

An Empirical Study of External Auditor's Independence and Contribution to Assurance, Transparency of Public Sector Accounting Systems and Controls: A Case of the Ministry of Finance, Ghana

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Abstract

This paper investigates a number of critical determinants of auditor's independence in handling public sector accounts and the necessity to act in a professional fashion to guarantee transparency of public sector accounting. The study contribute to knowledge regarding the increasing financial irregularities and lack of due diligence in the application of public resources, critical evaluation of the link between internal control systems and independent auditing for the sake of objectivity and good governance. The study employed the Chi-square goodness of fit test with the help of SPSS and STATA software to determine the degree of association, correlation coefficient and the degree of independence between the dependent and independent variables selected for the analyses. A total of 200 participants were purposively drawn from the Ministry of Finance of Ghana for the study. Measuring the variables for association, the Pearson Chi-Square test confirmed significant relationships at a level of $\{P < 0.000 < 0.05\}$, statistically implies that the alternate hypothesis be accepted with further justification from the high Ch-Square test values for each independent variable measured . There is a high possibility that certified and qualified auditors can act in a professional fashion without external influence as implied by; $[\chi^2(184.856), p\text{-value} < 0.05, df: 1]$. Public Scrutiny can ensure due diligence by auditors as indicated in $\chi^2 = 179.541$ at a significant level of $p < 0.001$. The role of internal audit is critical is ensuring transparency at $\chi^2 = 193.430$ and a significant level of $p < 0.002 < 0.05$. The contribution by the board is equally significant at $p < 0.000$ indicating the relevance of their existence in every organisation. The study therefore came to a conclusion that sensitive information regarding the public sector be made known to stakeholders for scrutiny particularly issues with long and short term financial implications . In order to ensure transparency and objectivity the internal audit must be equipped to the standard of the external auditors, while the board consist of people with expert knowledge in a particular ministry or department. Auditors with long standing reputation and certification by a professional body are suitable to handle public accounts to reduce the tendency of being influenced by incompetent management as a basic requirement for sound internal control systems across the public sector of Ghana.

Keywords: Independent auditing, Assurance, Public confidence, Transparency, Internal Control systems.

1.0 Introduction

Stakeholders rely heavily on credible, reliable, accurate and the most objective financial data from experts and professionals in the accounting and auditing discipline to inform their decisions on the economic and financial position of an entity whether public or private (Basu, 2016) . The extent to which such information achieve its intended purpose is largely dependent on the neutrality and how professional the auditors discharge their duties bearing in mind their obligation to enhance confidence and positive judgement on the level of independence of management, as an assurance that the evidence presented and conclusions on the financial statements does not go in favour of one party at the expense of others (Archer, 2016). Drawing from literature, there are concerns about the current backlash causing the profession a lot of negative commentary, while a section of authorities think the is gradually losing its accolade with is integrity whose fundamental mission is to reinforce the application of standard management processes (Dawuda, Aninanya, & Alnaa, 2015) . No doubt, the functions of the external auditor are crucial and critical such that the impact of unreliable information could result in devastating outcomes such as loss of confidence in the discipline and ultimately misleading and poor financial planning by investors (Brenninkmeijer, Debets, Hock, & Moonen, 2017). Drawing from assertions by Toy and Hay (2014), they noted emphatically beyond doubts that the duties of the auditor look complex in nature as it requires the gathering of evidence independently to carry out a test of management activities in accordance with Financial Accounting Standard Board (FASB), Governmental Accounting Standard Board (GASB), Association of Certified chartered Accountants (ACCA) and other professional bodies that contribute to the development of standard accounting practices. In light of the above debate, the auditors not obliged to draw financial statements, instead they are to examine and offer their opinion in the form of assurance on the true and fair nature of the final accounts prepared by management. However, citing Ghana as an example, this paper is drawing inspiration from the potential

manipulation of the public sector auditor to favour a particular party as against the interest of the state to achieve a well-conceived agenda mostly unreliable financial statements (Kumar & Mohan, 2016) . It was conveniently mentioned in Fung (2014) ,that even the public sector auditors are not absolutely free to discharge their professional opinion as enshrined in the Audit Service Decree, 1972 (NRCD, 49) with detailed provisions in article 187, 188 and 189 of the 1992 Constitution of the Republic of Ghana and further amendments contained in the Financial Administrative Act, 1977(SMCD, 221) stipulating the functions and operations of the Auditor-General's department (Asante Asare, 2016), due to risk of losing their jobs, and getting fired by their pay masters and possible conflict between management and the board for failure to select an audit partner who could protect the policy of the organisation after gathering evidence for evaluation. The situation is worse off when heavy political influence sets in to falsify and interpret data to create a fake public perception possibly during an electioneering period

1.1 Statement of the problem

The lack of assurance on the part of external auditors in charge verification of public accounts to ensure full functionality of system of controls in order to minimize the occurrence of misappropriation of government funds and non-accountable expenditure has become a big challenge as the Auditor General year after year keep reveal high levels of financial irregularities due to the weaknesses in the control systems. Previous studies in this area by Highlighted the same plight and gave priority to audit assurance and verification of accounts of public institutions at short intervals to ensure transparency yet the problem still persist even with the introduction of the GIFMIS system meant to control government expenditure from a central point by the Controller and Accountant General (Basu, 2016) . The motivation behind this study is the fact that the public sector of Ghana has all the legal and system frameworks to ensure proper management, however maintaining proper financial controls remain a nightmare.

