

**THE ROLE OF THE INTERNAL AUDIT FUNCTION IN PROMOTING EFFECTIVE
AUDIT PRACTICES IN GHANA: THE EVIDENCE OF THE NATIONAL HEALTH
INSURANCE AUTHORITY (MANHYIA AND SUBIN-KUMASI).**

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DECLARATION

We hereby declare that this submission is our own work and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for any other degree of the University. We have read the institution's policy on plagiarism and acknowledge that this research work does not contain any unacknowledged material.

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ABSTRACT

Organisations are created to achieve specific goals and objectives. Unfortunately, goals are not always achieved as expected, because they should be reached in a context of risky environments. Internal auditing is one of the main organisational functions that deal with risk exposure and management. This study is aimed at presenting the situation of the internal auditing function and financial management in the public sector and specifically at NHIA.

In order to successfully perform the research, it was necessary to use a research methodology. In this context, the literature review helped in describing, in details, some key notions, namely internal and management financial management. Reliable data have been collected and obtained from this institution, especially with regard to internal auditing and financial management. The following findings were made: lack of value creation and addition; there is inadequate control over audits and performance; analytical audit procedures do not exist in the firm; there is no existence of audit work schedules; unawareness of audit charter; compliance with rules and regulations. The recommendations made include: In the process of gathering data to understand and assess risk, internal auditors must develop significant insight into operations and opportunities for improvement that can be extremely beneficial to their organization. This valuable information can be in the form of consultation, advice, and written communications. Employees who are not degree holders or without professional qualifications should be encouraged to upgrade themselves. There must be restructuring of audit objectives, audit procedures and audit programme, including analytical auditing procedures to compare reports on financial information for the current and previous years to identify changes that might have occurred with regards to effective financial management. Audit work schedules should be prepared by the head of department, to enable employees to be aware of what is expected of them. Each employee should be provided with a desktop to record their audits as well as their findings to prevent the loss of information. An audit charter should be prepared by this department to make employees aware of the scope, responsibilities and the line of authority. A copy of the code of ethics from the institute should be provided for employees to be aware of their requirements by law as well as the consequences that might result from their actions. Register should be provided by the department to monitor compliance by employees which could be updated by the human resource management as to the payment of salaries according to the hours spent by the employees at their jobs as well as the workplace.

DEDICATION

We dedicate this piece of work to our parents and lecturers of Christian Service University College.

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CHAPTER ONE

INTRODUCTION

1.1 BACK GROUND OF THE STUDY

Today, in businesses worldwide, the internal audit function is becoming very important for achieving the objectives of organisations. In recent years, Ghana has recognised the importance of the internal audit function, which is why that function has been established in public institutions.

The internal audit function is an integral part of the corporate governance regime of most public institutions and a number of larger private companies. The primary goal of internal audit is to evaluate the institution's risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly.

Managing risk is actually managing the organisation in planning, organising, directing, and controlling the organisation's systems and resources to achieve objectives (Namee, 2005). In Ghana the managers of most public institutions are not as effective in dealing with uncertainty as it is required.

Pickett S. H. K and Pickett J. (2005b) view the existence of an internal audit function as essential for all affected institutions and suggest that where the board of such an institution decides not to implement an internal audit function, full reasons for its decision should be advanced in the institutions Annual Report. In addition, the board should consider how, in the absence of internal audit, the effectiveness of the institution's internal processes and systems will be verified.

According to Pickett (2004:10), internal auditing has come a long way over the last two or three decades. In the past, internal auditing was seen as a mechanism to double-check the thousands of financial transactions that were posted to the accounts each week. In the 1950s and 60s, it only consisted of basic tests of the accounts with a view to isolating errors and irregularities. Huge standardised auditing work programmes would be prepared that determined the steps that had to be taken to verify figures in the main accounting ledger and feeder systems. In contrast, today's internal auditor facilitates the development of suitable controls as part of a wider risk strategy, and provides assurances on the reliability of these controls.

The move from detailed low-level checks of huge volumes of mainly financial transactions to high-level input into corporate risk strategies has been tremendous.

Internal audit may be carried out by an in-house division or outsourced, although where the function is outsourced to the same firm that performs the company's external audit, care should be taken to ensure that suitable 'Chinese walls' exist. The separateness of the external and internal audit functions are essential to proper corporate governance, as the one acts as a system of checks and balances in respect of the other. In practice there is often a high degree of cooperation between the external and internal audit functions of an institution, and the external auditors usually affirm in their audit report the extent to which reliance has been placed on the work performed by internal audit.

The purpose, authority and responsibility of the internal audit function should be formally defined in a form consistent with the standards of Internal Audit Agency Act 2003 (Act, 658). The internal audit function should be sufficiently independent of the activities audited to ensure

that the fact that internal auditors may be employees of the company does not hamper their independence and their ability to be objective.

In public sector financial management the roles of three professionals are very critical. These professionals are the Finance Officer or Financial Controller, Internal Auditor and the External Auditor. The External Auditor here refers to the Auditor-General or a practising Accountancy firm engaged to audit any MDA or MMDA. The Internal Auditor is any auditor who performs managerial functions just like staffing, training and development, planning, budgeting, communication, etc. in organizations, institutions and agencies. The work of the internal auditor is an independent activity established by management to examine and evaluate an organization's risk management process and system of operational controls. The audit is to examine the integrity of internal controls and to make recommendations to management for correction and the achievement of corporate objectives.

Internal audit normally involves a number of activities. These include:

1. Examination and evaluation of financial and operating records and information;
2. Review of economy, efficiency and effectiveness (3Es) of operations of all Divisions, Departments and Units of an organization or institution;
3. Review of compliance with statutory laws and regulations as well as the internal policies, decision and procedures;
4. Review and advice on the development of key organizational systems and implementation of major change policies of organization.

Management, board or council of MDAs and MMDAs have the responsibility to ensure that public assets entrusted to their care are protected and save guarded against frauds and other

forms of irregularities. They therefore have to put in place structures, mechanism and framework which prevent deter and detect frauds and irregularities before external auditors come in to audit the financial statements. In modern financial management practices the establishment of audit committees and internal audit department or units is recommended to all forms of organization to assist management, board etc in protecting and safeguarding organizations assets.

Internal auditing is a profession and activity involved in helping organizations achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Professional's internal auditors are employed by organizations to perform the internal auditing activity just like staffing, training and development, planning and budgeting etc.

The scope of internal auditing within an organization is broad and may involve topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safe guarding assets, and compliance with laws and regulations.

Internal auditing frequently involves measuring compliance with the entity's policies and procedures. However, internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have a variety of higher educational and professional backgrounds.

1.2 STATEMENT OF THE PROBLEM FOR THE STUDY

Organisations exist to achieve specific goals and objectives. Unfortunately, goals are not always achieved as expected, because they have to be achieved in an environment of risk. Part of dealing with these risks includes the internal auditing function, which exists to examine and report on risk exposures and the organisation's risk management efforts. Through a system of effective internal audit, managers can identify, manage, and implement effective controls to mitigate these risks.

According to Flesher (1996), the internal audit activity should monitor and evaluate the effectiveness of the organisation's risk management system. Some of the roles of internal auditing in managing risk have been summarised as follows:

It is increasingly recognised that the internal audit function needs to add value to the organisation by closely aligning itself with the major concerns of senior management and focusing on the issues that are critical to success. An internal auditor's responsibilities are similar to the consultant in the sense that they both are responsible for the technical quality of the advice they give. However, it is management's decision whether or not to accept that advice in the light of its fuller understanding of the situation.

In general, public sector managers do not deal effectively with uncertainty. The common characteristics of the public sector are mismanagement, incompetence, or ignorance about risk management, and managers are in most cases politicians who don't necessarily have the managerial skill (Namee, 2005).

To ensure efficiency, effectiveness, economy, transparency and responsibility in public sector financial management and, as part of public sector financial reform one of the laws passed is the

Internal Audit Agency Act (IAAA), Act 658, 2003. The Act requires that every MDA or MMDA should establish Internal Audit Unit or Department. The internal audit units or departments under the law are:

1. independent units which are to appraise operating controls of the health sector;
2. instruments for objective examination and evaluation of the internal control system (ICS) put in place by the Management, Board or Council;
3. independent mechanisms for providing assurance and consultancy services to the Management, Board or Council;
4. instruments for adding value and improve the operations of the health sector;
5. instruments for enhancing corporate governance and achievement of the corporate objectives;
6. instruments for evaluating and improving financial management control in the health sector.

