

Assessing the Balance Score Card of the Internal Audit Performance-Value Addition or Destruction: An Empirical Study of Firms in Sekondi-Takoradi, Ghana

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Abstract

The internal audit function is expected to serve as the “moral conscience” and “resource protector” of organisations. The question is are they? The profession have been facing a lot of criticisms especially in the mist of spectacular collapses of some major global brands due to fraudulent practices, financial irregularities and creative accounting practices. More also the rapid and drastic transformation of the business environment necessitates an investigation as to whether the performance of the internal audit function is coping with these changes and also adding value to organisations. This study aims to critically analyse and assess the value-added performance of the internal audit function through the use of the balance score card methodology in the mist of the turbulence and volatile business landscape confronting the internal audit profession. The study employed the survey method where a forty questions well-structured questionnaire was designed based on the balance score card approach. These questionnaires were sent to internal auditors and non-internal auditors in nine organisations in Sekondi-Takoradi Metropolis in Western Region, Ghana. The study revealed that most respondents do not perceive the internal audit function as providing value-addition services to their organisations based on IIA’s internal audit performance assessment criteria.

Keywords: Internal Audit, Institute of Internal Auditors (IIA), Balanced Score Card, Value-Addition, Performance Assessment. Sekondi-Takoradi.

1. Introduction

Internal auditing is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems. (IFAC).

The Institute of Internal Auditors (IIA) originally defined internal auditing as follows:

It is “an independent appraisal function, established within an organization to examine and evaluate its activities as a service to the organization”. (IIA, 1991). A more modern definition given by IIA is 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.” (IIA, 2007).

The above definition of internal auditing by IFAC and IIA is quite instructive and thought-provoking. Whilst IFAC defines internal auditing in its traditional role with emphasis on provision of compliance assurance activities, that is they compare existing conditions (“what is”) to a standard (“what should be”) and suggest how to achieve the standard, the definition by IIA (2007) however, elevated internal auditing to a more central role within the organisation as providing value-added advisory services with emphasis on improving and developing the organisation toward achieving its objectives.

Since IIA revised its traditional definition of internal audit, the introduction of the new definition to include value added has generated a lot of debate in the literature (Mihret and Woldeyohannis, 2008; Kwon and Banks 2004; Roth, 2003). There is a general perception especially in our part of the world that the internal audit function does not add value to organisations, lacks integrity, independence and credibility especially to the effect that there is no legal and statutory requirement for its establishment but rather a voluntary creation by management thus giving them absolute control and direction over the operations and functions of the internal audit unit. Also, the global financial recession and crises including the dot com bubble in the late 1990s’, the 1997 Asian crises, the subprime crisis in 2008, the recession in Europe, the spectacular collapse of major global brands such as Barring bank, Parmalat, Enron etc., even though they had internal audit unit goes to reinforce the perception of the internal audit being a “lame-duck” department working under the influence and control of management.

In its 2014 state of the internal audit profession study, PwC Africa chapter, surveyed more than 1,900 chief audit executives (CAEs), internal audit managers, members of senior management, and board members and found that more than half (55%) of senior management globally do not believe internal audit adds significant

value to their organisation, and nearly 30% of board members believe it adds less than significant value. A study by Badara (2012), on assessing the role of internal auditors in ensuring effective financial control at local government level, a case of Alkaleri L.G.A Bauchi State, Nigeria came out with the following findings including the fact that the internal audit lacks proper independence, that the internal audit is poorly understaffed and also that they do not adhere to the general auditing standards. Another study by Abaidoo et.al (2015), about challenges faced by Internal Auditors at Sekondi-Takoradi Metropolitan Assembly (STMA) in western region, Ghana highlighted some of these challenges including lack of establishment of audit committee by management, accountability of the head of internal audit unit to management, lack of placement of the head of internal audit at top management and management responsibility of fraud detection and prevention being ascribed to the internal auditors.

This perception about the internal audit function has made some critics even question the relevance and strategic contribution of the internal audit in providing innovation, value creation and value development to organizations since it is believed that their functions are just duplicating other activities, are non-critical, inward-looking, only complies with rules, procedures and regulations and more importantly destroy share-holder value as the cost of setting up and running the unit far exceeds contributions they make to organisations. In the view of Bota-Avram (2010), the activity of internal audit is now more than ever called to prove its usefulness, or in other words, to eliminate the unpleasant label of “resources consumer” and to become a “provider of value added”. To reverse these negative perception about the internal audit unit, various institutional, legal and regulatory frameworks have been established to make the internal audit unit central to organizations development and growth agenda. Key among them is the role played by Institute of Internal Audit [IIA], activities and standards issued by IFAC, the enactment of Sarbanes-Oxley Act (2002) in United States, guidelines by International Organization of Supreme Audit Institutions, INTOSAI, the role played by Committee on Sponsoring Organisations of the Treadway Commission’s (COSO), CICA’S COCO, Internal Audit Standards issued by Her Majesty’s Treasury, United Kingdom, among others.

The essence of this study is thus to investigate and ascertain the extent to which the internal audit function is embraced and viewed by organisations and also assess how it is performing its roles and functions within the Sekondi-Takoradi business environ. To help in assessing the performance of the internal audit function, this study employed some of the principles outlined in the IIA’s International Standards for the Professional Practice of Internal Auditing (ISPPIA) as well as the internal audit measurement metrics inherent in Kaplan and Norton’s Balanced score card methodology pioneered by Mark L. Frigo to take advantage of the tools comprehensive and forward-looking approach which is in consonance with the revised definition of internal auditing by IIA.