1.2 The rationale of the study

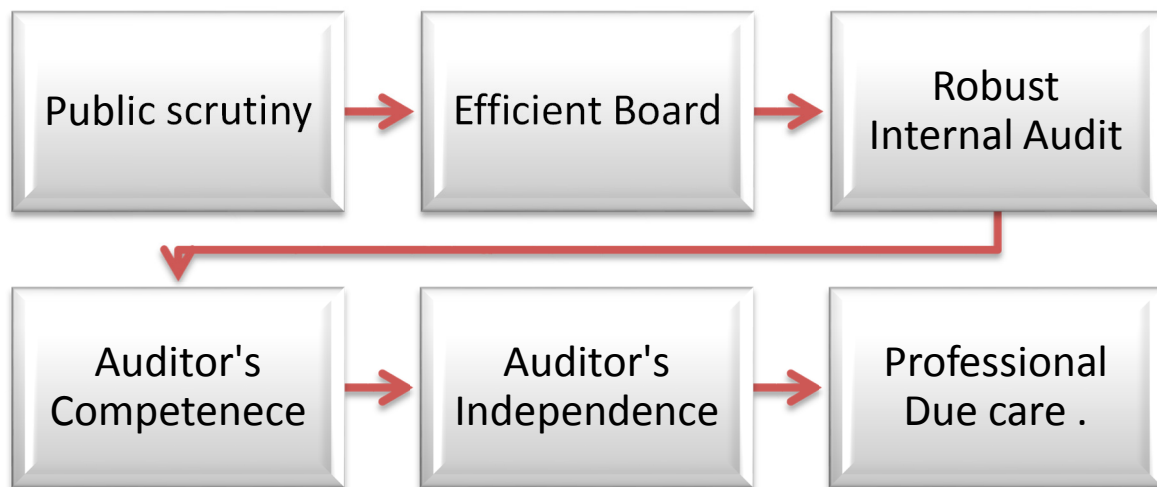
This study focuses on filling the research gap in the Ghanaian context, relating to the degree of freedom granted the public auditors when it comes to expressing their opinion from an independent position during the assessment of financial records relating to disbursement of public funds at various ministries and departments devoid of undue influence .Despite the existence of functional legal and institutional frameworks capable of ensuring due diligence in the application of public funds , the country records high level of financial irregularities at various ministries casting doubt on the integrity of authorities in charge of enforcing due process to ensure compliance to control standards.

The paper sought to advocate for good governance through independent auditing practices and the ability to correct the deteriorating financial accountability system that is superseding objectivity in financial reporting across the public sector of Ghana. If the system is to serve the interest of stakeholders with vested interests in the operations the public sector , that will include the private sector, inter-governmental partners, the international community particularly those acting in support of public sector financial reforms. Attracting international credibility requires the application of applicable standards and fulfilling a fundamental requirement such as public confidence in the state of affairs when it concerns the auditor independent in the assessment of the public accounts. According to (Asiedu & Deffor, 2017) who advocated for an autonomous accountability body regarding assurance believes that the independence of the auditor is crucial such that when auditing fails the whole system fails.

1.3 Research Questions

- a. What is the correlation between Internal Audit and external audit independence?
- b. What is the relationship between stakeholder's opinion and external auditor's independence?
- c. Does competence of the external auditor guarantee their independence from management of public organisations?
- d. To what extent can the board guarantee absolute sovereignty regarding material disclosures?

Conceptual Framework



Source: (Asiedu & Deffor, 2017)

The conceptual framework depicts the influence and the relationship between the dependent and independent variables underlining the study. The independent variables chosen for the hypothesis testing are Public Scrutiny, Efficient Board, Robust Internal Audit and the Auditor's competence, influencing Auditor's independence also resulting in their professional due care in discharging their duties in a professional fashion.

1.4 Theoretical Framework

The theoretical framework supporting this research is the agency theory which for long has advocated for transparency in accountability when it comes to serving owners and stakeholders interest (Kassem & Higson, 2016). The concept of agency theory clearly outlined a set of rules binding on management who are obliged to offer assurance by availing their financial records to be assessed by independent evaluators to express their opinion on the true state of affairs stakeholders (Herron & Crawford, 2016). A related theory that reaffirms this concept is the enterprise risk management which equally caution management of risk of financial misappropriation and fraud that is capable of crippling the entire organisations as it occurred in the Eron's case and many other companies that collapsed due to high level financial scandals due to the lack of due process and monitoring in the United states of America which finally resulted in the enactment of the Sarbanes-Oxley Act of 2002 (Blair, 2016). Literature has it that the genesis of financial audit and the entire auditing concept came into being at the time the market needed evidence on fraudulent activities of some unscrupulous public sector auditors who took advantage of owners and investors in the early 1930's and connived with managers and chief finance officers to outsmart all forms of controls systems and diverted funds illegally (Thibodeau & Freier, 2014). Passing judgment on a complex accounting record involving public finance and resources management and appropriation in an unbiased fashion require autonomous powers devoid of undue influence and threat of job insecurity if the public sector auditor is to achieve maximum professionalism grounded by high ethical standards. The big question is how independent is the auditor if huge amounts of money is still going missing amidst strict laws and bureaucracy involves in approving public expenditures? (Barton & Bruder, 2014). The auditing practice has gained grounds in both public and private sectors of Ghana and its application is well appreciated however the challenge of ensuring a total independence of management or government is matter of concern which needs to be addressed with urgency considering the public outcry for lack of confidence and integrity in state institutions. The Audit service Act 2003, The Financial Administrative Act 2002, the 1992 Constitution of Ghana and the procurement Act or 2003 are all in full operations yet the public sector is still plugged into an era of financial malfeasance.