However, after the enactment of the law, there are still reported cases of corruption, fraud, inefficiencies and irregularities in the public sector of the economy. Also, the Commission set up by the late President of the Republic of Ghana, His Excellency President Evans John Atta Mills in 2009 and other such committees like the Public Account Committee to investigate the activities of “Ghana at 50” and activities of the public sector respectively give the indication that, controls and for that matter financial management in the public sector are still very poor. This explains why lots of activities/transactions were carried out without proper checks, controls, authorisation and approval. This therefore suggests to the researcher that financial management in the public sector is still not efficient and effective.

1.3 OBJECTIVES OF THE STUDY

1. To ascertain the internal audit system within the National Health Insurance Authority;
2. To determine the effectiveness of the internal audit practices within the National Health Insurance Authority;
3. To suggest ways of strengthening financial management practices of NHIA.

1.4 RESEARCH QUESTIONS

1. How effective are the financial controls of the National Health Insurance Authority?
2. How effective are the financial management practices of the National Health Insurance Authority?
3. What is the impact of the role of the internal Audit function on financial management within the National Health Insurance Authority?

1.5 SIGNIFICANCE OF THE STUDY

The significance of the study is to determine the impact of internal auditing function on effective financial management within the National Health Insurance Authority from the perspective of the standards for the professional practices of internal auditing: to impact an understanding of the role of internal auditing and to suggest means of improving on the practice of internal auditing to promote effective and efficient financial management in public sectors.

1.6 SCOPE OF THE STUDY

This research does not intend to investigate all Kumasi public institutions (MDAs and MMDAs) but will focus only on the NHIA

The study consists of a literature review, combined with an empirical investigation on:

- the role of internal auditing in the public institutions;
- the current status of financial management within NHIA;

Managers, heads of departments, sections and internal auditors participated in the investigation. In this study a qualitative method has been used, and the data has been analysed and interpreted according to their meaning.

1.7 LIMITATIONS OF THE STUDY

The whole of MMDAs and MDAs would have been studied to help make the study more representative. However, as it has been stated earlier, NHIA was used for the study. The use of NHIA for the study has been necessitated due to constraints such as finance and limited time.

The ideal situation would have been to cover many respondents than what had been covered in the study, but since there is time allocation and financial resources limitation on the part of the researcher, it limited the number of respondents contacted.

In spite of this, the study is as good and reliable as information obtained from respondents gave a good representation of the problem under study. The degree of reliability of responses due to memory lapses could affect the precision of the outcome. Additionally, biases introduced by some respondents could also not be estimated. The researcher can do little to ensure the accuracy of data.

1.8 ORGANISATION OF THE STUDY

Chapter one includes the background to the study, statement of the problem, objectives of the study, research question, significance of the study among others.

Chapter two contains a detailed review of the existing literature on financial management internal auditing.

The third chapter deals with the methodology: research design, population, sampling technique, data collecting procedures and analysis of data collected.

The fourth chapter looks at the research findings and results based on the feedback from the research instruments.

Finally, chapter five deals with the summary, findings, conclusion and recommendations and direction for future research.



CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This study made a brush approach to the literature review on the role of internal auditing in improving risk management. Lawrence (2000) identified the following four goals of literature review in the research:

- To demonstrate familiarity with a body of edge and establish credibility;
- To show the path of prior research and how a current project is linked to it;
- To integrate and summarise what is known in an area;
- To learn from others and stimulate new ideas.

To reach these objectives, information has been collected from documentary sources (books, articles, journals and the institution's report). The Office of the internal Audit Agency Board was also consulted on the situation to ascertain the extent to which auditing contributes to enhancing risk management.

The documentary technique has assisted in establishing the importance of internal auditing in risk management.

2.2 EVOLUTION, GROWTH AND DEVELOPMENT OF INTERNAL AUDITING

The information below provides an indication of the growth and development of the internal auditing profession.

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)

The evolution and development of internal audit has gone through the following steps:

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. Performance encompassed the interaction of all measures that ensured that staff was equipped and able to set targets, perform and measure the extent to which they have been successful.

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 organisation.

Assess risk management

Nothing stands still, and the 1990s saw the boom in risk management to stave off criticism of organisations that had been damaged or even destroyed by scandals, mismanagement, or events that had a major adverse impact on their business. The call for good systems of operational risk management underpinned the emphasis on corporate governance across all types of businesses and public sector bodies.

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 organisations. 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 organisation. 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 organisation. Adding value is described by the Institute of Internal Auditors

(IIA) in the following way: Organisations 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 their 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 organisation. This valuable information can be in the form of consultation, advice, written communication or through other products, all of which should be properly communicated to the appropriate management or operating personnel.

2.3 THE ROLE OF THE INTERNAL AUDITOR

Flesher (2004) 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 propriety, such activity has not always been among the internal auditor's 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 organisation 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. 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.

2.4 THE INTERNAL AUDITOR AND THE RISK MANAGEMENT PROCESS

The internal audit activity has to verify the adequacy of the risk management process that is whether management has planned and designed it in such a manner that it provides reasonable assurance that the organisation's objectives and goals will be achieved. Risk management is a key responsibility of management. However, internal auditors acting in a consulting role can assist management in identifying, evaluating and implementing risk management methodologies and controls to address those risks (Goetzee 2004).

2.5 CHANGING THE INTERNAL AUDITOR'S PARADIGM

The table below intends to show the change from the internal auditor's characteristic, old paradigm towards a new paradigm.

Changing the internal auditor's paradigm

Characteristic	Old paradigm	New paradigm
Internal audit focus	Internal control	Business risk
Internal audit response	Reactive, after-the-fact, discontinuous, observers of strategic planning initiatives	Coactive, real-time, continuous monitoring, participants in strategic plans
Risk assessment	Risk factors	Scenario planning
Internal audit tests	Importance controls	Importance risks
Internal audit methods	Emphasis on the completeness of details controls testing	Emphasis on the significance of broad business risks covered
Internal audit recommendations	Internal control: <ul style="list-style-type: none">• Strengthened• Cost-benefit• Efficient and effective	Risk management: <ul style="list-style-type: none">• Avoid or diversify risk• Share or transfer risk• Control or accept risk
Internal audit reports	Addressing the functional controls	Addressing the process risks
Internal audit role in the organisation	Independent appraisal function	Integrated risk management and corporate governance

Source: (Namee and Selim 1997)

Risk management is an area of paramount importance to an organisation. In fact since every organisation is exposed to risks, effective risk management is necessary for the progression of a business entity (Williams 2002).

2.6 INTERNAL AUDIT DEFINED

Courtemanche (1986) states that until recently, there were two basic conceptions of internal auditing: the traditional and the modern. The traditional conception of internal auditing views accounting as its true discipline, accounting control as its true concern and the board's audit committee as its true client. The modern conception of internal auditing does not reject the substance of the traditional conception, but seeks to extend it beyond its narrow confines. Modern internal auditing claims an unlimited scope, reserves the freedom to borrow from many disciplines and recognises senior management as additional clients more or less distinct from the board's audit committee.

According to Gleim (2004), internal auditing is a management-oriented discipline that has evolved rapidly since the Second World War. Once a function primarily concerned with financial and accounting matters, internal auditing now addresses the entire range of operating activities and performs a correspondingly wide variety of assurance and consulting services. The development of internal auditing was fostered by the increased size and decentralisation of organisations, the greater complexity and technological sophistication of their operations, and the resulting need for an independent, objective means of evaluating and improving their risk management, control and governance processes.

Gleim (2004) provides the official IIA definition with its source: internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.

2.7 THE DEVELOPMENT OF INTERNAL AUDITING

Pickett (2005) is of the opinion that internal auditing is now a fully developed profession. An individual employed in internal audit ten years ago would find an unrecognisable situation in terms of internal audit's role, the services provided and the approach followed. For full appreciation of internal auditing, it is necessary to trace these developments back and extend trends into the future. It is important to understand the roots of internal auditing and the way it has developed over the years. Internal auditing developed as an extension of the external auditing role in testing the reliability of accounting records that contribute to published financial statements.

Cascarino and Van Esch (2005) state that the profession of internal auditing, as many other professions, has its roots in the Industrial Revolution of the nineteenth century. The enormous growth of the business sector found existing professionals scrambling to keep up. Specialists appeared, coping with such innovations as corporate law, banking provisions and bankruptcies. This led to the formation of a plethora of organisations and associations that, over a period of time, amalgamated into the British Institute of Chartered Accountants and the American Certified Public Accountants in their respective countries.

The main difference between the two bodies at that time was the method of achieving professionalism in the bodies. The American body adopted a style that combined the academic and business worlds, and produced professionals that were a hybrid of both. The British institute took the more traditional English path of a trade apprenticeship outside the tertiary education system. This situation continued into the mid-1950s, with the two institutes dominating the business world in those countries and becoming an increasingly integrated part of corporate life, to the extent that almost half of all qualified professional accountants were employed outside audit firms.

