

# Audit as a tool for enhancing the reliability of financial statements: a case study of Farafenni General Hospital, The Gambia, West Africa

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## Abstract

**Main Objective** – This research aims to examine the role of auditing as a tool for enhancing the reliability of financial statements, focusing on Farafenni General Hospital in The Gambia, West Africa. The study explores how auditing contributes to accountability, transparency, and stakeholder confidence within a public health institution, while also identifying the institutional challenges that limit its effectiveness.

**Design/Methodology/Approach** – The research adopts a qualitative design using a case study approach. Data were collected through semi-structured interviews with senior management, finance staff, external auditors, and oversight bodies. The analysis was conducted using NVivo 15 software, guided by Agency Theory, to uncover patterns of accountability, communication, and audit effectiveness.

**Key Findings** – The findings reveal that auditing performs corrective, preventive, and assurance functions that collectively strengthen financial reporting reliability. External audits promote accountability and donor confidence by providing independent verification of financial information. However, the absence of an internal audit unit, weak communication channels, and delayed implementation of audit recommendations undermine the overall impact of auditing. These weaknesses create recurring reporting issues and limit the hospital's ability to maintain continuous financial reliability.

**Theoretical and Practical Implications** – The study reinforces the relevance of Agency Theory in explaining the relationship between auditors, management, and oversight bodies. It highlights that while audits reduce information asymmetry, institutional and political constraints can weaken their monitoring function. Practically, the study recommends establishing an internal audit unit, digitizing financial records, and strengthening feedback mechanisms between auditors and management to improve financial governance and accountability in public hospitals.

**Novelty** – This research is the first to provide an in-depth qualitative analysis of how auditing enhances financial reliability within a Gambian public hospital context. By integrating the perspectives of auditors, management, and oversight institutions, the study contributes original insights into the structural, behavioral, and governance factors shaping audit effectiveness in the public health sector of The Gambia, West Africa.

Keywords: Auditing, Financial Reliability, Accountability, Farafenni General Hospital, The Gambia, West Africa, Agency Theory, Governance

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## INTRODUCTION

The accuracy of financial statements is essential to preserving the confidence of creditors, investors, regulators, and other stakeholders in the complicated and ever-changing corporate world of today. An organization's financial performance and position are primarily communicated through financial statements, which have a big impact on market behaviour and decision-making processes (Yin, 2023). However, the reliability of these financial reports is seriously threatened by the possibility of fraud, inaccuracies, and misstatements.

One important tool for addressing these issues is auditing, which also helps to improve the reliability and correctness of financial accounts. Concerns over the accuracy of financial reporting have historically been created by a lack of confidence between management and business owners

(Azeez & Akanni, 2024). Furthermore, investors have lost money as a result of depending on false financial data, raising doubts about the veracity of these claims. External auditors are now crucial in offering independent confirmation that management's portrayal of a company's performance is accurate and equitable in response to these worries (Khiron, 2023)

External audits seek to confirm the objectivity and dependability of financial reports, in contrast to internal audits, which are a component of an organization's internal control procedures. The reliability of the financial statements and, eventually, the financial performance of a company are directly correlated with the quality of an audit (Raimo, 2021). According to (Sujana, 2020), trustworthy financial statements can lessen the risk of misstatements, boost capital market confidence, and possibly save businesses money on capital expenditures. Additionally, trustworthy reporting draws in additional capital, which enhances financial success. Auditors are in charge of determining whether financial statements adhere to the applicable financial reporting framework in all material aspects, according to the International Standards on Auditing (ISA) (Kofi, 2021)

However, recent audit failures around the world have sparked debate about whether auditing actually fosters confidence and accountability (Darmawan, 2023). One important component of improving the dependability of financial statements is the independence of auditors (Violette & Daniel, 2024). When reviewing financial documents, independence guarantees that auditors remain impartial and objective. According to a study by (Ogunsola & Balogun, 2021), auditor independence greatly enhances financial reports' objectivity, comprehensiveness, and general dependability. Consequently, the function of auditing in augmenting the dependability of financial statements, specifically in bolstering the quality of financial reporting, continues to be a relevant subject (Pangaribuan, 2023). With an emphasis on Farafenni General Hospital in The Gambia, West Africa, this study attempts to investigate the efficacy of auditing as a technique to assess and improve the dependability of financial statements.

The integrity of financial information is crucial for healthcare organizations, especially those in poor nations, to gain the trust of external stakeholders, including donors, the government, and the general public (Angyal, 2022). By offering an impartial and independent confirmation of financial documents, audits improve the dependability of financial statements and boost stakeholder confidence. The assurance that funds are being used effectively is provided by trustworthy financial statements, which is especially crucial for public healthcare organizations that rely on outside funding. External audits are essential for making sure that management's financial data is trustworthy and dependable for stakeholders' decision-making, claim (Sujana, 2020)

One of the key functions of an audit is to detect and prevent material misstatements in financial statements. Without adequate management, misstatements that result from fraud or mistakes can skew an institution's actual financial situation (Jeppesen, 2019). By examining the financial records and controls in place, auditing aids in the identification of such problems. For instance, misreporting money intended for medical supplies at Farafenni General Hospital may result in ineffective service delivery and possible resource misallocation.

Auditors can offer suggestions to improve internal controls and lessen the possibility of future misstatements since they are trained to spot warning signs in financial reporting (Mukono, 2021). This proactive strategy aids in protecting the hospital's resources and preserving the accuracy of financial data. One of the main goals of an audit, according to (Hamidah & Saikou, 2021), is to find major misstatements, whether they are the result of fraud or mistakes. In order to accomplish this, auditors must efficiently organize their audit processes.

