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Effectiveness of Internal Audit in Promoting Good Governance in the Public Sector in Ghana

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ABSTRACT:

Well-performing internal audit function has been argued as one of the strongest means of internal control to monitor and promote a good governance system in an organization. While internal audit can be used to assist management in order to instil a strong ethical tone in the entire organization, a poor attitude by the management can make it hard for the internal auditor to uphold ethical behaviour. As a result, many countries have increased attention on internal audit as an important component of government financial management and as a tool for improving the performance of the government sector. This paper studies the effectiveness of internal audit in promoting good governance in the public sector in Ghana with special focus on the MDAs and MMDAs. The research is both quantitative and qualitative with a descriptive cross-sectional design method used for the study. The study also uses the logistic estimation technique on the primary data collected to find out the association between corporate governance and internal systems of risk management, compliance and consultancy, and internal controls. It was found that internal audit significantly has effects on internal controls, risk management and compliance, and consultancy. The study also found that improvement in risk management activities is more likely to ensure good corporate governance. However, internal control and compliance, and consultancy are less likely to ensure good corporate governance. It is therefore recommended that for the government to be effective in its operation and service delivery they should recognize the contribution of internal auditing and embrace internal auditing as an effective tool so as to realize their objectives set.

KEYWORDS: Internal audit, effectiveness, good governance, internal controls

1. INTRODUCTION

A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of organisations. However, ineffective internal controls result in ineffective programs and losses (Aduam, 2016; Ofori, 2011). According to (Baltaci & Yilmaz, 2006), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Internal audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. A well-performing internal audit function is one of the strongest means of internal control to monitor and promote good governance system in an organisation. Internal auditing is viewed as an integral part of the corporate governance mosaic in both the public and the private sectors(J. Cohen, Krishnamoorthy, & Wright, 2002)). As a result, in many countries it has received an increasing attention as an important component of government financial management and as a tool for improving the performance of the government sector. It is indicated that the internal audit contains two fundamental roles. That is assurance services to the administration, audit committee, and management, guidance on assessing the effectiveness of corporate management, risk management, and control processes established by management, and secondly consulting services to the management on risk management and controls (Wale, 1994). Analyzing this definition, it seems that the internal audit has evolved from a function of independent evaluation to a function of risk management so that today it is the primary need of any organizsation (Munro & Stewart, 2011). This is because it provides the creation of the added value of organisations through independent, objective assurance and consulting activities (Pickett, 2011).

By assessing the management process, the internal audit provides appropriate recommendations to improve it by fulfilling the following objectives viz (Hegazy & Farghaly, 2016; Vašiček, Dragija, & Hladika, 2011):

- promoting appropriate ethical principles and values within the organisation,
- ensuring effective management of performance and establishing responsibilities in the company,
- effective communication of information on risks and control to the relevant parts of the company,
- effective coordination of activities and communication of information to board members, external and internal auditors, and management.

To ensure good governance and internal audit practices, the Internal Audit Agency (IAA) was established by the Internal Audit Agency Act 2003 (Act 658) with a mandate to co-ordinate, facilitate and provide quality assurance for Internal Audit Units in Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs). The key requirements of the Act are the provision of internal auditing assurance and consulting services that will ultimately lead to the enhancement of efficiency, accountability and transparency in the management of resources in the public sector(Asiedu & Deffor, 2017).

The creation of the Internal Audit Agency was predicated on the need for the Government to put in place a structure that could support the eventual transfer of budgetary authority and expenditure control to the MDAs and MMDAs. These initiatives are part of the government's efforts under the Public Financial Management Reform Programme (PUFMARP). The Act received Presidential assent on 31 December 2003, Administrative transition was allowed up to 31 August 2004 and effective implementation started in 2005.

The governing body of the Agency is the Board which was sworn in on August 4, 2004. It comprises a membership of nine drawn from the public sector, the private sector and the

Institute of Chartered Accountants Ghana (ICAG). The Board formulates policies and establishes appropriate structures for the effective and efficient execution of the Agency's mandate. It ensures that the Agency operates within the overall framework of Act 658 and also facilitates collaboration with other agencies for the achievement of improved management of national resources. The Secretariat of the Agency is headed by a Director-General, supported by 2 Deputy Director-Generals and 4 Directors.