By the start of the 1940s, professional internal control evaluators were employed by and distributed throughout organisations to such an extent that the differentiation between internal and external auditor became a meaningful concept. The statutory role of the external auditor has remained the attestation function, confirming that the financial records of organisations have been fairly presented.

The role of the internal auditor has developed over the past 70 years to one of assisting management in the discharge of its responsibilities by ensuring that the internal control structures are appropriate to a given level of risk and function, as management intended. Increasingly, internal auditors are called upon to act as internal control, risk and corporate governance consultants within organisations.

In 1941, the Institute of Internal Auditors Inc. (IIA) was formed. Based in New York, it was confined to America only. Its role was to provide a clearing house for ideas and education, and generally to unite the developing profession. After

World War II, the growth in multinational corporations virtually guaranteed the spread of the IIA to the rest of the industrialised world. It was not only the IIA that expanded. External audit firms formed working agreements with other firms across national boundaries, which eventually led to large international partnerships.

By the 1960s, the IIA had grown and flourished, becoming the acknowledged international leader of the internal auditing profession. From the IIA's inception, it was recognised that the multidisciplinary and evolutionary nature of the business world would have to be reflected in the IIA. It therefore had to provide the umbrella beneath which individual skills and talents needed to audit the internal control mechanisms of modern business could come together as equals to share knowledge and grow in the process.

2.8 EXTERNAL AUDITING

Pickett (2005) argues that external auditing fits into corporate governance by providing a report on the final accounts prepared by the board. They check that these accounts show a true and fair view of the financial performance of the company and its assets and liabilities at the end of the accounting year.

2.9 THE DIFFERENCE BETWEEN EXTERNAL AND INTERNAL AUDITING

Cascarino and Van Esch (2005), state that while the external auditor has a statutory responsibility to parties outside the client company, the internal auditor is primarily responsible to the organisation and all of its stakeholders. Although the two groups have different objectives,

there are many common areas of concern that provide a basis for an extensive coordination of effort.

However, according to Pickett (2005), there are many key differences between internal and external auditing and these are matters of basic principle that should be fully recognised. They are as follows:

- the external auditor is an external contractor and not an employee of the organisation, as is the internal auditor.
- the external auditor seeks to provide an opinion on whether the accounts show a true and fair view, whereas internal audit forms an opinion on the adequacy and effectiveness of systems of risk management and internal control, many of which fall outside the main accounting systems. It is important to have this concept clearly in mind.
- the external auditor seeks to test the underlying transactions that form the basis of the financial statements. The internal auditor, on the other hand, seeks to advise management on whether its major operations have sound systems of risk management and internal controls.

External auditors can be government auditors or independent public accounting firms. Government auditors focus primarily on compliance with government regulations and award terms. Internal auditors are "business generalists" who specialise in efficiency and effectiveness for the good of the organisation (University Audit Office 2003).

2.10 THE INTERNAL AUDIT CHARTER

According to Pickett (2005), the audit charter may be used in a positive fashion to underpin the marketing task that is discharged by audit management. It can also be used to audit services in the event of a dispute or an awkward audit. The charter formally documents the *raison d'être* of the audit function.

It is important that all audit departments develop and maintain suitable charters. The Institute of Internal Auditors issued a statement of responsibilities that covers the role of internal auditing, and this document may be used to form the basis of such a charter. The audit charter is a formal document that should be developed by the chief audit executive and agreed upon by the highest level of the organisation. If an audit committee exists, it should be agreed in this forum, although the final document should be signed and dated by the chief executive officer.

The audit charter establishes audit's position within the organisation and will address several issues, such as the following:

- i. The nature of internal auditing
- ii. The audit objectives
- iii. The scope of auditing work
- iv. Audit's responsibilities
- v. Audit's authority
- vi. Outline of independence

Chambers(2005) states that the Institute of Internal Auditors defines the charter of internal auditing activity as a formal written document that defines the activity's purpose, authority and responsibility. The charter should establish the internal audit function's position in the organisation, authorise access to records, personnel and physical properties relevant to the performance of engagements, and define the scope of internal audit activities. The institute's Practice Advisory 1000-1 stipulates that the charter should be reviewed and approved by management and accepted by the board.

2.11 APPROVAL OF THE INTERNAL AUDIT CHARTER

According to Moeller (2005), the internal audit charter serves as a basic authorisation for every effective internal auditing programme. An adequate charter is particularly important to define the roles and responsibilities of internal audit and its responsibility to serve the audit committee properly. It is here that the mission of internal audit must clearly provide for service to the audit committee, as well as to senior management. An internal audit charter is a broad but general document that defines the responsibilities of internal audit in the organisation, describes the standards followed and defines the relationship between the audit committee and internal audit.

2.12 THE ROLE OF THE AUDIT COMMITTEE

Kiger and Scheiner (1994) suggest that audit committees are frequently composed of three to five directors who are not members of the entity's management and who should represent the stakeholders' and society's interests very effectively. Audit committees are generally charged

with overseeing the financial reporting process, and they strengthen the financial reporting process by performing some or all of the following activities:

- nominating the public accounting firm to perform the audit
- reviewing the plans for the audit with the auditor
- overseeing internal audit activities
- discussing disagreements between management and the auditor
- discussing major problems the auditor encounters when doing the audit
- reviewing financial statements and the auditor's report upon completion of the engagement

According to Gleim (2004), the role of an audit committee or an equivalent body in strengthening the position of both internal and external auditing is now widely recognised. The following are some of its characteristics and responsibilities:

- i. The appropriate governing authority should develop and approve a **written charter**, describing the audit committee's duties and responsibilities;
- ii. The audit committee should review the **independence** of the external auditor;
- iii. Reports to shareholders or other stakeholders should include a letter from the chair of the audit committee, describing its responsibilities and activities;
- iv. The audit committee should monitor compliance with codes of conduct and legal and regulatory standards;
- v. The audit committee should have the necessary resources available;
- vi. The audit committee should oversee the **regulatory** reporting process;

- vii. The audit committee should monitor instances in which management seeks second opinions on significant accounting issues.

Moeller (2005) indicates that a significant step in organising an effective internal audit function is obtaining authorisation and approval by the organisation's audit committee of the board of directors. The audit committee provides this broad authorisation for an internal audit function through a formal audit charter document. It also approves internal audit's overall plans for continuing activities through the current period and beyond.

As one of the several operating committees established by the board, the audit committee has a rather unique role compared to other board committees. It consists only of non-executive directors - giving it independence from management - which should be a specially qualified group of outside directors who understand, monitor, coordinate, and interpret the internal control and related financial activities for the entire board.

The audit committee helps the board of directors to fulfill its stewardship duty by monitoring and reviewing the system of internal controls and risk management, internal and external audit, and the financial information provided to shareholders. It oversees the relationship between the external auditors and the company, assesses the effectiveness of these auditors every year and makes recommendations to the board concerning their appointment or removal (Financial Management 2005)

The Institute of Internal Auditors (IIA 2007) has developed the globally accepted definition of internal auditing, as follows:

“Internal auditing is 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.”

The primary purpose of internal audit is to carry out audit and professional evaluation of the activities to ensure that the system of internal controls applicable to financial programmes, safe guarding of assets and project areas provide reasonable assurance to manage that:

- Financial, managerial and operating information reported internally and externally is accurate, reliable and timely.
- Financial activities are in compliance with laws, policies, plans, standards and procedures.
- Resources are adequately safeguarded, used judiciously and for the intended purpose.
- Risks are adequately managed and financial resources used economically, efficiently and effectively.
- Facilitate the prevention and detection of fraud, abuse and waste.

2.13 FUNDAMENTAL PRINCIPLES OF INTERNAL AUDITING

2.13.1 Confidentiality

One of the ethics of the profession intended to ensure discipline among auditors is confidentiality. The basis of the auditor’s confidentiality springs from the fact that throughout the audit he will be familiar with highly confidential matters about the client. In fact every enterprise has its own secrets which the auditor may come across or may be revealed to him in the course of his audit and to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to

disclose, nor use the information for the personal advantage of the professional accountant or third parties. The principles of confidentiality imposes an obligation on all professional accountants to refrain from the following,

- i. Disclosing outside the firm or employing organization confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose, and
- ii. Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.
- iii. A professional accountant shall maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.
- iv. A professional accountant shall maintain confidentiality of information disclosed by a prospective client or employer and shall take reasonable steps to ensure that staff under the professional accountant's control and persons from whom advice and assistance is obtained respect the professional accountant's duty of confidentiality.

The following is circumstances where professional accountants are or may be required to disclose confidential information or when such disclosure may be appropriate,

- i. Disclosure is permitted by law and is authorized by the client or the employer.
- ii. Disclosure is required by law, for instance production of documents or other provision of evidence in the course of legal proceedings and disclosure to the appropriate public authorities of infringements of the law that come to light.

