors enhance internal audit effectiveness.

The size of internal audit department (SIZE) is positively associated with internal audit effectiveness at 1% significance level. The results support the argument that the higher the number of internal audit staff, the more effective the internal audit in an organization.

The next variable management support for internal auditing (PCSUP) revealed a positive relationship with internal audit effectiveness at 1% significance level. The results show that management support for internal audit function increases the level of internal audit effectiveness in the Police Service in Ghana.

The last variable independence of internal audit department (IND) also showed a positive association with internal audit effectiveness (IAE) at 5% significance level. The results support the view that the independence of internal audit department is critical for the effective and efficient undertaking of audit assignments of the internal audit department. Based on the above, the results support the model which argues for a positive significant relationship between the independent variables and internal audit effectiveness.

#### **4.5 Discussion of findings on factors that influence internal audit effectiveness.**

The correlation and regression results confirms the model which argues that there is greater competence of internal audit staff (CIAD) is related to higher perception of internal audit effectiveness in the Police Service in Ghana. Competency is the capability of an individual to perform a job or task properly, being a set of distinct knowledge, skills and behavior. In order to achieve competency, numerous types of training and development should be provided to internal auditors. A competent internal auditor will have all the expertise necessary to produce

a good audit report. The result affirmed the finding in previous studies in other jurisdictions (Alzeban & Gwillian; 2014; IIA, 2006; Al-twajry et al., 2004; Krishnamoorthy, 2002).

The results also confirm the argument by standard setters that competency of internal audit staff who have the required knowledge and skills as well as experience enhances the efficiency of internal auditing in any organization. The result also confirms the fact that the effectiveness of internal audit function and process depend largely on the competence and technical know-how of internal audit personnel in the organization. The result supports previous literature and this indicates that when the heads of department and their staff involve in the internal audit activities collectively possess the necessary educational background, knowledge, skills, training and supervision, they are more likely to conduct their internal audit activities effectively.

The results also revealed that the size of internal audit function contributes significantly towards the effectiveness. This result supports the literature of the study and is the second highest contributor to internal audit effectiveness in the Ghana Police Service. The result supported previous studies by Gronewold and Heerlein (2009) and Sarens and Abdolmohammadi (2007). Their findings suggested positive relationship between internal audit size and internal audit effectiveness, internal auditing is regarded as an important monitoring mechanism that helps in reducing internal agency problems. The result is also dependable on the findings of other previous studies on these two variables (Alzeban & Gwillian; 2014; Ahmad et al., 2009).

Other studies have reported that inadequate staffing in internal audit unit of various organizations affected their ability to deliver on their core mandate (Mihret & Woldeyohannis, 2008; Mulugeta, 2008). These results confirm the assertion that internal audit unit of any organization should be maintained with adequate staff to ensure that they are able to monitor and review internal control system effectively.

The next variable (REL) which examined the perception of respondents with regards to the relationship between internal and external auditors, internal audit effectiveness also showed a positive and significant relationship and confirms the literature of the study. Brierley et al., (2001) had identified the nonexistence of collaboration between internal and external auditors as a major limiting element affecting the efficiency and effectiveness of internal audit function in the public sector.

Greater coordination in between internal and external auditors will improve the effectiveness of internal audit function in the Police Service in Ghana. This entails the cordial relationship between internal and external auditing work is essential in the sense that it can ensure proper coverage and repetition efforts can be minimized also it will contribute to internal auditors planning stage of future internal audit work.

Previous researchers laid emphasis on the success of the audit as a whole, depending on the collaboration of the internal and external auditors. The greater the level of trust and respect for both parties, the greater the amount of reliance the external auditors can place on the internal audit department. This result confirms the results of Alzeban & Gwillian; (2014) on Saudi public sector.

The next variable (PCSUP) Police Council support was the most important contributor to internal audit effectiveness and consistent with previous studies like Alzeban & Gwillian; (2014) and Alzeban and Sawan (2013) who all management support as the most significant contributor to internal audit effectiveness. They asserted that, management support is connected to higher perception of internal audit effectiveness. Management support is the most prompting factor among the factors that back the variation of quality audit work and this evidently contributed tremendously as a critical factor to the effective internal audit function. The result has collaborated with Cohen & Sayag (2010) who found that the support of management is almost crucial to the operation and success of internal auditing. It may even be that all the other determinants of internal audit effectiveness derive from the support of top management, given that hiring proficient internal audit staff, developing career channels for internal audit staff, and providing organizational independence for internal audit work are all results of decisions made by top management. Collaboration of internal auditors with managers in addressing peculiar problems and possible threats to fundamental principles are crucial to improve business processes because critical issues can be solved in a timely manner (Arena, Arnaboldi, & Azzone, 2006).

