

UNIVERSITY OF GHANA

COLLEGE OF HUMANNITIES

ASSESSING THE CONTRIBUTIONS OF INTERNAL AUDIT FUNCTION TO
THE FINANCIAL ADMINISTRATION AT THE TECHNICAL
UNIVERSITIES IN GHANA

BY

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THIS LONG ESSAY IS SUBMITTED TO THE DEPARTMENT OF
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DECLARATION

I, the undersigned do hereby declare that this Long essay is the result of my own research work and no person has been presented for another Degree in any other University. However, all sources of materials have been duly recognized.

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CERTIFICATION

I certify that the preparation and the presentation of this Long essay were in accordance with the guidelines on supervision at the University of Ghana Business School, Legon.

.....

DATE:

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DEDICATION

I dedicate this work to Almighty Yahweh, My treasured wife. Mrs. Angela Kantapir Gyambrah, My Parents Mr. and Mrs. Gyambrah and my entire family who together laid a firm foundation for our academic achievement.

ABSTRACT

The aim of the study was to assess the contribution of the internal audit function to the financial administration of technical universities in Ghana. Specifically, the study examined the contributions of the internal audit function to the technical universities of Ghana, evaluated the financial administration of technical universities in Ghana, ascertained the effective and efficient financial administration of the technical universities in Ghana, determined the relationship between the function of the internal audit and the financial administration of the technical universities in Ghana, and identified the factors hampering the effective financial administration of the technical universities in Ghana.

A survey research strategy coupled with a quantitative methodology approach was used in the study in order to achieve the objectives of the study. A structured questionnaire was used to conveniently gather data from the respondents, and the items on the questionnaire were measured on a five-point ranking scale. Overall, 132 respondents sampled from five (5) technical universities in Ghana, were used for the study. A non-parametric spearman correlation was used to relate the functions of internal audit and the financial administration of the technical universities in Ghana.

The study revealed that the internal auditors performed their functions frequently, regularly, and effectively; the technical universities were effective with regards to prudent financial administration, and the internal audit function had significant positive relationship with the financial administration practices of their institutions.

The study recommends that the internal audit staff at the various technical universities be well-motivated, frequently trained, and most importantly be given the needed independence in order

to improve upon, the contributions of the internal audit function to the financial administration of technical universities in Ghana

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Public corporations have stakeholders demanding accountability (Ackerman, 2015). Therefore, in the public sector, controls are mainly in-built in the public financial management system. Public financial management includes the legal and organizational framework for supervising all phases of the budget cycle, including the preparation of the financial statement, internal control measures and audit, procurement, monitoring and reporting arrangements, and external audit (Mulgan, 2013). The effectiveness of public financial management activities of public organization therefore can be enhanced through effective internal audit functions (McGee, 2012). This study therefore assessing the contribution of internal audit function to the financial administration at technical universities in Ghana, using the selected Five Technical Universities in Ghana. Namely Takoradi Technical University, Cape Coast Technical University, Accra Technical University, Sunyani Technical University, and Koforidua Technical University.

According to the Institute of Internal Auditors (2011), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations in an organization. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It is apparent from this definition that internal auditing (IA) is expected to add value to organizations by providing a wide range of services including assurance and operational (performance) audits as well as consulting management on a variety of issues (Saycuk, 2007).

An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Bourn, 2007). The importance of internal audit in public sectors gives provision for reduction in costs on activities made by government, identifying inefficiencies and investigates potential theft or frauds and ensures compliance with applicable acts and policies. Internal Audit is intended to target the financial controls used for delivery of funds, projects and programs, exclusive of the obligations stemming from the policy of Financial Management Governance, particularly in terms of development, communication and maintenance of financial management control framework for regular programs, projects and disbursement of funds. Therefore, the internal audit function plays a unique role in corporate governance by monitoring organizational risks and ensuring that organizational processes are efficient and effectively controlled (Institute of Internal Auditors Research Foundation, IARF, 2013).

Millichamp (2015) puts forward the case that “Management must recognize the value- added role of internal audit and contribute towards its effectiveness.”, and that “As internal auditing in the public sector assumes a status of professional practice, management would benefit from its recommendations in improving its decision-making and thus would be playing a more proactive and foresight role. Internal audit function provides internal consulting service to the management in public sector institutions and hence the executive arm of government for smooth and efficient functioning and for reviewing and improving its performance (Tumwine, 2011).

It also ensures that there are efficient controls and greater transparency in the decision and policy-making processes of government functionaries and institutions in delivering services successfully and in carrying out development programs in an efficient and appropriate manner.

Public Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency (Mulgan, 2013).

Financial management performance is variously defined, it is confined to how financial resources are controlled and utilized through efficient budget management and accountability to achieve organization goals. Performance is how competent, efficient, integrity and honesty the organizational members are at utilizing the existing resources and procedures to carry out tasks, duties and responsibilities and operations to achieve organizational goals (ANAO, 2007). Saycuk (2007) found that a control function, such as that performed by the internal auditor, can lead to a better firm performance. Furthermore, Picket (2014) found that the internal audit function moderates the level of earnings management in companies, and that is also extremely significant in ensuring an effective corporate governance structure of public sector organizations.

According to Asare (2008), the primary objective of Tertiary Educational Institutions is to provide educational services to desirous members of the public. Public Tertiary Institutions runs largely on public funds and therefore need to account for the services to the public. It is therefore important to appreciate the fact that for Tertiary Educational Institutions (whether private or public) to achieve its desired objectives effectively, the management of such tertiary educational institution must establish an effective internal audit unit which would be able to furnish the management of the institutions with necessary analyses, appraisals, and recommendations for onward decision making for the purpose of accountability to the general public. The study will be assessing the contribution of Internal Audit function to financial Administration at public tertiary institution in Ghana using the Selected Five Technical Universities in Ghana as the case study.

1.2 Statement of the Problem

In Ghana, there are laws and institutional frameworks that are established to ensure sound financial administration including financial accountability in public sector organizations. Among these are the 1992 Constitution of the Republic of Ghana, the Criminal Code of 1960 (Act 29), the Financial Management Act (Act 654), the Public Procurement Act (Act 663), and the Internal Audit Agency Act (Act 658) and other various legal frameworks to enhance the effectiveness and efficiency of internal financial controls and financial administration in Ghana.

However, evidence from different studies have revealed weakness in internal auditing, regarding its effects on public sector institutions. A study carried out by the World Bank in 2006 on the Public Financial Management in Ghana revealed that there is insufficient understanding of the effects of internal audit in ensuring appropriate controls in an environment where the accounting officer is formally held accountable for his/her expenditure, combined with weak capacities amongst Internal Audit Unit staffs undermine the effectiveness of the internal audit function in carrying out its roles (World Bank, 2006).

Specific to tertiary schools, in the “Annual Internal Audit Report for schools – 2011/12” conducted by the Audit Committee of the Corporate Director and published on 14th of January, 2013, revealed the works of the internal audit in relation to the audit of schools for the financial year. The findings of the audit identified a common weakness which was the lack of evidence to show that the school’s development plans had been formally approved by the full Governing Body. This implied that, developmental plans were carried out without an appropriate approval. It was also found that, the official orders were not raised by all schools as required to support purchases and there was a lack of documentary evidence that the goods and services received are

checked for accuracy and that delivery documentation was appropriately annotated. There were several instances where a weakness in the petty cash process was identified. These were related to vouchers not being completed fully and authorization of payments which exceed limits laid out in the school's Financial Code of Practice.

The above raises relevant issues about the efficiency or effectiveness of auditing in technical universities, the level of financial administration in technical universities, and the challenges of the internal auditors in the performance of their functions in the technical universities in Ghana. This study will therefore attempt to fill the gap in the extant literature, by finding answers to the above concerns.

1.3 Purpose of the Study

The purpose of this research is basically to ascertain the contribution of internal audit function to the financial administration at the technical universities in Ghana, using the Five Technical Universities.

1.4 Objectives of the Study

The following specific objectives will be outlined to help achieve the purpose of the study:

- i. Examine the contribution of Internal audit function to financial administration at the technical universities
- ii. Investigate the effectiveness of the internal audit function at the technical universities
- iii. To determine the relationship between the internal audit function and financial administration at the technical universities in Ghana
- iv. Establish the problems that inhabit the effective and efficient functioning of the internal audit at the technical universities in Ghana.

- v. Determine the various forms of mechanism put in place to enhance internal audit at the technical universities.

1.5 Research Questions and Hypothesis

1.5.1 Research questions

- i. What are the contribution of the internal audit function to financial administration of the technical universities in Ghana?
- ii. What are the effectiveness of the internal audit functions in the technical universities in Ghana?
- iii. What are the problems that inhibit the effective and efficient functioning of internal audit in the technical universities in Ghana?
- iv. What are the various forms of mechanism put in place to enhance internal audit at the technical universities Ghana?