- iii. There is a professional duty or right to disclose, when not prohibited by law to comply with the quality review of a member body or professional body and to protect the interests of a professional accountant in legal proceedings as well as to comply with technical standards and ethics requirements.

In deciding whether to disclose confidential information, relevant factors to consider include,

- Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the professional accountant,
- The type of communication that is expected and to whom it is addressed and whether the parties to whom the communication is addressed are appropriate.

The need to comply with the principles of confidentiality continues even after the end of relationships between a professional accountant and a client or employer. When a professional accountant changes employment or acquires a new client, the professional accountant is entitled to use prior experience. The professional accountant shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.

2.13.2 Independence and Objectivity-1100

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Another issue which stands out in the codes of conduct and professional ethics and behavior in auditing is independence which is defined as Independence is the freedom from conditions that

threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Being a professional man and practitioner an auditor is required to be independent and should be seen to be independent, to enable him do his work objectivity and impartially. He must be free from influence which might appear to be in conflict with ethics of the profession. This implies that the auditor should be free from the authority, control or influence of the shareholders, directors and the management when he performs an audit.

To be independent means the auditor has the freedom to,

- i. Select his audit programme and draw his audit plan and select his audit techniques and procedures,
- ii. Investigate his own chosen audit trust areas, activities, managerial policies and actions which he considers appropriate to the audit and report on the financial statement as they are and express his opinion on them and make recommendations he deems fit.

It has been said that an auditor's independence is an attitude of mind characterized by integrity and objective approach to professional work. To be truly independent in line with the codes of conduct, an auditor, therefore, should not,

- i. Have undue dependence on his client for his gross income that is, 100% of his income should not accrue from audit fees from one client, at most between 10% and 15% gross of member's annual income should be charged per client,
- ii. Take loans, overdraft, IOU, etc from the client and allow neither his spouse nor minor child to enjoy beneficial interest in shares or investment, either personally acquired or through inheritance in his client company,
- iii. Rely on the client for drinks, meals, transport, accommodations, fuel or any form of hospitality and be a servant or employee of the client, either should his spouse or minor child be a servant of the client from whom he earns salary, allowances, etc,
- iv. Accept a guarantee or security for a loan or grant from the client when he wants a loan or any facility from a third party such as a bank and guarantee or give loans or any form of security to the client as well as accept goods or services from the client.

When an auditor fails to comply with the above independence requirements, he compromises his independence. He should therefore know issues which will make him compromise his independence. In UK a statutory provision which ensures the independence of an auditor is contained in section 25 (1) CA 89. In Ghana it is in the relevant sections of the Companies Codes, Act 179, 1963. Stated in similar context, the following are some of the situations where the Auditor's independence is likely to be compromised.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Not to allow bias, conflict of interest or undue influence of others to override professional or business judgments. The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. A professional accountant shall not perform a professional service if a circumstance or relationship biases or unduly influences the accountant's professional judgment with respect to that. He should exit objectivity in his audits, reports, contributions etc. In which case, He would not participate in any activity or relationship which impairs or presumed to impair his unbiased assessment, or any activity which will be in conflict with the interest of his MDA or MMDA, He should not accept anything or offer which may impair or be presumed to impair his professional judgment and independence.

2.13.3 Integrity

To be straightforward and honest in all professional and business relationships, the principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness. A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information,

- Contains a materially false or misleading statement and statements or information furnished recklessly or omits or obscures information required to be included where such omission or obscurity would be misleading.

He should exhibit integrity in which case

- He should be seen to be performing his work with honesty, diligence and responsibility and be complying with the internal audit agency Act, financial Administration Act and other enactment.
- He should not knowingly be part of corruption, diversion of materials and consumables etc. acts in which will discredit his profession and contribute to the achievement of the legitimate and ethical objective of his MDA or MMDA.

2.13.4 Professional competence

To maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards. The principle of professional competence imposes the following obligations on all professional accountants.

- i. To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service.
- ii. Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- iii. To act diligently in accordance with applicable technical and professional standards when providing professional services.

Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases,

- i. Attainment of professional competence and
- ii. Maintenance of professional competence.

The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment. Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

2.13.5 Professional Behaviour

To comply with relevant laws and regulations and avoid any action that discredits the profession. The principle of professional behavior imposes an obligation on all professional accountants to comply with relevant laws and regulations and avoid any action that the professional accountant knows or should know may discredit the profession. This includes actions that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at that time, would be likely to conclude adversely affects the good reputation of the profession.

2.13.6 Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220. A1 - Internal auditors must exercise due professional care by considering the:

Extent of work needed to achieve the engagement's objectives;

Relative complexity, materiality, or significance of matters to which assurance procedures are applied;

Adequacy and effectiveness of governance, risk management, and control processes;

Probability of significant errors, fraud, or noncompliance; and

Cost of assurance in relation to potential benefits.

1220. A2 - In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220. A3 - Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220. C1 - Internal auditors must exercise due professional care during a consulting engagement by considering the:

Needs and expectations of clients, including the nature, timing, and communication of engagement results;

Relative complexity and extent of work needed to achieve the engagement's objectives; and

Cost of the consulting engagement in relation to potential benefits.

2.14 THE PIVOTAL ROLE OF THE INTERNAL AUDIT AGENCY

In order for an internal audit function to have a higher profile and significance there needs to be an Internal Audit Agency that sets the appropriate tone at the top. The object of the Agency is to co-ordinate, facilitate and monitor and supervise internal audit activities to provide quality assurance for internal audit activities within the MDAs and the MMDAs in these institutions of State.

According to the Internal Audit Agency Act 2003 (Act, 658) each MDA and MMDA is to have its own internal audit unit as opposed to the current situation where the function is largely performed by staff of the Controller and Accountant-General's Department. This policy agrees with section 120 of the Local Government Act, 1993 (Act 462) which requires MMDA's to have an Internal Audit Unit. The point must be made that several bodies established as statutory corporations have in their respective enactments provision on appointment of internal auditors for the organization. These internal auditors are to submit their reports to the Agency (clause 16). Clear roles and responsibilities given to an Internal Audit Agency are as follows:

PART I (1) “There is established by this Act an Internal Audit Agency.

2.14.1 Object of the Agency

2. The object of the Agency is to co-ordinate, facilitate and provide quality assurance for internal audit activities within the Ministries, Departments and Agencies and the Metropolitan, Municipal and District Assemblies.

2.14.2 Functions of the Agency

(1) The Agency shall set standards and procedures for the conduct of internal audit activities in the MDAs and MMDAs.

(2) The Agency shall ensure that

(a) Financial, managerial and operating information reported internally and externally is accurate, reliable and timely;

(b) The financial activities of MDAs and MMDAs are in compliance with laws, policies, plans, standards and procedures;

(c) National resources are adequately safeguarded;

(d) National resources are used economically, effectively and efficiently;

(e) Plans, goals and objectives of MDAs and MMDAs are achieved; and

(f) Risks are adequately managed in the MDAs and MMDAs.

(3) Without limiting subsections (1) and (2), the Agency shall

(a) Promote economy, efficiency and effectiveness in the administration of government programmes and operations;

(b) Prepare plans to be approved by the Board for the development and maintenance of an efficient internal audit for the MDAs and MMDAs;

(c) Facilitate the prevention and detection of fraud; and

(d) Provide a means for keeping the MDAs and MMDAs fully and currently informed about problems and deficiencies related to the administration of their programmes and operations and the necessity for appropriate corrective action.

(4) The Agency shall monitor, undertake inspections and evaluate the internal auditing of the MDAs and MMDAs.”

2.15 REVIEWS OF AUDIT REPORTS

The review of audit reports in 2009 came out with the under-listed issues which keep on re-occurring in the reports from year to year of which no efforts had been made to correct them.

- 1) Misappropriation of Revenue by collectors- each year some collectors refuse to account for the revenue they collect to poor internal control system that is in place;
- 2) Suppressing of value books- some revenue collectors refuse to submit some of their receipt books for auditing;
- 3) Non compliance with procurement procedures- some purchases or works are done without recourse to tender procedures like competitive bidding and at times direct labour is used instead of awarding the project on account;
- 4) Nonpayment of Income Tax- 5% is deducted by the Financial Officer whenever the Assembly pays money to contractors or suppliers but at times they deliberately refuse to deduct this at source and the Assembly uses the money for other things depriving the government;
- 5) Retirement of Accountable impress-officers who are given accountable imprest for special programme most often than not misapply the funds and therefore finds it difficult to get the receipt to retire the imprest;
- 6) Recovery of Advances- Assembly gives advances to staff in time of needs but the staff refuses to pay the monies at the Assembly at times when the staff retire or go on transfer then it is declared bad debt and that affect the income level Assembly;
- 7) Maintenance of Inventory/Assets Register- Most of the Assembly do not maintain Asset Register so moveable properties are taken away or stolen when senior staffs are on transfer or retirement.