2.0 Literature Review

2.1 The auditing practice

False representation of materials in any form is tantamount to fraud and misleading for users of any accounting information. The progress and wellbeing of an organisation is of great concern to individuals with vested interest in the affairs of the organisation towards the future prospects of for sense of public ownership (Jill & Houmes,

2014), Across the length and breadth of Africa and South America etc. Public sector financial auditing is a major mechanism for the fight to mitigate white colour crime associated with fraud which led to emergence of several audit agencies established by an Act of parliament to bring sanity across the country's political landscape (Wang, Xie, & Zhu, 2015). The situation in Ghana is not different as the country is witnessing a significant commitment from the Ghana Audit Service Agency as it continue the fight to maintain and promote the independence thought the indications are not positive (Cofie, 2016). A discussion that has taken the centre stage for decades among leading journals and literature seem to suggest that achieving absolute impendence so far as the external is concern is almost a mission impossible, drawing from judgements passed by some leading authorities casted doubts on whether the external auditor can ever be independent of their clients who bears the cost of their services and negotiate for favourable conditions leading to their appointment as audit partners (Akotia, 2016). Considering the assertions above this paper is seeks to suggest that the involvement of the auditing practice in the fight against fraud and material misstatements in the public in recent time warrant a critical observation in research. Additionally, the source of inspiration behind this study is the desire to advocate for transparency and true probity and accountability across the public sector and justice for all irrespective of whether the happenings are within the public sector or not. Based on a collection of thoughts regarding the above subject matter, one statement that strikes a sharp justification on the other scholars indicated that overrating the professionalism and independence of the auditor is a crucial call because a possible misstatement will result in a total distortion to the entire financial system and equally disorganise the financial market (Kunz et al., 2014), not only that, the statement further mentioned that when auditing fails, the whole system fails due to over reliance on the auditor's for validated data for investment decisions.

Relating the above debate the real discipline, a standard definition of auditing states that it involves a systematic procedure involving objectively gathering and evaluating recorded evidence on the economic and financial activities for observation of relevance and manner of reporting and interpreting the information to users according to laid down modality (Salifu & Mahama, 2015). A diverse view of the discipline describes it as the art of attestation to some past events for future actions and planning processes (Osei, 2016). Following the above submission, auditing starts after financial commitments have taken place in the form of appropriation in the case of the public sector whether due diligence is applied or data falsified. (Agyei-Mensah, 2016). This raises several questions such as whether the auditor on ethical grounds would expose any wrong doing during evidence gathering. Meanwhile the question above could be answered by apportioning financial control responsibilities according to; (1) Management is charged with duties such as managing and implementing strategic policies for day-to-day administration, (2) Safeguarding resources and ensuring judicious use of assets in their custody and, (3) rendering accounts on the utilisation of those assets and the overall performance pertaining to a particular time period as detailed by (Basu, 2016). The next stage is to present the records of economic events to third parties who have either invested resources in the running of the organisation or are prospective stakeholders relying on such records to arrive at decisions that will impact on the future prospects of the organisation in the long run (Corten, Steijvers, & Lybaert, 2017). The auditor, in accordance with the Generally Acceptable Accounting Principles (GAAP) will then apply his expertise to arrive at an objective view of the facts and figures purported to reflect a fair and transparent statements devoid of errors (Lenz & Hahn, 2015). Despite the establishment of legal frameworks guiding the practice in Ghana, the mysteries most scholars entertain seem to cast doubt in the minds of many as to whether the presence of the external auditor is just a mere formality or they are there to protect public interest (Salifu & Mahama, 2015). Similarly the public would want to know the extent to which public sector auditors are free from the influence of their clients who happen to be another government department. From a theoretical perspective whether the auditor display integrity or not, two fundamental requirements that must met to qualify any audit opinion an objective type are (a) The auditor must possess a high expertise in the field to diagnose a highly complex accounting data to uncover errors and (b) the extent to which the auditor is independent of management, the board and any political influence, once these conditions are met, the public and stakeholders who have vested interest in the organisation can confidently base their economic decisions on the evidence embodied in the financial statement (Chang, Chang, Choy, & Choy, 2016).

The corporate environment literatures suggest that auditing is all about evidence to demonstrate beyond every doubt that the organisation's systems of bookkeeping are not contrary to the accounting custom, likewise the systems methods and procedures for reporting to a large extent. (Herron & Crawford, 2016).

Many are those who registered their displeasure regarding the neutrality, but this time it bothers on the aspect of oath of secrecy and non-disclosure of certain amounts of vital information to third parties which may cause severe damages to their clients (Asante Asare, 2016). For the sake of clarity an insight from the Barton and Bruder (2014) stipulated that the external auditor is under serious obligation to furnish various groups with an unbiased opinion on the institutions financial position, among those groups are; current and future shareholders, donor partners, creditors, suppliers, labour unions, academic institutions, statutory regulatory agencies and scholars who in diverse ways rely heavily on the auditor's report. If the above scenario holds, it could be implied that the auditors work goes beyond the generally accepted customs to determine whether the methods used are suitable

and best describe the current business and accounting principles since the external auditor is mandated to review any obsolete accounting practise not just to check for accuracy , fraud and errors (Jill & Houmes, 2014) . Any audit report that lack certain merits is referred to as an unqualified audit report since the report is meant for reasons such as to improve the corporate governance style , strengthen the internal control systems , safeguard the confidence and independence of the auditor and promote accountability among other things (Dawuda et al., 2015). The above statement gained its originality from The Sarbanes-Oxley Act of 2002 with a famous provision that sought direct the Chief Finance officers to get their financial reports assessed publicly to establish quality of accounting record and internal control systems (Chang et al., 2016) .The Sarbanes-Oxley Act of 2002 have since gave birth to several guidelines purported to strengthen the independent position of the auditor , such as (1)The Audit committee possess certain powers to hire and fire external auditors at any given time if their performance falls below average ,(2) Personnel of the audit agency must go through a mandatory rotation on a particular engagement within five years ,(3) One audit firm is not permitted to render consultancy services to and on behalf of another auditing firm and (4) Finally the audit committee of every organisation have an oversight responsibility to ensure and guarantee the independence of the auditor devoid of conflict of interest and biased (Knechel & Salterio, 2016)