Problem Statement

The internal audit is a function set up by an organizations governance system to provide services to management by ensuring that every part and levels of the organization are operating effectively and efficiently to aid in the achievement of the organizations goals and objectives. Historically, the internal audit has suffered identity and recognition crises as many critics both in the academia and industry have challenged the significance of the department towards the success of the organisation as it is believed most of their roles and functions are duplications and not critical to the success of the organization. One of such criticisms of the internal audit department is whether their role and function contribute significantly to adding value to the organization or they are just adding to the organizations cost and thus destroying share-holder value. This is evidenced with the continual out-sourcing of the internal audit functions to third-party contractors to enable organizations concentrate on core-value functions.

To fight and overcome this erroneous misconception about the internal audit function, the profession with the aid of global institutional and regulatory bodies such as Institute of Internal Auditors [IIA], COSO, SOX Act etc., have been rebranding and reinventing the image of the profession by championing its critical role in the success of organizations in the mist of global financial crises and spectacular corporate failures and collapses. The major challenge however is, how we measure the performance of the internal audit function to justify their modern role as key advisers and strategic partner to management. One of the most comprehensive and integrated framework for measuring performance is the balance score card methodology. This study seeks to employ and apply this model within the Ghanaian environment to assess the performance of the internal audit function to assist in ascertaining whether the internal audit is providing value-addition or destruction to organizations.

Objectives:

The general objective of this study is to comprehensively assess the performance of the Internal Audit department to ascertain whether they add or destroy value to organisations.

Specifically, the following secondary objectives would be sought:

1. To investigate general perception about the Internal Audit function by staff.

2. To assess the performance of Internal Audit department in relation to Internal Business Process.
3. To assess the performance of Internal Audit department in relation to Customers and Clients.
4. To assess the performance of Internal Audit department in relation to Financial and Resource management.
5. To assess the performance of Internal Audit department in relation to Future Growth and Development.

2.0 LITERATURE REVIEW

2.1. Concept of Value-Added

The concept of value added role of internal auditing has been extensively researched (Bou-Raad, 2000; Nagy and Cenker, 2002; Roth, 2003).

The definition of Value-added as a concept in internal auditing varies from one practitioner to another. What constitutes value-added activity will vary based on many factors, value of an internal audit activity is determined by its usefulness to the organization.

According to The Institute of Internal Auditors Research Foundation (IIARF, 2011), the usefulness of internal audit services is reflected by the activity's perceived contribution, which is affected by many factors, including organizational characteristics (Issue 1), the internal audit activity's characteristics (Issue 2), performance measurement of the internal audit activity (Issue 3), and the internal audit services performed (Issue 4). In addition, there are other factors (such as laws and regulations, corporate governance structure, and characteristics of survey respondents) that need to be considered in analysing the value of internal auditing. (IIARF, 2011). In the Glossary of The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), "add value" is defined as, "Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services. IIA (2009).

The concept of value-added can further be explained from the revised definition of internal auditing by IIA (2007). From this definition, the internal auditor can provide value by providing independent and objective services, provision of integrated auditing practices, complying with the IIA International Professional Practices Framework (IPPF) standards and ethical guidelines, ensuring that laws and regulations are understood and complied by staff, providing assurance and consulting services that can improve and develop people, processes, systems and structures within organisations, assist in analysing and making recommendations in the areas of risk management, controls, and governance processes that can help organisations achieve their objectives. Thus value is added when recommendations from the internal auditor help to reduce cost or increase revenue leading to increase profit levels of organisations.

Value is added when the internal auditors risk assessment activities assist in the design and implementation of a sound, robust and effective internal control system. Value addition occurs when audit suggestions help organisations improve their processes, systems and overall strategic direction. This means Value added auditing will thus require auditors to have a deeper insight of the entity, including its processes, systems, culture, key players, and the environment so that sound recommendations can be made to management for decision making that would enhance and assist in the achievement of the organisations operational and strategic objectives.

Dittenhofer (2001) suggested that the following four attributes would make the internal audit process more useful and more efficient and would improve its position vis-à-vis management's opinion of its value; adequate Internal audit function (IAF) interaction with the organization; internal restructuring, creation of new services and methods and using technology. Gupta (2001) identified the following IAF value adding attributes: assessing the inherent level of complexity in an organization; identifying internal audit customers and their needs; developing a mission and vision for the IAF; taking a process view of the IAF; developing an internal audit business model; using information technology as an enabler and developing an appropriate internal audit strategic plan.

In a publication "Adding Value: How modern internal auditing assists organisations in achieving strategic objectives", Ray (2009) acknowledges that there are many ways to measure whether or not Internal Audit add value to their companies. Referring to the CBOOK study which found that the four attributes most commonly applied are: determining the extent of the implementation of the IAF's recommendations; assessment by engagement client surveys from audited departments; the extent of reliance placed by external auditors on the work of the IAF as well as the number of management requests for assurance and consulting services. According to Roth (2013), the phrase describes audit work that helps management improve the business, rather than assignments that simply verify compliance with policies and procedures. Through a research of top-class audit institutions he identified using The IIA's Global Auditing Information Network (GAIN), five characteristics associated with value-added audit institutions including: extensive staff expertise, a working environment that encourages audit staff creativity and competition, alignment by audit managers of their departmental structure with that of the organization, internal auditors developing real-time risk assessment processes and provision of

traditional audit work coupled with assurance and consulting services.

2.2. MEASURING INTERNAL AUDIT PERFORMANCE

A study by GAIN Flash Survey of 145 CAEs and other audit managers conducted in November 2008 on performance monitoring and quality assurance program activities. Of all the respondents, 77 percent have a formal or informal performance monitoring and quality assurance program. The top five tools used by survey participants include: Compliance with the audit plan (i.e., number of audits planned versus executed; 93 percent); Compliance with a budget (81 percent); Satisfaction surveys from auditees (77 percent); Audit time management (i.e., planned versus actual planning, fieldwork, and report writing; 59 percent); Reporting time management (i.e., planned versus actual reporting time; 59 percent).