The last variable independence of internal audit function was positively related to internal audit effectiveness. For external and internal auditors, independence from those whom they audit is essential for the success of their function. For internal auditors, it is more challenging to attain independence because they are in reality “employees of the organization” they audit (Ali et al., 2007). The result shows that internal auditors need their independence from management to enhance effective execution their work.

Independence of internal auditors is usually problematic to determine as they are internal employees of the organization. However, the findings of this study as well as previous studies proves that the independence of internal audit function is obligatory for the effective running of internal audit function. The independence of internal auditor always have adverse effect on internal audit effectiveness as the auditors' faces challenges for observing the fundamental principles in performing their duty without stepping on the toes of management of the organization.

The internal auditors' effectiveness is very much affected by the independence of internal auditors. If they are perceived not to be independent, their function will be compromised as such, report of any form submitted will be biased which in turn may be of no use in improving accountability and transparency of the public sector as a whole. The objectivity and independent report submitted by the internal auditor should be one of the main keys element to prevent scandals and frauds which have eaten deep into the fibers of the public sector. Based on this assertion, that is the main reason why the internal audit function is established in organizations to address such menace.

#### **4.6 Discussion of measures that addresses factors that adversely affect internal audit**

The last objective of the study sort to examine measures that can be used to address factors that impedes the smooth operations of internal audit function. The descriptive statistics of the questions relating to the independent variables revealed some weaknesses from the mean scores that have adverse effect on internal audit function. In spite of training provided by the Ghana Police Service to upgrade the knowledge and skills base of internal auditors, the competency level among the internal auditors are still on the lower side. For instance, only 24% of internal

auditors had professional qualification. Also, only 20% of respondent had undergone any form of training relating to internal audit as shown in Table 4.1.

The result indicate the low level of competence reported in the study. All the failures in providing appropriate training and development to internal auditors are the main reason for lack for competency among internal auditors' which at the end of the day affects the internal audit effectiveness. There is the dire need for the Ghana Police Service to improve upon the training and capacity building for internal auditors to enhance their capacity and competency since it has direct influence on the effectiveness of internal audit.

In corporate environment, there is so much for the internal auditors to do in spite of staff constraint, however, they also need to carry out the organization's operational duties alongside their internal audit assignments, for example performing the actual audit assignments and performing ad hoc duties. Open-ended questions posed to the respondents, the study received diverse opinions on how the ad-hoc duties affect the effectiveness of internal audit role in the various regional offices of the Ghana Police Service.

The additional organizational duties internal auditors have to perform appears to be additional challenge encountered by internal auditors in the various regional command of the Ghana Police Service. The various audit units sampled in the study, the internal auditors came out with divergent responses on this matter. A handful of them have no problem with the ad hoc duties, while others admit the fact that they are facing difficulties due to these additional organizational tasks.

Research conducted by Ali (2009) on the internal audit in the state and local government of Malaysia, the study highlighted on the additional organizational responsibility of the internal auditors. Based this report, it was deduced that there was one particular case where, in the structured interview session, the responses indicated that the internal audit personnel do not conduct operational activities for the organization. However, in unstructured interview section, the responses clearly indicated that the head of the organization specifically assigned the audit head the task of preparing group account for the organization (Ali et al., 2007).

In all, it can be deduced that the ad hoc duties internal auditors have to perform affects the quality of audit assignments. This in turn affects the internal audit effectiveness in the public sector.

#### **4.7 Summary**

The result of the study shows that the effectiveness of internal audit in corporate governance in the Police Service of Ghana largely depends on the competency, size, relationship that exist between internal and external auditors, support from the Police Council and independence of the internal audit department. The correlation and regression results confirms the model which argues that there is greater competence of internal audit staff, the size of internal audit function, the relationship between internal and external auditors, Police Council support for internal audit function and independence of internal audit function were positively associated with internal audit effectiveness.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.0 Introduction**

This chapter presents a summary of the major findings reported from the data analysis as well as conclusions drawn and recommendations made for the study. The chapter also presents recommendations for further studies into the subject matter in Ghana Police Service. The chapter concludes with some limitations of the study.