Ge, Koester, and McVay (2017), took a different view and stressed on the fact that, although most public institution apply these guidelines, it often said that the auditor's scope of engagement does not warrant them to strictly abide by the guidelines. These resulted in a crucial argument among major authorities and raised discussions in literature resulting in the creating of the Public Company Oversight Board (PCAOB) in the United states of America in early 2000's after stakeholders identified lapses associated with the Sarbanes- Oxley Act 2002 which grant the board full responsibility to ensure public auditors apply ethical standards and professionalism but failed to prescribe penalties for negligence on the part of the audit committee (Nana Yaw Simpson, 2014). The above implies that the presence audit in every organisation whether public or private is to provide reasonable assurance to stakeholders. Questions have been raised regarding the degree of assurance however, According to Robbins and Meyer (2016), Special Committee on Assurance Service defines assurance as; an independent practice to offer professional services to enhance growth and quality of financial information for policy decision . meanwhile Foster et al. (2016) argued that assurance as a concept in auditing encompass a variety activities on the part of the auditor such as first of all supply reliable information on financial statements based on the traditional format or reporting on a step-by-step account from the basic processes involved in recording transaction to drawing to final accounts for clarity if they are to be exonerated of any wrong doing . This relates to Martin, Sanders, and Scalan (2014), who asserted that the concept of assurance is meant to give a clear overview of the firm systems and procedures to concern stakeholders to create room for improvement to current performance and the final reporting submitted for attestation by several independent bodies to prove their independence . It is not wrong to say that literature has over emphasized on fraud prevention neglecting the aspect of their independence which could also be a remedy to maintaining probity and accountability in the public thereby bringing sanity into the handling of state resources (Porter, Simon, & Hatherly, 2014), therefore it is time literature advocate for modalities to promote absolute independence for the auditor since stakeholders are well aware of most of the indicators prompting opportunities to perpetrate fraud . For instance it's a common knowledge that fraud is likely to increase when ;(1) Management engage in high expenditure transactions getting to the end of the year, (2) weak internal control , rampant resignation of top management personnel , non – availability of details on transactions and reversal of entries of end of year and poor classifications of accounts among others (Thibodeau & Freier, 2014). These warrant a collective effort by all to support the Audit service of Ghana to collaboration with other related accountability and law enforcement institutions established to promote good governance and transparency which is a major threat to achieving good governance over accountability deficiencies in Ghana. A collective decision to advocate for the external auditors independence is likely to result in some degree of assurance from the auditor according to the custodians of internal control systems, The Committee of Sponsoring Organisations of the Treadway Commission (Blair, 2016) .Ideally the presence of the external auditor must satisfy the following among others ;

1. For internal control purposes.
2. Assessment of Risk.
3. Operational quality remarks basically non-financial in nature.
4. Assurance base on the financial position and accounting purposes.
5. Non-political influence over the final auditor's opinion.
6. Negative public perception about auditing in Ghana.

2.2 The Independence public Auditor

Acting according to a set of ethical principles which seeks to uphold integrity and full compliance to objectivity in any auditing activity is termed as being independent (Osei, 2016) This is not quite different from Section (584) article 187(10) of the Audit service Act 2000 describing independence as a fundamental principle underpinning

every audit engagement with strict adherence to professionalism, scepticism and the ability to discharge auditing functions without fear or favour (Agyei-Mensah, 2016) . When an external auditor is often referred to as an independent auditor , it's due to the vital roles they play and the importance attached to the profession by all standards highlighting on reliable true and fair deal they offer stakeholders (Salifu & Mahama, 2015) . According to The Committee of Sponsoring Organisations of Treadway Commission (COSO) , for an auditor to deliver an objective opinion in the capacity of a magistrate or liken to a referee , the internal control systems of the organisation receiving the consultancy service must be robust and sound enough to position the auditor in an independent posture , such that the five integrated internal control elements developed by COSO must be in full force to detect any possible system lapses intended to compromise the process (Blair, 2016) . Mapping the above theoretical perspective to the context of Ghana, Asiedu and Deffor (2017), justified a broader view of the subject focusing on audit expectation gap between the Audit Service and the public. In this view, a collaborative effort from various institutions is needed to achieve this landmark.

Section (584) of The Audit service Act 2000 in consonance with article 187(10) and sub-section (3) by constitutional instrument outlined a provision declaring the independence of the auditor (Akotia, 2016). The provision among others stated the various elements qualifying the external auditor in an independent fashion. The section (584) states that;

- (a) The auditor shall not under any circumstances be subject to persons or any law that is inconsistent with the provisions of this article in performance of their duty.
- (b) The auditor in the course of duty may disapprove such transactions that are deemed contrary to the audit act and Financial Administrative Law, and apply appropriate sanctions where necessary.
- (c) The auditor is at liberty to disallow any expenditure which is not duly captured in the account and properly directed to one who is ought to receive it.
- (d) The auditor is under oath of secrecy and must discharge such duties prescribed by this Act with utmost confidential.