1.5.2 Research hypotheses

H₀: Internal auditing does not enhance financial administration at the technical universities in Ghana?

H₁: Internal auditing enhances financial administration at the technical universities in Ghana?

1.6 Significance of the Study

The study will make the following contributions to academia, policy and practice. Firstly, the study will add to the extant literature by carrying out an original work which will address the assessing the contribution of internal function to the financial administration at technical universities in Ghana, with particular reference to the five technical universities thereby serving as a reference material for future researchers. This is critical because the study was undertaken in

a developing country context with a focus on the assessing the contribution of internal function to financial administration at technical universities in Ghana.

It is believed that the findings of this study would benefit a wide spectrum of people. These would include Ghana Internal Audit Agency, the government, the technical universities, and future researchers. The effectiveness of the internal audit unit requires the scope of internal audit work to be clearly defined in internal auditor charter. This information would help the Internal Audit Agency and other regulatory bodies to define the scope of work, the responsibilities, and audit requirements of the internal auditors in the charter. Also, the challenges of internal auditor in public tertiary institution will be identified for redress by the Internal Audit Agency. The study would emphasize the need for internal auditors to approach their work with professionalism, integrity, confidentiality, good ethical behavior, competencies in order to contribute meaningfully to the realization of the financial accountability objectives of public tertiary institutions.

To the Government, the findings of the study will ensure some form of transparency in the use of public resources that has been allocated to the various public tertiary institutions thereby enhancing public confidence in the ability of government to fund public education. It will also ensure that management of public tertiary institutions are fully accountable to government and the general public about the use of public funds. This may trigger the public debate about the need to increase funding to technical universities in Ghana.

To future studies, the study will also contribute to the existing literature on the role of internal audit in ensuring sound financial management practices in public sector institutions

1.7 Scope of the Study

The scope of the study is limited to the Technical Universities, of Ghana. The Five Technical Universities will constitute the target population of the study. They will include the Internal Audit, ministration and the Account Department of Takoradi Technical University ,Cape Coast Technical University ,Accra Technical University,Koforidua Technical University and Sunyani Technical University will focus on the assessing the contribution of internal audit function to the financial administration a technical universities in Ghana , the efficiency and effectiveness of financial administration at the university, and the challenges of the internal audit department in the execution of their functions at the University. Methodologically, a survey research with a quantitative approach will be adopted to achieve the purpose of the study.

1.8 Organization of the Study

The study will be organized into five main chapters. Chapter One gives an overview of the background of the study, covering the problem statement, the purpose of the study, the specific objectives of the study, the research questions, research hypotheses, the significance of the study, scope of the study, and organization of the study. Chapter Two will examine the relevant literature concerning the study. This will comprise the theoretical literature, the conceptual framework, and the empirical literature on assessing the contribution of the internal audit function to financial administration at technical universities in Ghana. Chapter Three will present the methodology of the study, as well as other methods of analysis, covering the research design, the target population of the study, the sample size, the sampling techniques, the data collection instruments, and the statistical tools, questionnaire design, and data analysis. Chapter Four will focus on the results and discuss the findings of the study with respect to the data collected on the field. The chapter will present the data collected from the field and summarize them via tables and graphs. The chapter will also discuss the findings of the study relative to the extant empirical

literatures. Chapter Five will draw conclusions based on the collected and analyzed data, and finally make recommendations for future studies

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review section of the study, brings to bear the information from other researchers who have carried out their research in similar fields of study. The specific areas covered in this chapter includes the concepts of internal auditing (scope and objectives of internal auditing, evolution of internal auditing, types of internal auditing, role of the internal auditor, internal auditing in public sector institutions, internal auditing and financial management) the theoretical literature review, and a review of the extant empirical literatures on the assessing the contribution of internal audit function to the financial administration at the technical universities in Ghana.

2.2 The Concepts of Internal Auditing

In order to determine internal audit efficiency evaluation principles, it is important to analyze the concept of internal audit (Savcuk, 2007). Undoubtedly, the large amount of definitions that is given by many researchers depicts the great importance of internal auditing. More specifically, Millichamp (2011), defined internal auditing as “an independent appraisal function, established within an organization to examine and evaluate its activities as a service to the organization”. By measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, becomes an important managerial control device (Asare, 2008), which is directly linked to the organizational structure and the general rules of the business (Ackerman, 2015).

A more specific definition is given by Bourn (2007), who stated that internal auditing is “a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable, (2) risks to the enterprise are identified and minimized, (3) external regulations and acceptable internal policies and procedures are followed, (4) satisfactory operating criteria are met, (5) resources are used efficiently and economically and (6) the organization ’s objectives are effectively achieved – all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities”.

Finally, the Institute of Internal Auditors (2011) defined internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It is apparent from this definition that internal auditing (IA) is expected to add value to organizations by providing a wide range of services including assurance and operational (performance) audits as well as consulting management on a variety of issues.

2.2.1 Scope and Objectives of Internal Audit

The scope and objectives of internal audit may vary widely and they are usually determined by the management. According to Bo-urn (2007), the scope and objectives of the internal audit depend upon the responsibilities assigned to the internal audit unit by the management, the size and structure of the enterprise and the skills and experience of internal auditor. The objectives of an audit can be classified into primary and subsidiary functions (Millichamp, 2011). According to Millichamp (2011), the primary objective, is to produce a report by the auditor of his opinion

of the truth and fairness of financial statements so that any person reading and using them can have beliefs in them. The subsidiary objects include:

- To detect errors and fraud;
- To prevent errors and fraud by the determining the moral effect of the audit;
- To provide spin-off effects. The auditor will be able to assist his client with accounting systems, taxation, financial, risk management and other problems.

Other objects of audit could be to satisfy statutory requirement, for the purposes of mergers and acquisitions, among others. They include:

- Review of accounting system and related internal controls
- Examination of financial and operating information for management including detailed testing of transaction, balances and business processes.

2.2.2 Evolution of Internal Auditing

The figure below provides an indication of the growth and development of the internal auditing profession. The evolution and development of internal audit has gone through the following steps:

Figure 2.1: Evolution of Internal Auditing

| | |
|-------------------------------|------|
| 1. Check accounting records | 1950 |
| 2. Assess compliance | 1960 |
| 3. Examine procedures | 1970 |
| 4. Evaluate controls | 1980 |
| 5. Report on SIC | 1990 |
| 6. Assess risk management | 2000 |
| 7. Facilitate risk management | 2001 |
| 8. Assure risk/control | 2002 |
| 9. Add value | 2003 |
| 10. ? | 2004 |

Source: Pickett (2004)

Check accounting records: It has already been argued that internal auditing started out as a way of double-checking accounting records. A small team would be set up in the accounts section to examine as many financial transactions as possible and determine whether they were correct or not.

Assess compliance: Over the years, there has been some attempt to move away from focusing only on the financial aspects. Audit teams would also assess the extent to which operations staff complied with financial and basic office procedures. This would typically be performed at a

remote site where the rules on the receipt and banking of money, payment of vendors, staff claims, stock management and petty cash would be checked by the internal auditor.

Examine procedures: An interesting development came in around the 1960s, when more attention was placed on getting the procedures right. The audit team would thus review files and records and, upon finding problems, try to suggest improvements and list the errors for correction.

Evaluate controls: Further advancement was possible, where the focus on procedures was broadened to the much more dynamic concept of controls. Proper performance was seen to relate to more than simply following the procedures manual.

Report on systems of internal control (SIC): The next stage of development appeared in the form of the auditors providing an independent view on various systems of internal control employed by the organization.

Assess risk management: Nothing stands still, and the 1990s saw the boom in risk management to stave off criticism of organizations that had been damaged or even destroyed by scandals, mismanagement, or events that had a major adverse impact on their business.

Facilitate risk management: Just when the auditor thought it was safe to go back to the comfort of standard systems audits, one further development has spread to many larger organizations. The popularity of enterprise risk management meant that there was a great demand for people

skilled in facilitating the identification, assessment and proactive management of risk in a way that embeds the process into adopted business strategies.

Report risk and assure controls: Notwithstanding the model applied above, there is still the need to officially report the results of all auditing work to a high-level body in the organization. In turn, the board reports on its system of internal control in the annual report.

Add value: It has more recently arrived at a new point in the internal auditor's role that is loosely described as adding value to the organization. Adding value is described by the Institute of Internal Auditors (IIA) in the following way: Organizations exist to create value or benefit to their owners, other stakeholders, customers, and clients. This concept provides the purpose for their existence. Value is provided through the development of products and services and their use of resources to promote those products and services. In the process of gathering data to understand and assess risk, internal auditors develop significant insight into operations and opportunities for improvement that can be extremely beneficial to their organization.

2.2.3 Types of Internal Audit

Saycuk (2007) identified the following types of audit; financial statements audit, compliance audit, operational audit, and comprehensive audit. Financial statement audit is conducted to determine whether the overall financial statements, the information being verified are stated in accordance with specific criteria. According to Millichamp (2011), there are three types of internal audit.