The Internal Audit Agency (IAA) Act, Act 658 specifically directs the Agency to ensure that:

- financial, managerial, and operating information reported internally and externally is accurate, reliable, and timely,
- the financial activities of the MDAs and MMDAs are in compliance with laws, policies, plans, standards, and procedures,
- national resources are adequately safeguarded,
- national resources are used economically, effectively, and efficiently,
- plans, goals, and objectives of MDAs and MMDAs are achieved, and
- risks are adequately managed in the MDAs and MMDAs.

Good governance on the other hand is considered a tool that is used to achieve the strategies of an organisation (Belay, 2007). Thus, a number of issues including the allegation of financial improprieties and lack of corporate governance structure joined with allegations of financial statement fraud of many government departments have helped to grind the ever-increasing attention on corporate governance in wide-ranging and the audit committee in particular. As a result, the function of the committee had changed over years (Rezaee, Olibe, & Minmier, 2003).

Cohen and Hanno (2000) using the Public Oversight Board's perspective, defines corporate governance as "those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process" (J. R. Cohen & Hanno, 2000). However, the best way to define the concept is to adopt the definition shared by the Organisation for Economic Cooperation and Development (OECD, 2004) countries: "Corporate governance is the system by which a business corporation (or a non-profit organisation) is directed and controlled, at its senior level, in order to achieve its objectives, performance and financial management, and also accountability, integrity, and openness".

Roe (2005) also defines corporate governance as the relationships at the top of the firm-the board of directors, the senior managers, and the stockholders. In his opinion, institutions of corporate governance are those repeated mechanisms that allocate authority among the three and that affect, modulate, and control the decisions made at the top of the firm. The above definition of corporate governance indicates the idea of objectives correspondence, incentives, monitoring, and control(Roe, 2005).

Corporate governance has been reflected upon since the beginnings of the modern corporation It certainly has received increased attention and scrutiny over the last two decades. In this period, corporate governance issues have become important not only in the academic literature but also in public policy debates. Corporate governance ranges throughout countries and firms. A higher quality of corporate governance allows firms to gain access to capital markets more easily, which is greatly significant for firms, which mean to boost their funds. Corporate governance issues are in general receiving greater attention as a result of the increasing recognition that a firm's corporate governance affects both its economic performance and its ability to access long-term, low investment capital (Mordelet, 2009). Other recent research shows the assurance, compliance, and consultant roles of internal auditing are now being recognized at the board level in many organisations as valuable contributors to good governance practices.

The conflicts in different internal auditing roles in enhancing corporate governance have not gone away with contradicting opinions on how internal audit affect corporate governance with some citing a positive effect and some saying it has a very minimal effect if any (Davidson, Goodwin-Stewart, & Kent, 2005). One cannot shy away from the question, Has internal audit ensured good governance? The researcher, therefore, intends to add to the literature by focusing on how internal audit influences good governance with a special focus on MDAs and MMDAs. The research would go further to estimate the effectiveness of the internal controls, through model estimation for possible predictions.

2.1 LITERATURE REVIEW –INTERNAL AUDIT AND GOOD GOVERNANCE AND ITS THEORETICAL BACKGROUND

With changing times, the concept of internal auditing has undergone significant changes with regard to its definition, scope of coverage, and approach. In some institutions, the scope of modern internal auditing has been broadened from financial issues to include value for money, evaluation of risk, managerial effectiveness, and governance processes. In 1978, the Institute of Internal Auditors (IIA) defined internal auditing as: "An independent appraisal activity established within an organisation as a service to the organisation. It is a control, which functions by examining and evaluating the adequacy and effectiveness of other controls. The objective of internal auditing is to assist members of the organisation in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed"(Ali, Gloeck, Ali, Ahmi, & Sahdan, 2007).

