

AUDIT COMMITTEES' INVOLVEMENT AND THE QUALITY OF THE INTERNAL AUDIT FUNCTION IN PUBLIC HIGHER EDUCATIONAL INSTITUTIONS IN GHANA

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ABSTRACT

This study examines audit committees' (ACs) involvement in Internal Audit (IA) process and how the interactions impact the performance quality of the internal audit function (IAF) in public Higher Educational Institutions (HEIs) in Ghana. A qualitative research design was employed using semi-structured interviews. The results reveal that the characteristics of the AC and its chair shape the involvement of the AC in the IA process. The study highlights that the competency of the IA head and staff improves their interactions with ACs and hence, ACs involvement in the IA process. The findings also indicate that different stakeholders use either, or a combination of, the process, output or outcome indicators to measure the performance quality of the IAF. The performance quality indicators include quality of reports submitted by the IAF, value derived from the activities of the IAF, and completeness of IAF processes. The findings have practical/policy implications on AC and IAF activities in the public HEIs in the Ghanaian context which has a law on the formation of ACs.

Keywords: Audit Committees, Internal Audit, Internal Audit Function, Higher Educational Institutions, Resource Dependence Theory.

INTRODUCTION

Prior literature has established that the AC and the IAF are key elements of the governance and accountability process of every organization (Schneider et al., 2009; Gebrayel et al., 2018). It is argued that to achieve quality IA performance and financial reporting, these two key elements should work to complement each other (Gebrayel et al., 2018; Abdullah et al., 2018). This assertion is perfectly stated by Rittenberg (2016, p. 2), “*Internal audit’s interaction with an audit committee (or equivalent board committee) is considered one of the hallmarks of good governance.*” The IAF complements the work of the AC by serving as a primary source of information, analysis and assurance (Gebrayel et al., 2018; Schneider et al., 2009). From this perspective, Gebrayel et al., (2018) posit that the aim of IA “is to concentrate on strategic, operational, and business risks and to provide assurance to the audit committee on relevant risks and controls” (p. 198). On the other hand, AC also complements the work of the IAF by ensuring the efficiency of the IAF and by providing transparency in financial reporting (Gebrayel et al., 2018). Additionally, the AC enhances the independence of the IAF and facilitates internal audit performance (Schneider et al., 2009; Gebrayel et al., 2018). Consequently, a high-quality AC tends to enhance the quality of internal audit performance. Prior research has examined whether the presence of AC engenders audit performance quality. In many cases, such studies have used dummy variables to denote the presence or absence of AC (Bouaziz & Triki, 2012; Piot & Janin, 2007; Allegrini & Greco, 2013; Piot & Janin, 2007). The deficiency of such studies is the

presumption that the mere presence or absence of AC impacts audit performance. Additionally, a review of the extant literature shows that majority of studies on ACs have concentrated on its association with financial reporting quality and external audit quality (e.g. De Vlaminc & Sarens, 2015; Haniffa et al., 2006; Klein, 2002; Zalata et al., 2018; Zgarni et al., 2016). There appears, however, to be a dearth of research focusing on AC and internal audit performance (Chalmers et al., 2019). This study addresses the lacuna in the literature by focusing on the involvement of AC in the internal audit process and its impact on internal audit performance. It seeks to examine the extent to which AC can impact on internal audit performance by assessing their involvement in the planning, execution, reporting and monitoring of the audits. The focus on internal audit performance is justified since prior studies intimate that the work of AC in external audits differ from internal audits (Raiborn et al., 2017; Rossiter, 2011). For instance, while external audits are concerned with assessing the faithful representation of economic affairs, internal audit mainly concerns risk management, control, and monitoring (Raiborn et al., 2017). Dissimilar to private organizations where the object of existence is profitability, public HEIs render services to society by teaching and conducting impactful research (Duh et al., 2014). To this extent, efficiency rather than profitability becomes an important measure of performance in universities (Duh et al., 2014).

The enactment of the Public Financial Management Act (Act 921) in Ghana makes it mandatory for all covered entities to establish ACs. Unlike their counterparts in the private sector where majority of the members are from the board, the Ghanaian Law (Act 921) specifies the institutional membership which requires that most of the members should be drawn from outside the covered entity. This arrangement makes the composition of the membership unique which could be beneficial or prove otherwise. Furthermore, a greater number of studies employ the quantitative approach to inquiry (e.g. Krishnan, 2005; Zalata et al., 2018), whereas there is a dearth of qualitative inquiries on the phenomena. In the light of the above discussion, this paper seeks to address the following research questions:

1. What is the involvement of ACs in the IAF i.e., planning, execution, reporting and monitoring in public HEIs in Ghana?
2. What is the effect of the involvement of ACs on Internal Audit Performance Quality?