2.16 HEALTHCARE FINANCING IN GHANA

The issue of healthcare financing in Ghana has travelled a long and winding road from colonial times through the First Republic under the great Osagyefo Dr. Kwame Nkrumah the founder of our nation through the ‘Cash and Carry’ era under the Provisional National Defense Council (PNDC) and the National Democratic Congress (NDC) Governments both under former President Jerry John Rawlings, to the present health insurance regime of healthcare financing promulgated under the New Patriotic Party (NPP), and is still seeking refinement under the guide of NDC Government of President John Evans Atta Mills, to meet the aspirations of Ghanaians.

Under the First Republic, from the late 1950s up to 1966, when Dr. Kwame Nkrumah’s Convention Peoples’ Party government was overthrown, healthcare financing in Ghana was in line with the Socialist philosophy of Dr. Nkrumah’s CPP Government, and was virtually free as was education and other social services.

Following the overthrow of President Kwame Nkrumah, Healthcare financing in Ghana saw a complete ‘U-Turn’. Under the military-cum-civilian junta- the National Liberation Council (NLC), Ghanaians were asked to pay for their healthcare.

The 1966 military coup-d’état was to set in motion a series of coups leading to political instability of the country, which in turn led to economic deterioration until 1981 when Flt Lt. J. J. Rawlings came to power in what was described as a revolution. The Provisional National Defence Council (PNDC) which became the ruling entity after 1981 held on to power until 1992 when the country was returned to multi-party democratic dispensation.

The challenge since 1981 has been how to find the best combination of Government-Peoples-Partnership that would meet each other part of the way and satisfy the needs and pockets of Ghanaians as well the Government's finances in the healthcare sector.

'Cash and Carry' the system of healthcare financing introduced by the PNDC survived until 2004 when the present health insurance system came into being. Even then a large number of Ghanaians (about 30 percent) still subsist on cash and carry for their healthcare requirements as they have not registered to join the NHIS. This is one of the major challenges facing the Government and Management of the National Health Insurance Authority.

Under Cash and Carry', patients were required to pay for drugs and some medical consumables, as and when they visit hospital, while the state bore all other costs including consultation, salaries and emoluments for Doctors, Nurses and other healthcare workers in state hospitals.

'Cash and Carry' also provided for free medical care for the aged above 70years of age, children under five years and pregnant women for their ante-natal care, all under an exemption programme implemented with that system of financing.

Under 'Cash and Carry', people went to hospital only when they were very sick and had money to readily meet their side of the bargain, to pay for those stipulated expenditures. That meant most often people went to hospital when they were really very sick and often at the terminal end of their lives. It was pointed out that 'cash and carry' constrained citizens from assessing healthcare except when they were in very dire situations resulting in needless deaths.

The search for an alternative to 'cash and carry, as a means of healthcare financing in Ghana began in the second term of the National Democratic Congress(NDC) regime under former President J. J. Rawlings and the current President, Professor John Evans Atta Mills, who was

then the Vice-President, between 1996 to 2000, but could not materialize for implementation though the foundation was laid with some pilot projects in the Dangme West District in the Greater Accra Region and Nkoranza District of the Brong Ahafo Region as a means of laying a firm foundation for what eventually became the National Health Insurance Scheme(NHIS).

The New Patriotic Party (NPP) Government under former President J. A. Kufuor which took over from the NDC Administration in 2001 moved to finally implement the conceived new healthcare financing regime of a health insurance scheme with a statutory enactment, the National Health Insurance Act, Act 650 in 2003 and the establishment of a National Health Insurance Scheme(NHIS) in 2004 under a National Health Insurance Authority(NHIA) with a governing council. This has been the system of healthcare financing in Ghana for the past five years.

The National Health Insurance Act, established three types of health insurance schemes in the country consisting of the District Mutual Health Insurance Schemes(DMHIS), Private Mutual Health Insurance Schemes(PMHIS), and Private Commercial Health Insurance Schemes(PMHIS).

The National Health Insurance Authority (NHIA) as established by Act 650 is the regulator of all forms of health insurance business in Ghana, as well as the implementer of the National Health Insurance Scheme in the Country. The dual role of industry regulator and implementer of the national health insurance scheme places the National Health Insurance Authority in a position of conflict of interest, which is untenable. However, Act 650 has remained in force and unchanged in its original form until now.

Funding for healthcare financing under the National Health Insurance Scheme as established by Act 650, comes from a Fund created by the Act, with income from two main sources, also created by the act. These are the National Health Insurance Levy (NHIL), a 2.5percentage top up of the Value Added Tax (VAT), and a 2.5percentage transfer from the existing Social Security and National Insurance Trust.

The story of the National Health Insurance Scheme, so far, for the past five years of its implementation, since 2004, is that it has come to be accepted by Ghanaians as one of the best social intervention programmes to be introduced in this country. More so because it was not one those programmes that were sponsored by the Donor Community or the World Bank and the International Monetary Fund (IMF)

Some very interesting statistics gathered by the Research and Development (R&D) as well as the Operations Directorates of the National Health Insurance Authority may be of interest to readers. As at the end of November, last year, 14,282,620 Ghanaians were registered with the 145 District Mutual Health Insurance Schemes operating the country’s healthcare system. Other interesting information regarding the National Health Insurance Scheme (NHIS) is as follows:

DISBURSEMENTS TO SCHEMES (MILLIONS OF GH¢)

ITEM	2006	2007	2008	2009
	GH¢	GH¢	GH¢	GH¢
SUBSIDY	34.63M	70.09M	129.65M	217.75M
REINSURANCE	0.85M	9.17M	8.32M	39.85M
ADMIN/LOGISTICS	8.09M	13.6M	13.68	6.54M
GRAND TOTAL	43.57M	92.86M	151.65M	264.14M

SOURCE: Finance Directorate of National Health Insurance Authority

NUMBER OF GHANAIS REGISTERED UNDER THE NATIONAL HEALTH INSURANCE SCHEME

YEAR	ACTIVE MEMBERS	HOSPITAL/CLINIC	HOSPITAL ADMISSIONS ENCOUNTERS
2005	489,912	597,859	28,906
2006	2,422,106	2,428,008	135,221
2007	7,275,435	4,630,692	303,250
2008	11,064,581	7,070,306	475,568
2009	12,123,338	5,553,806	351,765

SOURCE: Operations Directorate of National Health Insurance Authority

STATUS OF IMPLEMENTATION

1.	SCHEMES IN OPERATION	145
2.	TOTAL NUMBER OF SUBSCRIBERS	14,282,620
3.	PERCENTAGE (%) OF POPULATION REGISTERED	69.93(2000 BASE YR.)
4.	TOTAL ID CARD BEARERS	12,123,338
5.	ID CARD BEARERS AS % OF TOTAL REGISTERED	84.9%

SOURCE: Operations Directorate of National Health Insurance Authority

CATEGORIES, NUMBERS AND PERCENTAGE TO TOTAL CARD BEARERS

CATEGORY	NUMBER	% OF ID CARD BEARERS
1. INFORMAL ADULTS	4,132,783	28.94%
2. AGED ABOVE 70YEARS	960,549	6.73%

3.	UNDER 18YEARS	7,071,270	49.51%
4.	SSNIT CONTRIBUTORS	876,034	6.13%
5.	SSNIT PENSIONERS	75,444	0.53%
6.	INDIGENTS	444,597	0.53%
7.	PREGNANT WOMEN	721,943	5.05%

SOURCE: Operations Directorate of National Health Insurance Authority

PROVIDER PARTICIPATION IN NHIS (FORMAL)

FACILITY TYPE	NUMBER OF FACILITIES
1. SECONDARY HOSPITALS	4
2. PRIMARY FACILITIES	62
3. CLINICS	94
4. HEALTH CENTRES	74
5. MATERNITY HOMES	130
6. CHPS ZONES	74
7. PHARMACY SHOPS	80
8. CHEMICAL SHOPS	55
9. DIAGNOSTIC CENTRES	45

SOURCE: Operations Directorate of National Health Insurance Authority

PROVIDER PARTICIPATION IN NHIS – PRIVATE (PROVISIONAL)

PROVIDER CATEGORIES (PRIVATE)

1.	HOSPITALS AND CLINICS	395
2.	DENTAL CLINICS	5
3.	MATERNITY HOMES	237
4.	PHARMACIES	451
5.	CHEMICAL SHOPS	329
6.	DIAGNOSTIC CENTRES/IMAGING	128

SOURCE: Operations Directorate of National Health Insurance Authority.