The quality of an audit significantly impacts the reliability of financial statements. There is more assurance about the accuracy of financial data when high-quality audits are carried out by qualified, independent audit (Manasseh Njagi, 2023). In contrast, poor-quality audits may fail to detect material misstatements, leading to unreliable financial statements. Therefore, to guarantee the accuracy of financial statements, the independence of the audit company, the skill of the auditors, and adherence to auditing standards are crucial (Anna, 2021).

Since financial reporting is essential to Farafenni General Hospital's operations, high-quality audits are required to give management the data they need to make wise decisions and to reassure stakeholders

that the institution's finances are in good condition. According to (Throttle & Ries, 2022), the competence and independence of the auditors determine the quality of the audit, which in turn influences the level of trust that users have in financial statements.

Farafenni General Hospital, one of the key healthcare providers in The Gambia, was established to improve access to quality healthcare in the North Bank Region and beyond. As a main referral hospital, it serves a population of over 432,740 people, including parts of Senegal. With this large catchment area and its mission to provide high-quality tertiary medical care, the hospital faces significant financial and operational demands (Farafenni General Hospital Activity Report, 2023). Managing a healthcare institution of this scale requires not only clinical expertise but also sound financial management to ensure sustainability and the effective use of limited resources (Angyal, 2022).

Healthcare institutions, particularly in developing countries like The Gambia, often face challenges related to financial management. These include inadequate financial controls, poor resource allocation, and inaccurate financial reporting, which can lead to inefficiencies in service delivery. For a public health institution like Farafenni General Hospital, reliable financial statements are essential for attracting external funding, ensuring government support, and maintaining stakeholder confidence (Gokhan, 2024). Without accurate financial information, it becomes difficult for management to make informed decisions regarding resource allocation, budgeting, and future investments (Baburam, 2023).

The significance of internal control systems in public sector audits is examined by (Hamidah & Saikou, 2021). They discover that by guaranteeing that financial resources are handled correctly, internal audits perform a special function in public sector organizations like healthcare providers. Audits assist in ensuring that the data displayed in financial statements is correct, comprehensive, and compliant with accounting rules by looking over the hospital's financial records. Auditing can reveal possible fraud or misstatements, point out areas of poor management, and suggest changes to internal controls at Farafenni General Hospital. Enhancing the dependability of financial accounts requires both external audits, which offer independent verification, and internal audits, which offer continuous oversight (Abdoulaziz, 2024).

The influence of financial transparency in healthcare is examined by (Huong, 2023), who point out that public healthcare organizations have particular difficulties managing their finances because of their limited resources and heavy reliance on donor or government financing. The demand for greater financial responsibility and transparency in public institutions like Farafenni General Hospital also serves as the foundation for the research. Given the resource-intensive nature of the healthcare industry, financial stability is essential to guaranteeing that money is spent effectively in order to accomplish the operational objectives of the hospital (Farafenni General Hospital Activity Report, 2023).

The goal of this study is to determine whether auditing, both in terms of efficacy and quality, can improve the reliability of financial reports, identify financial irregularities, and give a true picture of the hospital's financial situation. By tackling these problems, the study will support continued initiatives to enhance the hospital's financial management processes, which will ultimately result in better patient care and better results for the community it serves.

Farafenni General Hospital's financial reporting processes are overseen by both internal and external structures. Internally, financial reports are prepared by the Accounts Department under the supervision of the Principal Accountant and reviewed by the Senior Management Team (SMT). Additionally, oversight is provided by the Hospital Management Board, which ensures adherence to financial and operational standards, and by external bodies such as the Ministry of Health and donor agencies.

This study makes a number of novel and distinctive contributions to the subject of public sector auditing, especially when it comes to developing nations like The Gambia, Senegal, Nigeria and Ghana healthcare systems. This study explores the role of auditing in improving the reliability of financial statements within a public healthcare institution in The Gambia, a context that is still largely understudied in the body of academic literature. This is in contrast to previous studies that primarily focus on audits in the private sector or public institutions in developed nations.

This study's focus on Farafenni General Hospital, a significant referral hospital with a complicated financial and operational structure, is one of its main innovations. This case study offers a unique empirical perspective on the prospects, difficulties, and practical realities of auditing in healthcare settings with limited resources. The study reveals the complex relationships between audit quality, institutional governance, and financial responsibility that have not been sufficiently covered in previous works by firmly establishing the research in the real-world experiences of hospital finance staff, management, auditors, and oversight bodies.

The study also expands the use of Agency Theory into a new field. Although agency theory is frequently used in public sector governance and corporate finance, it is rarely used in West African public healthcare audits. By showing how agency-related issues like information asymmetry and moral hazard appear in public hospitals and how internal and external audits can be utilized as instruments to reduce these risks and enhance financial reliability, this study advances the theory.

Additionally, by addressing regional issues that impede the efficacy of auditing in The Gambia, such as the lack of a specialized internal audit unit, reliance on donor funds, and insufficient financial oversight capacity, this study presents a context-specific viewpoint. These contextual elements add to the study's uniqueness by emphasizing how crucial it is to modify international audit standards and theories to accommodate regional institutional realities.

Last but not least, methodological originality is added by the utilization of qualitative data gathered via in-depth interviews with stakeholders engaged in financial reporting and auditing at Farafenni General Hospital. The majority of the research that has already been done in this field uses quantitative data, which frequently leaves out the complex, individualized viewpoints of people who are actively involved in the auditing process. This study offers a more comprehensive and grounded knowledge of how auditing techniques affect financial statement reliability in a real-world, under-researched setting by using a thematic analysis of interview data.