The modern scope and focus of internal auditing are reflected in the current definition that was formally adopted by the IIA in 1999: "An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". According to Asare (2008), the difference between the definitions of 1978 and 1999 (as repeated in IIA 2008) that is worthy of note is the prominence of objectivity in internal audit activities and also the emphasis on the evaluation and improvement of the effectiveness in risk management and governance processes. The current definition also contemplates two main internal audit services: assurance and consulting services.

Assurance services, according to IIA (2008) involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, an operation, a function, a process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor(S. K. Asare, Davidson, & Gramling, 2008). There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or

other subject matter - the process owner, (2) the person or group making the assessment - the internal auditor, and (3) the person or group using the assessment - the user.
Consulting services, according to the same source: Are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice - the internal auditor, and (2) the person or group seeking and receiving the advice - the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility (IIA, 2008)
According to IIA (2008), even though the above differences in definition may affect the practice of internal auditing in each environment, adhering to the IIA International Standards for the Professional Practice of Internal Auditing (Standards) would ensure that the responsibilities of internal auditors and the internal audit activity are met.
The roles of internal auditing have been identified as involving three main elements, namely the evaluation and improvement of risk management, control, and governance processes. These elements are sometimes referred to as the “three pillars” of internal auditing as shown in Fig. 3 (S. K. Asare et al., 2008; T. Asare, 2009; Jona & Guxholli, 2018).

Fig 3. Three Pillars of Internal Auditing
Source: Asare, (2008)

The audit function has become an integral part of government financial management and an instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services. Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks. Effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regard to practice and approach. The focus of internal auditing is to determine whether public funds have been spent for the purposes for which they were earmarked and thereby promoting accountability(T. Asare, 2009).

Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved. An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat 2005). Van Gansberghe (2005) puts forward the case that “Management must recognize the value-added role of internal audit and contribute towards its effectiveness.”, and that “As internal auditing in the public sector assumes a status of professional practice, management would benefit from its recommendations in improving its decision-making and thus would be playing a more proactive and foresight role(Van Gansberghe, 2005).

Internal audit function provides internal consulting service to the management in public sector institutions and hence the executive arm of government for smooth and efficient functioning and for reviewing and improving its performance. It also ensures that there are efficient controls and greater transparency in the decision and policy-making processes of government functionaries and institutions, in delivering services successfully, and in carrying out development programs efficiently and appropriately. Public Sector controls cover all aspects of activities including financial, managerial, and operational policies, and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency. The internal audit function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide assurance that the risks are being managed appropriately. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime. Deloitte (2005) noted that without internal audit's efforts and expertise in the company's organisational operations, “the business landscape would likely be littered with significantly more disclosures of material weaknesses and revelations of noncompliance with.”

According to Harvey and Brown (2004), the major components of internal controls are control environment, accounting system, and control procedures. Smircich (1983) cited in Njanike et al (2011) subscribes to the same sentiments by highlighting that the tone at the tog has implications on the direction taken by employees. Furthermore, Jansen (1998) pointed out that historically internal controls have focused on conforming employees’ actions to the desires of management(Donald & Harvey, 2004; Njanike, Mutengezanwa, & Gombarume, 2011).

An internal control system available to a firm according to Grieves (2000) cited in Ayagre et al (2014) consists of management oversight and the control culture; risk recognition and assessment; control of activities and segregation of duties; information and communication and monitoring activities and correcting deficiencies. The control environment reflects the overall attitude, awareness, and actions of the board of directors, management, and stockholders. The accounting system consists of the methods, records, and reports on entity’s transactions to provide complete, accurate and timely financial information. Finally, the control procedures are essentially specific procedures put in place by management to provide assurance that the company's objectives will be met. They usually come in the form of authorizations, segregation of duties, design and use of adequate documentation and records, adequate safeguards or access to assets and independent checks on performance(Ayagre, Appiah-Gyamerah, & Nartey, 2014).