2.2.1 Balanced Score Card (BSC) Measurement Methodology:

A common tool used by many CAEs to measure internal audit performance is a balanced scorecard. Developed by Robert Kaplan and David Norton, a balanced scorecard is an approach to corporate performance measurement that is designed to identify success by breaking down the overall vision and strategy of an organization into specific objectives, targets, measures, and initiatives. GAIN (2009).

Four main categories are typically used to identify balanced scorecard performance measures: financial, customer, internal business process, and learning and growth. However, these categories might vary based on the organization and the key factors to be measured. The goal of the Balanced Scorecard is to broaden management's horizon beyond short-term financial results so that the company's long-term success is achieved and sustained. Martin (2004) explained that the Balanced Scorecard created a balance between short term and long term measures, internal and external business processes, leading and lagging indicators, objective and subjective measures. The Balanced Scorecard methodology is a comprehensive, multi-dimensional performance measurement tool because it embodies both quantitative and qualitative performance measures; it assesses performance using both past and future metrics; it encompasses short and long-term indicators; it is integrative in orientation as it links the organisations vision and strategy to its targets and initiatives; it is also a management and measurement tool; an improvement and learning tool; motivation and implementation tool, as well as a control and evaluation tool.

In a publication entitled "Ten steps to a strategically focused internal audit function", PwC developed a BSC metric used to assess internal audit performance as shown below:

Figure 2: Internal Audit Balanced Scorecard Metric

<p>25% People</p> <ul style="list-style-type: none"> • Quality of professional staff • Ability to address specialised and technical needs • Understanding of the business and the global business environment • Interaction and communication with line management executives • Development of management talent for the organisation 	<p>25% Internal Audit Process Effectiveness</p> <ul style="list-style-type: none"> • Rapid and effective start-up • Effective and timely communications • Development and delivery of practical recommendations to improve internal controls and corporate governance • Results of auditee satisfaction questionnaires
<p>25% Risk Management</p> <ul style="list-style-type: none"> • Timely and effective identification of key business risks • Percentage of audit activities and resources allocated to addressing key business risks • Adaptability and responsiveness to emerging risks • Understanding and fulfillment of the needs of: <ul style="list-style-type: none"> – The audit committee – Executive management 	<p>25% Value Added to the Business</p> <ul style="list-style-type: none"> • Protection of shareholder value through an improved control environment • Enhanced shareholder value through: <ul style="list-style-type: none"> – Cost reductions – Reduced revenue leakage – Reduced working capital – Enhanced cash flow

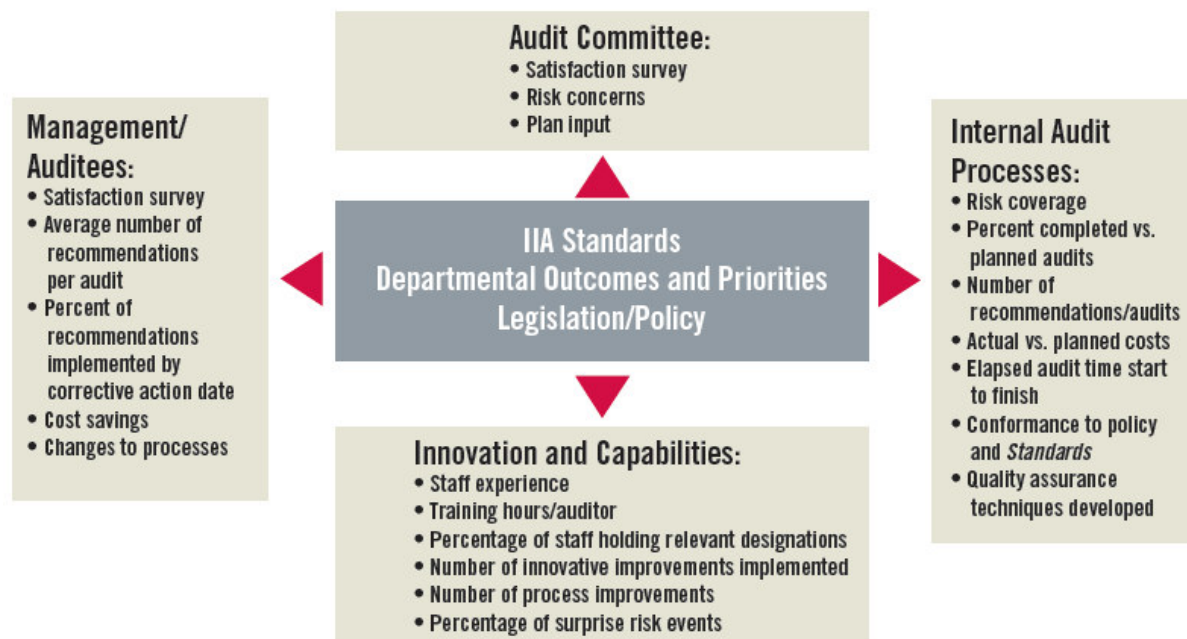
Source: PricewaterhouseCoopers (2003): www.pwc.com/internalaudit.

On September 29, 2005, the IIA's International Professional Practices Framework (IPPF), released Practice Advisory 1311-2: Establishing Measures to Support Review of Internal Audit Activities Performance. The Practice guide on Measuring Internal audit effectiveness and efficiency adopted balanced score card performance metrics along dimensions, interests, and perspectives of a variety of three board categories including:

- Stakeholder expectations of Audit Committee, Executive Management, etc.
- Audit process including risk assessment, planning and audit methodologies
- Innovation and capabilities that include the use of technology, training and industry knowledge. IIA (2005).