From a practical position, we find it challenging if efforts are not channelled towards drawing experts with different industrial backgrounds and experiences to assemble into a formidable team to redeem the public sector from the claws of fraud. Research has made a general knowledge that accounting and auditing have played a pivotal role in the governance system of Ghana and has come to stay with us (Earley et al., 2016). Auditing as a tool has been a management strategy in Ghana to provide support and confidence and ensuring that the system works towards desired goals. However, the independence of the auditor is not fully guaranteed throughout their operations to help government identify any blind spots (Tackie, Marfo-Yiadom, & Achina, 2016). The word independence in this context can be likened to an insurance policy against a group think as well as a tunnel vision for a continuity and growth (Basu, 2016). If the systems of internal control of an organisation are in full operation, business failures such Enron, WorldCom and HealthSouth would have been averted, but due to the weaknesses in the control structure top management circumvented the activities of the organisation (Corten et al., 2017) .According to the Audit Service Act 2003, the term independent is classified under two scenarios ; independent of the mind and independence of appearance meaning the auditor is said to be independent of mind when decisions pertaining to a set of evidence at hands are done without bias and personal belief and undue pressure from client (Jill & Houmes, 2014). The above does not guarantee independence until proved beyond all doubts that independent of mind is translated into independence in appearance embodying the fact that the auditor convincingly is acting in a professional fashion without compromise (Hayes, Wallage, & Gortemaker, 2014). One school of thought believes lapses in the public departments in the 21st century are due to the drift from the auditing original functions from in the 1940's which focused mainly on fraud detection , however between 1990's to date there is overreliance on achieving management objectives and financial goals at the expense of integrity and independence of the auditor (Porter et al., 2014).

2.3 Audit Expectation gap in Ghana

The auditing profession suffered major setbacks in establishing assurance in discharge of their duties as a result of potential falsification of facts, deliberate omission and distortion of financial information and provision of unrealizable statement of affairs to perpetuate fraud and embezzlement of resources meant for the ministry of health (Ianniello, 2015). This condition has further widened the audit expectation gap between the external audit functions and the financial report users and stakeholders in the public sector of Ghana. Audit expectation gap refers to the disparities between the work of the assurance providers and the users of the financial information (Dawuda et al., 2015) .In most cases the differences or the gap occur when there are varied views over the facts embodied in the information provided by the auditors causing the audit process lose its value and credibility in the eyes of stakeholders (Barton & Bruder, 2014) . Section 40 -41 mandates the Auditor –General per the Financial Administrative Decree 1979(SMCD 221), access to all public accounts prepared by the Controller and Accountant-General for a thorough examination to establish an opinion on the fairness accounting treatments (Knechel & Salterio, 2016) .The media in Ghana often chastised the public for making unrealistic demands of the auditors,

citing unsatisfactory works when it comes to serving the interest of the public in an independent fashion due to increasing public expenditure by the state leading to what is termed as the audit expectation gap describing possible disparities between public perception about the auditors performance with regards to their objective and independent approach to duty therefore warranting high level of assurance listed below by Knechel and Salterio (2016) :

1. That the auditor is mandated to provide a complete assurance on the nature of the accounting information being reported by management and bear responsibilities for the loss in case the information is falsified and misleading .
2. The auditor must endeavour to guarantee the future prospects and viability of the entity in the long run
3. Audited reports and opinions on firm performance must be as complete as possible devoid of errors
4. The auditors are obliged to detect fraud and irregularities without excuses to justify any negligence
5. The auditors are charged to trace the route of every transaction to establish their opinion on the statement of affairs.

Arguments by leading policy makers prior to 1940's, disclosed that the audit profession focused primarily on fraud detection, however the practice was extended to cater for accounting and financial statements verification during the latter part of 1950's up until recent time with more robust systems and technologies (Liao, Lin, & Zhang, 2016) . In this regard if government organisations must perform effectively with the support of the public, it will be prudent to improve the trust and relationship between the citizens and government. Meanwhile an alternative is to subject public sector performance to rigorous assessment and scrutiny by opinion leaders and citizens by way of enforcing democracy in managing state resources for efficiency (Bahrawe, Haron, & Hasan, 2016). A more authoritative voice when it comes to governance systems and public sector reforms suggested that an open channel of communication involving the external auditor and experts such as , legal advisors and state attorneys can check the actions of the external auditors to determine any ill-conceived tendencies to compromise their office at the expense of public interest (Akotia, 2016). It is for this reason stakeholders are advocating auditors be stripped off all immunities and be held entirely accountable for any wrong doing so far as public accountability is concerned .

2.4 Factors responsible for Auditors Independence

After a thorough consultation with literature, key elements outlined to fit the Ghanaian context and current dispensation include a set of suitable independent agents capable of influencing the public sector auditor's actions in either directions considering the complexity and ambiguous nature of the dependent variable which happens to be a major determinant to achieving integrated corporate governance (Basu, 2016) .

1. Competence
2. Public Scrutiny.
3. A robust internal audit.
4. Efficient Board.

2.4.1 Competence

The fundamental principles of professional ethics prescribed a set of rules capable of securing the independent mind set and acceptable behaviour characteristics of the auditor (Kunz et al., 2014) . As it is enshrined in the constitution of the Republic of Ghana, establishing the Audit service Act2000 and the Financial Administration Act 1979 , members of the audit service who are the assurance providers and representatives of the Auditor-General owe the people of Ghana due care , integrity , objectivity , confidentiality and application of professional knowhow and expertise in discharging their mandate (Barton & Bruder, 2014). By implication, they are deemed vested in the laws plus long standing professional training , well equipped and highly skilled with technical abilities to have command over their duties to contribute at full efficiency (Corten et al., 2017). A group of management experts defined an independent auditor as one who is certified and licenced by a professional accounting and auditing body with long standing experience in the field (Salifu & Mahama, 2015), suggesting that such experts possess outstanding qualities and competence to withstand any external influence other than providing assurance to the public .