The results have practical/policy implications for the composition of ACs in Ghana. The uniqueness of the composition of ACs as a result of the implementation of the Ghanaian law makes this study timely as it will awaken the relevant regulatory bodies to the practice of paying attention to the composition of ACs. Appointers of AC members should appreciate that AC members characteristics entailing expertise and prior experience (especially in accounting and finance) drive ACs' involvement in IA processes. Furthermore, the research focus on HEIs in the public sector in a developing country brings a fresh perspective on the phenomenon which will attract academia, policymakers and practitioners for further engagement in the area. The paper proceeds as follows. The next section presents some background information on Ghanaian ACs in the public sector context. The third section contains a review of relevant literature which examines ACs involvement in the IA process and the resource dependence theory (RDT) which underpins the study. This is followed by the research methodology. The next section presents the research findings and finally the discussions and concluding remarks.

Audit Committees in Public Institutions in Ghana

Following the enactment of the Public Financial Management Act (Act 921) in 2016, ACs were established in all public institutions. Act 921 specifies that ACs shall consist of five members (although the AC, in the performance of its functions, may co-opt senior management personnel to serve on the committee), the majority of which shall be independent members. The Act mandates the Internal Audit Agency and the Institute of Chartered Accountants, Ghana, to nominate the majority of members from individuals who are not in the employment of the institution concerned. The head of the institution shall nominate two other members to complete the membership. Under Act 921, the chairperson of an AC shall be an independent member. The AC of a public institution in Ghana is required to ensure that the head of that institution:

Pursues the implementation of any recommendation contained in

1. An internal audit report;
2. Parliament's decision on the Auditor-General's report;
3. Auditor-General's Management Letter; and
4. The report of an internal monitoring unit in the covered entity concerned particularly, in relation to financial matters raised; and
5. Prepares an annual statement showing the status of implementation of any recommendation contained in the reports or decisions above.

SUMMARY OF RELATED LITERATURE

Corporate Governance, Internal Audit, and Audit committees

The initial calls for corporate governance reforms were consequential to the South-East and East Asian crisis of 1997-98 (Vithiatharan, 2014; Chalmers et al., 2019). Following the Asian crises, the Enron Scandal was identified among the top recent corporate scandals driving significant changes in the corporate environment. Among the various reasons attributed to the Enron scandal, the failure of internal control systems (at Enron) has received many criticisms both among academics and practitioners (Verschoor, 2002; Krishnan, 2005). The Sarbanes-Oxley Act (hereafter SOX) of 2002 was brought to force on July 30, 2002, to address many issues bordering on corporate governance, with much emphasis on control systems (Krishnan, 2005). SOX has two major sections dedicated to internal controls and financial reporting, including section 302 and 404. Under section 404, those charged with governance are directed to assess the effectiveness of internal control and internal audit structures and procedures, and auditors are required to provide an opinion concerning internal control effectiveness. Relatedly, section 302 of SOX required management to disclose material weaknesses in internal control systems as well as measures taken. According to Krishnan (2005), audit committees serve as a monitor of internal controls and the internal audit function. Additionally, *"the accounting profession and policymakers have maintained that a primary function of the audit committee should be the oversight of internal control"* (Krishnan, 2005, p. 650). The SOX increased audit committee duties and authority to facilitates the execution of oversight responsibility (Krishnan, 2005). The role of the audit committee in oversight of the internal control and internal audit performance has grown recently (Gebayel et al., 2018). Notably, SOX raised the membership requirement of audit committees and the composition thereof. Besides, it emphasized the need for more independent members on the committee and required firms to disclose the expertise of

committee members. Chalmers et al. (2019) suggest that the heightened interest in ACs can be explained by the need to improve the quality of internal controls and internal auditing in general. In a further elaboration, Krishnan (2005) explained that a high-quality AC would ensure the presence of high-quality internal controls and internal audit performance quality. Whereas this might be true for most entities, the mere presence of an AC does not warrant an effective internal control in general, and the quality of internal audit performance in particular. This is because an AC which does not get involved in the activities of internal controls, such as internal audit performance may become less effective in exercising oversight responsibility.