### **Problem Formulation**

Based on the issues discussed in the introduction, the study formulates the following research problems:

1. Does auditing improve the reliability of financial statements in institutions like Farafenni General Hospital?
2. Can audit quality enhance the credibility of institutional financial reports?
3. What value do external and internal audits add to the reliability of financial statements?
4. Can auditing detect misstatements in institutional financial reports?

### **Research Objectives**

The objectives of this research are to:

1. Assess how audits improve the reliability of financial statements.
2. Evaluate the effects of audit measures on the reliability of financial statements.
3. Investigate how audits detect misstatements in financial reports.
4. Explore the roles of external and internal auditors in enhancing the reliability of financial statements.

### **Benefits of Research**

1. This research contributes to academic knowledge by examining the role of audits in financial reporting and addressing real-world challenges.
2. The findings enhance financial transparency and accountability at Farafenni General Hospital, strengthening its credibility among stakeholders, including government bodies, donors, and the general public.
3. This study establishes a foundation for future research on auditing in healthcare, particularly in developing regions like The Gambia.
4. Conducting this research strengthens my expertise in auditing and healthcare financial management.

## LITERATURE REVIEW

### Theoretical Framework

This research is anchored in Agency Theory, a concept that explains the interaction between two parties: the principals, who delegate authority, and the agents, who are entrusted with decision-making responsibilities on behalf of the principals. Within the public health sector, the government and the general public act as principals, while hospital administrators and financial managers serve as agents.

One of the core challenges in this relationship is information asymmetry, where the agents typically have more knowledge about the hospital's financial activities than the principals. This imbalance creates the risk of misreporting or withholding financial information, whether intentionally or unintentionally. To mitigate this risk, an audit mechanism becomes essential. Auditing functions as an oversight tool that independently examines financial records to ensure they are accurate, complete, and in compliance with established standards. By implementing regular and objective audits, hospitals can improve the credibility and dependability of their financial reports. This not only supports informed decision-making but also strengthens accountability and fosters public confidence in the management of health resources.

The flowchart below presents the theoretical model guiding this study. It illustrates how Agency Theory provides the basis for understanding the need for audit, and how audit serves as a control mechanism that enhances the quality of financial disclosures and increases stakeholder trust.

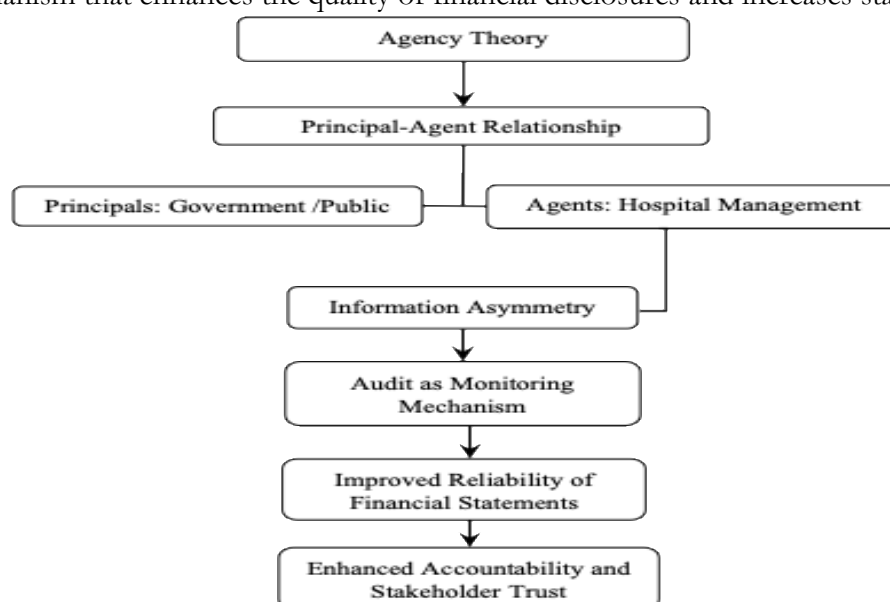


Figure 1. Theoretical Model

Source: (process by researcher)

### Theoretical gaps and study contribution

Although agency theory has been widely used to analyse principal-agent relationships in a variety of fields, little is known about how it is used in public healthcare facilities in developing nations like The Gambia, Senegal, Nigeria and Ghana. There is a knowledge gap on how agency dynamics appear in healthcare facilities like Farafenni General Hospital as the majority of research focuses on public sector organizations or corporate settings in developed economies.

Furthermore, the literature now in publication frequently makes the assumption that procedures like audits successfully lessen agency issues. However, the efficiency of audits may be hampered in many developing nations by issues including political meddling, a lack of independence, and a lack of funding. There is a complex relationship between agency dynamics and audit demand, as evidenced by a study conducted in Cameroon that indicated that while some agency costs have a

negative impact on the demand for audit quality, others, such as majority/minority agency costs, have a positive and significant effect (Fussing Michael, 2022)

Furthermore, there is little incorporation of Institutional Theory into the study of public sector auditing. The impact of cultural norms and established practices on organizational behaviour is emphasized by institutional theory. The execution of audit recommendations may be hampered in many developing nations by ingrained bureaucratic practices and opposition to change, a subtlety that Agency Theory alone cannot adequately convey (Pellum Christianah, 2024).

By using Agency Theory to investigate the auditing procedures at Farafenni General Hospital, a public healthcare facility in The Gambia, this study seeks to close these gaps. In doing so, it broadens the scope of Agency Theory's application and offers insights into how agency issues appear in public healthcare environments in developing nations.