H1: Professional, certified auditor(s) is capable of discharging an independent opinion on financial statements without the influence of clients (at 0.05significant level)

2.4.2 Public Scrutiny

In several jurisdictions including Ghana, public office holders are often subject to open crossed examination by the citizens in demand for accountability on the use of the taxpayer's money (Nana Yaw Simpson, 2014). Such actions often comes from senior citizens, workers unions, pressure groups, scholars and educationists who seek clarification to ensure the auditors functions are properly configured within the confines of the law that defines their roles and the extent to which they are to exercise their authority . Within the context of Ghana, classical cases that are of financial in nature are often left for discussion in the media landscape to seek public opinion and inputs from the general public on how to shape such sensitive that are of public interest (Ofoegbu, 2014). In most

cases this responsibility is often carried out by the public accounts committee of parliament and also opened to the general public and opinion leaders to witness parliamentary committees demand accountability from public officials in charge of various government departments (Anvuur, Kumaraswamy, & Male, 2006). This is equally a good platform to offer constructive criticisms and offer healthy counselling to the public auditors if done consistently from time to time as a reminder of their patriotic duties. Ensuring independence for the auditor does not only mean finding fault but negotiating for better conditions of service and suitable remunerations corresponding to an overwhelming contribution to good governance (Salifu & Mahama, 2015).

- a. *H2: Effective public scrutiny of auditors can significantly enhance a positive opinion on public accounts (at 0.05 significant levels).*

2.4.3 Robust Internal Audit Unit

The Institute of Internal Auditors –Global acknowledged that the success of the external auditors work is largely dependent on the outstanding performance of internal audit staff who on daily basis offer tangible contributions to the system of controls. (Tricker & Tricker, 2015). In most jurisdictions they are considered part of management and majority of them form part of the audit committees whom by implication are not entirely independent of the organisation but are agents of control per the assertions by Brenninkmeijer et al. (2017), moreover, the work of the internal audit unit cannot be over emphasized when it comes to ensuring due process and enforcing fairness and evidence audit. From a practical point of view internal audit lays a perfect foundation for the external auditor which by implication warrants a technical competence, objectivity, and ethical standards (Jill & Houmes, 2014). Consequently a weak and porous internal audit unit will definitely serve as a breeding ground for compromising the external auditor.

H3: An Effective and robust internal audit unit is significantly viable of setting the platform for a transparent external audit work (at 0.05 significant level)

2.4.4 Efficient Board

An efficient board is mandated to enforce such provisions as prescribed under the section 301 of the Sarbanes Oxley Act 2002, directing the audit committee of which members are qualified to serve on the board to exercise an oversight responsibility in facilitating the independent environment for the auditor (Toy & Hay, 2014). Including such mandates are the responsibilities to be directly in charge of appointing and negotiating remuneration packages and to determine the conditions of service for the auditor throughout the period of engagement with the client organisation (Fung, 2014). The board which also a sub-unit of the audit committee is charged with the responsibility to adequately monitor, evaluate and appraise the auditor from time to time bearing in mind the power to fire or replace any audit partner performing below standard or where there is sufficient evidence to prove that the auditor's position is being compromised (Porter et al., 2014). The board a bit to ensure review the prevailing conditions and terms of engagement when it deem it fit (Corten et al., 2017). The Board and Audit Committee can only perform these functions when they abreast technically and professional in-depth enough to criticise.

H4: The effectiveness of the board is positively associated with external audit independence (at 0.05 significant levels)

3.0 Methodology

3.1 Population, Sample size and Design

Survey is arguably one of the most widely used methods in primary data collection particularly for an empirical study according to (Block, Miller, & Wagner, 2014). The study made use of structured questionnaire to perform the investigation of the external auditor's independence in evaluating public accounts in expressing a free and fair opinion. Secondary data were obtained from books, government of Ghana Auditor General's reports on public account and online publications on the subject matter.

A purposive non-probabilistic number of 240 participants were considered for the study according to the departments and positions held within the ministry of finance that are often subject to auditing and directly involved in public expenditure process. These departments were considered to have fair knowledge on the subject matter. A total of 200 valid questionnaires were returned and captured for analysis.

3.2 Questionnaire Organisation

The questionnaire was drafted strictly according to the hypothesis and theoretical evidence from literature with direct bearing on the conceptual framework. The questions were closely related to previous studies on the same subject by (Salifu & Mahama, 2015; Simnett, Zhou, & Hoang, 2016) and (Oppong, Arora, Sachs, & Seidu, 2016) which were considered fit to represent the Ghanaian context, considering the fact that the Audit profession follows abbgeneral application of specific practices and standards. The questions were grouped according to the dependent and independent variables such as (a) Public Scrutiny (b) Efficient Board (c) Robust Internal Audit (d) Competence and (e) Audit Independence in a categorical order (Block, Miller, & Wagner, 2014).

4.0 Data Analysis

In the quest to examine and finally generalise the outcome of any test result of an entire population whether or not there is an association between the dependent and independent variables, the researcher resorted to one of the most extensively used techniques which is the Chi-Square inferential statistical method in order to form a meaningful judgment on the observed values and expected values taking into account the differences.