2.17 PUBLIC PROCUREMENT REFORM

Public procurement accounts for 50-70 per cent of imports and about 80 per cent of government expenditure. Therefore any improvement in the public procurement system has a direct beneficial effect on the economy. To supplement the financial administration law and regulations, Government embarked upon a public procurement reform as an integral part of the wider Public Financial Management Reform Programme (PUFMARP). The purposes of the public procurement reforms are:

- To establish a national procurement system to guide the use of state funds for procurement of goods, works and services, as well as disposal of stores and equipment.
- To eliminate the various shortcomings in the public procurement process by providing a comprehensive procurement law and standard tender documents supported by relevant institutional and administrative structures and an oversight body.

The new legal framework is to ensure that public procurement is conducted with due attention to economy and efficiency and value for money. The proposed law will apply to all public and private entities that use public resources for their procurement. The draft legislation on procurement is ready for Cabinet for consideration.

A Public Procurement Board shall be established under the law to oversee the management of public procurement and to create the interface between the private and public sectors of the economy.

2.18 THE CHALLENGES OF INTERNAL AUDITING IN PUBLIC SECTOR FINANCIAL MANAGEMENT.

This is an era where we seem to be missing so many vital targets in public life trends which include the large fiscal and current account deficits—with liabilities that suggest that critical leverage or gearing ratios have been thrown to the wind.

There are about 900 Internal Audit Officers working in Internal Audit Units in 268 MDAs and MMDAs (Internal Audit Agency 4th Annual Internal Audit Forum, 2009).

With the increasing pressure on government to improve quality of services while reducing costs, public servants must be more accountable, customer-focused and sensitive to stakeholders' values. This will enhance the services we provide to taxpayers—who pay for public services, including our pay packets.

Internal Audit Agency 4th Annual Internal Audit Forum on the theme: “Public Sector Performance Management - The Role of the Internal Auditing”- on 18 August, 2009. The forum actively considers how public sector institutions can use existing laws and procedures to formulate strategies and enhance public sector performance. His Excellency the President, John Evans Atta Mills said, “The purpose of borrowing by some MMDAs may be suspect, with funding for projects that may defy reasonable margins and qualitative user specifications. The revision of contracts—often by professionals who should ensure high performance management standards—often confounds most lay persons.”

Effective financial management and audit practice in the public sector could have saved us the excitement and anxiety about some of the conditions under which we now have to secure loans and grants from donors and international financial institutions.

Performance management has become a tool for assessing effectiveness, efficiency, economy and accountability of public sector programmes. It requires change in behaviour and attitudes of individuals and groups who are placed at the helm of affairs of governance. Public servants must be reminded that performance must be timely, qualitative and cost-effective. It is not just about outputs.

To achieve this goal, heads of public institutions are required to sign performance agreements with their respective institutions.

Internal auditors must play a critical role in setting achievable performance targets, verifying transactions and providing management assurance at the planning and implementation stages.

- Too often, performance in the public sector is measured by annual reports (including audited financial statements) and routine management and operations reports (which also include staff appraisals) from departments to parent ministries. Even where these are available, they are not sufficient for the type of standards that a comprehensive performance management system requires.
- Successful implementation of performance management requires individual and organisational behavioural and cultural change. Work ethics need to be observed and changes must be managed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The study looks at the role of the internal audit function in promoting effective and efficient financial management. However, the validity and reliability of every research is dependent to a large extent on the methodology adopted for the study. The methodology for a research must therefore be scientific. That is, the process must be systematic, rigorous and unbiased. In order to guard against potential statistical errors, relevant and appropriate data collection instruments and models should be applied to arrive at accurate results. This chapter therefore presents a detailed and systematic process that the researchers adopted in order to achieve the objectives of the study.

3.2 RESEARCH DESIGN

Research design is "the blueprint to include experiments, interviews, observation, and the analysis of records, simulation or some combination of these," (Donald Pamela, 2003).

According to Jankowicz (2000), research design is defined as the deliberately planned arrangement of conditions for the analysis and collection of data in a manner that aims to combine relevance to research purpose with economy of procedure. The idea behind a design is that different kinds of data gathering are combined, so that the data will be -

- relevant to the thesis or the argument that will be presented;
- an adequate test of the thesis;

- accurate in establishing causality in situations where the researcher wish to go beyond description to provide explanations for whatever is happening; and
- capable of providing findings that can be generalised to situations other than those of the immediate organisation.

According to Hussey and Hussey (1997), research design is the science (and art) of planning procedures for conducting studies so as to obtain the most valid findings. Determining the research design will give a detailed plan that can be used to guide and focus the research.

Saunders. M. et al. (2000) indicated that the general ethical issue is that the research design should not subject the research population to embarrassment or any other material disadvantage. The research design needs to consider the extent to which data should be collected from a research population who is unaware of the fact they are the subject to research and who have thus not consented to it.

This research study is focused on the Ghanaian Public institution found, with the key emphasis on the internal audit function's role in financial management. The choice of using the MDAs and MMDAs has been motivated by the fact that, as other public institutions, it is concerned with risk management especially related to the allocation of social grants. This research is intended to show the management of this institution the advantages of financial management.

3.3 THE STUDY POPULATION

According to Mason et al. (1997), the population of a study is the collection of all possible individuals, objects or measurements of interest. For this study, the population consisted of personnel of NHIA.

3.4 SAMPLE SIZE

In research, it is often impossible to study the entire population. However, some researchers do overcome this difficulty in situations where the study population itself is small and also not very scattered. To address the challenge of access to the complete population, representative samples are thus prescribed and accepted in any scientific study. A sample refers to a set of people or objects chosen from a larger population in order to represent that population to a greater extent (Mason et al, 1997). Therefore, the size of the study sample and the way in which it is chosen will certainly have implications for the confidence in the results and the extent to which generalizations can be made. For this research, a sample size of fifty (50) was used for the study.

3.5 SAMPLING TECHNIQUES

Sampling technique may be broadly classified as non-probability and probability. The non-probability sampling does not use chance selection procedures but rather rely on the personal judgement of the researchers. Whereas, the probability sampling is a procedure in which each element of the population has a fixed probabilistic chance of been selected. Given that not all staff members at NHIA are concerned with financial management, judgement sampling was used to choose the population to be investigated. This technique of sampling resulted in 50 respondents.

With this kind of sampling, the researchers exercised their own judgment to include elements that are presumed to be typical of a given population about which they seek information.

According to Mason (2006), judgmental samples do not involve any random selection process.

3.6 RESEARCH APPROACH

There are two main approaches to choose from when conducting a research in social science. These are qualitative and quantitative methods. In this research a combination of qualitative and quantitative approaches were employed. The nature of the research problem demands that the researcher reaches out to the subjects of the research. This actually made the study qualitative. However, quantitative method was engaged especially in the analyses and interpretation of the data.

3.7 DATA COLLECTION

According to Sauders et al (2007), there are two main approaches to data collection namely, primary data and secondary data.

3.7.1 Primary Data

This is data originated by the researchers especially to address the research problem (Malhotra and Birks 2007). Barns 2000 as cited in Amissah et al 2008 argued that primary data are first hand information gotten for a research. This could be in the form of interview, responses from questionnaire. There are six available forms of collecting qualitative empirical data. These are documentation, archival records, interviews, direct observation, practical observation, and physical artifacts, Yin (1994) as cited in Khiabani (2006). For the purpose of this research the researchers employed questionnaires and interviews as the primary data source.

3.7.2 Secondary Data

This has to do with data that have already been collected for purpose other than the problem at hand. They are existing information made up of publications such as books, journals, articles, internet sources and many other already established facts. In this study the researchers relied on some of these sources.

3.8 DATA COLLECTION

The data collection format will depend on the kind of data to be collected. Data collection was done by way of a questionnaire and interviews, and the technique of sampling helped in this research.

3.8.1 Questionnaire

Questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic. When properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations.

Questionnaires are frequently used in social research. They are a valuable method of collecting a wide range of information from a large number of individuals, often referred to as respondents. Adequate questionnaire construction is critical to the success of a survey. Inappropriate questions, incorrect ordering of questions, incorrect scaling, or bad questionnaire format can make the survey valueless, as it may not accurately reflect the views and opinions of the participants. A useful method for checking a questionnaire and making sure it is accurately capturing the intended information is to pre-test among a smaller subset of target respondents. So therefore the researchers pre-tested the questionnaire at Obuasi Municipal Assembly.