- i. Compliance auditing: This is concerned with determining whether the company's system to control and record distribution costs were operating as laid down by management, and whether distribution costs have been properly determined and disclosed in the account.

- ii. Efficiency audit: this is concern with determining whether resources are being used optimally with the bounds of what is practically feasible.
- iii. Effectiveness auditing: it involves determining whether resources a-re being used to proper effect. Efficiency and Effectiveness audits are both elements of value-for-money audit which as indicated earlier is widely practiced among governmental organizations and local authorities as well as non-profit making organizations.

2.2.4 The Role of the Internal Auditor

Ackerman (2015) suggests that, although the modern work of the internal auditor involves acting at times as a management consultant and auditing for efficiency and effectiveness as much as for financial system, such activity has not always been among the internal auditor's core duties. The profession of internal auditing has changed considerably over the past half century. Before 1941, internal auditing was essentially a clerical function with no organization and no particular standards of conduct. The internal auditing function was essentially an arm of the accounting function. Because much of the record-keeping at that time was performed manually, auditors were needed to check the accounting work after it was completed in order to locate errors in posting and footings.

Manual processing also made fraud easier. Combining the need for uncovering errors and misappropriations resulted in the internal auditor being little more than a verifier. Today, the internal auditor is accepted as an integral part of the management team (Asare, 2008). A look at the evolution of internal auditing provides a perspective on the function of internal auditing in today's world; a function that includes not only financial auditing, but also operational auditing. The internal audit function constitutes a separate component of internal controls undertaken by

specifically assigned staff within the entity with the objectives of determining whether other internal controls are well designed and properly operated (Saycuk, 2007). Accordingly, Millichamp (2011) had highlighted that the functions of internal auditors include among others: reviewing accounting systems and internal control; examining financial and operation information for management, including detailed testing of transactions and balances; special investigation; and review of compliance with laws, regulations and other external requirements.

2.2.5 Role of Internal Audit in Public Sector Institutions

The audit function has become an integral part of government financial management and an instrument for improving performance within public sector institutions in Ghana. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services (IIA, 2014). Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks (Mc Gee, 2012). Effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regards to practice and approach (Millichamp, 2011).

The focus of internal auditing is to determine whether public funds have been spent for the purposes for which they were appropriated and thereby promoting accountability (PEFA, 2005). Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved

(Asare, 2008). An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Tumwine, 2011).

2.2.6 Internal Auditing and Financial Management

Internal Audit has evolved from a primarily financial compliance function to a key component of an organization's governance framework. Internal auditing plays a vital role in the financial management of any organization. This is because in every framework of financial management (Planning and Analysis, Asset and Liability Management, Transaction Processing and Control) Internal Audit seems to have an interest in it. Figure 2.1 below is the hierarchical framework of Financial Management as per the Financial Management Framework (FMF) developed in the United States in 1987.

Figure 2.2: Hierarchical Framework of Financial Management



Source: [McGee, 2012]

The Control component of the Framework underpins all other components in the hierarchy. Transaction processing supports asset and liability management and reporting which in turn provide the tools for effective planning and analysis. This implies that internal auditing, with its main aim of examining and evaluating the activities of management coupled with its value-added service of improving the effectiveness of risk management and control systems is crucial to strengthening the governance process of an organization. Woven into the fabrics of the public sector, internal auditing has been accepted as a concrete element to ensuring good governance and accountability.

2.3 The Theoretical Literature Review

2.3.1 The Policeman Theory

This theory of auditing was purely based on the arithmetical accuracy and on the prevention and detection of fraud. This theory makes the auditor to detect and prevent errors and fraud found in public and other sector specific organizations.

2.3.2 The Lending Credibility Theory

This theory of auditing regards the primary function of auditing to be the addition of credibility to the financial statements. Akinbuli (2010) states that, “audited financial statements can enhance the stakeholder’s faith in management’s stewardship”.

2.3.3 Theory of Inspired Confidence

This theory states that stakeholders demand accountability from the management in return for their contribution to the organization.

2.3.4 The Moderator of Claimant's Theory

This theory states that it is important that all vital participants in an organization continue to contribute. In order to continue these contributions, it is important that each group believes it receives a fair share of the organizations income.

2.3.5 Agency Theory

This theory is associated with conflicting interests of shareholders and management of organizations, suggesting that the less informed party will have to demand for information that monitors the behavior of better-informed manager (Akinbuli, 2010). According to Hayes et al. (2009), the agency theory can be used to explain the supply side of the audit market. The contribution of an audit to third parties is basically determined by the probability that the auditor will detect errors in the financial statements and the auditor's willingness to report these errors.

According to Anderson, Francis and Stokes (2003), the Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. Other related reviews include the Sarbanes-Oxley act of 2002 (SOX) which requires companies to report on the effectiveness as part of an overall effort to reduce fraud and restore integrity to the financial reporting process.

2.4 The Empirical Literature Review

The extant empirical literatures on the assessing the contribution of internal audit function to the financial administration at public tertiary institutions, has focused mainly on the characteristics of an effective internal audit function in ensuring efficiency and effectiveness in the financial management of public funds. Much of the research has involved the various characteristics that affect the independence and/or objectivity of internal auditors. McGee (2012), revealed that financial statement users' perceptions of the reliability of financial statements was lower in cases where internal audit was outsourced to the company's own external auditor than when the function was performed in-house or by a different CPA firm. Similarly, Prawit, Smith, and Wood (2006) found that financial analysts perceived external auditor independence to be greater when internal audit was in-house or outsourced to a firm other than the company's external auditor than when it was outsourced to the company's external auditor.

Tumwine (2011), established how internal audit function and employee attitudes affect the financial performance of Public Universities. The study focused in examining the relationship between the internal audit function and financial performance, the relationship between employee attitude and financial performance in Public Universities. The study adopted the quantitative research methodology employing a cross sectional research design. A population of 434 was selected from some selected departments of KYU and MUK using stratified simple random sampling. The findings of the study revealed a significant and positive relationship between internal audit function and financial performance and between employee attitudes and financial performance in public Universities.

Kamugisha (2011) examined the role of internal audit and the accountability of public funds in local government; a case of Mbarara District Local Government. Using a survey study, it was found out that internal audit has a great stake in the accountability of Public funds. In this regard, in local Governments, internal Audit is described as a consulting activity. The implied situation being that all the stakeholders in the use of public funds have to be aware of the nature of internal Audit. Van Gansbeghe (2015), also shares the view that, the present requirement of internal audit is not the detection and prevention of fraud and errors but reviewing the system of internal control. This is because in public organizations, internal audit is meant to carry out an independent appraisal of the effectiveness of internal controls and other financial controls operating in such ministry.

In a similar research conducted by Saycuk (2007) on the topic “Internal audit as a tool for enhancing accountability in local government; a case study of Michika local Government, the researcher concluded that the internal audit function of Michika local government has been examined and it was obvious that internal audit enhances accountability in this local government system, it also improves the quality of internal control, prevent fraud and enhance transparency.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

As defined by Babbie (2015), “the research methodology is the procedural framework within which the study is conducted”. “It comprises the theoretical and ideological basics as well as the fundamental principles that guides a researcher in the selection of a particular research method over the other” (Hair, Money, Samuel & Page, 2012). This chapter provides a description of the research methodology employed in this study and discusses how the study would be conducted in order to achieve the objectives as outlined in the introductory chapter. The chapter discusses the research design and provides justification for the choice of the survey research strategy. It also describes the sample and population considered as well as the sampling procedures employed in the study. The sources of data, the data collection procedures, and the type of research instrument used are also discussed. The chapter ends with a discussion on the description of the method of data analysis adopted for the study.

3.2 Research Paradigm

A research paradigm is a perspective about research held by a community of researchers that is based on a set of shared assumptions, concepts, values and practices (Creswell, 2013). More simply, it is an approach to thinking about doing a research (Zikmund, 2013). Three main research paradigms are available and adopted by researchers. The qualitative, the quantitative, and a mixture of the two paradigms known as the mixed research paradigm (Quinn, 2010). The qualitative research paradigm relies on the collection of qualitative data (that is, non-numerical data such as words and pictures), deal with realism, with situational findings, and data analysis in the form of descriptive data and holistic themes to provide an insider viewpoint for a particular

firm. The quantitative research paradigm, which this study adopts, relies on the collection of quantitative data (these are numerical in nature), which is used to test an existing theory and hypothesis formulated by the researcher (Creswell, 2013). This method helps to generalize the findings of the study.