Each perspective included related measures as shown in figure 3:

Figure: 3 Internal Audit Balanced Scorecard Performance Measures



Source: www.theiia.org/guidance

2.3 EMPIRICAL LITERATURE REVIEW

Arena & Azzone (2009) carried out a study to understand the organizational drivers of internal audit effectiveness, taking into account the recent changes of the internal auditing and its central role in corporate governance. The data used for this study were collected through a questionnaire, which was sent to 364 Italian companies, with a response rate of 47%. On the basis of data from 153 Italian companies, the survey showed that the effectiveness of internal auditing is influenced by factors like: the characteristics of the internal audit team; the audit processes and activities, and the organizational links.

The study also observed that internal audit effectiveness increases particularly, when:

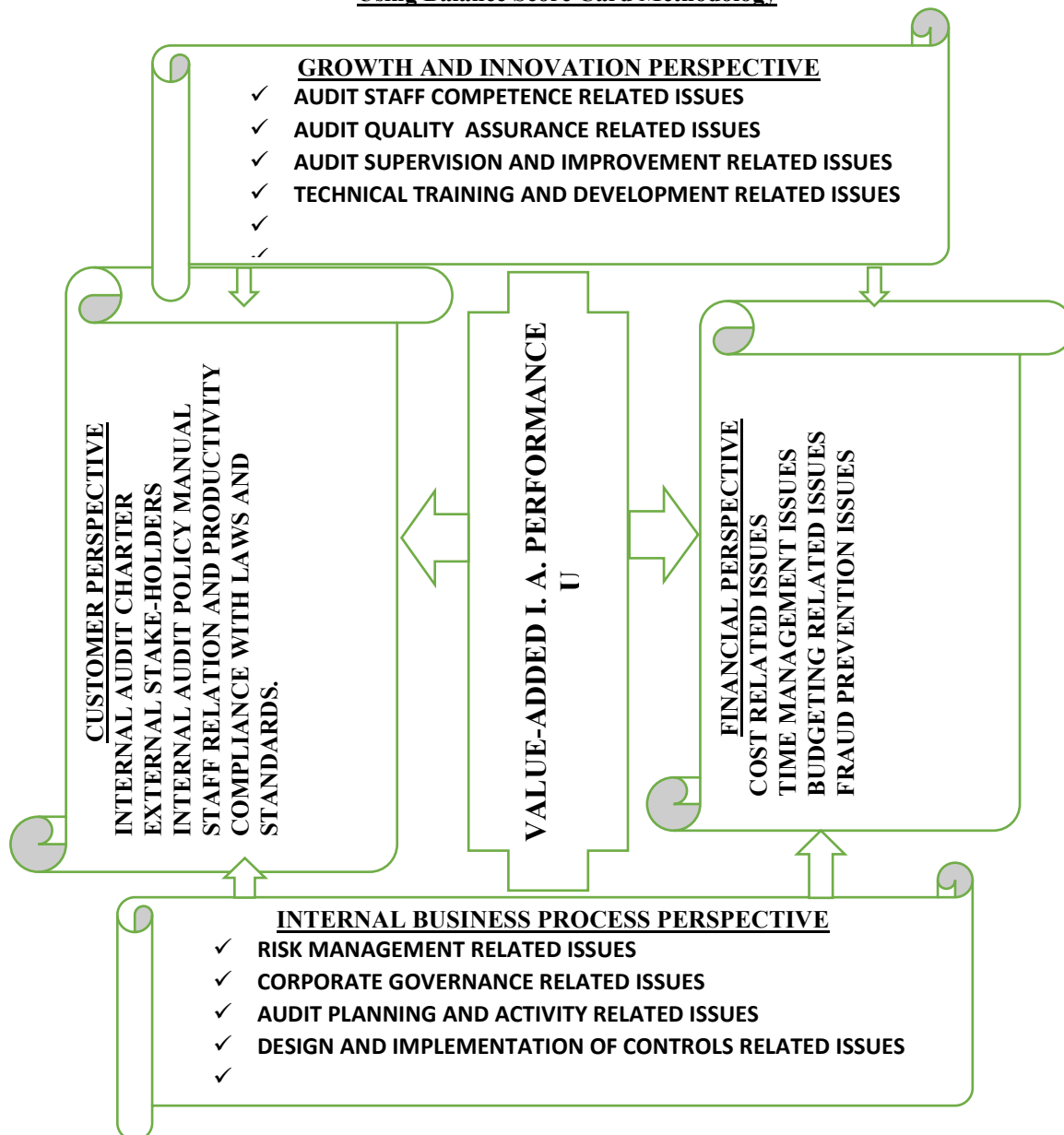
- the ratio between the number of internal auditors and employees grows,
- the Chief Audit Executive is affiliated to the Institute of Internal Auditors,
- the company adopts control risk self-assessment techniques, and
- the audit committee is involved in the activities of the internal auditors.

Barac et al (2009), explored the perceptions on value added by internal audit functions (IAFs) of South African companies. Six attributes of value added by IAFs were investigated: organizational status, staffing and work environment, the extent to which IAFs' recommendations are implemented, risk assessments, internal audit services and performance measures. Data was gathered via questionnaires from the chief executive officers (CEOs) or the chief operating officers (COOs) or the chief financial officers (CFOs), audit committee chairpersons (CACs) as well as the chief audit executives (CAEs) of 30 large South African companies. Their findings revealed that IAFs are perceived to add value to organisations.

2.4 CONCEPTUAL FRAMEWORK

The conceptual framework used for this study is based on Mark L. Frigo's internal audit balance score card assessment and IIA standard guideline for assessing internal auditor's performance as depicted in figure 4 below:

Figure 4: Conceptual Framework for Assessing Internal Audit Performance Using Balance Score Card Methodology



Source: Researchers own design, June 2016

Thus to assess whether Internal Audit function is adding value or destroying value in the organisations selected for the study, all the issues under each of the four perspectives were ascertain from internal audit staff and non-internal audit staff including management. The extent to which these issues were met or complied with by the internal audit unit, gave an indication as to whether their performance was value addition or just resource consumers.