Assumptions/rules underlining the application of Chi-square technique;

1. The sample must be randomly drawn from the population
2. The values for the sample are mutually exclusive
3. Minimum expectation of five occurrences in each category

Before we determine whether the observed counts and expected counts are different enough to establish any significant association the researcher conducted a test of normality on the data. Mathematically the Chi-square function is represented below;

$$\chi^2 = \sum_{\text{all cells}} \frac{(\text{Observed} - \text{Expected})^2}{\text{Expected}} = \sum_{i,j} \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where : χ^2 = Chi-square test

\sum = SUM

O_i = Observed value

E_i = expected value

Df = degree of freedom

Rejection rule : if P-value ≤ 0.05 (reject the null hypothesis)

P-value ≥ 0.05 (retain the null hypothesis)

$$\text{Expected} = \frac{\text{Row total} \times \text{Column total}}{\text{Total sample size } n}, \text{ thus } E_{ij} = \frac{R_i \times C_j}{n}$$

4.1 Test for normality

The study further takes steps to test for normality of data using the SPSS and confirmation from STATA statistical software. The Kolmogorov-Smirnov and Shapiro-Wilk technique was used to confirm the validity, reliability and accuracy of the data.

Public Scrutiny

Per the test of normality, Public scrutiny as an independent variable follows a normal distribution with evidence from the test probability is greater than 0.05 by Kolmogorov test by 0.194 similar to that of Shapiro-Wilk which indicates a probability of 0.193 corresponding to skewness of 0.165 which is less than 1.00.

Table 1. Public Scrutiny Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Public Scrutiny	.155	200	.194	.890	200	.193

Competence

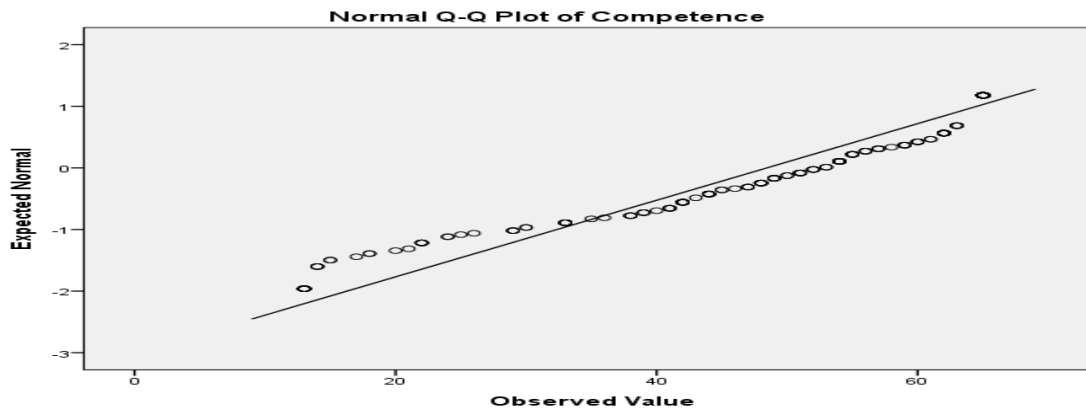
The normality test conducted on the independent variable representing the competence equally shows a positive sign of normality per both Kolmogorov and Shapiro-Wilk. Both tests indicate a statistic value less than 1.00 and a probability of 0.151 and 0.163 respectively with a degree of freedom being 200.

Table 2. Competence Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Competence	.152	200	.151	.874	200	.163

Evidence from the Q-Q Plot shows a close alignment of the data along the curve which signifies the normality of the data gathered for this particular independent variable.

Fig. 1 Normal Q-Q Plot of Competence



Efficient Board

The role of the board is considered a very important element in determining the independence of external auditors hence the need to perform a test to assess the validity of data for the sake of credible investigation. The probability is 0.402 per the Shapiro-Wilk and 0.201 per the Kolmogorov-Smirnov test. This is a positive sign of normality that the results of the study will reflect the true state of affairs.

Table 3. Efficient Board. Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Efficient Board	.156	200	.201	.885	200	.402

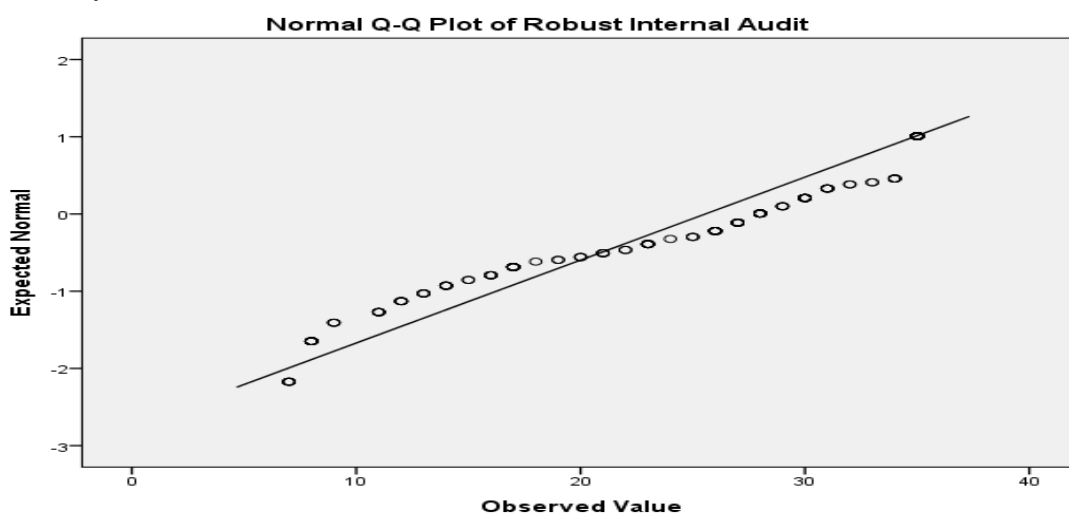
Robust Internal Audit

The internal Audit effectiveness and its contribution to maintaining a credible, free and fair audit opinion will be measured with the probability normality of 0.820 per the Shapiro-Wilk and 0.650 according to the Kolmogorov test. It shows that the data is behaving normally enough to perform any statistical analysis.