The study also adds to the body of literature by emphasizing the limitations of audits in these kinds of situations. It emphasizes how audits can be more effective in reducing agency issues if audit institutions are strengthened, auditor independence is guaranteed, and stakeholder understanding of audit roles is improved. This study contributes to the scant literature on auditing procedures in West African nations by concentrating on a public healthcare facility in The Gambia and providing empirical data that might guide practice and policy in comparable contexts.

### **Agency Theory**

The interaction between principals (owners, shareholders, and stakeholders) and agents (managers, executives, or auditors) is explained by agency theory, which was first presented by (Jensen & Meckling, 1976). The theory is predicated on the idea that agents are trusted to make decisions for principals, yet conflicts may occur because of disparate interests and informational availability. In public sector enterprises, where financial mismanagement and a lack of transparency can result in inefficiency, corruption, and a decline in stakeholder confidence, this scenario is especially pertinent (Pramana & Hermawan, 2022).

In the context of this discussion, the Gambia Government represents the principal, while the Farafenni General Hospital management act as agent. The government entrusts Farafenni General Hospital with managing critical public resources, ensuring operational efficiency, financial integrity, and contribution to national economic development. However, agency conflicts arise when the agent (Farafenni General Hospital management) does not fully align its actions with the objectives of the principal (Gambia government), leading to inefficiencies, financial mismanagement, and potential corruption (Jensen & Meckling, 1976). This misalignment is often exacerbated by information asymmetry, where the agent possesses more knowledge about internal operations than the principal, thereby reducing the effectiveness of oversight (Zajac Edward, 2024).

The theory suggests that principals require mechanisms such as auditing, corporate governance structures, and financial oversight to align the interests of agents with their own (Jensen & Meckling, 1976). Auditing serves as a monitoring mechanism that enhances the credibility of financial reporting by reducing information asymmetry and mitigating agency problem (Arif, 2020). The auditor's job is to keep an eye on the relationship between the management and shareholders. A gap assumption, according to (Eisenhardt, 1989), arises when the distribution of responsibility is not well established. At Farafenni General Hospital, the financial accountability of hospital management (agents) is essential to ensure proper fund utilization and sustain donor confidence.

### **Agency Problems in Public Sector Auditing**

Agency problems emerge when there is a separation between ownership and control, as seen in Farafenni General Hospital. Key agency problems include:

#### **1. Information Asymmetry**

Information asymmetry arises when hospital management have more knowledge about the institution's financial performance than stakeholders. This imbalance may lead to misrepresentation of financial statements or concealment of financial mismanagement (Jensen & Meckling, 1976). Without external audits, stakeholders-such as the government and donors-might lack accurate financial insights to make informed funding decisions.

#### **2. Moral Hazard**

Moral hazard occurs when agents (hospital management) engage in activities that may not align with the interests of the principals (government, donors, and regulatory agencies). For instance, hospital management might manipulate financial reports to meet funding criteria or engage in fraudulent financial practices, knowing that external stakeholders have limited oversight (Jensen & Meckling, 1976). Auditing acts as a deterrent to such actions by ensuring accountability in financial management (Throttle & Ries, 2022).

### 3. Monitoring Costs

To mitigate agency problems, stakeholders invest in monitoring mechanisms such as audits and financial reporting standards. However, auditing itself comes with costs, and low-quality audits may fail to detect financial misstatements (Antón, 2020). The effectiveness of auditing at Farafenni General Hospital depends on factor such as auditor independence, audit quality, and compliance with International Standards on Auditing (ISA) (Darmawan, 2023).

## Role of Auditing in Reducing Agency Problems

External and internal audits serve as governance tools that improve financial accountability and ensure that hospital management adheres to financial reporting standards. The following roles of auditing are particularly relevant:

### 1. Enhancing Transparency and Accountability

External audits provide independent verification of financial statements, ensuring that hospital management accurately reports its financial position, performance, and fund utilization (Sujana, 2020). Studies such as (Violette & Daniel, 2024) emphasize that high-quality audits reduce the likelihood of financial misstatements, inefficiencies, and fraud in public institutions.

### 2. Reducing Information Asymmetry

Auditors bridge the gap between hospital management and stakeholders by verifying financial records and ensuring stakeholders receive reliable financial information for decision-making (Kofi, 2021). This is particularly important for donor-funded healthcare institutions like Farafenni General Hospital, where financial transparency is crucial for continued external funding.

### 3. Strengthening Internal Controls

Audits assess the effectiveness of internal controls and recommend improvement to enhance financial management. By detecting fraud risks, financial misstatements, and operational inefficiencies, audits contribute to better financial governance and compliance with financial regulations (Fussing Michael, 2022). In healthcare settings, this ensures that funding is used efficiently to improve service delivery.

## Agency Theory to Farafenni General Hospital

At Farafenni General Hospital, the absence of a robust and transparent auditing system can significantly undermine stakeholder confidence. Stakeholders-including government bodies, donor agencies, and the general public-depend on accurate and reliable financial information to evaluate the institution's credibility and performance. When financial reports are unreliable or incomplete, it leads to a deterioration of trust, making stakeholders question the hospital's ability to manage public and donor funds efficiently (Amalia, 2023). This erosion of trust can directly impact funding opportunities. Donors, in particular, are cautious about allocating resources to institutions that exhibit signs of financial mismanagement or poor accountability practices. If there is even a perception of financial irregularities, future funding may be withheld or redirected, limiting the hospital's capacity to operate effectively.