AC Involvement in Internal Audit Planning

To achieve the aim of internal auditing, the audit process must be well planned Betti & Sarens. A good audit planning clearly stipulates why a particular audit project is important, and how it can contribute toward the attainment of organizational goals. Besides, audit planning helps the IA function to determine the resources required for a particular audit task, the risk areas requiring more attention, and the best ways to align audit with organizational strategies, objectives and risks. While the literature predominantly discusses the AC's roles with respect to external audits, it is noteworthy the AC can also be involved in the different phases of the internal auditing process. At the planning stage of internal auditing, the AC can be involved to help identify areas in the organization that would require much attention during the execution phase of the audit. This helps the internal auditing team to adequately prepare by assigning the right audit team (e.g., in terms of skills and experience) and allocating requisite resources for the execution phase of the audit. For instance, Abbott et al. (2010) and Barua et al. (2010) document that AC oversight over internal audit activities can contribute directly toward the planning stage of internal auditing. They note that IAF can involve ACs in the planning stage by asking them to review budgeted amounts for impending audits, which eventually increases the likelihood of the IAF being assigned the needed resources to undertake an audit. Issues concerning budgetary allocation are particularly crucial since budget restrictions may culminate in reduced control testing during the internal audit execution phase (Abbott et al., 2010). This is reaffirmed by Carcello whose study documents that IAs are likely to receive large budgetary allocation if they involved the AC in reviewing the budget during its formulation on the one hand, and prior to its approval. Additionally, the Institute of Internal Auditors IIA 2003 admonishes ACs to review and approve IAF's staffing schedules and financial budgets to determine whether budget limitations will constrain IAFs' ability to execute their audit plans. Also, expert members on AC can guide IAFs about enterprise risk management concerns that must be prioritized during the internal audit executions phase. Moreover, the AC examines the IAF plan to assess its alignment to the primary risks of the organization and its flexibility in response to new risks.

AC Involvement in Internal Audit Execution

The execution stage of auditing is the point where the IAF brings to bear the planned internal auditing projects and programs. Post Enron Scandal, many regulatory directives have been issued to enhance the role of the AC in corporate governance, especially in terms of internal controls and auditing. ACs are experiencing ever-expanding monitoring roles, including those related to internal audit execution. At the execution stage of internal audit projects, the AC can be involved by liaison between management and internal audit teams. Prior literature suggests that management may be reluctant in releasing certain information, materials and documents

needed to execute a planned internal audit project. In such circumstances, IAF can engage management through the AC in order to gain access to materials and information needed for the audit project. Besides, there are instances where additional execution of IAF' projects would require additional resources apart from what was planned earlier on. In most cases, management may be reluctant to grant such additional resources, especially when such request does not necessarily generate immediate cost savings (Abbot et al., 2010; Schneider et al., 2003). In such circumstances, the IAF may have their request granted by involving the AC, who in turn would engage management on the release of additional resources to achieve the purpose of the IA. This partially explains why many scholars and the IIA have advocated for open lines of communication between *"internal audit and the AC, ensuring that internal auditors have regular and confidential access to the committee"* Goodwin 266. Additionally, the AC can enhance the position of the IAF by acting as an independent forum for internal auditors to channel matters with which management are concerned Goodwin & Yeo. This is particularly true in cases where the IAF uncovers an event involving top management and has to discuss it with an independent party. Therefore, the ACs can enhance the IAFs unimpeded access to records where necessary, and facilitate their ability to apply appropriate investigative techniques during the audit process without impediments

AC Involvement in Internal Audit Reporting and Monitoring

The AC's involvement in IAF's reporting and monitoring is usually contained in organizational code of ethics. Among the many roles played by the AC in organizational settings, the duty to review and monitor management's response to internal audit findings and recommendations is pronounced. In most organizations, internal audit recommendations would remain a mere written document if the AC was not present. After the IAF has produced IA report, the AC discusses it with management with the view to ensuring that audit recommendations are implemented by management. Similarly, the AC has responsibility for receiving periodic reports concerning the outcomes of the IA's work. Similarly, the AC is also involved in internal auditing process as they review and monitor managerial responses to the findings and recommendations contained in IA reports.

Theoretical Lens- Resource Dependency Theory

The proposed theory to underpin the study is the Resource Dependency Theory (RDT). The RDT was pioneered by Jeff Pfeffer who established the significance of the association between power and exchange connected with an organization. RDT was initially used as a theoretical lens to determine whether board size and composition were sufficient benchmarks for the board's capability to deliver vital resources to the firm. According to Daily and Schwenk, RDT is a key determinant of board composition because if a firm's board composition is aligned to its external needs, the benefits can be tremendous. The resource dependency perspective posits that the board is a partner of management, where management can rely on the board to acquire resources and set strategies to help achieve their objectives. The RDT assumes that board members (individually and collectively) impact on the success of a firm by providing directions, contributions to deliberations on issues and monitoring of implementations of decisions. The choice of the RDT in this study stems from the theoretical responsibilities of the AC members in the IAF. The AC is expected to provide valuable input in the planning, execution, reporting and monitoring of the IA process.