3.3 Research Design

The research design is an indispensable tool in every research work. It aids the smooth flow of the research operations, thereby making research as efficient as possible, yielding maximal information with the least cost of expenditure, effort and time. In real terms, a research design can be likened to a well thought out plan or foundation for the research. It also stands for advance planning of the procedure to be adopted for gathering the relevant data and techniques to be used in the data analysis (Zikmund, 2013). The survey research strategy was used for this study. This design was considered appropriate for the study because the intention of the researcher was to generalize the findings to the total population from which the sample was taken (Hair, Money, Samuel, & Page, 2012). The correlational design was also employed as this study seeks to establish the nature of relationships between the effectiveness of internal controls and financial administration being practice at the technical universities in Ghana. According to Fisher (2010), the correlational research attempts to discover or establish the existence of a relationship or interdependence between two or more aspects of circumstances.

A survey strategy with a quantitative methodological approach was therefore deployed in the study, assessing the contribution of the internal audit function to the financial administration at technical universities, using the Selected Five Technical Universities as the case study. According to Creswell (2013), the survey strategy allows the researcher to gather information

from a large sample of people relatively quickly and inexpensively. Conducting surveys further allows the collection of a sizeable amount of data from a defined population in a highly economical way (Fisher, 2010). The survey method is used to collect data from a sample of individuals systematically and also provide important information for all kinds of research including preferences, and behaviors; depending on the purpose and source (Hair, Money, Samuel, & Page, 2012). It is also economical as compared to the complete enumeration of the entire population (Quinn, 2010). The research is therefore, a conclusive study on the assessing the contribution of the internal audit function to the financial administration at technical universities in Ghana, using the Selected five Technical Universities.

3.4 Target Population

Population refers to a group of individuals or items that share one or more characteristics from which data is being collected to be analyzed. It is the larger pool from which sampling elements are drawn and to which findings can be generalized. The population encompasses all the elements that make up the unit of analysis (Hair, Money, Samuel, & Page, 2012). The target population for the study consisted of one hundred and fifty-five (155) permanent of the Internal Audit, Administration and Account Department of Selected Technical Universities in Ghana. These were made up of eight(8) employees from the Internal audit department, seven(7) from Administration and fifteen (15) employees from the Account Department from Takoradi Technical University in the Western Region , twelve (12) employees from Internal Audit department, eight (8) from Administration and fifteen (15) from the Account Department from Cape Coast Technical Universities in the Central Region, ten(10) employees from the Internal Audit department, twelve(12)from the Administration, and Twelve(12) from the Account Department from the Accra Technical University in the Greater Accra, nine (9) from the Internal

Audit department, Administration seven(7) and fourteen (14) from the Account Department from Koforidua Technical University in the Eastern Region ,eight (8)from the Internal Audit ,eight (8) from the Administration and ten (10) from Account Department from the Sunyani Technical Department in Bono West Region. Both management and non-management staff constituted the target population of the study.

3.5 Sampling and Sampling Techniques

One of the most indispensable aspects of a research is the data collection, since it essentially contributes to the overall understanding of the theoretical framework (Ary,Jacobs,& Razavieh, 2012). It is however essential that the method used in obtaining the data and the selection process of respondents be executed with sound judgement (Tongco, 2007). For this very reason, choosing a representative sample becomes a crucial task (Wahyuni, 2012). A quantitative research aims at getting a sample which is representative enough of the target population, so as to be able to generalize the results (Ary,Jacobs,& Razavieh, 2012; Babbie, 2015; Creswell, 2013; Young, 2009; Wahyumi, 2012). As noted by Schutt (2011), a larger sample size from a defined target population is more likely to minimize sampling errors and thus the accuracy and the quality of a quantitative research is largely dependent on the suitability of the chosen sample size.

Table 3.1 shows the sampling distribution of non-teaching staffs drawn from selected five(5) technical universities in Ghana and specifically for the purposes of this study.

Table 3.1: Sampling Distribution of Respondents at the selected Public Technical Universities in Ghana

| Name of the Tertiary Institution | Target Population | Expected Sample Size | Response Rate (%) |
|---|--------------------------|-----------------------------|--------------------------|
| Takoradi Technical Uni(Internal Audit Dept) | 8 | 8 | 100.00% |
| Takoradi Technical Uni(Administration) | 7 | 7 | 100.00% |
| Takoradi Technical Uni(Account Department) | 15 | 14 | 86.00% |
| Cape Coast Technical Uni(Internal Audit Dept) | 12 | 9 | 75.00% |
| Cape Coast Technical(Administration) | 8 | 8 | 100.00% |
| Cape Coast Technical Uni(Account Dept) | 15 | 14 | 88.00% |
| Accra Technical Uni (Internal Audit Dept) | 10 | 8 | 80.00% |
| Accra Technical Uni(Administration) | 12 | 11 | 91.67% |
| Accra Technical Uni (Account Dept) | 17 | 15 | 88.20% |
| Koforidua Technical Uni (Internal Audit Dept) | 9 | 7 | 78.00% |
| Koforidua Technical Uni (Account Dept) | 14 | 12 | 86.00% |
| Koforidua Technical Uni(Administration) | 7 | 5 | 71.00% |
| Sunyani Technical Uni(Administration) | 8 | 6 | 75.00% |
| Sunyani Technical Uni (Internal Audit Dept) | 8 | 7 | 88.00% |
| Sunyani Technical Uni (Account Dept) | 10 | 9 | 90.00% |
| Total | 155 | 132 | 85.16% |

Source: Field Data Report, 2018

The study will employ a sample of one hundred and thirty two (132) respondents, with a margin of error of and a confidence interval of 5 percent or 95 percent respectively. This, according to

Burns and Bush (2013) is suitable for social science studies, and for that matter, will be suitable for this particular study.

Regarding the number of participants to be included in the study, the Tabachnick and Fidell (2006), formula was adopted with the assumption that the target population is unrestricted:

$$n = \frac{N}{1 + Ne^2}$$

In the formula above, “*n*” represents the sample size to be calculated, while “*N*” is the target population. The value of “*e*” (standard error) depends on the required confidence level set by the researcher. If the confidence level is 95 percent, then the “*e*” value would be 0.05. In this study, 95% confidence level will be adopted. Overall, one hundred and fifty-five (155) staffs, made up of Internal auditors, Administration and Account department of the selected Technical Universities in Ghana constitute the target population. Out of this number, one hundred and thirty-two (132) respondents, is expected to constitute the sample size for the study.

Using the target population of 155 respondents, that is, $N=155$ and a 5% margin of error ($e=0.05$), the sample size, n will be calculated as follows:

$$n = \frac{N}{1 + Ne^2} = 111$$

The sample size of 111 respondents will thus be used in the study. The sampling technique to be adopted for the study will be the non-probability sampling technique, specifically, the purposive and convenient sampling techniques (Schutt, 2011). The purposive sampling technique will be deployed to specifically target the sampled departments. This is supposed to aid the researcher achieve his objectives, as stated in the introductory chapter. The convenient sampling technique

will also be used to select the staff from the sampled departments of the selected technical universities in Ghana. By the convenient sampling technique, only the targeted staffs of the university, who will be present at the time of the data collection, and willing to participate in the study will be considered for the study (Fisher, 2010).

3.6 Questionnaire Development

Research techniques are the step-by-step procedures in the collection and analysis of data (Ary, Jacobs, & Razavieh, 2012). The procedure employed in this study was to solicit data through the use of structured questionnaires. The questionnaires were structured based on the research objectives. The first section of the questionnaire elicited information on the biographic data of respondents, such as gender, age, educational background and other socio-economic characteristics. The second and third sections dealt with all the issues relating to the various research objectives.

The adoption of the close-ended questions made it easier for the responses to be coded and analyzed systematically (Babbie, 2015). It also made it easier for the researcher to collect the data within the shortest period of time. The respondents basically ticked the appropriate answers after reading the questions and with the response choices given; there was no need to further explain the questions to the respondents. However, the questionnaire design can be limiting by suggesting ideas to the respondents to which he or she will not otherwise have thought about. Again, the respondents can answer questions any how or even misinterpret some questions. All in all, comparing both the merits and the demerits of using questionnaires, the merits far outweigh the demerits in a study like this, and thus it is expected that the use of the questionnaires will have a good impact on the study (Fisher, 2010).

All the items intended to be used in measuring the variables were adapted from previously validated instruments (Creswell, 2013). They were modified in such a way that the focus was mainly from the Ghanaian perspective and in the Ghanaian context. The model was rated on a five-point Likert-Scale. Each scale was scored by aggregating the total scores for each question on a given measure and reporting the total score as the composite score for the measure.

3.7 Data Collection

According to Creswell (2013), there are essentially two kinds of data collection methods: primary data collection and secondary data collection. Quinn (2010) posits that, primary data are data gathered purposely for a particular research problem or study through the use of procedures that well fit the research problem. He further noted that, each time primary data is collected, fresh data set are subsequently added to the already existing store of social knowledge about the phenomenon under study. This store of knowledge generated by other researchers is made available and may be utilized by other researchers or the general research community which then becomes secondary data (Zikmund, 2013). The study basically relied on primary data collected through the use of structured questionnaires administered to the respondents, using both face-to-face and self-administration.