Moreover, the misallocation of resources due to unreliable financial reporting can lead to inefficiencies in healthcare service delivery. For instance, funds that should be allocated to critical medical equipment, pharmaceuticals, or staff training may be diverted to less essential expenditures due to weak financial oversight. Such inefficiencies not only affect the hospital's ability to deliver quality healthcare but also hinder its broader mission of promoting public health in the region. Thus, applying Agency Theory in this context highlights the critical role of audits in mitigating these risks

by promoting transparency, aligning management behavior with stakeholder expectations, and safeguarding the hospital's financial integrity.

### Use of Agency Theory in This Study

The relevance of Agency Theory to this study is rooted in its ability to explain the systemic causes of financial misreporting within public institutions and the role of auditing as a corrective mechanism. In many public sector settings, including hospitals like Farafenni General Hospital, the separation between those who control resources (agents) and those who provide or oversee those resources (principals) often leads to conflicts of interest and information asymmetry. Agency Theory offers insights into why these problems emerge and how audits can help bridge the gap by serving as an independent oversight tool that ensures accountability.

Furthermore, the theory underscores the importance of external audits in reducing agency conflicts. By providing an objective evaluation of financial statements, audits help ensure that management's reports reflect the true financial position of the institution. This in turn supports informed decision-making by stakeholders and fosters a culture of transparency. The principles of Agency Theory align closely with the goals of this research, particularly its focus on evaluating how audits enhance financial transparency and accountability at Farafenni General Hospital. By grounding the research in this theoretical framework, the study is able to critically assess the role of auditing in improving financial governance in a public healthcare context and contribute to a better understanding of how agency-related risks can be managed effectively.

Several studies, including (Fama & Jensen, 1983) support the use of Agency Theory in public sector auditing research. Their findings indicate that audit quality, independence, and effectiveness are key determinants of financial reliability, further justifying the relevance of this theoretical framework in the present study.

### Institution Profile

Farafenni General Hospital formally the Armed Forces Provisional Ruling Council (AFPRC) General Hospital was built during the second Republic in a quest to improve access to quality health care services. The hospital was officially inaugurated on the 21<sup>st</sup> January 2003, but started operations earlier in 1999. It is the main referral Hospital within North Bank Region. The facility is located in Farafenni and covers the entire North Bank, Lower River Region, Central River Region and part of Senegal.

It covers several communities, with a catchment area population of approximately **432,740 (2023 Census)**. It is the key facility within the district overseeing nine (9) health facilities, five (5) in Lower Baddibu and four (4) in Sabach Sanjal Constituency. The hospital aims at contributing to the attainment of the Ministry of Health Vision – *“To provide quality and affordable health services for all by 2030”* and Mission - *“To promote and protect the health of the population through equitable provision of quality health care”*.

### The primary roles and functions of the hospital

Farafenni General Hospital plays a pivotal role in providing high-quality tertiary medical care to the population of the North Bank Region and surrounding areas. Its services extend beyond routine medical treatment to include curative and rehabilitative care aimed at improving the health and productivity of the population. By offering comprehensive healthcare services, the hospital contributes significantly to socio-economic development, particularly in rural and underserved areas. Its capacity to deliver advanced care reduces the burden on national referral hospitals and ensures that specialized treatment is more accessible to the local population.

Additionally, the hospital functions as a major referral center for peripheral health facilities in the North Bank Region and neighboring territories. Health centers and clinics within its jurisdiction rely on the hospital for cases that require advanced diagnostics or treatment, ensuring continuity of care and efficient use of medical resources. This referral function is crucial in strengthening the overall



healthcare delivery system and ensuring that patients receive appropriate care at different levels of the system.

The hospital also serves as a training and learning center for healthcare professionals. It provides practical learning opportunities for nurses, doctors, and other medical personnel from various institutions. This training function enhances the capacity of the national healthcare workforce and promotes the development of competent health professionals who can serve in both urban and rural settings. The hospital's commitment to education and professional development makes it a vital institution in the country's health sector.

Furthermore, Farafenni General Hospital contributes to public health research by participating in studies and projects that seek to improve healthcare outcomes. It engages in data collection, clinical trials, and epidemiological studies that inform national and regional health policies. This research function positions the hospital as not only a service provider but also a knowledge hub that contributes to evidence-based healthcare interventions. Through these roles-clinical care, referral services, training, and research-the hospital fulfills a multifaceted mission that supports the Ministry of Health's vision of providing equitable, accessible, and high-quality health services for all.

### Organizational Structure of Farafenni General Hospital

Farafenni General Hospital operates under a structure governance system that ensures efficient management and financial oversight. The hospital's hierarchy includes the Minister of Health, the Hospital Management Board, the Chief Executive Officer (CEO), and various departments responsible for administration, finance, and clinical services. The diagram below illustrates the Organizational structure of Farafenni General Hospital, showcasing its key governance components and financial oversight mechanisms.