METHODOLOGY

Research Approach

The study adopted the qualitative approach to inquiry to gather in-depth insight into the phenomenon (Creswell & Creswell, 2017). The qualitative approach to inquiry was suitable because the research aimed to examine the unique perspectives of research participants and also considering the nature of the research questions. The study employed a face-to-face semi-structured interview for data collection. The interaction between the researcher and the interview participants provided an understanding of their perspectives on the study. The population of interest is constituted by all public universities in Ghana (25 institutions) and data was taken from AC chairs and members, the head of the internal audit units, officials at the Internal Audit Agency and senior management of public universities. To select respondents for an interview, the study employs a purposive sampling technique. The purposive sampling technique is appropriate in this regard because it allows researchers to select participants who can adequately provide answers to questions asked during the data gathering process and contribute new perspectives.

The concept of saturation guided the selection of an adequate sample size (Bowen, 2008; Fusch & Ness, 2015; Saunders et al., 2018). In qualitative inquiries employing interviews, data is said to be saturated when responses received from successive interviews do not lead to any new insights or where respondents begin repeating answers given by earlier interviewees (Guest et al., 2006; Bowen, 2008; Fusch, & Ness, 2015; Saunders et al., 2018).

An interview guide was used to conduct the interviews while allowing flexibility for questions and follow-ups not previously anticipated. Research design scholars (Creswell & Creswell, 2017) suggest that interviews facilitate interaction between researchers and participants, hence allowing the researcher to delve into the individual perspectives concerning a phenomenon of interest. The interview guide was sent to the interviewees prior to the interview to enable them to get acquainted with the questions and ensure exhaustive engagement. The characteristics of the interview participants and durations of the interview sessions are shown in Table 1 below.

Table 1 CHARACTERISTICS OF INTERVIEWEES AND DURATION OF INTERVIEWS			
Code	Gender	Educational Background	Duration of interview
ACC1	M	Second Degree/Prof. Cert	60:00mins
ACC2	M	PhD/Prof Cert	49:00mins
ACC3	M	First Degree/Prof. Cert	42:43min
ACC4	M	Second Degree	52:52mins
ACM1	M	Second Degree/Prof. Cert	40:19mins
ACM2	M	PhD/Prof Cert	66:00mins
ACM3	F	PhD	34:53mins
ACM4	F	First Degree/Prof. Cert	35:67mins
ACM5	M	PhD	41:10mins
ACM6	M	Second Degree/Prof. Cert	47:44mins
IAH1	M	Second Degree/Prof. Cert	62:14mins
IAH2	M	First Degree/Prof. Cert	42:09mins
IAH3	M	Second Degree/Prof. Cert	37:89mins

IAH4	F	Second Degree/Prof. Cert	41:42mins
IAH5	M	Second Degree/Prof. Cert	34:05mins
IAH6	F	First Degree/Prof. Cert	38:47mins
IAA1	M	First Degree/Prof. Cert	40:05mins
IAA2	M	Second Degree	58:14mins
SM1	M	PhD	38:22mins
SM2	M	PhD	40:15mins
SM3	M	PhD	36:22mins
SM4	F	Second Degree/Prof. Cert	30:52mins
SM5	F	Second Degree	40:04mins
SM6	M	Second Degree/Prof. Cert	51:12mins

The analysis of the interview data was done following techniques proposed by (Miles & Huberman, 2003). The technique involves data transcription, coding and categorizing to identify themes. The study followed Strauss & Corbin's (1998) three stages of coding- open coding, axial coding, and selective coding in developing codes. The codes were thus put together and categorized for the identification of trends, patterns, and themes. Having identified the themes, arguments were developed around those themes which were informed by existing literature and the RDT.

Findings

This section presents the discussion of the research findings in line with the research questions which are: (1) what is the involvement of the AC in the IAF i.e. planning, execution, reporting and monitoring in public universities in Ghana? And (2) what is the effect of the involvement of the AC on Internal Audit Performance Quality? Table 2 below provides demographic details of the interview participants including their professional backgrounds.