3.0 METHODOLOGY

The study adopted a descripto-explanatory research; a combination of both descriptive and explanatory research design. The design allowed detailed description and analysis of the variables under study; describing and presenting their attributes and explaining their relationships without manipulations as supported by Saunders et al (2009). The population of the study were the entire management and staff of Volta River Authority, Takoradi Technical University, COCOBOD, Ghana Ports and Harbours Authority, Ghana Rubber Estates Ltd., Ghana Revenue Authority, Effia-Nkwanta Regional Hospital, Ghana National Fire Service, Ahantaman Rural Bank in the Sekondi-Takoradi Metropolitan Area. The population was divided into two sub-groups namely, non-internal auditors and internal auditors. The purposive sampling was then applied to each sub-group to select the sample. The total sample size is 90 employees comprising 10 from each nine (9) organisations under study. 50 of them

were non-internal auditors and 40 were from the internal audit unit. The study used both primary and secondary sources for the collection of data and information. With the primary source, questionnaire was used in the survey and was divided into two major sections. Section One sought the respondents' demographic information whilst Section Two was composed of 40 questions that sought information on the value-added performance of the internal audit function.

The section two of the questionnaire was divided into 5 major segments with forty (40) questions and the respondents were asked to indicate their degree of agreement or disagreement with each of the 40 question statements on a five-point Likert response scale (Likert, 1932) that ranged from "strongly agree (scored as 5) to "strongly disagree" (scored as 1). A large amount of researchers use this methodology, because it is relatively easy for respondents to use, and responses from such a scale are likely to be reliable (Myers and Gramling; 1997, Lam and Kolic, 2008).

Before administration, the questionnaire was pilot-tested and subjected to reliability test using Cronbach Alpha; resulting in a reliability coefficient of 0.969 which was above the recommended minimum of 0.7 (Santos & Reynolds, 1999). Data collected was analyzed using the statistical package for service solution (SPSS version 21). Descriptive statistics namely frequencies, percentages and mean were used to explain the variable characteristics (Twenefour et al., 2015).

4.0 DATA ANALYSIS AND RESULT

This section of the study presents the results on assessing the balance score card of the internal audit performance on firms in sekondi-takoradi. Data collected was analysed using descriptive statistics to explain the variable characteristics using the statistical package for service solution (SPSS version 21).

Reliability/Validity Test

A reliability test using Cronbach Alpha; resulting in a reliability coefficient of 0.969 which is above the recommended minimum of 0.7 (Santos & Reynolds, 1999) was conducted on all 51 items (variables) used in the study (see Table 1).

Table 1: Reliability Statistics

N	%	Cronbach's Alpha	Number of Items
71	100	0.969	51

Source: output from SPSS

It can be inferred from Table 1 that variables assigned for the study were about 97% reliable to be used for descripto-explanatory analysis of the study. The study achieved a response rate of 85.87% among those who responded, 80% were males while 20% were female implying that majority of the employees in the study institution were males. However, respondents varied in terms of age. Findings from Table 2 show that majority of the respondents for this stage fell in the age range of 30-39 (37%). This was followed by the age range 20-29 and 40-49 age groupings which also accounted for 28% respectively. It was also revealed that 75% of the respondents constituting the majority were from government established institution whilst 24% were from privately as shown in Table 2 below.

Current position at work presented accountant (16%), internal auditor (35%), senior staff (31%) and junior staff (18%). With respect to academic qualification, findings in Table 2 shows that 52% out of the total respondents were Bachelor/HND holders, followed by MSc. (24%) and the least were diploma certificate holders. (see Table 2). Also On the issue of length of service with the company; 25% of the respondents asserted they have worked for their various institution between the range 1-5 years and over 20 years correspondingly, followed by 11-15 years (24%), 16-20 years (17%) and the least (8%) indicated they have been working with the institution for the past 6-10.

Table 2: Summary of Response on Demographic Characteristics of Respondents

Attributes	N = 71	Frequency	Percentage (%)
Gender			
Male		57	80
Female		14	20
Age			
20-29		20	28
30-39		26	37
40-49		20	28
50-59		5	7
Type of institution			
Privately held		17	24
Publicly held (listed on GSE)		1	1
Government established		53	75
Current Position			
Accountant		11	16
Internal auditor		25	35
Senior staff		22	31
Junior staff		13	18
Academic qualification			
MBA/MSc		24	34
Bachelor/HND		37	52
Diploma certificate		4	6
Others		6	8
Length of service with company			
1-5 years		18	25
16-10 years		6	8
11-15 years		17	24
16-20 years		12	17
Over 20 years		18	25

Source: Field data, 2016.

General Perception of Internal Audit Function

This segment of the study sought to determine the general perception of internal audit function among public companies in the Western Region of Ghana. According to the study findings (see Table 3) most of the respondents (53%) disagreed with the statement/item: Internal audit is highly regarded, recognized and valued throughout the organization describing the general perception of the internal audit function with a mean score of 2.71 out of 3.

Table 3: General Perception of Internal Audit Function

Description	SA/Agree		Neutral		SD/Disagree		Mean
	Frq.	%	Frq.	%	Frq.	%	
1. Internal audit is highly regarded, recognized and valued throughout the organization	29	40.8	2	2.8	40	56.4	2.81
2. Internal audit activity influences positive change and continuous improvement to business process, bottom line results and accountability within the organization	29	40.8	2	2.8	40	56.4	2.89
3. I hold a very high general opinion regarding the internal audits effectiveness towards the achievement of the organization objectives	29	40.8	4	5.6	38	53.3	2.76
4. The internal audit is credible, reliable, independent and objective from management in the discharge of their roles duties and functions	25	35.2	8	11.3	38	53.5	2.79

Source: Field data, 2016.