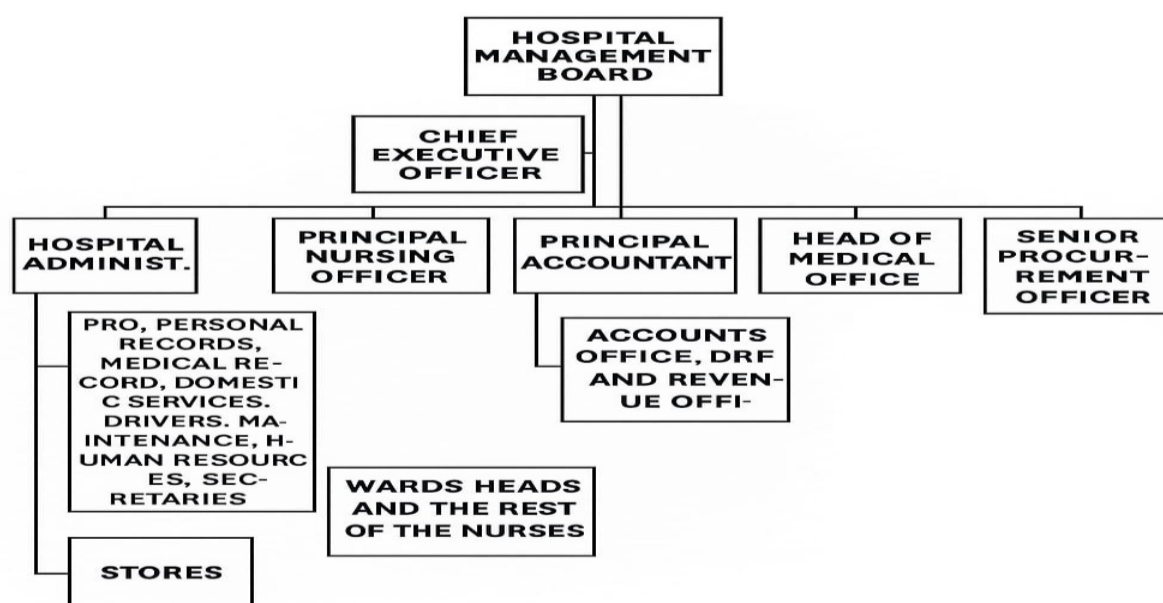


Figure 2: Organigram

Source: (Farafenni General Hospital activity report 2023)

### Organization, Management & Administration

The hospital's financial accountability is maintained through a combination of administrative and oversight bodies. The Accounts Department, led by the Principal Accountant, prepares and monitors financial statements, while the Hospital Management Board serves as the primary oversight authority for financial compliance and governance. In addition, the Ministry of Health and external auditors play key roles in ensuring financial and reliability. Farafenni General Hospital has a structured governance system to ensure accountability and transparency. The Hospital Management Board, appointed by the Minister of Health, serves as the primary oversight body, formulating policies and ensuring compliance with financial and operational standards (Medical Services Act, 1990). The Senior

Management Team (SMT), led by the CEO, includes departments heads and is responsible for operational decision-making.

Additionally, the Procurement Committee ensures compliance with national procurement regulations, reducing financial risks. While the hospital does not have a formal Internal Audit Unit, financial oversight is provided by the Accounts Department, which is responsible for budgetary control and financial reporting. However, to improve governance, the hospital could benefit from an independent internal audit function and a risk management framework to address financial misstatements and fraud prevention.

The hospital is headed by the Chief Executive Officer (CEO) who is responsible for the overall day-to-day management of the hospital. The CEO works closely with the established hospital structures for the effective and efficient operation of the hospital for which it has been established. To that end, the CEO work with/through the following established structures:

**Hospital Management Board:** Appointed by the Minister responsible for Health through by an Act of Parliament, the board formulates policies for the efficient operations of the hospital for which it is established and administers the affairs of the hospital for which it is established (REF: Medical Services Act 1990). The term limit for the board is two (2) years.

**Senior Management Team (SMT):** Comprises of Heads of Departments/Units within the hospital. It is chaired by the CEO. The SMT meets at least once every month. The SMT is the second highest decision-making body in the hospital. Its main responsibility is to ensure that high quality tertiary health care services is delivered in the hospital at all times. A core SMT also exist compose of CEO, Administrator, Procurement Officer, Accountant and Principal Nursing Officer. The CEO serves as the chair for both teams.

**Clinical Division Committee:** This comprises of all heads of clinical wards/units i.e., units that directly provide clinical services. This committee meets at least once every two months with the aim to enhance effective and efficient clinical service delivery in all clinical units within the hospital. Chaired by the Principal Nursing Officer, this committee meets prior to the SMT meetings so that decisions taken by the former can filter to the latter.

**Procurement Committee:** Comprising of the two heads of department (Principal Accountant and Administrator), Procurement Officer and the CEO who is the chair. The committee among other things ensures that the procurement processes are consistent with established national guidelines and protocols with the aim to attain “Value for Money” in the procurement of goods and services for the hospital.

**Blood Bank Committee:** Tasked with the responsibility of mobilizing transfusion blood availability within the hospital towards prompt response to emergencies. The committee comprise of key unit heads of the hospital with membership also includes community members with demonstrated active roles and interest. The committee conducts community outreach bleeding sessions to harvest blood from voluntary donors. Between 2023 - 2024, the committee harvested a total of 332 units blood from voluntary donors and while relative donors counted for 3328.

**Donation and Auction/Disposal Committee:** Charged with the responsibility of the coordination of all donation and auction/disposal activities within the hospital. The committee is responsible for all the formalities leading to the conduct of actual auction/disposal and ensuring that the proceeds are banked as required.

**Social Committee:** Considering the important role staff welfare play in overall staff performance, the hospital management constituted this committee with the aim to coordinate all social functions including the organization of hospital parties. The conduct of the annual service delivery statistics and staff parties were effectively coordinated.

**Infection Control Committee:** Cognizant of the risk of infection in health care institutions, an Infection Control committee has been set-up within the hospital in an effort to ensure adherence to infection control protocols and guidelines.

**Therapeutic Committee:** In an effort to strengthen the quality of clinical services particularly drug prescription within the hospital a therapeutic committee has been set up to direct patient management

and drug prescription. The committee comprise of medical doctors, midwives, nurses and pharmacy staff.