The control environment reflects the overall attitude, awareness, and actions of the Board of Directors, management and stockholders. Robbins (2000) defines internal control systems as the whole system of controls, financial and otherwise, established by management to carry out the business of the enterprise in an orderly and efficient manner, ensure adherence to management, safeguard the assets and secure as far as possible the completeness and accuracy of the records(Robins, 2000). According to Khan (2010), internal controls are designed to protect an institution from the loss or misuse of its assets. They also ensure that all transactions are properly authorized and thus guarantee or foster good corporate governance (Khan, 2010). Cook and Wincle (1976) cited in Chukwudire (2018) however finds that the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. In this concept, by measuring and evaluating the effectiveness of organisational controls, internal auditing, itself, is an important managerial control device, which is directly linked to the organisational structure and the general rules of the business(Chukwudire Arinze, 2018). In today's business environment internal auditors are now providing management with a far broader range of information concerning the organisation's financial, operational, and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity assures management and the audit committee that internal controls are effective and working as intended. The internal audit activity is led by the Chief Audit Executive (CAE). The CAE delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee. Effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organisation and its culture, operations, and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organisation's internal control, risk management, and governance processes (Rezaee, 2010).

Corporate governance developments around the world have reaffirmed the responsibility of the board in the process of ensuring the success and efficiency of the internal control framework of the company. As a result, the key role of the internal audit is vital to support the board to ensure sufficient oversight of internal control as well as in the process of doing so form in the integral aspect of the corporate governance framework of the organisation. Thus the key role of the internal audits focuses on the process of assisting the board and/or its audit committee in the process of discharging its governance responsibilities by focusing on the following: an objective assessment of the existing risk and internal control framework; methodical examination of business processes and connected controls; reviews of the subsistence and value of assets; a source of information on major frauds and irregularities;

unplanned and informal reviews of other areas of concern, including unacceptable levels of risk; reviews of the agreement framework and specific compliance issues; reviews of operational and financial performance; suggestions for more helpful and competent use of resources; appraisals of the achievement of corporate goals and objectives and finally advice and comment on devotion to the values and code of conduct/code of ethics of the organisation (Njui, 2012).

2. RESEARCH METHODOLOGY

The study adopted a descriptive research design in investigating the relationship between internal controls and governance in MDAs and MMDAs in Ghana. According to Cooper and Shinder (2007), the research design constitutes the blueprint for the collection, measurement and analysis of data. The method is chosen since it is more precise and accurate since it involves the description of events in a carefully planned way(Babbie, 2015). Descriptive research also describes data and characteristics about the population or phenomenon being studied. The target populations for the study are the Management and Staff of the Internal Audit Departments and Finance, Accounts, budget offices in MDAs in Kumasi, Ashanti Region. According to Mason et a1. (2007), the population of a study is the collection of all possible individuals, objects or measurements of interest. In selecting the respondents, purposive sampling technique was used to select from the different categories of personnel(Mason et al., 2007). In purposive sampling, the researcher picks the sample that will deliver the best information in order to satisfy the research objectives in question or with a purpose in mind. The researcher deemed it important to use the purposive sampling technique as the study needed to reach out to people with knowledge of the research area hence the staff at the internal audit, claims, and finance departments was used for the study.

The study collected primary data on the current state of affairs of the government ministries. The main instrument for data collection was questionnaires with both structured and open-ended questions. Structured questions allow for uniformity of responses to questions. A 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 of people or entire populations. Questionnaires give the researcher comprehensive data on a wide range of factors. It allows greater uniformity in the way questions are asked, ensuring greater compatibility in the responses. A five-point non-comparative Likert scale is to be used for the structured questions with the intent of the Likert being that, the statement represents different aspects of the same attitude. Likert scale is simple to construct, and easy for the respondents to read, understand and respond appropriately to the statements put across. The Likert scale enhances the production of highly accurate results during analysis. Secondary data was collected from government reports, magazines, newspapers and journals.