The questionnaires were distributed to the non-teaching staffs, who are the permanent employees from the Internal Audit, Administration and Account department from the selected technical universities. The task of designing a questionnaire involves the development of a wording that is precise, concise and unambiguous, and which for that matter allow respondents to successfully answer the questions that it sought to ask (Hair, Money, Samuel, & Page (2012). In view of this, Hair, Money, Samuel, & Page (2012), suggested that the questionnaire for a study should be pre-

tested for the purposes of re-wording, deleting, and or adding new items should it be necessary for better comprehension of the questionnaire by respondents. For these reasons, the questionnaires for the study were pre-tested at the universities. The researcher personally distributed the questionnaires to a total of 10 respondents from the sampled departments, who were willing to participate in the pretest. The feedback was then analyzed and the necessary changes subsequently effected.

3.8 Validity and Reliability

To ensure validity of the research instrument, a draft copy of the questionnaire was given to the Supervisor of the study, who read through and made the necessary corrections to ensure face, content and construct validities.

3.9 Analysis of Data

This section discusses the descriptive and inferential statistical methods that was used to analyze the collected data. Previous studies about the functions of internal audit regarding assessing the contribution of internal audit function to the financial administration within technical universities mainly used descriptive statistics, correlation and regression statistics (Pallant, 2013). For this study, the survey data collected was analyzed using the Statistical Package for the Social Sciences (SPSS, Version 23). The demographic characteristics of the respondents were also analyzed using tables and other descriptive statistics such as the frequency, percentages, mean, and the standard deviation.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the empirical findings of the study in the context of the objectives as stated in chapter one. The study focused on assessing the contribution of the internal audit function to the financial administration at the technical universities in Ghana. The study focused on five (5) major technical universities in Ghana, namely; Takoradi Technical University, Cape Coast Technical University, Accra Technical University, Sunyani Technical University and Koforidua Technical University. The chapter deals with the bio-graphic data of respondents, sampled from various departments in all the five (5) technical universities in Ghana. The section further undertakes a descriptive and correlational analyses of the endogenous and exogenous variables used in the study. The results of the study are eventually discussed relative to the research objectives, and the other extant empirical literatures. At each stage, the analyses were based on the objectives being addressed by the study, which could be recalled as follows:

- To assess the contributions of the internal audit function to the technical universities in Ghana
- To ascertain the effective financial administration at the technical universities in Ghana
- To determine the relationship between the internal audit function and the financial administration at the technical universities in Ghana
- To identify the factors hampering the financial administration at the technical universities in Ghana

4.2 Demographic Profile of Respondents

This section presents the demographic characteristics of the respondents who are sampled employees drawn from three (3) main departments in five (5) public technical universities in Ghana. The profile of the respondents included; gender, age, educational background, tenure of work, and position held in the university. Overall, 132 employees were sampled from five (5) technical universities in Ghana.

4.2.1 Gender Distribution of Respondents

From the gender distribution of the 132 respondents, majority were males and the minority were females. 60.6% were males and the rest, 39.4% represented females. This means that the information regarding an assessment of the contribution of the internal audit function to the financial administration of technical universities in Ghana, was obtained from both male and female employees, and therefore the findings are not gender biased. The above distribution is presented in Table 4.1 below.

Table 4.1: Gender Distribution of Respondents

| Category | Number | Percent (%) |
|----------|--------|-------------|
| Male | 80 | 60.6 |
| Female | 52 | 39.4 |
| Total | 132 | 100.0 |

Source: Field Survey Data, 2019

4.2.2 Age Distribution of Respondents

The age of the respondents has implication on the ability of the participants to determine their voluntary participation in the study. As demonstrated on Table 4.2, 12.1% indicated that, they were between 20-29 years of age, and 28.8% indicated they were within the age group of 30-39

years. While 36.4% of the respondents were between the age range of 40-49 years of age, the remaining 22.7% were 50 years and above. Overall, all 132 respondents who participated in the study, were above 20 years of age. This means that, they were matured enough to determine their participation in the study.

Table 4.2: Age Distribution of Respondents

| Category | Number | Percent (%) |
|--------------------|--------|-------------|
| 20-29 years | 16 | 12.1 |
| 30-39 years | 38 | 28.8 |
| 40-49 years | 48 | 36.4 |
| 50 years and above | 30 | 22.7 |
| Total | 132 | 100.0 |

Source: Field Survey Data, 2019

4.2.3 Educational Qualification

The educational qualification of respondents, is of prime significance in every research. The educational qualification of the respondents has significance on the ability of the respondents to read, critically analyze, understand, and interpret all the issues being raised on the research instrument, most especially regarding the topic under discussion. The educational qualification of the respondents is therefore illustrated on table 4.3.

Table 4.3: Educational Qualification

| Category | Number | Percent (%) |
|----------------|--------|-------------|
| SHS/O-/A-Level | 1 | 0.8 |
| Diploma | 18 | 13.6 |
| Degree | 47 | 35.6 |
| Masters/PHD | 66 | 50.0 |
| Total | 132 | 100.0 |

Source: Field Survey Data, 2019

As demonstrated on table 4.3, out of the total number of 132 respondents, 0.8%, equivalent to one (1) person had an SHS/O/A-Level qualification. 13.6%, equivalent to 18 respondents had a diploma qualification. 35.6%, equivalent to 47 respondents, had a minimum qualification of a bachelor's degree, and finally, half of the respondents, that is 50%, and representing 66 respondents, had a Masters/PhD degree. With the exception of just one respondent, who had an SHS/O/A-Level qualification, the remaining 131 respondents, had a minimum qualification of a diploma and above. The implication is that, all the respondents could be said to have the ability to read, analyze, evaluate, and fully comprehend all the issues raised on the research instrument.

4.2.4 Position held at the Technical Universities of Ghana

In order to achieve the main objective of the study, the respondents sampled were made up of both management and non-management staff. They were sampled from a broad spectrum of positions, including general managers, accountants, human resource managers, account officers, internal audit officers, audit managers, and other auxiliary staffs. Regarding their position at their various places of work, the respondents were classified as either management or non-management staff. Table 4.4 is an illustration of the position held by the respondents.

Table 4.4: Position Held at Technical Universities

| Category | Number | Percent (%) |
|------------------|--------|-------------|
| Senior Staff | 69 | 52.3 |
| Junior Staff | 24 | 18.2 |
| Academic Staff | 6 | 4.5 |
| Management Staff | 33 | 25.0 |
| Total | 132 | 100.0 |

Source: Field Survey Data, 2019

From table 4.4, out of the total number of 132 respondents, more than half, that is 52.3%, equivalent to 69 respondents were senior staff; 18.2%, equivalent to 24 respondents were junior staff, 4.5%, equivalent to 6 respondents were academic staff, and finally, 25.0% equivalent to 33 respondents, were management staff. The inference is that information regarding the contribution of the internal audit function to the financial administration of public technical universities was obtained from all categories of officials from the sampled technical universities in Ghana; including academic staff, junior staff, senior staff, and management staff.

4.2.5 Job Tenure

The number of years' working experience regarding the topic under study is of extreme significance in achieving the main objective of the study. The results on the job tenure of respondents is indicated on table 4.5.

Table 4.5: Job Tenure of Respondents

| Category | Number | Percent (%) |
|--------------------|--------|-------------|
| 1-5 years | 26 | 19.7 |
| 6-10 years | 41 | 31.1 |
| 11 -15 years | 41 | 31.1 |
| 10 years and above | 24 | 18.2 |
| Total | 132 | 100.0 |

Source: Field Survey Data, 2019

From table 4.5, 26 respondents representing 19.7% have been working with the sampled technical universities in Ghana, from 1 to 5 years; 31.1% of the respondents, have been working with the universities from 6 to 10 years; another 31.1% have been working from 11 to 15 years, and 18.2% have been working with their universities for 10 years and above. Overall, 80.3%, representing 106 of the total respondents, have been working for more than 6 years and above with the sampled technical universities in Ghana. And since over 80.3% have been working with their respective universities for more than six (6) years and over, they were poised to better understand all the issues relating to the contribution of the internal audit function to the financial administration of public technical universities in Ghana. Table 4.5 is therefore an illustration of the pragmatic experience of respondents, indicating the number of years, that they have been working with their respective technical universities in Ghana.

4.3 Contributions of the Internal Audit Function to Technical Universities in Ghana

The first specific objective of the study was to assess the contributions of the internal audit function to the Technical Universities in Ghana. This objective was achieved by asking the sampled respondents to indicate their perception regarding the activities of the internal auditors in the execution of their functions at their various technical universities, using a Five-Point

Likert Scale. Means and standard deviations were used to present the findings. If the mean value is 4.0 or higher, then the internal auditors can be said to perform their role and functions frequently (often times). The outcome is presented in Table 4.6 below.