NB: SA = Strongly Agreed, A = Agreed, NS = Not Sure, D = Disagreed & SD= Strongly Disagreed

I hold a very high opinion regarding the internal audits effectiveness towards the achievement of the organization objectives was disagreed by 53.3% out of the total respondents supported by a mean score of 2.76 out of 3. The internal audit is credible, reliable, independent and objective from management in the discharge of

their roles duties and functions was also disagreed by majority of the respondents (53.5%).

Financial Perspective

This section sought to establish the performance of the internal audit in relation to financial perspective in organisations. Various aspect of the financial perspective in terms of budgeting, cost and time were look at. In general, the study established a divergent with respect to budgeting, cost and time as shown in Table 4 below.

Table 4: Financial Perspective

Description	SA/Agree		Neutral		SD/Disagree	
	Frq.	%	Frq.	%	Frq.	%
Budgeting						
1. The Internal Audit develops budgets for each audit engagement plan and staff work within the budget.	26	36.6	13	18.3	32	45.1
2. At any point in time supplementary budgets are prepared since budget estimates are exceeded.	24	33.8	21	29.6	26	36.6
Cost						
3. The cost of performing the internal audit function far exceeds the benefits.	33	46.5	9	12.7	29	40.8
4. Implementation of audit recommendations has assisted in reducing cost of operations and made savings to the organization.	28	39.4	6	8.5	37	52.1
5. Total Internal audit cost components (salaries, services, consulting, travel expenses etc) is a fraction of total cost of the organizations operations.	29	40.8	12	16.9	30	42.3
Time						
6. Major interventions by the internal audit unit has improved operational efficiency reducing the time needed to perform critical operational activities.	35	49.3	8	11.3	28	39.4
7. The internal audit always meet the deadline for the issuance of audit reports after field work.	38	53.5	12	16.9	21	29.6

Source: Field data, 2016.

The financial perspective was measured through a number of statements on various aspects of budgeting, cost and time in which respondents were required to indicate on a scale of 1-5, the extent to which they agreed to each of the statements. According to the result in Table 4, in relation to budgeting, it was observed that the statement: “the internal audit develops budgets for each audit engagement plan and staff work within the budget” was not affirmed by the respondents as 45.1% constituting the majority disagreed whilst 36.6% d agreed and 18.3% remained neutral. Also, 36.6% of the respondents avowed to disagree, followed by agree (33.8%) while 29.6% stayed neutral with respect to the statement: “at any point in time supplementary budget are prepared since budget estimates are exceeded”

In relation to cost, majority of the respondents disagree with the statements. For instance, 52.1%, constituting the majority disagreed with the statement: “implementation of audit recommendations has assisted in reducing cost of operations and made savings to the organization”. “However, total internal audit cost components (salaries, services, consulting, travel expenses etc) is a fraction of total cost of the organizations operations” presented agree (40.8%), neutral (16.9%) and disagree accounted for 42.3% of the respondents. However, there was a general satisfaction with respect to time as majority of the respondents asserted to agree.

Customer Perspective

This section of the study depicts customer perspective in relation to: internal audit charter, compliance with laws and standard, internal audit standards, external stakeholders, staff relation and productivity.

Regarding internal audit charter, 45.1% out of the total respondents avowed to agree and disagree respectively whilst 9.8% remained neutral to the statement: the internal audit charter is approved by the board and is regularly reviewed, and communicated to all senior management and other relevant people. However, 45.1% out of the total agreed to the statement: the charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes whilst 43.7 disagreed to same (see Table 5).

Table 5: Customer Perspective

Description	SA/Agree		Neutral		SD/Disagree	
	Frq.	%	Frq.	%	Frq.	%
Internal Audit Charter						
1. The Internal Audit Charter is approved by the Board and is regularly reviewed, and communicated to all senior management and other relevant people	32	45.1	7	9.8	32	45.1
2. The Charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes	32	45.1	8	11.3	31	43.7
Compliance with Laws and Standards						
1. The internal auditors adhere to the Institute of Internal Auditor's Code of Ethics, and Internal audit is conducted in conformance with The International Standards for the Professional Practice of Internal Auditing	38	53.5	9	12.7	24	33.8
2. The Internal Audit ensures that all staff are well educated about laws and regulations and complies with them.	43	60.6	5	7.0	23	32.4
3. The Organization has been consistently sanctioned by regulatory authorities for non-compliance with laws and regulations due to significant failure of the internal audit function.	25	35.2	0	0.0	46	64.8
Internal Audit Policy Manual						
1. In the design of Internal control policy document, the Internal audit has adopted major frameworks such as COSO, COCO, COBIT Sarbanes-Oxley Act etc.	22	31.0	16	22.5	33	46.5
2. In the design of the organization's Risk policy document, the Internal audit adopted the COSO framework for Enterprise-Risk Management.	21	29.6	23	32.4	27	38.0
External Stakeholders						
1. The progress against plan is monitored jointly by internal and external audit regularly throughout the year.	25	35.2	10	14.1	36	50.7
2. The high Professionalism of the Internal Audit staff has enhanced and promoted the image and reputation of the organization to external stake-holders	25	35.2	10	14.1	36	50.7
Staff Relation and Productivity						
1. There is effective cooperation between internal auditors and staff in all departments including the avoidance of undue disruption to normal activities	39	55.0	4	5.6	28	39.4
2. The Internal Audit recommendations has impacted and assisted in improving general staff performance	44	62.0	2	2.8	25	35.2
3. Management is highly satisfied with the internal audit work, findings and recommendations.	42	59.1	6	8.5	23	32.4

Source: Field data, 2016.