The questionnaires answered and retrieved were coded and analysed using the Statistical Programme for the Social Sciences (SPSS) version 19.0. Tables, charts, graphs, frequencies and averages (mean) were used to demonstrate the response that was obtained from the respondents. Both qualitative and quantitative methods of investigation were employed in the analysis and interpretation of data for the study. The researcher also used a multivariate regression analysis to estimate the relationship between the independent variables and the dependent variable and this was done using the logistic model estimation technique. This study seeks to find out the extent of the relationship between governance and internal audit as well as the other independent variables. Since good governance is assumed in this study to be good or bad, the logistic regression is deemed most appropriate for the study. That is, the econometric estimation of the model is based on the extensively applied logistic model. The researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire and obtained a reliability coefficient of 0.835 using Cronbach's alpha formula. According to Berg and Gall (1989), validity is the degree to which the sample of test items represents the content of the test is designed to measure. The researcher employed content validity which measures the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept (Mohamed, Kerosi, & Tirimba, 2016).

3. RESULTS AND FINDINGS

Table 1 presents the influence or effectiveness of internal control on risk management. Risk management was assessed by this study on three parameters of risk assessment, risk mitigation, and risk monitoring. For easier understanding, the study provided a scale of 1 – 5, with 1 representing ineffective and 5 representing very effective. From the data collected, many respondents indicated that risk assessment, risk mitigation, and risk monitoring are effective. Risk assessment, risk mitigation, and risk monitoring had 3.57, 3.47, and 3.30 means respectively. The standard deviation for the responses of the three risk management strategies was 1.040 for risk assessment, 0.860 for risk mitigation, and 0.915 for risk monitoring.

These statistics indicate that internal audit is deemed effective in ensuring risk management in MDAs and MMDAs in Ghana. This is in line with Griffiths (1999) who found that internal auditing provides independent and objective assurance to an organisation's management that its risks are being mitigated to an acceptable level, and reports where they are not. Keitany (2000) also concluded in his study of "the internal audit control function and its implication for risk assessment by the external auditor: A case of quoted companies" concluded that the internal audit departments in companies should not be done away with as it assists management in its day to day operations(Griffiths, 1999; Keitany, 2000).

Table 1: Effectiveness of Internal audit on Risk management

Risk Management	Min	Max	Mean	St. dev
Risk Assessment	2	5	3.57	1.040
Risk Mitigation	2	5	3.47	.860

Risk Monitoring	2	5	3.30	.915

Source: Survey, August 2016

Table 2 depicts the summary of the findings on the effectiveness of internal audit in internal control. Respondents were asked to rate the level of effectiveness of some internal control activities on a scale of 1 – 5, with 1 representing ineffective and 5 representing very effective. According to the findings, respondents rated the review of individual systems and processes as moderately effective with a mean of 3.30. Control of information within the organisation had a similar rating with mean of 3.33 as did accounting information and communication with a mean of 3.37. Managerial controls and operational controls had means of 3.17 and 3.47 respectively whereas provision of financials controls had the highest ratings with mean of 3.73.

These statistics indicate that respondents saw internal audit as effective on internal controls. This is supported by (Zhang, Zhou, & Zhou, 2007) in their paper "Audit committee, auditor independence and internal control weaknesses" which concluded that firms are more likely to be identified with an internal control weakness, if their audit committees have less financial expertise or, more specifically, have less accounting financial expertise and non-accounting financial expertise, as well. This finding is also in line with Mihret and Yismaw (2007) study on Ethiopia's public sector and found that internal audit's lack of authority on budgets reduces its control of resource acquisition and utilization(Mihret & Yismaw, 2007).

Table 2: Effectiveness Internal audit on Internal Control

Internal Control	Min	Max	Mean	St. Dev
Review of individual systems and processes	1	5	3.30	0.952
Providing financial controls	2	5	3.73	1.015
Managerial controls	1	5	3.17	1.206
Operational controls	1	5	3.47	0.973
Control information within the organisation	1	5	3.33	1.155
Accounting information and communication	2	5	3.37	0.964

Source: Survey, August 2016

The study further sought to investigate the effectiveness of internal auditing to compliance and consulting as shown in Table 3. For easier understanding, the study provided a scale of 1 – 5, with 1 representing ineffective and 5 representing very effective. From the findings, many respondents indicated that ensuring that public spending was within budgetary provisions and disbursement comply with specified procedures are the most effective. This is depicted by the high mean ratings of 3.77 and 3.80 respectively. Elsewhere, promoting accountability and compliance with laws, regulations and contracts were also deemed effective by respondents with mean ratings of 3.57 and 3.67 respectively.