Table 4.3: Contributions of the Internal Audit Function to the Technical Universities in Ghana

| Activities of internal audit functions (Chron Bach Alpha=0.895) | N | Mean | Std. Dev. |
|---|-----|------|-----------|
| The internal audit function ensures compliance to laid down rules and regulations | 132 | 3.82 | 0.86 |
| Check accounting records of the technical universities for fraud and irregularities | 132 | 4.03 | 0.83 |
| Examine procedures governing the utilization of resources at the technical university | 132 | 3.92 | 0.73 |
| Evaluate all departments and units of the technical university, ensuring that they are working effectively | 132 | 3.77 | 0.87 |
| Ensure accurate, comprehensive, and temporariness of financial reporting at the technical university. | 130 | 3.76 | 0.82 |
| Reports on all systems of the internal control (SIC) processes at the technical university | 131 | 3.81 | 0.95 |
| Provides the external auditor, members of the audit board, and the management team members with relevant information. | 132 | 3.93 | 0.79 |
| Add value to the technical university by ensuring financial accountability | 130 | 3.88 | 0.82 |
| Ensure the application of generally accepted accounting principles in financial reporting at the university | 132 | 3.74 | 0.85 |
| Facilitate risk management practices at the technical university | 131 | 3.57 | 0.86 |
| Focus on performance audit at the technical university | 132 | 3.76 | 0.90 |
| Oversees the overall efficiency and effectiveness of the technical university | 132 | 3.40 | 0.85 |

Source: Field Survey Data, 2019

Scale: 1= Not at all, 2= Rare Occasion, 3=Sometimes, 4= Frequently, 5= Very frequently

The outcome of the analysis revealed that, frequently (Mean: 4.00-5.00) the internal auditors at the sampled technical universities performs each of the following functions; including ensuring compliance of the technical universities to the laid down rules and regulations (M=3.82, SD=0.86), checking the accounting records of the technical universities for fraud and irregularities (M=4.03, SD=0.83), examining the procedures governing the utilization of resources at the technical universities (M=3.92, SD=0.73), evaluates all departments and units of the technical university, ensuring that they are working effectively (M=3.77, SD=0.87), and ensuring accurate, comprehensive, and temporariness of financial reporting (M=3.76, SD=0.82).

The findings further revealed that the internal auditors performed each of the following activities sometimes at the technical universities (Mean: 3.00-3.99). That activities includes: reporting on all systems of the internal control process at the technical university (SIC) (M=3.81, SD=0.95), providing the external auditor, members of the audit board, and the management team members with relevant and necessary information on the technical university (M=3.93, SD=0.79), adding value to the technical university by ensuring financial accountability (M=3.88, SD=0.87), ensuring the application of generally accepted accounting principles in financial reporting at the technical university (M=3.74, SD=0.85), facilitating risk management practices at the technical universities (M=3.57, SD=0.86), and focussing on performance audits at the technical universities (M=3.76, SD=0.90).

Overall, however, the internal auditors were found to perform their functions frequently (M=3.40, SD=0.85). This means that the contribution of the internal audit function to the

financial administration of the sampled technical universities in Ghana was frequently done, was quite high, and very good. The internal auditors performed their roles and functions very well in ensuring the efficient financial administration of the sampled Technical Universities in Ghana.

-

4.4 Effective Financial Administration of the Technical Universities in Ghana

The second specific objective of the study was to ascertain the effective financial administration of the technical universities in Ghana. The respondents were again asked to indicate the frequency with which the various accountability practices with regards to an effective financial administration, are exhibited at the sampled technical universities in Ghana. The sampled respondents indicated their thoughts using a Five-Point Likert Scale. Means and standard deviations were used to present the findings. If the mean value is 4.0 (Test value) then the respondents were of the opinion that the financial administration management practices of the sampled technical universities were performed effectively, efficiently and frequently. The outcomes regarding the effective financial administration of the sampled Technical Universities in Ghana, is therefore presented in Table 4.7 below.

The findings revealed that overall, the Technical Universities were effective in their financial administration practices ($M=4.00-5.00$). The implication is that, the sampled technical universities were effective in their financial administration by ensuring that; the budgeting process is participated by all stakeholders/units at the university ($M=3.47$, $SD=0.89$), by budgeting for it projects/activities ($M=3.64$, $SD=0.84$), ensuring that the financial reporting at the Institute complies with the International Accounting Standards ($M=3.76$, $SD=0.86$), accounting activities are effectively monitored and supervised to ensure value for money ($M=3.77$, $SD=0.82$), by demonstrating legality, probity, accuracy and completeness of its transactions during the year ($M=3.58$, $SD=0.83$), by ensuring that tenders are awarded in line

with established regulations to ensure value for money in the procurement process (M=3.67, SD=0.94), by ensuring that the budgeting document is distributed to stakeholders/units in the institutions (M=3.82, SD=0.89), by ensuring that every financial transaction at the sampled universities has complete and accurate records (M=3.67, SD=0.93).

Table 4.4: Effective and Efficient Financial Management at the Technical Universities of Ghana

| Chron Bach Alpha=0.942 | N | Mean | Std. Dev. |
|---|-----|-------|-----------|
| The budgeting process is participated by all stakeholders/units at the Institute in order to ensure efficiency | 79 | 4.29 | 0.82 |
| The Institute effectively budgets for all its projects and activities | 80 | 4.28 | 0.92 |
| Financial Reporting at the Institute complies with the International Accounting Standards (IASs) | 80 | 4.20 | 0.88 |
| Accounting activities are effectively monitored and supervised to ensure value for money. | 132 | 4.12 | 0.78 |
| The Institute demonstrates legality, probity, accuracy and completeness of its transactions during the year. | 80 | 4.12 | 0.74 |
| Tenders are awarded in line with established regulations to ensure value for money in the procurement process | 132 | 4.10 | 0.90 |
| The budgeting document is distributed to all stakeholders/units at the Institute | 132 | 4.10 | 0.96 |
| Every financial transaction at the Institute has complete and accurate records | 80 | 4.02 | 1.03 |
| Internal Audit independently verifies and validates all financial statements and report to the directors accordingly | 132 | 3.97 | 1.01 |
| Whenever it is possible to quantify an activity the estimated value for money is made | 132 | 3.89 | 0.89 |
| Financial reports are timely produced | 78 | 3.88 | 0.84 |
| Funding arrangement for any activity/project at the Institute is done transparently | 79 | 3.87 | 0.93 |
| In the Institute, accountability is always done following its budget | 80 | 3.87 | 0.89 |
| Management periodically produces statement of cash flow to show the organization's cash inflows and outflows | 132 | 3.132 | 1.09 |
| Management periodically produces statement of financial position to show the financial position of the Institute | 132 | 3.69 | 1.02 |
| Financial statements on their own are entirely satisfactory or broad enough to reflect a meaningful scope of organizational financial performance | 77 | 3.59 | 0.82 |
| All Stakeholders are satisfied with the expenditures due to the effective and efficient financial management process | 132 | 3.59 | 0.93 |
| Overall, the Institute ensures a prudent, an efficient, and an effective financial management process | 132 | 4.38 | 0.63 |

Source: Field Survey Data, 2016

Scale: 1= Not at all , 2= Rare Occasion, 3=Sometimes, 4= Frequently, 5= Very frequently

”.

The findings further revealed that the sampled technical universities in Ghana were effective with regards to their financial administration practices sometimes (Mean: 3.00-3.99). That is, the internal audit independently verifies and validates financial statements and report to directors (M=3.66, SD=0.85), whenever it is possible to quantify an activity the estimated value for money is made (M=3.51, SD=0.97), financial reports are timely produced (M=3.55, SD=0.89), funding arrangement for any activity/project in the Institute are done transparently (M=3.80, SD=0.77), accountability is done following the budget (M=3.70, SD=0.92), management produces statement of cash flow to show the organization's cash inflows and outflows (M=3.36, SD=0.87), management periodically produces statement of cash-flows to show the tertiary institution's financial position (M=3.47, SD=0.89), by ensuring that financial statements are entirely satisfactory or broad enough to reflect a meaningful scope of the Institute's financial performance (M=3.64, SD=0.84), and that all Stakeholders are always satisfied with the university's expenditures (M=3.76, SD=0.86). Overall, however, the technical universities ensured a prudent, an efficient, and an effective financial administration at their respective institutions (M=3.77, SD=0.82). The implication is that the sampled technical universities in Ghana were effective with regards to financial administration.

4.5 Relationship between the Internal Audit Function and Financial Administration at the Technical Universities in Ghana

The study went further to determine the relationship between the Internal Audit Function and Financial Administration at the Technical Universities in Ghana. To achieve this objective, a non-parametric correlation (spearman rho correlation and Kendell tau correlation) were performed. Table 4.8 represent the findings for the inter--relationship between the internal audit function and financial administration of sampled technical universities in Ghana.