In relation to compliance with laws and standard, majority of the respondents affirmed (agreed) the statements: "the internal auditors adhere to the institute of internal auditor's code of ethics, and internal audit is conducted in conformance with the international standards for the professional practice of internal auditing" and "the internal audit ensures that all staff are well educated about laws and regulations and complies with them". This accounted for 53.5% and 60.6% correspondingly. However, 64% out of the total respondents disagreed to the statement: the organization has been consistently sanctioned by regulatory authorities for non-compliance with laws and regulations due to significant failure of the internal audit function. The findings in Table 5 also revealed that 46.5% of the respondents disagreed with the statement that in the design of internal control policy document, the internal audit has adopted major frameworks such as COSO, COCO, COBIT, Sarbanes-Oxley Act etc. However, respondents were not clear with their opinion with respect to the statement in the design of the organization's risk policy document, the internal audit adopted the COSO framework for enterprise-risk management as 38% indicated disagree, agree (29.6%) and 32% stated to neutral. There was a clear endorsement to the statement under the heading: staff relation and productivity as supported by majority of the respondents. This was demonstrated by at least 55% of the respondents.

Internal Business Process Perspective

This segment looked at the internal business process perspective in terms of risk management, corporate governance, audit planning and activity and the design and implementation of records. In relation to risk management, majority of the respondents asserted disagree to all the statements/items under the heading risk management (see Table 6). For instance, 55% out of the total respondents acknowledged disagree to the statement: “the internal department plays a key role in the organizations risk management process”, whereas 40.8% agree with neutral (4.2%). Also the statement: “internal audit has assisted in mitigating risk concerns of the organization” presented; agree (40.8%), neutral (8.5%) and disagree (50.7%).

On corporate governance, the statements: “the status of the chief internal auditor (CIA) is at the top management level” and “internal audit activity has enhanced organisation-wide understanding of governance, risk, and control” saw majority of the respondents disagreeing.

Table 6: Internal Business Process Perspective

Statement/Item	SA/Agree		Neutral		SD/Disagree	
	Frq.	%	Frq.	%	Frq.	%
Risk Management						
1. The internal audit department plays a key role in the organizations risk management process.	29	40.8	3	4.2	39	55
2. Through its activities, internal audit is able to articulate to senior management the risks of their actions in a structured and balanced manner, and provide credible recommendations to mitigate the risks	29	40.8	4	5.6	38	53.6
3. The Internal Audit has assisted in mitigating risk concerns of the organization.	29	40.8	6	8.5	36	50.7
Corporate Governance						
1. The Status of the Chief Internal Auditor [CIA] is at the top management level.	34	47.9	0	0.0	37	52.1
2. Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control.	30	42.3	4	5.8	37	51.9
Audit Planning and Activity						
1. Detailed audit plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement	27	38	4	5.6	40	56.4
2. Internal audit is sufficiently resourced [in terms of staff] and deployed effectively to deliver the approved audit plan.	23	32.4	9	12.7	39	54.9
3. Audit findings are discussed and confirmed with auditees prior to report drafting	27	38.0	4	5.6	40	56.4
Design and Implementation of Controls						
1. The internal audit department plays a key role in the design and implementation of a sound, adequate and comprehensive internal control system.	30	42.3	4	5.6	37	52.1
2. The internal audit department plays a key assurance role in the review, update and improvements in the internal control system	32	45.1	1	1.4	38	53.5

Source: Field data, 2016.

According to the results on Table 6, majority of the respondents disagreed to the statements/items under the headings audit planning and activity and on design and implementation of controls. The statements produced percentage counts between 52% and 56%.

Growth and Innovation Perspective

Under this section, audit staff competence, technical training and development, audit quality assurance and audit supervision and improvement will be assessed and their effect on growth and innovation to the internal audit practice. In view of Audit Staff Competence, the statement: The CIA and relevant designated Heads of Internal Audit units hold(s) relevant professional and academic qualification’s (i.e. ACCA, CIMA, CA, CIIA or equivalent professional membership) and are suitably experienced. Majority (50.7%) of the respondents affirmed the above statement whilst 40.8% disagreed and 8.5% remained neutral. It can be seen from the findings on Table 7 that majority of the respondents endorsed the statement under the heading: audit staff competence.

The score on all Technical Training and Development attributes were above 40% as they ranged from 42% to 54%. For instance the statement: “all internal auditors undertake continuing Professional development (CPD) and have a training and development plan approved by their line manager” presented majority (54.9%) of the respondents indicating agreed while 33.8% were disagreed with 11.3% asserting neutral. Similarly the

statement: “audit planning includes a sufficient time provision for training for all audit staff” was fairly endorsed by 45.1% out of the total respondents who indicated agreed whilst, disagree and neutral accounted for 35.2% and 19.7% in turn.