Table 4. Robust Internal Audit. Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Robust Internal Audit	.155	200	.650	.864	200	.820

Further proof from the Q-Q plot show a fairly distributed alignment of data along the distribution curve as evidence of normality.



The Audit Independence

The researcher conducted a test of normality on the dependent variable which is Audit independence and the probability test shows a normal behaviour according to the Shapiro-Wilk and Kolmogorov-Smirnov test. The test reads 0.933 and 0.899 greater than 0.05 per the rule for normality. The various test have reaffirms the condition of the robustness of the data for running the Chi-square analysis to test for associations between the dependent and independent variables.

Table 5. Audit Independence. Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Audit Independence	.171	200	.899	.886	200	.933

4.2 Analysis and Results

Chi-Square test

The Chi-square test is a test for an association, a test for correlation coefficient and a test for independence. The data is analysed using chi-square goodness of fit test in an attempt to justify the alternate hypothesis.

- a. H1: *H1: Qualified and competent auditor is capable of discharging an independent opinion on financial statements without any influence (at 0.05 significant level).*

1. Competence vrs Independence

The test for an association between competence and Audit independence according to the Pearson chi-square test, there is a strong relationship at $p < 0.000$ significance corresponding to $(\chi^2) = 184.856$ chi-square value. The result implies that since $(p < 0.00 < 0.05)$ and a $df = 1$ statistically, we will accept the alternate hypothesis which states that a competence has a significant association with auditors independence. [$\chi^2(184.856)$, p -value < 0.05 , $df: 1$]

Table 6 .Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	184.856 ^a	1	.000
Likelihood Ratio	145.669	1	.000
Linear-by-Linear Association	172.449	1	.001
N of Valid Cases	200		

- b. 0 cells (0%) have expected count less than 5. The minimum expected count is .01.

Table. 7 Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	1.451			.000
	Cramer's V	.649			.000
Ordinal by Ordinal	Kendall's tau-b	.864	.002	12.197	.000
	Spearman Correlation	.912	.020	31.339	.000 ^c
Interval by Interval	Pearson's R	.931	.015	35.861	.000 ^c
N of Valid Cases		200			

- a. Not assuming the null hypothesis.

- b. Using the asymptotic standard error assuming the null hypothesis.

Table.8 Symmetric Measures

		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	1.363			.000
	Cramer's V	.609			.000
Interval by Interval	Pearson's R	.929	.017	35.321	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.967	.012	53.374	.000 ^c
N of Valid Cases		200			

- a. Not assuming the null hypothesis.

- b. Using the asymptotic standard error assuming the null hypothesis.

- c. Based on normal approximation.

2. Efficient Board vrs Auditors Independence

Considering the fact that the board is a powerful tool that can influence the conduct of the external auditors performance in terms of charging contracting highly qualified professionals, the ministry of Finance have not had a board that is absolutely strict on professional matters involving the auditor's conduct and the fact that the public

deserve free and fair disclosures on the state of affairs.

H4: An entity with an effective board stands a greater chance of ensuring with external audit independence of management (at 0.05 significant levels).

Table 9. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	188.561 ^a	1	.000
Likelihood Ratio	190.378	1	.000
Linear-by-Linear Association	178.470	1	.000
N of Valid Cases	200		

a. 0 cells (0%) have expected count less than 5. The minimum expected count is .01.

The test result indicate a significant relationship confirming the alternate hypothesis implying view that , the board can always be instrumental when it comes to influencing the external auditors conduct on the job at a significant level of [p -value $0.000 \leq 0.05$]. A further confirmation by the symmetric measures shows approximate significance of 0.000.

Table 10. Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal Phi	1.624			.000
Cramer's V	.726			.000
Interval by Interval Pearson's R	.947	.010	41.487	.000 ^c
Ordinal by Ordinal Spearman Correlation	.867	.024	24.439	.000 ^c
N of Valid Cases	200			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

5.0 Conclusion

The coming into existence of the Sarbanes –Oxley Act in 2002 has addressed considerable factors connected to financial reporting, maintenance of sound financial environment since its implementation on July 30th, 2002. In line with ensuring transparency in public institutions and departments resulted in various laws and agencies charged with ensuring effective internal controls systems. Currently, public institutions, ministries and departments are monitored by the external auditors to correct weaknesses in the internal control structures, however one cannot be reasonably assured of the auditors performance devoid of undue influence though statistically studies have identified certain factors that can have positive impact on the operations of the entire public sector system to enhance auditors independence of any party per Section 302, 404 SOX directing mandatory disclosures of all material information.

This study measured the relationships between four independent elements capable of influencing the auditor’s independence to ensure a sound internal control system. However the test statistics failed to emphasize the degree of relationships. Based on our analysis, there is strong evidence that the public sector of Ghana can perform much better in term of transparency if steps are taken to ensure all stakeholders act in a manner that will promote integrity across the public sector. As it stands the public is not adequately privy to major policies bothering on the operations of the ministries, particularly policies with long term financial implications on the general public. The analysis also indicated there is a relationship between, competences, robust internal audit, the board respectively therefore to grant the auditors independence, highly qualified and certified professionals with extensive working expertise be hired to audit any public accounts. Meanwhile the internal audit must be equipped to match the quality of the external auditors if the need arise to ensure reliability and adequacy. Selection of members to fill the various public boards must be done based on knowledge and experience in a particular sector on merit. This will ensure their ability to criticise rather than approve anything put before them by the auditors. Secondly with the expert knowledge they board will be in the position to ensure due diligence in reporting any financial information to the public and stakeholders.

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