#### **5.1 Summary of findings**

The role internal audit plays in any organization have been argued in various literature including policy statement by standard setters. There is general agreement that internal audit effectiveness is critical for the success factor for any well-functioning corporate governance system of any form of organization being it public or private. In this regard, various studies have been conducted to examine factors that influence the effectiveness of internal audit in corporate governance in various jurisdiction and context. Most of these studies have however focused on the private sector (Baharud-din et al. 2014; Alzeban & Gwillian; 2014; IIA, 2006; Al-twajry et al., 2004; Krishnamoorthy, 2002).

The role of the security agencies in any economy is very critical based on the core mandate, to protect and preserve internal security of the country through law enforcement; and the key functions to protect life and property; prevent and detect crime; apprehend and prosecute offenders and also maintain public order. The study therefore examined the effectiveness of internal audit unit within the corporate governance of Ghana Police Service, specifically it

examined factors that influence the effectiveness of internal audit in the Ghana Police Service as part of their corporate governance framework and also to determine factors that adversely affect the effectiveness of internal audit and how they can be addressed to ensure the core values of the service are met.

The study adopted surveyed internal auditors of some regional police command in Ghana through the administration of questionnaire. In all, 50 respondents were sampled for the study with data analyzed quantitatively. The main dependent variable for the study is internal audit effectiveness which was measured using 11 questions that were ranked in a 5-Likert scale. The independent variables were competence of internal audit department measured by the educational background of respondents, years of experience as internal auditors, professional qualification and training; size, independence, relationship with external auditors, and management support for internal audit function.

The results of the descriptive analysis of the data collected shows that the average mean score for auditors' independence was 3.64 that of relationship between internal and external auditors had 3.46, management support for internal audit function had 3.45 and internal audit effectiveness had 3.54. The results for the mean score shows that respondents were confident that these variables contributed to the effectiveness of internal audit.

The correlation and regression analysis reveals that competence of internal audit department was positively associated with internal audit effectiveness at 5% significance level. Size of the audit department revealed a positive association with internal audit effectiveness at 5% significance level. The other variables relationship with external auditors, management support

for internal audit function and independence of internal audit all shows positive and significant association with internal audit effectiveness in line with the literature of the study.

The regression analysis also revealed that all the independent variables had positive and significant association with internal audit effectiveness in line with previous studies and consistent with the econometrics used. The results also revealed management support for internal audit to be the most major contributor to internal audit effectiveness in the Police Service in Ghana. On the specific variable and the relationship with internal audit effectiveness, competence of internal auditors shows affirmative association with internal audit effectiveness at 10% significance level consistent with the literature. The size of internal audit department was positively associated with internal audit effectiveness at 1% significance level consistent with literature.

The relationship between both internal and external auditors reported a confident association with internal audit effectiveness at 5% significance level.

The association between management support for internal audit function and internal audit effectiveness also reveal a positive association at 1% significance level consistent with literature. Finally, independence of internal audit department shows a positive and significant association with its effectiveness at 10% significance level.

On the factors that adversely affected audit function, the results proves that the competence of internal audit staff was still low as only 24% of internal auditors sampled for the study had

professional qualification. The results also proved that majority of respondent had not undergone any on the job training in their respective roles in the last one year. Respondent advocates for more emphasis to be placed on the training and development of personnel to enhance the capacity of internal audit function.

## **5.2 Conclusion**

This study discovers internal and external factors inducing effectiveness of internal audit department in the Police Service in Ghana. The findings reveal that independence, competency, size, coordination between internal and external auditors, top management support have constructive influence on effectiveness of internal audit. Other factors such as competence level of staff which was reported to be low and as well as other ad-hoc duties assigned to internal auditors adversely promote internal audit function. As such, it is necessary for related parties especially the Police Council and Police Management Board which serve as a main pillar of governance structure, should focus on the important factors that can promote the efficiency of internal audit department in order to accomplish the purpose for which the department exist.

This is because improvement in effectiveness of internal auditing is a pivot that can enable the monitoring and supervision of both operational and financial management of the Service. The findings from this research were pronounced by the earlier studies such as Zulkifli Baharuddin (2014); Sayag (2010); George et al. (2015); Alzeban & Gwilliam (2014); Angus Okechukwa Unegbu and Mohamad Isa Kida (2011) as far as Competency of internal auditors is concern. These researchers found that internal auditors can duly carry out their duties provided there are enough internal auditors who possessed the required competencies.

Considering management support to internal auditors, again Zulkifli Baharuddin (2014) and Sayag (2010) shared similar sentiment with this study. Both researchers are of the view that management support is most crucial to the operation and success of internal audit. George et al. (2015) and Alzeban & Gwilliam (2014) also argued that there is progressive association between management supports and internal audit effectiveness.