Review of operational and financial performance and provision information about any fraudulent activities or irregularities were seen to be moderately effective by respondents with average ratings of 3.40 and 3.47 respectively. This is consistent with literature as Bostan and Grosu (2010) in their study of the role of internal audit in optimization of corporate governance at groups of companies concluded that internal audit ensures compliance with legislation and recommendations in matters of corporate governance and also transparency, efficiency and friability in internal communication.

Also, Ljubisavljevic and Jovanovic (2011) in a research on the internal audit position of Serbian companies concluded that Internal audit determines the reliability, reality, and integrity of financial and operational information that comes from different organisational units, on which appropriate business decisions at all levels of management are based. Njui (2012) also concluded in a similar study in the ministries in Kenya that internal audit effectively ensured that advice and comment on devotion to the values and code of conduct or code of ethics of the ministries were adhered to(Bostan & Grosu, 2010; Ljubisavljević & Jovanović, 2011; Njui, 2012).

Table 3: Effectiveness of Internal Audit in Compliance and Consulting

Compliance and consulting	Min	Max	Mean	St. Dev
Promoting accountability	1	5	3.57	1.223
Provide information about any fraudulent activities or irregularities	1	5	3.47	1.137
Ensure public spending is within budgetary provisions	1	5	3.77	1.165
Ensure disbursement comply with specified procedures	1	5	3.80	0.961
Compliance with laws, regulation, and contracts	2	5	3.67	0.884
Review of operational and financial performance	1	5	3.40	0.894

Source: Survey, August 2016

Table 4 aimed at investigating the rating of corporate governance attributes in various MDAs and MMDAs for five years preceding the study. For easier understanding, the study provided a scale of 1 – 5, with 1 representing greatly decreased and 5 representing greatly improved. From the findings, accountability earned the highest ratings of 4.11 whereas fairness recorded the least ratings of 3.20. This, therefore, indicates that accountability had improved over the last five years whereas it is somehow constant in terms of fairness. Transparency, responsibility, and discipline had also improved as depicted by the mean score of 3.63, 3.75, and 3.85 respectively. However, social responsibility, fairness, and independence seem to have not shown significant improvement with average ratings of 3.25, 3.20, and 3.24 respectively.

Table 4: Attributes of Corporate Governance in various MDAs and MMDAs in the last five years

Attributes	Mean	Std. Dev
Discipline	3.85	0.657
Transparency	3.63	0.574
Independence	3.24	0.890
Accountability	4.11	0.605
Responsibility	3.75	0.553
Fairness	3.20	0.701

Social responsibility	3.25	0.623

Source: Survey, August 2016

The study computed the Pearson correlation coefficient to measure the strength and direction of the linear relationship between the variables as shown in Table 5. From the findings, it was ascertained that there is a strong positive relationship between Internal Control and Risk Management as indicated by a correlation coefficient of 0.853. Compliance and Consulting and Internal Control also have a strong positive correlation with a correlation coefficient of 0.847. However, even though there was a positive relationship between Corporate Governance and risk management, internal controls and compliance, and consulting, there extent of the relationship is not strong as indicated by correlation coefficients of 0.074, 0.025, and 0.042.