Table 4.5: Correlation between Internal Audit Function and Financial Administration

| | | | Overall frequency at which internal audit performs its function | Overall, financial administration of technical universities |
|-----------------|---|-----------------|---|---|
| Kendall's Tau | Overall frequency at which internal audit performs its function | Correlation | 1.000 | 0.686** |
| | | Coefficient | | |
| | | Sig. (2-tailed) | . | 0.001 |
| | | N | 132 | 132 |
| | Overall, financial administration of technical universities in Ghana | Correlation | 0.686** | 1.000 |
| | | Coefficient | | |
| Sig. (2-tailed) | | 0.001 | . | |
| | N | 132 | 132 | |
| Spearman's rho | Overall frequency at which the internal audit performs its function | Correlation | 1.000 | 0.708** |
| | | Coefficient | | |
| | | Sig. (2-tailed) | | 0.000 |
| | | N | 132 | 132 |
| | Overall, financial administration of technical universities in Ghana | Correlation | 0.708** | 1.000 |
| | | Coefficient | | |
| Sig. (2-tailed) | | 0.000 | . | |
| | N | 132 | 132 | |

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

The outcomes of the above correlation matrix indicated that there is a high correlation between the internal audit function and the financial administration of the sampled technical universities in Ghana ($P < 0.01$) as revealed by both Kendall's tau and Spearman's rho correlation coefficients. The implication is that the as the sampled technical universities in Ghana enhances their role in the performance of their internal audit functions, their performance in terms of effective financial administration also increases. Therefore, it can be concluded from the above that the internal audit's function is most significant and crucial in ensuring an effective financial administration among technical universities in Ghana.

4.6 Factors Hampering the Effective Financial Administration of Technical Universities in Ghana

The final specific objective of the study was to identify the factors that are most likely to hamper the effective financial administration of technical universities in Ghana. Again, mean and standard deviations were used to present the findings. The items with mean values greater than 3.0 (that is, the test value) represents the factors hindering the effective financial administration of technical universities in Ghana. The findings indicate that, out of the eight (8) factors enumerated on table 4.9, five (5) out of the factors are very critical in hampering the effective financial administration of technical universities in Ghana. The outcome is presented in Table 4.9.

The outcome of the analysis as demonstrated on table 4.9 has revealed that there are five (5) key factors hampering the effective financial administration of technical universities in Ghana (Mean values of more than 3.00). The factors therefore hampering the effective financial administration of the technical universities in Ghana includes; poor remuneration of employees in the internal audit departments of the technical universities, in the performance of their functions (M=3.85, SD=0.98), lack of frequent training and retraining for staff of the internal audit and account staffs of the sampled technical universities in Ghana (M=3.99, SD=0.86), inadequate human resource capacity at the internal audit units of the technical universities in Ghana (M=3.34, SD=0.94), lack of the proper implementation of internal control recommendations by management (M=3.02, SD=0.94), lack of co-operation between the various departmental heads and the internal audit units of the technical universities in Ghana (M=3.61, SD=0.89), and lack of the internal auditors' independence (M=3.86, SD=0.80).

Table 4.6: Factors Hampering the Effective Financial Administration of Technical Universities in Ghana

| | N | Mean | Std. Dev. |
|---|-----|------|--------------|
| Poor remuneration of employees in the internal audit department in carrying out their functions | 132 | 3.85 | 0.98 |
| Lack of frequent training and retraining of internal audit and account officers | 132 | 3.99 | 0.86 |
| Inadequate human resource capacity at the internal audit units of the technical universities | 132 | 3.34 | 0.94 |
| Lack of skilled personnel in the ICT departments of the universities | 132 | 2.53 | 1.10 |
| Lack of proper implementation of internal audit recommendations by management of the technical universities | 132 | 3.02 | 0.94 |
| Lack of cooperation between the various departmental heads and the internal audit units of the technical universities | 132 | 3.61 | 0.89 |
| Lack of internal auditors' independence at the technical universities | 132 | 3.86 | 0.80 |
| Incompetent staff in the internal audit of the technical universities | 132 | 2.13 | 0.97 |

Source: Field Survey Data, 2016

Scale: 1= "Strongly disagree"; 2= "Disagree"; 3 = "Neutral"; 4= "Agree"; 5= "Strongly agree"

4.6 Discussion of Results

The findings of the study confirm that observed by other researchers. For example, Tumwine (2011) established how internal audit function affects the efficient financial management of public tertiary institutions. The findings of the study revealed a significant and positive relationship between the internal audit function and the financial administration of technical universities in Ghana, thereby confirming the findings of the above researcher. The findings also

confirmed similar studies undertaken by Ahmad (2015), who examined internal audit effectiveness and accountability of public funds in local government and found out that the internal audit department has a great stake in the accountability of public funds. Furthermore, Ngutor (2015), observed that internal audit is a tool for enhancing accountability in local government. The current study also affirms the observation by Ngutor (2015)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The purpose of the study was to assess the contribution of the internal audit function to the financial administration of public technical universities in Ghana. Specifically, the study assessed the contributions of the internal audit function to the technical universities in Ghana, ascertained the effective financial administration of technical universities in Ghana, determined the relationship between the internal audit function and the financial administration of technical universities in Ghana, and identified the factors hampering the financial administration of the technical universities in Ghana.

A survey research strategy coupled with a quantitative methodology approach was used in the study in order to achieve the objectives of the study. A structured questionnaire was used to conveniently gather data. The respondents included internal auditors, accountants, finance managers, administrators, human resource managers, account officers, internal audit officers, audit managers, and other auxiliary staffs. The sample also included respondents from the departments of internal audit, finance and accounts, administration, human resource, and other similar departments. Items on the questionnaire were measured on a five-point ranking scale. Overall, 132 respondents were sampled for the study. A non-parametric spearman correlation was used to relate the function of internal audit and financial administration at the public technical universities of Ghana.

With respect to assessing the contributions of the internal audit function to the public technical universities in Ghana, the findings of the study revealed that, overall the internal audit

departments performed their functions frequently, regularly, and prudently, thereby contributing effectively to the financial administration of the technical universities. They performed their functions by achieving each of the following activities; ensuring compliance to laid down rules and regulations, checking the accounting records for fraud and irregularities, examining the procedures governing the utilization of resources, evaluating all departments and units of the technical universities thereby ensuring that they are working effectively, ensuring accurate, comprehensive, and temporariness of financial reporting.

With regards to the effective financial administration of the technical universities in Ghana, the study found that the sampled technical universities on the average were quite effective in all matters relating to financial administration. This is because the budgeting process is participated by all stakeholders/units, the universities budgets for their projects/activities, financial reporting at the universities complies with the Internationally Accepted Accounting Standards, accounting activities are monitored and supervised to ensure value for money, the management of the universities demonstrates legality, probity, accuracy and completeness of all their financial transactions during the year, tenders are awarded in line with established regulations to ensure value for money in the procurement process, the budgeting document is distributed to stakeholders/units at the universities, and that every financial transaction undertaken at the universities have complete and accurate records.

Concerning the relationship between the internal audit function and financial administration, the study found a significant positive relationship between the internal audit function and the financial administration at the technical universities in Ghana.

Regarding the factors hampering the effective financial administration at the technical universities in Ghana, the study revealed that; poor remuneration of employees in the internal audit departments of the technical universities, in the performance of their functions, lack of frequent training and retraining for staff of the internal audit and account staffs of the sampled technical universities in Ghana, inadequate human resource capacity at the internal audit units of the technical universities in Ghana, lack of the proper implementation of internal control recommendations by management, lack of co-operation between the various departmental heads and the internal audit units of the technical universities in Ghana, and lack of the internal auditors' independence, were the factors hampering the effective financial administration of the technical universities in Ghana.

5.2 Conclusions

Based on the findings of the study, the study came to the following conclusions:

- i. The internal audit department of the sampled technical universities in Ghana, performed their functions frequently and regularly in order to achieve effectiveness in financial administration
- ii. The functions of the internal audit department correlated significantly and positively with the financial administration of the technical universities in Ghana
- iii. Certain factors hampered the effective financial administration of the technical universities in Ghana, including: poor remuneration of employees in the internal audit departments of the technical universities in the performance of their functions; lack of frequent training and retraining for staff of the internal audit and account staffs of the sampled technical universities in Ghana; inadequate human resource capacity at the internal audit units of the technical universities in Ghana; lack of the proper

implementation of internal control recommendations by management; lack of co-operation between the various departmental heads and the internal audit units of the technical universities in Ghana; and lack of the internal auditors' independence in effectively executing their functions.

5.3 Recommendations

Based on the findings of this study, the following are strongly recommended by the researcher:

- The internal audit function effectively contributed to the financial administration of the sampled technical universities in Ghana. The study recommends to the internal audit department of technical universities in Ghana, to continuously work towards achieving effectiveness and efficiency in their functions, in order to maintain their integrity and professional ethics.
- The internal audit function correlated significantly and positively with the financial administration practices of the sampled technical universities in Ghana. It is recommended to the management of public universities in Ghana to continuously improve upon the role and functions of their Internal Audit departments.
- Again, the remuneration of internal auditors at the technical universities in Ghana, must be enhanced to ensure job motivation, job security, and job performance.