As for the Independence of the internal auditors, previous studies such as Sayag (2010); George et al. (2015); Alzeban & Gwilliam (2014) and Zulkifli Baharuddin (2014) buy the idea of this study's findings. For example, Sayag (2010) opined that 'the greater organizational independence will be, the higher they relate to auditing effectiveness'. Meanwhile, Zulkifli Baharuddin (2014) supports the statement that independence and objectivity are closely relative to internal audit effectiveness. Another factor that respondent identified to affect internal audit effectiveness was ad-hoc duties. The extra organizational assignment internal auditors have to perform seems to be another dilemma faced by them and sometimes distracts their attention from the core mandate.

### **5.3 Recommendations**

From the final determination of the result of the study, the researcher's comments are based on independency of internal auditors' in the various Regional Police Commands in Ghana. The auditor should have the expected independence from the Police Regional Administrations. The activities of the auditor must be positioned in such a way that it shall obtain cooperation from management and other staff that matters, to attain free, unrestricted access to all functions, records, and personnel including those in charge of governance.

It behooves on management to ensure that the right controls mechanisms are in place to monitor and measure best practices and behavior that has been instituted, and the organizational culture must include enterprise wide commitment to appreciate and embrace corporate values. Good corporate governance starts and ends in the Police Council and Administrative offices, this does not start or end in a statute. The internal auditors should not be unsystematically moved in and out of the regional command centers but the movement should be structured based on their work performance and skills.

For the competencies, there is the tendency for internal audit staffs to collectively possess or develop their knowledge or skills through appropriate professional courses and development program such as obtaining Chattered Accountant certification. In lieu of this, regular In-service training should be organized for the audit personnel to sharpen their skills in order to give of their best in return.

In order to improve the correlation between internal auditor and its stakeholders, internal auditors' should engage with their clients on a periodic basis from the beginning by way of organizing entrance conference any audit process to discuss audit objectives and audit plan as well as exit conference to highlight on audit observations, findings and appropriate recommendations made. The discussion should go beyond the audit process to discuss potential solutions to pertinent issues observed from an operational perspective as well as their impact on risk assessment and compliance with internal control systems.

The findings of this write up provided information that is theoretically helpful to auditing profession, management, audit committees/board of directors and policy makers to appreciate the key factors that contribute to the improvement of effectiveness of internal audit. Touching on the importance of internal audit in the corporate governance, it will be interesting to examine, in future researches, the impact of other mechanisms of corporate governance on the internal audit effectiveness such as the audit committee, external audit and ownership structure. Furthermore, future studies can use greater sample size and design a scale for determining the effectiveness of internal auditing.

#### **5.4 Limitations of the study**

The first limitation that was observed in the study is overreliance on self-reported measures of participants. A major disadvantage of this method of data collection is that it is subject to a common method or the source error. Although self-reports measures have been found to be reliable (Zechmeister and Zechmeister, 2003), most participants generally answer questions based on what they perceive as a socially desired response and this may bias responses of participants and consequently affect the authentic relationship between the variables.

Secondly, a larger sample size would be appropriate to institute the relationship between the variables in future studies as this would lead to more reliable information that would represent a better representation of the larger sample size.

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## APPENDIX A

### Questionnaire

#### Phase 1: General information

##### 1. Number of years in the service

- 1-5
- 6-10
- 11-15
- 16-20
- 20 Above

##### 2. Level of Educational attainment

- High school academic studies
- High school commercial studies
- Two-year diploma after high school
- Bachelor's degree, not accounting
- Bachelor's degree, accounting
- Master's degree, accounting
- Professional qualifications
- None

##### 3. Rank

- Constable – Sergeant
- Inspector – Chief Inspector

ASP – Chief Superintendent

Assistant Commissioner of Police – Deputy Commissioner of Police

**4. Work experience**

less than a year

1 - 5 years

5 - 10 years

10 - 15 years

15 years or more

**4. Annual training hours**

No training

less than 20

21–40

41–80

81–120

More than 120

**5. Internal audit course attended in a year**

None

One course

Two courses

Three courses

Four or more courses

**6. Number of internal auditors in department at Regional level**

1–5

6–10

11–15

16–20

More than 20

Please indicate the extent to which you agree or disagree with the following statements. Tick the appropriate number on the Likert scale: 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A) and 5=Strongly Agree (SA).