Table 5: Correlation coefficients

		Corporate Governance	Risk Management	Internal Control	Compliance and Consulting
Corporate Governance	Pearson correlation Sig	1			
Risk Management	Pearson correlation Sig	0.074 0.699	1		
Internal Control	Pearson correlation Sig	0.025 0.897	0.853** 0.000	1	
Compliance and Consulting	Pearson correlation Sig	0.042 0.825	0.795** 0.000	0.874** 0.000	1

NB: ** indicates significance at 95% confidence interval

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The study further conducted a multiple regression analysis to identify the effectiveness of internal audit in promoting good governance in the public sector in Ghana with a special focus on MDAs and MMDAs. Multiple regression is a statistical technique that allows the study to predict a score of one variable based on the scores of several other variables. The main purpose of multiple regression is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. The study used the statistical data analysis tool STATA to code the variables and estimate the multiple regressions for the study. The dependent variable, corporate governance, was recoded into a binary variable with ratings of 3 to 5 representing good governance and 1 to 2 representing bad governance. Table 6 is the output of the multiple regression.

Table 6: Regression output of corporate governance on risk management, internal control and compliance, and consultant

	Marginal effect	P-value

Risk_man	0.562**	0.047
Int_Control	-0.329	0.269
Comp_Cons	-0.046	0.843
Contant	0.565	0.130
No. of observations	30	
Pseudo R^2	0.1546	

NB: ** indicates significance at 95% confidence interval.

From the regression analysis, it was found that only Risk management has a positive effect on good corporate governance as indicated by a positive marginal effect of 0.562. This indicates that risk management is about 56 percent more likely to lead to good governance. However, the study found that an improvement in the ratings of internal controls and compliance and consultancy is less likely to lead to good governance. This is indicated by the marginal effects of -0.329 and -0.046. With the marginal effect of -0.329 for internal controls, it implies that internal control is about 33 percent less likely to ensure good corporate governance.
Also, the marginal effect of -0.046 of compliance and controls indicates compliance and consulting is about 4 percent less likely to ensure good corporate governance. In relation to literature, Njui (2012) affirms the effectiveness of risk management on good corporate governance within Kenya government ministries. The findings of this study are also in agreement with earlier findings by (Prawitt, Smith, & Wood, 2009) that the internal audit function plays a unique role in corporate governance by monitoring organisational risks and ensuring that organisational processes are efficient and effectively controlled. Spira and Page (2003) found that the internal audit activity evaluates risk exposures relating to the organisation's governance, operations, and information systems, with regards to the effectiveness and efficiency of operations, reliability, and integrity of financial and operational information. However, in contrast to the findings by (Njanike et al., 2011) "Internal Controls in Ensuring Good Corporate Governance in Financial Institutions" done in Zimbabwe, that effectiveness of internal control systems contributed to a greater extent to good corporate governance in financial institutions in Zimbabwe. On the impact of internal control on corporate governance, (Olumbe, 2012) in a study of the relationship between internal controls and corporate governance in commercial banks in Kenya, found internal control to positively impact corporate governance which is in contrast to the findings of this study.

4. CONCLUSION

The study sought to find out the effectiveness of internal audit in promoting good governance in the public sector in Ghana with special focus on the MDAs and MMDAs. This was achieved by investigating the effectiveness of internal audit on risk management, internal controls and compliance, and consultancy. Based on the findings, the study concludes that internal auditing is effective in risk management. Even though it was found that internal audit was effective on risk assessment, risk mitigation, and risk monitoring, it was more effective on risk assessment than on risk mitigation and risk monitoring.

On the effectiveness of internal auditing on internal control, the study concluded that internal audit was effective on managerial controls, operational controls and on the provision of financial controls. Furthermore, internal audit was found to be effective on the review of individual systems and processes and also the control of information within the organisation. On the aspect of internal auditing to compliance and consulting, the study concludes that internal audit effectively promoted accountability and provided information about fraudulent activities and irregularities. It also effectively ensured that public spending is within budgetary provisions and that disbursement complies with specified procedures. The study also concludes that internal audit effectively ensured compliance with laws, regulations and contracts and reviews of operational and financial performance.

Furthermore, the study concludes that discipline, transparency, and accountability, responsibility, independence, and fairness had improved within the MDAs and MMDAs. However, accountability is the most improved and independence is the least improved. From the regression analysis, the study concludes that improving risk management is more likely to lead to good governance whereas improving internal controls and compliance and consultancy is less likely to lead to good corporate governance

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