### **Hospital Department**

The hospital is departmentalized into three, namely Administration, Accounts and Clinical Departments.

**Administration:** Consist of the Secretarial, Maintenance Units, Security, Domestic (cooks and Tailors), Generator Operators, and Medical Records Unit. The division is headed by the Hospital Administrator.

**Accounts:** The units under this department are the general accounts and Drug Revolving Fund units. Headed by a Principal Accountant the department has a delegated responsibility of all accounts and accounting matters of the hospital.

**Clinical:** Consist of all units and sub-units directly providing clinical services. It includes the Nursing and medical divisions, Laboratory, admission wards, X-Ray, Physiotherapy and Pharmacy units. The technical head of the division is a medical doctor while the administrative head is the Principal Nursing Officer.

## **METHODS**

### **Research Design**

In order to investigate and comprehend the function of auditing as a tool for improving the dependability of financial statements at Farafenni General Hospital in The Gambia, this study uses a qualitative descriptive research approach. The researcher can obtain a deeper understanding of the opinions and experiences of those directly involved in financial reporting and audit procedures by using a qualitative technique. This approach was used because the study intends to investigate not only objective facts but also the varying perspectives, customs, and difficulties related to auditing and the accuracy of financial statements in a public healthcare facility.

### **Research design and processes**

The purpose of this study was to find out how the financial staff and oversight organizations felt about the value of audits in improving the accuracy of financial statements. Understanding the institutional procedures and real-world activities that affect the creation, review, and audit rectification of financial statements was the main goal.

The steps of the research design were as follows:

1. Using the problem formulation from Chapter 1 as a reference, determine the research problem.
2. Reviewing the literature on the connection between financial reporting dependability and auditing.
3. Creating a semi-structured interview guide for a chosen group of respondents, such as Ministry of Health financial monitors, management representatives, internal and external auditors, and financial personnel.
4. Conducting semi-structured interviews with selected participants.
5. Analysing the interview data using thematic analysis, supported by coding in qualitative analysis software (15 NVivo).
6. Drawing conclusions based on recurring themes and triangulating the findings with existing literature and institutional documents.

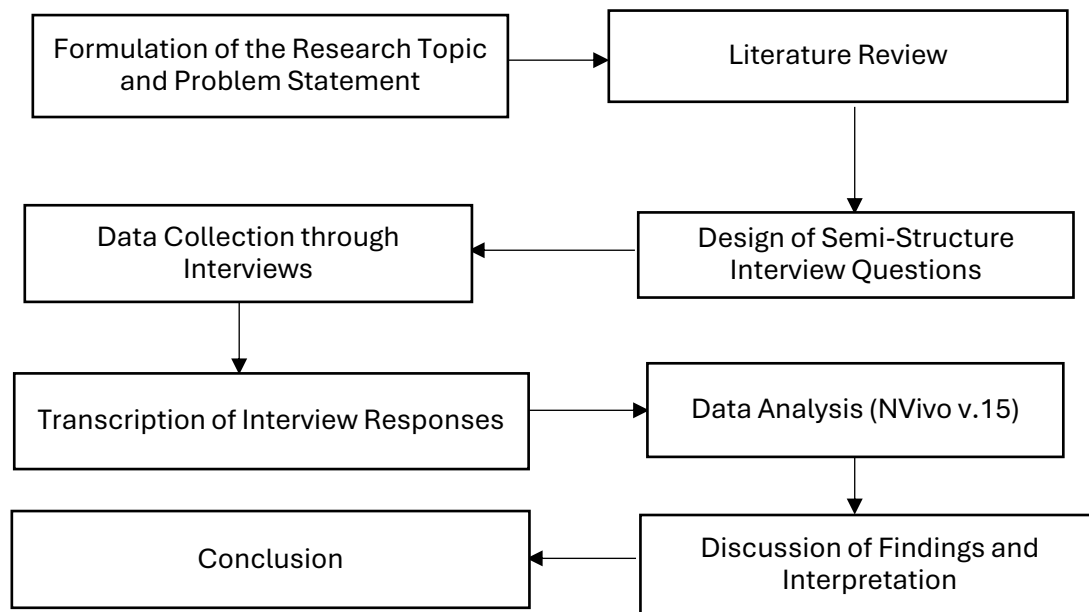


Figure 3. Resign design  
Source: (process by researcher)

### Methods of gathering data

This study employs a qualitative descriptive approach and uses semi-structured interviews as the primary method of data collection. This approach allows for an in-depth understanding of the experiences, perceptions, and practices of individuals directly involved in financial reporting and auditing processes at Farafenni General Hospital.

A purposive sampling technique will apply to select participants who hold specific roles in the preparation, supervision, auditing, or oversight of the hospital's financial statements. This ensured that all information gathered would be directly relevant to the research objectives.

A total of 10 respondents will be selected for interviews, comprising the categories:

1. 4 Finance staff involved in preparing financial statements.
2. 2 Senior Management Staff responsible for oversight and approval of financial reports.
3. 3 External Auditors who assess the hospital's financial statements.
4. 1 Oversight Body Representatives from institutions such as the Ministry of Health and Hospital Management Board.

### Method of Data Analysis

Thematic analysis will be used to examine the information gathered from the interviews. Following transcription, the answers will be arranged and grouped into codes and topics that represent the opinions of the participants regarding:

1. The audit procedure and its function in identifying financial frauds.
2. The impact of audit results on financial statement preparation and revision.
3. The role that audits oversight plays in improving the credibility of financial statements.
4. Implementing audits at public healthcare institutions presents challenges.