Table 2 PARTICIPANTS' DEMOGRAPHICS				
Code	Gender	Educational Background	Experience Record	Professional Background
ACC1	M	PhD/Prof Cert	35 years	Accountancy/ Education
ACC2	M	PhD/Prof Cert	30 years	Accountancy/ Insurance
ACC3	M	Second Degree/Prof. Cert	23 years	Accountancy
ACC4	M	Second Degree	15 years	Accountancy
ACM1	F	Second Degree/Prof. Cert	18 years	Legal
ACM2	M	PhD/Prof Cert	36 years	Accountancy/ Education
ACM3	M	PhD	15 years	Education
ACM4	F	Second Degree	12 years	Pharmacy
ACM5	M	Second Degree/Prof. Cert	18 years	Accountancy
ACM6	M	Second Degree	15 years	Accountancy
IAH1	M	Second Degree/Prof. Cert	21 years	Auditing/ Accountancy
IAH2	M	Second Degree/Prof. Cert	14 years	Auditing/ Accountancy
IAH3	M	Second Degree/Prof. Cert	22 years	Auditing/ Accountancy

IAH4	M	Second Degree/Prof. Cert	20 years	Auditing/ Accountancy
IAH5	F	Second Degree/Prof. Cert	28 years	Auditing/ Accountancy
IAH6	M	Second Degree/Prof. Cert	18 years	Auditing/ Accountancy
IAA1	M	Second Degree/Prof. Cert	15 years	Accountancy
IAA2	M	Second Degree/Prof. Cert	20 years	Accountancy
SM1	M	PhD	35 years	Science/ Education
SM2	F	Second Degree	35 years	HRM/Education
SM3	F	Second Degree/Prof. Cert	35 years	Accountancy/ Education
SM4	F	PhD	31 years	Education
SM5	M	Second Degree	28 years	Education
SM6	M	PhD	25 years	Management

The themes that emerged from the analysis of the interview data from research question 1 include ACs chair and members' characteristics, IA Head and staff Characteristics and SM's orientation and support for the IAF (Zhang et al., 2007).

Audit Committees Involvement in the Internal Audit Process

The first research question of the study was to find out ACs' involvement in the IA process. As identified in the literature, the IA process has four dimensions: planning, execution, reporting, and monitoring (Gueorguiev, 2018; Bagshaw, 2013). Respondents' views on the involvement of ACs cut across all the activities involved in the IA process. The themes that emerged are ACs chair and members' characteristics, IAF's head and staff characteristics and SM's orientation and support for the IAF.

AC Chair and Members Characteristics

Prior literature has linked AC characteristics with several areas of IA, such as organizational investment in IA (Barua et al., 2010), IA practices (Wan-Hussin et al., 2021), implementation of IA recommendations by management (Abdulaziz & Sawan, 2015), and independence of IA function (Ali & Handayani, 2018).

In this study, we find that AC characteristics entailing expertise and prior experience can influence AC's involvement in different stages of the IA process. On the one hand, some respondents suggest that the knowledge and competencies of AC members in accounting and finance drive ACs involvement in IA. However, other respondents believed that competencies in accounting and finance alone are not enough. They suggest AC members require a more diverse set of competencies to meaningfully contribute to the IA process. The excerpts below elucidate the responses that were given in this regard:

".... The level of knowledge in accounting, auditing and finance of the AC members especially the AC chair will determine the review of the audit plan, conduct of internal audit and actions taken on internal audit recommendations". IAH2.

“.... Our ability to make significant input in the IA process is due to the diversity of our membership (AC members). Different perspectives are brought into our discussions including members who have in-depth knowledge and experiences in higher education”. ACC2.

“.... If you pack the committee (AC) with only people with accounting background, the work of the committee will be limited. In as much as I have learnt during my tenure, I am confident that I have made invaluable contributions to the work of the committee”. ACM4.

Additionally, responses gathered suggest that an AC chair with accounting and finance knowledge is likely to get the AC involved in the planning, execution, reporting and monitoring phases of internal auditing. At the planning stage of internal auditing, the AC may get involved by reviewing the audit plan and making suggestions for improvement (Abbott et al., 2010; Barua et al. 2010). It is reasoned that without the relevant competencies in accounting and finance, the AC would lack the skills and technical wherewithal to understand and examine the IAF's auditing process (Felo & Solieri, 2009; Wan-Hussin et al., 2021). This result mirrors those of the previous studies (E.g., Abbott et al., 2010; Barua et al., 2010; Al-Dhamari et al., 2018). Barua et al. (2010) for instance suggests that AC gets involved at the planning phase by reviewing budgeted amounts and making suggestions for improvement in the audit plan. As the AC makes input into the audit plan, they are indirectly ensuring a smooth execution of the plan (Abbott et al., 2010; Al-Dhamari et al., 2018). Post internal audit execution, the study's results show that ACs ensure the implementation of audit recommendations by management (Knechel, 2015). To achieve this, ACs review and monitor managerial responses to IA findings and recommendations, thereby engendering the implementation of IA recommendations.