**Measurement of independent variables**

|  | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
|--|-----------|----------|----------|----------|-----------|
| <b>Police Council support for internal audit</b>   |           |          |          |          |           |
| <b>Police Council supports internal audit to perform its duties and responsibilities</b>   | <b>1</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>  |
| <b>Police Council involved in the internal audit plan</b>  |           |          |          |          |           |
| <b>Internal audit provides Police Council with sufficient, reliable and appropriate reports about the work they perform and recommendations made</b> |           |          |          |          |           |
| <b>The response to internal audit reports by the Police Council is cordial</b>   |           |          |          |          |           |
| <b>Internal audit department is large enough to successfully carry out its mandated duties and responsibilities</b>                                  |           |          |          |          |           |
| <b>Internal audit department has enough budget to successfully carry out its duties and responsibilities</b>   |           |          |          |          |           |

|   | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
|---|-----------|----------|----------|----------|-----------|
| <b>Relationship between external and internal auditors</b>  |           |          |          |          |           |
| External auditors are friendly and supportive   | 1         | 2        | 3        | 4        | 5         |
| External auditors have good rapport internal auditors   |           |          |          |          |           |
| External auditors are willing to offer internal auditors the opportunity to table their concerns  |           |          |          |          |           |
| External and internal auditors consult on the timing of work in which they have a mutual interest |           |          |          |          |           |
| External auditors discuss their plans with internal audit   |           |          |          |          |           |
| External auditors rely on internal audit work and reports   |           |          |          |          |           |
| External and internal auditors interact on a regular basis  |           |          |          |          |           |
| External and internal auditors share their working papers   |           |          |          |          |           |
| Senior management aids to promote effective co-operation between internal and external audit      |           |          |          |          |           |

| <b>Independence of Internal Audit</b>   | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
|---|-----------|----------|----------|----------|-----------|
| Internal audit staff are sufficiently independent to perform their professional obligations.                        | <b>1</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b>  |
| The head of internal audit reports to a level within the organization that allows it to fulfil its responsibilities |           |          |          |          |           |
| The internal audit department has direct link with senior management other than the finance director                |           |          |          |          |           |
| Conflict of interest is seldom present in the work of internal auditors   |           |          |          |          |           |
| Internal auditors often face interference by management while they conduct their work                               |           |          |          |          |           |
| Internal audit staff have free access to all departments and employees in the organization                          |           |          |          |          |           |
| The Police Council approves the appointment and replacement of the head of internal audit                           |           |          |          |          |           |

|           | <b>Internal Audit Effectives</b>   | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
|-----------|--|-----------|----------|----------|----------|-----------|
| <b>1</b>  | Internal audit improves organizational performance   |           |          |          |          |           |
| <b>2</b>  | Internal audit reviews organizational activities to determine whether results are consistent with objectives and goals |           |          |          |          |           |
| <b>3</b>  | Internal audit determines the adequacy and effectiveness of the firm's internal control systems                        |           |          |          |          |           |
| <b>4</b>  | Internal audit reviews the accuracy and reliability of financial reports   |           |          |          |          |           |
| <b>5</b>  | Internal audit reviews compliance with procedures, policies and plans as well as regulations of the service            |           |          |          |          |           |
| <b>6</b>  | Internal audit reviews the service's compliance with laws and regulations  |           |          |          |          |           |
| <b>7</b>  | Internal audit reviews economical and effective use of the service resources   |           |          |          |          |           |
| <b>8</b>  | Internal audit makes recommendations for the improvement of internal control systems                                   |           |          |          |          |           |
| <b>9</b>  | Internal audit improves the service performance  |           |          |          |          |           |
| <b>10</b> | Internal audit develops appropriate annual audit plans   |           |          |          |          |           |
| <b>11</b> | Internal audit recommendations are implemented timely  |           |          |          |          |           |
| <b>12</b> | Internal audit provides adequate follow-ups to ensure that the right action is taken                                   |           |          |          |          |           |

**Examine the internal control practices in place**

| Internal Audit Practices | YES (tick as many as possible) |
|--------------------------|--------------------------------|
| Documentation            |                                |
| Reconciliation           |                                |
| Security                 |                                |
| Separation of Duties     |                                |
| Authorization            |                                |

1. What factors in your opinion adversely affect internal audit function

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 .....  
 .....  
 .....  
 .....

2. What measures do you suggest can be put in place to address these factors

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 .....  
 .....  
 .....  
 .....

3. How does ad-hoc duties affect the work of internal audit.....

.....  
 .....  
 .....