Table 7: Growth and Innovation Perspective

Statement/Item	SA/Agree		Neutral		SD/Disagree	
	Frq.	%	Frq.	%	Frq.	%
Audit Staff Competence						
1. The CIA and relevant designated Heads of Internal Audit units hold(s) relevant professional and academic qualification(s) (i.e. ACCA, CIMA, CA, CIIA or equivalent professional membership) and are suitably experienced.	36	50.7	6	8.5	29	40.8
2. The audit function has access to the appropriate skills (technical expertise, qualifications, experience etc.) required to ensure assurance services can be provided in all areas of the business.	36	49.3	7	9.9	28	39.4
3. Internal audit have competitive remuneration polices based on qualification, experience and the achievement of defined performance metrics.	31	43.7	26	36.6	14	19.7
Technical Training and Development						
1. All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager.	39	54.9	8	11.3	24	33.8
2. The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organizational learning.	34	47.9	15	21.1	22	31.0
3. Audit planning includes a sufficient time provision for training for all audit staff.	32	45.1	14	19.7	25	31.0
4. Internal Audit staff receive at least 40 hours of formal training per year.	30	42.2	19	26.8	22	31.0
Audit Quality Assurance						
1. The organization has recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications for audit work	35	48.8	14	19.7	22	31.4
2. The Internal audit activity engages in periodic reviews that include customer surveys, risk assessments, work-paper	39	54.1	7	9.9	25	35.2
Audit Supervision and Improvement						
1. Reviews, analysis of performance metrics, and best-practice benchmarking. Performance of the internal audit service is benchmarked, monitored and reported in accordance with defined performance measures, and any remedial actions are monitored and followed-	37	52.1	7	9.9	27	38
2. All audit engagements are led or supervised by suitably competent and experienced individuals/officials.	41	57.8	3	4.2	27	38
3. There is a procedure for follow-up that ensures agreed recommendations are implemented effectively and timely.	39	55.1	3	4.2	29	40.8

Source: Field data, 2016.

The implication therefore is that the respondents agree with all aspect of technical training and development based on the results, it is clear that technical training and development had an effect on internal control systems. Also, on Audit Quality Assurance and Audit Supervision and Improvement majority of the respondents declared agree to all the variables ranging from 48.8% to 57.8%. This is on the premise that audit quality assurance and audit supervision and improvement has a significant effect on the internal control systems that exist in public companies.

5.0 Discussions and Conclusion

Analysis of the result shows that in terms of qualification and work experience 94% of the respondents have tertiary and professional qualifications whilst 66% of the respondents have worked for a minimum of 11 years making them much qualified and highly experienced to respond to the questions put before them. In area of general perception of the internal audit function, over 54% on average do not have a positive image about the

role of the internal audit function in providing value-added services, effecting positive change, assisting firms achieve their objectives, as well as being independent and credible department within their organisations. This perception is supported by other studies by Ahmed et.al (2009); Abaidoo (2015); Modibbo (2015). Other studies however do not support this perception including Yee et.al (2008) and IIA's Internal Audit Survey (2011). The view that the internal audit is not perceived as credible and independent is quite worrying as this goes against IIA's SPPIA attribute standard 1100 which requires the independence and objectivity of the internal audit function. As internal auditors are supposed to be the "moral conscience" and "gate-keepers" of organisation's resources and assets, a negative perception about the profession does not enhance good corporate governance metrics of organisations. This means internal auditors in sekondi-takoradi metropolis must sit up to polish and enhance their image in the eyes of management and staff as well as other stake-holders.

The study attempted to assess the performance of the internal audit function using metrics inherent in the balance score methodology adopted from a model developed by Mark Frigo and IIA's Practice guide on Measuring Internal audit effectiveness and efficiency. Results from financial perspective shows the internal audit displays less responsibility in meeting its budgetary estimates and also cost associated with the function exceeds the benefits provided to the organisation. Also, majority of respondents do not believe audit recommendations assist in savings and reducing operational expenses. The function however, is more effective in time management. IIA's performance standard 2120.A1 requires internal auditors to ensure operational efficiency and effectiveness within every part of the organization. This result however does not place the function in a more legitimate position to provide this role.

In terms of meeting the expectation of stake-holders (customer perspective), with the exception of some few areas where performance was suspect especially in relationship with External Stakeholders and Internal Audit Policy Manual, the result showed that the internal audit performance with stake-holders in general was favorable in the area of compliance with laws and regulations, Staff Relation and Productivity etc. However, as IIA's SPPIA performance standard 2100 requires internal auditors to pay attention to governance, controls and risk management issues failure of most internal audit departments in this study in adopting and implementing internationally recognized risk management and control frameworks such as COSO, COCO, COBIT, Sarbanes-Oxley Act etc, does not speak well of the profession in sekondi-takoradi metropolis.

The results from Internal Business Process perspective which sought to ascertain how the internal audit performs in the areas of corporate governance, risk management, designing and implementation of controls, as well as planning and executing its audit programs showed a disappointing results. Internal audit performed badly in all these areas which depicts a very serious indictment on the performance of internal audit profession in sekondi-takoradi metropolis and calls for a major change in the professional direction of internal audit practice.

Finally, in relation to the growth and innovation perspective, majority of the respondents agree that the internal audit is highly qualified to perform their role it is however surprising why they have failed to bring to bear their professionalism and competence on the practice as some of the above perspectives indicate. In terms of provision of technical training and development to all audit staff, the profession seems to perform well but these new acquire skills and developments is not being channeled to enhance the image of the profession. The Internal audit performance in the areas of audit quality assurance and audit supervision and improvement was in line with the requirements of IIA's SPPIA performance standard(s) 1300 and 2340 and that is a plus to the profession .

In Conclusion, this study sought to assess the performance of the internal audit practice using an adaptation of the balance score card methodology to ascertain whether the function is providing value-addition or destroying share-holder value. Nine organisations from both the private and public sector in sekondi-takoradi metropolis were selected for the study. With 71 respondents providing answers to various questions in line with IIA's International Standards for the Professional Practice of Internal Auditing the following conclusions could be made from the study:

1. Most of the respondents do not perceive the internal audit function of providing value-addition services to their organisations.
2. Members of the internal audit profession are highly qualified and also offers periodic and continual training and development for their staff.
3. Of all the four perspectives only that of growth and innovation produced a positive results for all the inherent dimensions in favor of the internal audit practice in sekondi-takoradi.
4. The professions core traditional role of providing risk management, sound internal control system and promoting and policing good corporate governance practices are being questioned by stake-holders.
5. The internal audit profession have a lot of image re-branding and professional re-positioning to make as most stake-holders see the practice as value-destroyers.

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