Moreover, the data gathered suggests that the experience of AC members in a similar work environment can impact AC's involvement in the IA process. This is likely because work experience in a related environment is linked to skills and competencies, and as established above, a competent AC is likely to get involved in the IA process.

The above responses from the interviewees reinforces the importance of the characteristics of the ACs and its chair in shaping the involvement of the AC in the IA process. The literature (Alzoubi, 2019; Adel & Maissa, 2013; Krishnan, 2005) provides important evidences about knowledge and expertise of the AC chair and the AC members as a whole in identifying IAF process strengths and weaknesses through their reviews. Thus, these characteristics resonates with the RDT where the AC can provide resources including expertise and experience Nicholson and Kiel to shape the IA process.

IA Head and Staff Characteristics

The findings from the research show that the characteristics of the IA head and staff in terms of competency and ability to engage with AC can influence the AC's involvement in the IA process. The quotes below from the interview participants supports this assertion:

“.... our involvement in the IA process is largely influenced by the quality of the head and staff of the IA department. It is gratifying when you are making an input because they (IA department) know what they are about. We cannot do their work for them. For instance, when the AC is reviewing the annual audit plan but the plan has not been linked to key risks facing the institution, there isn't much you can suggest”. ACM5.

“.... When we have a continuous open dialogue with the IAF represented by its head, it helps the AC to be abreast with the IA process and happenings so we could offer our support. The ability of the IA head to engage with the AC can indeed facilitate the involvement of the AC in the IA process”. ACM3.

The competency of the IA head and staff has been identified (Erasmus & Coetzee, 2018) as one of the key drivers of IA effectiveness which ultimately stimulate interactions between the AC and the IAF. Competency of the IAF staff has a direct bearing on the quality of the audit work output and gives the AC and SM the confidence that the assurance and consulting services provided are dependable.

SM's Orientation and Support for the IAF

The support and commitment of SM can affect the interactions between the AC and the IAF and by extension the IA process. Where SM is suspicious and does not give room for the AC and the IAF to operate freely, it can limit the interactions between the AC and the IAF.

SM may be antagonist to interactions between the AC and the IAF. This was revealed by SM5 in the quote *“.... I honestly do not see the need for the AC to meet with the IA head or department separately. What do they have to hide”*.

However, the importance of the interaction between the AC and the IAF was highlighted in the statement: *“.... The AC should be able to organize separate meetings with the IAF (or IA head) ...I think we will feel more comfortable in discussing issues openly . . . such meeting will provide the platform for discussion between AC and the IA head”. IAH6.*

The extant literature has demonstrated that interactions between the AC and IA head engenders effective internal auditing (Abdulaziz & Sawan, 2015). To be independent, Internal auditors should be free from undue influence by management. The AC can reduce management pressure and support the IAF by serving as a channel of communication between management and the IAF. As early as 1987, The Treadway Commission and the Blue Ribbon Committee (BRC) on Improving the Effectiveness of Corporate Audit Committees emphasised the need for the AC to establish direct communication lines with the IAF. This is to allow discussions and review of matters arising in the conduct of IAs. Indeed, Raghunandan et al. (2001) revealed that the dominance of independent directors on AC and with at least one member having accounting or finance background will engender frequent meetings with the chief internal auditor and ensure a review of IA proposals and reports. Corroboratively, Khelil et al. (2016) revealed that the existence of private access channels to the AC positively associates with the moral courage of Chief audit executives (Ayam, 2015).

The Effect of the Involvement of the Audit Committee on Internal Audit Performance Quality

The second research question was to evaluate the effect of the involvement of the AC in the IAF process and how that affected the IAF performance quality. The analysis of the responses of the participants to the second research indicates variations in the measurement of performance quality of the IAF.

The definitional challenges associated with audit performance quality was evident in the responses offered by the respondents. As audit performance quality enjoys a plurality of definitions, so did the interviewees had different perspectives concerning the definition of audit

performance quality. The research participants used either, or a combination of, the process, output or outcome indicators to measure performance quality. Whilst ACs use outputs, SM principally use outcomes and sometimes outputs. The IAA uses output and outcome indicators but the IA Heads use processes indicator. The themes that emerged are: quality of reports; value of the IAF; and completeness of IAF processes.