5.4 Limitations of the Study

Time constraint was the main limiting factor on the part of the researcher. As a result, the researcher could not expand the scope of the study to cover all the technical universities in Ghana, but limited itself to only five (5) public technical universities in Ghana, namely; Takoradi Technical University, Cape Coast Technical University, Accra Technical University, Sunyani

Technical University and Koforidua Technical University. Getting timely responses from the respondents in the sampled technical universities was another key challenge even with consistent and persistent appeals from the researcher. This became evident due to the busy work schedules of the sampled respondents.

5.5 Further Studies

Future studies can consider expanding the scope of the study to include all the public technical universities in Ghana, to make the findings much more generalizable. Future studies can consider finding out the determinants of internal audit quality among public tertiary universities -in Ghana.

APPENDIX I

The Questionnaire

TOPIC: **Assessing the Contribution of the Internal Audit Function to the Financial Administration at the Technical Universities in Ghana**

Introduction: The researcher of the above topic is an MSc graduate student of the University of Ghana Business School, Legon. This questionnaire is meant to achieve the aforementioned topic, and the successful completion of which will lead to the award of a Master of Science Degree in Accounting and Finance at the University of Ghana, Legon. The researcher of this study pledges to conceal the anonymity and confidentiality of all persons who give out information as required by this study.

SECTION A: Socio-Demographic Profile of Respondents

1) Gender of respondent

- A. Male [] B. Female []

2) Age of respondent

- A. Less than 20yrs [] B. 20-29 yrs [] C. 30-39yrs [] D. 40-49yrs []
E. 50yrs or more []

3) Educational level of Respondent

- A. SHS/ O/A-Level [] B. Diploma [] C. Degree [] D. Masters/PhD []

4) How long have you been working with this public tertiary institution? (Tenure of work)

- A. 1-5yrs [] B. 6-10 yrs [] C. 11-15yrs [] D. 16yrs and above []

5) Which department do you work with at institution?

- A. Internal Audit []
B. Finance and Accounts []
C. Administration []
D. Any other []. Please specify.....

6) What is your position in this institution?

- A. Senior Staff []
B. Junior Staff []
C. Management Staff []
D. Non-management Staff []
E. Any other staff. []. Please specify.....

SECTION B: Contribution of the Internal Audit Function at Technical Universities

This section of the questionnaire seeks to assess the contribution of the Internal Audit Function at the various public sector institutions in Ghana. The section determines the frequency at which the internal audit departments perform their functions at their respective institutions. Please indicate your response using the following scale.

Please respond to the contribution of the internal audit function to your public tertiary institution by responding to the following scale.

- 1= Not at all**
- 2= Rare occasion**
- 3 =Sometimes**
- 4= Frequently**
- 5 =Very frequently**

| No | CONTRIBUTION OF THE INTERNAL AUDIT FUNCTION TO TECHNICAL UNIVERSITIES | For each statement choose a number | | | | |
|----|---|------------------------------------|---------------|-----------|------------|-----------------|
| | | Not at all | Rare occasion | Sometimes | Frequently | Very frequently |
| 1 | The Internal Audit Function, ensures compliance to the laid down rules and regulations | 1 | 2 | 3 | 4 | 5 |
| 2 | Check accounting records of the tertiary institution for fraud and irregularities | 1 | 2 | 3 | 4 | 5 |
| 3 | Examine procedures governing the utilization of resources in the tertiary institution | 1 | 2 | 3 | 4 | 5 |
| 4 | Evaluates all departments and units of the tertiary institution, ensuring that they are working effectively | 1 | 2 | 3 | 4 | 5 |
| 5 | Ensure accurate, comprehensive, and temporariness of financial reporting at the tertiary institution | 1 | 2 | 3 | 4 | 5 |
| 6 | Reports on all systems of the internal control (SIC) processes at the tertiary institution | 1 | 2 | 3 | 4 | 5 |
| 7 | Provides the external auditor, the members of the audit board, and the management team members with | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|----|---|---|---|---|---|---|
| | relevant information on the tertiary institution | | | | | |
| 8 | Add value to the institution by ensuring financial accountability | 1 | 2 | 3 | 4 | 5 |
| 9 | Ensure the application of generally accepted accounting principles in financial reporting | 1 | 2 | 3 | 4 | 5 |
| 10 | Facilitate risk management practices at the institution | 1 | 2 | 3 | 4 | 5 |
| 11 | Focuses on performance audit | 1 | 2 | 3 | 4 | 5 |
| 12 | Oversees the overall efficiency and effectiveness of the technical university | 1 | 2 | 3 | 4 | 5 |

SECTION B: Financial Administration of Technical University in Ghana

This section of the questionnaire examines the financial administration of technical universities in Ghana. Please respond to the financial administration of the technical university by responding to the following scale.

- 1= Not at all
- 2= Rare occasion
- 3 =Sometimes
- 4= Frequently
- 5 =Very frequently

| No. | | For each statement choose a number | | | | |
|-----|---|------------------------------------|---------------|-----------|------------|-----------------|
| | | Not at all | Rare occasion | Sometimes | Frequently | Very frequently |
| | FINANCIAL ADMINISTRATION OF TECHNICAL UNIVERSITIES IN GHANA | | | | | |
| 1 | The budgeting process is participated by all stakeholders at the tertiary institution in order to ensure efficiency | 1 | 2 | 3 | 4 | 5 |
| 2 | The tertiary institution effectively budgets for all its projects and activities | 1 | 2 | 3 | 4 | 5 |
| 3 | Financial reporting at the tertiary institution complies with the International Accounting Standards | 1 | 2 | 3 | 4 | 5 |
| 4 | Accounting activities are effectively monitored and supervised | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|----|---|---|---|---|---|---|
| | to ensure value for money at the institution | | | | | |
| 5 | Tenders are awarded in line with established regulations to ensure value for money in the procurement process | 1 | 2 | 3 | 4 | 5 |
| 6 | The budgeting document is distributed to all stakeholders at the public tertiary institution | 1 | 2 | 3 | 4 | 5 |
| 7 | Every financial transaction at the tertiary institution has complete and accurate records | 1 | 2 | 3 | 4 | 5 |
| 8 | The Internal Audit independently verifies and validates the financial statements and reports to the board of directors | 1 | 2 | 3 | 4 | 5 |
| 9 | Financial reports are timely produced | 1 | 2 | 3 | 4 | 5 |
| 10 | Funding arrangements for any activity or project at the tertiary institution is done transparently | 1 | 2 | 3 | 4 | 5 |
| 11 | At this tertiary institution, accountability is always done following the budget session | 1 | 2 | 3 | 4 | 5 |
| 12 | Management periodically produces statement of cash-flows to show the institutions' cash inflows and outflows | 1 | 2 | 3 | 4 | 5 |
| 13 | Management periodically produces statement of financial position to show the financial position of the institution | 1 | 2 | 3 | 4 | 5 |
| 14 | Financial statements on their own are entirely satisfactory or broad enough to reflect a meaningful scope of organizational financial performance | 1 | 2 | 3 | 4 | 5 |

SECTION D: Factors hampering financial administration at Technical University in Ghana

This section of the questionnaire examines the factors that are likely to hamper the effectiveness of financial administration at the various tertiary institutions in Ghana. Items in this section were measured on a Five-point Likert Type of Scale

Please indicate your response using the following scale. Circle

1=Strongly disagree

2= Disagree

3=Neutral

4=Agree

5= Strongly agree

| No. | FACTORS HAMPERING THE EFFECTIVE FINANCIAL ADMINISTRATION OF TECHNICAL UNIVERSITIES IN GHANA | For each statement choose a number | | | | |
|-----|---|------------------------------------|----------|---------|----------------|-------|
| | | Strongly disagree | Disagree | Neutral | Strongly Agree | Agree |
| 1 | Poor remuneration of employees in the internal audit department in the performance of their functions | 1 | 2 | 3 | 4 | 5 |
| 2 | Lack of frequent training and retraining for staff of the internal | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|----------|---|----------|----------|----------|----------|----------|
| | audit | | | | | |
| 3 | Inadequate human resource capacity at the internal audit unit of the public tertiary institution | 1 | 2 | 3 | 4 | 5 |
| 4 | Lack of skilled personnel in ICT | 1 | 2 | 3 | 4 | 5 |
| 5 | Lack of the proper implementation of internal control recommendations by management | 1 | 2 | 3 | 4 | 5 |
| 6 | Lack of cooperation between the various departmental heads and the internal audit unit of the tertiary institutions | 1 | 2 | 3 | 4 | 5 |
| 7 | Lack of internal auditors' independence | 1 | 2 | 3 | 4 | 5 |
| 8 | Incompetent staff in the internal audit unit | 1 | 2 | 3 | 4 | 5 |

THANK YOU

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