Questionnaires were self-administered to individuals by the researchers. The questionnaire contained both closed-ended and open-ended questions. The open-ended questions sought to encourage respondents to share as much information as possible in an unconstrained manner. The closed-ended questions, on the other hand, involved “questions” that were answered by simply checking a box or circling the proper response from a set of options that was provided. While the closed-ended questions allow for easier analysis of the data due to standardised questions, their main limitation is that they allow the researchers to determine only what the respondents are doing and not how or why they are doing it.

3.8.2 Interviews

An interview is a conversation in which the interviewer questions the interviewee in order to gain information. Interviews can be formal or informal, structured or unstructured. They can be conducted one-to-one or in groups, face to face or by telephone.

Interviews are a very common research tool in the social sciences, and as such, attract a great deal of commentary and discussion.

Interviews were held with the head of the risk management department, some officers and staff of the internal audit unit of NHIA. Interview guide was used.

3.9 DATA ANALYSIS

Data obtained from respondents was analyzed using the Statistical Package for the Social Sciences (SPSS) software programme. The result was presented using statistical tools such

tables, histograms and pie charts. Both descriptive and inferential statistics were used to analyse the data.

The responses gathered from respondents have been classified, analysed and interpreted according to their meaning. Both the frequencies and percentages of respondents had helped in identifying the key issues in risk management.

3.10 ETHICAL CONSIDERATIONS

The researcher formally sought the consent of all respondents and observed all the necessary protocol. The researcher ensured that information received from respondents was treated with a high level of care and confidentiality. The identities of key informants were not disclosed in the report since the research is to demonstrate what pertains and not to use personal opinions of individuals.

3.11 PROFILE OF NHIA

The National Health Insurance Authority (NHIA) was established under the National Health Insurance Act 2003, Act 650, as a body corporate, with perpetual succession, an Official Seal, that may sue and be sued in its own name. As a body corporate, the Authority in the performance of its functions may acquire and hold movable and immovable property and may enter into a contract or any other transaction.

3.11.1 OBJECTS AND FUNCTIONS OF THE AUTHORITY

The object of the Authority is to secure the implementation of a national health insurance policy that ensures access to basic healthcare services to all residents.

For the purposes of achieving its object, the Authority may

- i. Register, license and regulate health insurance schemes;
- ii. Supervise the operations of health insurance schemes;
- iii. Grant accreditation to healthcare providers and monitor their performance;
- iv. Ensure that healthcare services rendered to beneficiaries of schemes by accredited healthcare providers are of good quality;
- v. Determine in consultation with licensed district mutual health insurance schemes, contributions that should be made by their members;
- vi. Approve health identity cards for members of schemes;
- vii. Make proposals to the Minister for the formulation of policies on health insurance;
- viii. Undertake on its own or in collaboration with other relevant bodies a sustained public education on health insurance;
- ix. Devise a mechanism for ensuring that the basic healthcare needs of indigents are adequately provided for;
- x. Maintain a register of licensed health insurance schemes and accredited healthcare providers;
- xi. Manage the National Health Insurance Fund;
- xii. Monitor compliance with this Act and the Regulations and pursue action to secure compliance;

- xiii. Perform any other function conferred on it under this Act or that are ancillary to the object of the Council.

3.11.2 VISION AND MISSION STATEMENTS

3.11.2.1 Vision

"To be a model of a sustainable, progressive and equitable social health insurance scheme in Africa and beyond"

3.11.2.2 Mission

“To provide financial risk protection against the cost of quality basic health care for all residents in Ghana and to delight our subscribers and stakeholders with an enthusiastic, motivated and empathetic professional staff who share the values of honesty and accountability in partnership with all stakeholders”.

3.11.3 THE COUNCIL

The Council is the governing body (Board) of the National Health Insurance Authority. The Council is currently made up of fifteen members, including the Chairman and the Chief Executive Officer of the Authority. Membership to the Council is drawn from various bodies as set out in Section 3 of the National Health Insurance Act 2003, Act 650.

Membership of the Council is as follows:

Hon. Edward Doe Adjaho	Chairman
Mr. Sylvester Mensah	Chief Executive
Kwame Owusu Bonsu	Member
Dr. Mercy Bannerman	Member
Nyamikeh Kyiamah	Member
Dr. Elias Sory	Member
Czarina Beata Ribeiro	Member
Hon. Robert Joseph Mettle-Nunoo	Member
Kofi Asamoah	Member
Dr. Steve Ahiawordor	Member
Dr. Stephen Ayidia	Member
Samuel Akwei	Member
Dr. Hetty Asare	Member
Dr Edward Abbah-Foli	Member
Anthony Dzadzrah	Member
Hajia Laadi Ayii Ayamba	Member

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 INTRODUCTION

This section presents results from the data analysis and their interpretations. These are mainly inferential statistics and descriptive statistics.

The data was analysed from the questionnaire distributed as well as interviews conducted during the research.

4.2 INTERNAL AUDIT DEPARTMENT

AUDIT DEPARTMENT	NUMBER OF RESPONDENTS	PERCENTAGE (100%)
YES	50	100%
NO	-	-
DON'T KNOW	-	-
TOTALS	50	100%

Source: Field survey data, 2013.

All the fifty respondents contacted representing a total of 100% said there was an internal audit department within the NHIA. The establishment of the internal audit unit reiterates the fact that previous years or other MDAs and MMDAs might have engaged in certain malpractices, hence the need to avoid such situations.

4.3 EFFECTIVENESS OF THE INTERNAL AUDIT DEPARTMENT

EFFECTIVENESS	NUMBER OF RESPONDENTS	PERCENTAGE (%)
YES	36	72%
NO	12	24%
DON'T KNOW	2	4%
TOTAL	50	100%

Source: field survey data, 2013

Out of the fifty questionnaires to respondents 36(72%) were of the view that the internal audit department was effective, 12(24%) thought the internal unit of the authority is not effective and 2 of the respondents representing 4% could not comment about the effectiveness or otherwise of the internal audit unit.

4.4 CLEAR MISSION AND ROLE OF THE INTERNAL AUDIT

MISSION AND ROLE	NUMBER OF RESPONDENTS	PERCENTAGE (%)
YES	50	100%
NO	-	
DON'T KNOW	-	
TOTALS	50	100%

Source: Field survey data February, 2013

The entire respondents were of the view that missions and roles of the internal audit functions are clearly defined. This indicates that there is clear case of segregation of duties.

4.5 PROMOTION OF OBJECTIVITY, CONSISTENCY AND BUSINESS UNDERSTANDING OF THE INTERNAL AUDIT.

PROMOTION	NUMBER OF RESPONDENTS	PERCENTAGE (100)%
YES	45	90%
NO	-	
DON'T KNOW	5	10%
TOTALS	50	100%

Source: field survey data February, 2013

Forty five (45) respondents representing 90% said the current structure of the internal audit promotes objectivity, consistency and business understanding and 10% were with different opinion.

4.6 CONFLICTS BETWEEN THE AUDIT AND ACCOUNTS DEPARTMENTS.

Conflict	NUMBER OF RESPONDENTS	PERCENTAGE (100%)
YES	26	52%
NO	24	48%
DON'T KNOW	-	-
TOTALS	50	100%

Source: field survey data, 2013.

A higher number of the respondents representing 52% said there have been several conflicts between the audit and account departments, because most of the staff of the accounting department do not have the requisite skills and knowledge in their areas and make mistakes.

4.7 TRANSACTIONS NOT APPROVE BEFORE PAYMENT.

RESPONSES	NUMBER OF RESPONDENTS	PERCENTAGE (100)%
YES	24	42%
NO	-	
DON'T KNOW	26	58%
TOTAL	50	100%

Source: field survey data, 2013.

24 respondents representing 42% were of the view that payment can be effected without approval. And this is seriously against effective financial management and clear case of non-compliance.

4.8 REPORTED CASES OF FRAUD AND MISMANAGEMENT.

HISTORY OF FRAUD	NUMBER OF RESPONDENTS	PERCENTAGE
YES	50	100%
NO		
DON'T KNOW	-	
TOTAL	50	100%

Source: field survey data, 2013.

All the respondents representing 100% said there have been cases of reported fraud and mismanagement by some officials of the Authority. This is indicative that the internal control system is not effective.

4.9 SUFFICIENT STAFF, SKILLS, EXPERIENCE AND RELEVANT LOGISTICS.

LOGISTICS AND STAFFS SUFFICIENCY	NUMBER OF RESPONDENTS	PERCENTAGE (100)%
YES	4	8%
NO	46	92%
DON'T KNOW	-	-
TOTAL	50	100%

Source: field survey data, 2013

From the responses from the respondent 92% of them were of the view that the internal audit unit of the Authority is not well resourced and this can go a long way to impede effective performance.