Quality of Reports

Interviewees intimated that when ACs have the appropriate background and get involved in the various stages of the IA process, it improves the quality of the IAF through the generation of quality reports. ACs' review of audit plans ensures adequate IA scope and which are related to the institutions risk management. The quality of reports is an output indicator and measurement include: the quality and substance of reports; the timeliness of the reports; the incorporation of comments and suggestions in reviews of the stages of the audit process; and the responses from questions in AC meetings. Interviewees who use output indicators are AC chair and members, SM and the IAA. The AC chairs and members opined that they measure the performance quality of the IAF by the reports (output) that are available to them. These are expressed in the quotes below:

".... As the chair of the AC, I consider the logical flow of the report, the justification of the conclusions and the soundness of the recommendation to determine the performance quality of the IAF. You cannot bring me any crap and expect that I will hold you in high esteem". ACC1.

".... As I review the report presented, I check whether previous comments have been incorporated....if previous comments have not been incorporated, I request for a justification. All these feed into my assessment of the quality of performance of the IAF". ACM4.

The IAA also uses output as a measure of performance quality. The IAA believes that AC involvement ensures that IAF follows through with recommendations made in IA reports and are compliant to regulations. This is buttressed further by the quotes below.

"We measure IA performance quality by the ability to follow through with recommendations and determine accurate 'status of implementation'". IAA2.

".... For us the IAF's compliance to standards and directives are key in assessing the performance quality. IAA1

SM sometimes use outputs indicators to measure the performance quality of the IAF. Some SM consider the findings and recommendations made by the IAF which are outputs indicators to measure performance quality. This is expressed in the quote below.

We will certainly look at what the IAF brings on board (in assessing performance quality)..... just specifying a litany of recommendation that do not add value will not wash, if you provide a recommendation that solves a problem or save cost, that will be it". SM6.

Value of IAF

Interview participants suggested that the involvement of ACs in the IAF can enhance the value delivered by the IAF which is a measure of performance quality of the IAF. ACs'

involvement can lead to the alignment of audit goals to the risk faced by the institution and improve on the operational efficiency. For instance, the study of Abdullah et al. (2018) revealed that, the IAF performance is enhanced when ACs recommendations leads to governance improvement. Value of the IAF is an outcome indicator and measurement include solved a problem, save cost, and improved operational efficiency. Interviewees which use outcome indicators are SM and IAA. SM consider how the IAF activities has helped to improve the institution or solved a problem. SM2 expressed this sentiment in the quote below.

“.... I saw the benefit of the IAF when management was able to resolve a governance arrangement challenge of a unit through an IA recommendation”. SM2.

As the agency responsible for the IAF in covered institutions, the IAA rates the performance quality of the IAF based on the value that is delivered to that institution by the activities of the IAF. This is revealed in the statement by IAA1.

“.... When the IAA receives commendations of the IAF of an institution by the management of that institution for delivering value, such as, helped them to save cost, we (IAA) rate the performance quality of that IAF high. IAA1

IAF Processes

The IA Heads' that were interviewed indicated that the involvement of the AC in the IAF can enhance the reliability and completeness of the IAF processes which they (IA head) judge as performance quality. The IA heads contend that the quality of the reports that are churned out at the end of an audit engagement almost invariably depends on the completeness and reliability of the IA process. During review of an audit assignment performed, IA heads check the completeness of the audit process to arrive at the audit findings and recommendations. The review checks whether the IAF assignment was performed in accordance with the appropriate standard such as the IA charter. The IA heads are aware that the AC will scrutinize the activities, so they ensure that assignments are performed according to the established processes. This is evident in the quote below from an IA head.

During an AC meeting, you (IA Head) may be required justify an audit finding and recommendation. The finding should be supported with the methodology adopted and the work carried out. As a result of prior experiences at AC meetings, I ought to satisfy myself that the audit process was complete to have come up with the finding and recommendation...the completeness of the IAF process guarantees the quality”. IAH1

The review by the IA heads to ensure completeness of the IAF processes covers all the stages of the IA process including planning, execution, reporting and monitoring. The planning process includes the appropriateness of the audit objective's scope and breath. The IA head wants to ensure that the scope of audit address the risks faced by the institution.

“.... The AC will for instance ascertain whether the audit plan addresses the key risk areas facing the institution before approving it (audit plan). I ought to do my homework before my audit plan is rejected”. IAH3

Discussion and Concluding Remarks

This study generates empirical proof on the involvement of ACs on the IAF on the quality of internal audit performance. The findings of this study show that the IAF is considered a key resource contributing to the execution of strategy and attainment of organizational goals. However, they require support and synchronization to function effectively and efficiently (Ahmad, 2015). As a result, the ACs involvement in the IAF helps to harmonize the IAF's activities. Notably, this study shows that ACs get involved in all the stages of the internal auditing process, right from audit planning to monitoring and implementation of recommendations. Drawing on the RDT theory, the resourcefulness of the ACs is demonstrated by their involvement in all the stages of the IA process and its attendant effect on IAF performance quality.

The importance of the characteristics of the AC and its chair in shaping the involvement of the AC in the IA process became evident which was supported by the extant literature (Alzoubi, 2019, Adel & Maissa, 2013, Krishnan, 2005) which resonates with the RDT. The study's finding reveals that AC members with skills and competencies in accounting and finance substantially contribute to the IA process. Specifically, the study shows that ACs with finance and accounting background are likely to review the IA plan and make recommendations on risk management. Therefore, the ACs make unique contributions to the IAF in furtherance of organizational goal attainment.

The study's findings also revealed that the competency of the IA head and staff enhances the level of interaction (Erasmus & Coetzee, 2018) confirming the notion that although organizational resources maybe heterogeneously distributed, they can be coordinated toward a particular end (i.e., interaction). Thus, the resources do not compete each other for substitution, but complements each other. The AC for instance may review the audit plan and facilitate the IAFs interaction with management, while the IAF helps the AC to achieve its oversight goals by complying with oversight directives issued by the AC. Furthermore, the competency of the IAF staff has a direct bearing on the quality of the audit work output and gives the AC and SM the confidence that the assurance and consulting services provided are dependable.

The study also revealed that SM's orientation and support can influence the level of interaction between the AC and the IAF, although the extant literature has demonstrated that interactions between the AC and IA head engenders effective internal auditing (Abdulaziz & Sawan, 2015). The AC can serve as a channel of communication between management and the IAF thereby reducing management pressure on the IAF.

As regards the second research question, it was evident from the results that the involvement of ACs in the IAF improves IA performance quality. The study confirmed the plurality of definitions of audit performance quality (Heesakkers et al., 2019) as research participants used either, or a combination of, the process, output or outcome indicators to measure performance quality. Whilst ACs use outputs, SM principally use outcomes and sometimes outputs as performance quality indicators. The IAA uses output and outcome indicators but the IA Heads use processes indicators. The IAF performance quality revealed by the study results are: quality of reports submitted by the IAF; value derived from the activities of the IAF; and completeness of IAF processes. The quality of reports is signalled by the quality and substance of reports, the timeliness of issuing reports and the incorporation of comments and suggestions in reviews of the stages of the audit process. The quality of reports is an output indicator and is identified with AC chair and members, SM and the IAA. The performance quality of "*value of the IAF*" is mainly used by SM and IAA. The study revealed that ACs'

involvement with the IAF can lead to an alignment of audit goals to the risk faced by the institution and improve on the operational efficiency. Signals of “Value of IAF” include solved a problem, saved cost, and improved operational efficiency. For instance, the study of Abdullah et al. (2018) revealed that, the IAF performance is enhanced when ACs recommendations leads to governance improvement.

Lastly, the study suggested that the involvement of the AC in the IAF can enhance the reliability and completeness of IAF processes. The IA heads contend that the quality of the reports that are derived from IA engagements depend on the completeness and reliability of the IA process. This indicator is used by IA heads. These findings strengthen the position that the AC is an important resource HEIs in Ghana can depend on to achieve organizational goals.

CONCLUSIONS

This paper identifies the characteristics of different groups of stakeholders who are connected and can facilitate the interactions between ACs and IAF to improve the performance quality of the IAF. Hence, the results have practical/policy implications in a Ghanaian HEI context for appointers of ACs members. Appointers of AC members should appreciate that AC members characteristics entailing expertise and prior experience (especially in accounting and finance) drive ACs involvement in IA processes. Moreover, management of HEI should understand that the competency and skills of the IA head and staff have a direct bearing on their engagement with AC members. Additionally, ACs can support the IAF by serving as a channel of communication between management and the IAF. These interactions can lead to improvement in the performance quality of the IAF.

The study has some limitations. The interviews were limited to HEIs in the public sector, and they were not asked to participate based on random sampling technique, hence they may not be representative of HEIs in Ghana. Further studies may involve both the public and private sector HEIs.

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