4.10 EXERCISING OF PROFESSIONAL CODES OF ETHICS AND DUE PROFESSIONAL CARE AND CAUTION.

PROFESSIONAL CODES, CARE AND CAUTION	NUMBER OF RESPONDENTS	PERCENTAGE (100)%
YES	20	40%
NO	26	52%
DON'T KNOW	4	8%
TOTAL	50	100%

Source: field survey data, 2013

40% of the respondents were of the view that effective professional ethics in terms of independence, objectivity, integrity are exercised by staff of the internal audit unit. However 52% thought differently by indicating that the auditors do not exercise professional ethics.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

Activity reports of internal auditing department highlights significant audit findings and recommendations and inform senior management and the board of any significant deviations from approved audit work schedules, staffing plans and financial budgets and the reasons for them. The findings from this research analyzed that there were a lot of weaknesses as well as in-experience on the part of staffs of these departments. The study of this research has been to identify if internal audit is been enhanced in MDA's and MMDA's; however, as much as we recognize the promotion of efficient and effective internal audit practices, the following were identified:

5.1.1 Lack of value creation and addition

Organizations exist to create value or benefit to their owners, other stake holders, customers, and clients. This concept provides purpose of their existence. In this organization, the procedure for activity performance has been in the old system, there is no adaption of change, results from interviews showed that employees do not attend to workshop instituted by management to upgrade them.

5.1.2 There is inadequate control over audits and performance

Management of the organizations have no plans to institute new policies to improve upon the audit performed by staffs, the old system is been used, most staff are not degree holders, which reduces their knowledge of current principles. They give preference to old employees instead of reshuffling to bring in young and experienced workers. They are not organized in a manner that provides reasonable assurance that the organizations risk has been managed effectively and that organizations goals and objectives will be achieved efficiently and economically.

5.1.3 Analytical audit procedures does not exist in the firm

This is performed by studying and comparing relationships among both financial and non-financial information. The application of analytical audit procedure is based on the premise that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist and continue. This has caused constant frauds and mismanagement because staffs are not aware of the procedure, and perform their activities in the old system.

5.1.4 There is no existence of audit work schedules.

These identify what activities are to be audited, when they will be audited and the estimated time required, taking into account the scope of the audit work planned and the nature and extent of audit work performed by others. Few logistics are provided to record the information obtained, analyses made and conclusions reached during an audit. From our observation we realized that there were only two computers in this department and employees were idle with only two personnel performing the audit work, these were the heads of this department.

5.1.5 Unawareness of audit charter

Audit charter is a formal written document which defines the department's purpose, authority and responsibility. This charter establishes the department's position within the organization, authorize access to records, personnel and physical properties relevant to the performance of engagements and define the scope of internal audit activities. During the review we requested for this charter as well as the code of ethics of the institute of internal auditors (IIA) that guide employees towards effective performance of their audits, but this does not exist, the head of this department told us most employees are not aware of these areas, and perform their audits to their own satisfaction.

5.1.6 Noncompliance with rules and regulations

Compliance is the ability to reasonably ensure conformity and adherence to organization policies, plans, procedures, laws and regulations and contracts. There are no instituted rules and regulations to monitor employees and their activities. Employees report for,

leave and resume from break at their own convenience. There is no proper system to check employee compliance.

In light of the above findings, there are clear evidences of internal audit lapses to effective management of financial resources in MDAs and MMDAs in Ghana. This necessitates the strengthening of internal audit departments in MDAs and MMDAs as regards skills, logistics and compliance.

5.2 RECOMMENDATIONS

The researcher would like to make the following recommendations;

1. In the process of gathering data to understand and assess risk, internal auditors must develop significant insight into operations and opportunities for improvement that can be extremely beneficial to their organization. This valuable information can be in the form of consultation, advice, and written communications.
2. Employees who are not degree holders or without professional qualifications should be encouraged to upgrade themselves.
3. There must be restructuring of audit objectives, audit procedures and audit programme, including analytical auditing procedures to compare reports on financial information for the current and previous years to identify changes that might have occurred with regards to effective financial management.
4. Audit work schedules should be prepared by the head of department, to enable employees to be aware of what is expected of them. Each employee should be provided with a computer to record their audits as well as their findings to prevent the loss of information.
5. An audit charter should be prepared by this department to make employees aware of the scope, responsibilities and the line of authority. A copy of the code of ethics

from the institute should be provided for employees to be aware of their requirements by law as well as the consequences that might result from their actions.

6. Register should be provided by the department to monitor compliance by employees which could be updated by the human resource management as to the payment of salaries according to the hours spent by the employees at their jobs as well as the workplace

5.3 CONCLUSION

Internal audit is an effective tool of management control to carry on the operations of the organization in an orderly manner to protect and safe guard its assets and ensure the accuracy and reliability of records. It also ensures the increasing of operational efficiency and also acts as safeguard against errors fraud in the public sector. A lot has been written about the public sector Audit systems usually with references to its financial management, politicians and scholars have commented about them. Some express favourable opinions, others ill feelings or negative comments. Some have their observations and reservations, yet the problem in the country's public sector financial management continue raging probably due to the inaction of the policy makers, management and attitudes of the citizens as well as the complexity or bureaucracy of the system.

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APPENDIX

QUESTIONNAIRE

Objective of this survey

Well performing internal audit function is one of the strongest means to monitor and promote good governance in an organization. The purpose of this research is to conduct a survey on selected government organizations and to assess and determine how to enhance internal audit to promote effective and efficient financial management in the public sector.

In line with this, you are kindly requested to complete this questionnaire.

Your responses will be treated confidentially and only for the purpose of this research.

If you would like to receive a copy of the research result, please provide your E-mail in Here _____.

Please provide the following information about your organization by writing in the space provided.

a. Name of your organization _____

b. Your position in the organization _____

1. Do you have an internal audit department in your organisation?

Yes { }b No { } Don't know { }

2. Do you believe that the internal audit department is effective in this organization?

Yes { } No { } Don't know { }

3. Do you believe that the mission and role of internal audit functions are defined?

Yes { } No { } Don't know { }

4. Does the current structure of internal audit promote objectivity, consistency and business understanding?

Yes { } No { } Don't know { }

5. Are there any conflicts between the audit department and the accounts department?

Yes { } No { } Don't know { }

6. Is the internal audit free to choose any transaction or area of interest for audit?

Yes { } No { } Don't know { }

7. Has there been any history of fraud and mismanagement in this organization?

Yes { } No { } Don't know { }

9. Do you think that the organization's audit department or divisions has?

i. Sufficient number of staff? Yes { } No { } Don't know { }

ii. Appropriately qualified staff? Yes { } No { } Don't know { }

iii. Staff that have relevant skills and experience for risk identification.

iv. Planning methodology in delivering a high quality audit services?

Yes { } No { } Don't know { }

v. The relevant logistics to be able to perform.

Yes { } No { } Don't know { }

10. Are internal audits performed on the basis of annual plan?

Yes { } No { } Don't know { }

11. Does the auditors receive a plan ("planning memorandum") for each engagement, establishing its objectives and scope?

Yes { } No { } Don't know { }

12. Are internal audit tasks defined on the basis of prior risk analysis?

Yes { } No { } Don't know { }

13. Professional codes of ethics and behaviour have become necessary, does the Auditing department consider these issues.

Yes { } No { } Don't know { }

14. It is required that in a statutory audit, the Auditor should be a professional Accountant belonging to a recognised institution such as ACCA, ICA England, CIMA, and IPA. Do the Audit staffs have such qualifications?

Yes { } No { } Don't know { }

15. Have there been issues of leak out of confidential issues in this organisation.

Yes { } No { } Don't know { }

16. Auditors should be seen to be performing their work with honesty, diligence, and responsibility, are these exercised by the Auditing staffs.

Yes { } No { } Don't know { }

17. Have there been a biased assessment of financial statement on the part of any Auditing staff.

Once { } Twice { } Several times { } None { }

18. Auditors are expected by law not to engage in services for which they have little or no knowledge, experience and skill. Have there been such issues in this organization.

Once { } Twice { } Several times { } None { }

19. Due professional skill, care and caution are to be exercised by Auditors in their judgments and Audit report writing, are these seen.

Yes { } No { } Don't know { }

20. Please tick in the boxes where appropriate.

Which of the following Audit activities is Performed by your audit function?	Yes	No	Don't Know	No Answer
Compliance with law & regulations				
Checking Budget implementation				
Evaluating ,Keeping of accounting records				

(mistakes, delays, etc.)				
Evaluating management's Efforts to the recovery of receivables, taxes & other collectables				
Assessing Reliability & soundness of financial information				
Protection of assets				
Wastage of resources (human, financial & physical)				
Under performance				
Unethical behavior				

THANKS!!!!!!!!!!

We are very grateful for your time devoted in completing this questionnaire!!