NVivo v.15 software will be employed to support the coding and thematic organization of the qualitative data, ensuring both rigor and consistency in the analysis process.

### Triangulation

Triangulation in this qualitative research will be implemented to enhance the credibility, reliability, and depth of the findings by integrating data from multiple sources and perspectives. In the

context of this study on auditing and financial statement reliability at Farafenni General Hospital, triangulation will be achieved through three primary strategies: data triangulation, methodological triangulation, and source triangulation.

Data triangulation involves the collection of information from various categories of respondents who play distinct roles in the hospital's financial ecosystem. These include finance staff, senior management, internal and external auditors, and oversight bodies such as the Ministry of Health. By comparing and analysing perspectives from these diverse stakeholders, the study will validate themes and ensure consistency in findings across respondent categories.

Methodological triangulation will be employed by incorporating both interview data and document analysis. While semi-structured interviews will capture the lived experiences and professional judgments of the participants, these will be corroborated with institutional documents, including audit reports, financial statements, and policy guidelines. This multi-method approach will enable a comprehensive understanding of how audits are conducted, how audit recommendations are implemented, and how financial statements are reviewed for reliability.

Source triangulation will focus on cross-referencing the interview data with official records, internal memos, and oversight reports to ensure the authenticity and trustworthiness of the information. For instance, if a participant reports that audit recommendations were followed to improve internal controls, this claim will be verified through a review of meeting minutes or implementation reports from the Hospital Management Board.

In essence, triangulation in this study serves to counterbalance potential biases, confirm the robustness of the emerging themes, and offer a well-rounded interpretation of the effectiveness of auditing practices at Farafenni General Hospital. It reinforces the study's objective of assessing whether audits truly contribute to financial reliability in a resource-constrained, donor-supported healthcare institution in The Gambia.

### **Ethical Considerations**

This research would be conducted in accordance with ethical standards. All participants will be informed of the research objectives and provide voluntary consent before participating in the interviews. Their identities will be anonymized to protect confidentiality, and all collected data will be handled responsibly and used exclusively for academic purposes. The study also adhered to the ethical guidelines set by the researcher's academic institution and the relevant research ethics board.

## **RESULT AND DISCUSSION**

This chapter presents the findings of the study on the role of auditing in enhancing the reliability of financial statements at Farafenni General Hospital. The analysis is based on semi-structured interviews with ten respondents representing four groups: finance staff, senior management, external auditors, and oversight bodies. NVivo 15 software was used to code the interview transcripts and organize emerging themes. By using thematic analysis, the study was able to identify recurring patterns, contradictions, and insights that directly address the research questions.

### **Demographic of Respondents**

To ensure that the data collected reflected informed perspectives, participants were deliberately chosen based on their direct involvement in financial reporting, auditing, and oversight functions at Farafenni General Hospital. The interviews were conducted in depth by the author, and a total of eleven respondents took part in the study. These respondents included four finance staff directly involved in preparing and maintaining the hospital's accounts, two senior management responsible for oversight and approval of financial statements, three external auditors engaged in annual statutory audits, and one oversight body (Hospital Management Board and Ministry of Health) responsible for formulates policies for the efficient operations of the hospital. Their professional roles provided a balanced understanding of both the preparation of financial statements and the review mechanisms that influence their reliability.

Educational qualifications further reinforced the credibility of the respondents. Nearly all participants held formal training in accounting, finance, management, or related fields, with several possessing advanced or professional certifications such as ACCA or an MBA. Such qualifications are essential for understanding technical aspects of financial reporting and auditing, suggesting that the participants were well equipped to provide informed views.

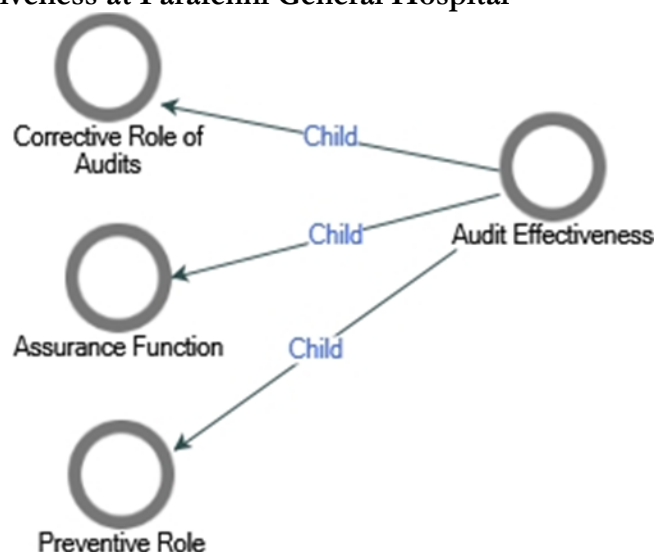
The years of service highlighted that most respondents had more than five years of professional experience, with some exceeding two decades. This long-term engagement with the hospital's financial systems and the wider public sector context means their contributions were grounded in practical knowledge rather than abstract theory.

Finally, the audit experience of participants confirmed that all had been repeatedly exposed to audit processes. Finance staff and managers were directly involved in annual audits, auditors had professional experience across multiple institutions, and oversight representatives regularly reviewed reports as part of their supervisory role. Importantly, none of the participants were engaging with auditing for the first time. This repeated exposure added depth and reliability to their accounts, making them valuable sources of data.

**Table 1: Informant Codes**

Informant Codes	Informant	Gender	Age Range	Educational Qualification	Years of Service
Informant 1	Finance Staff	Male	30-32	Bachelors in Accounting	6
Informant 2	Finance Staff	Male	30-31	Bachelors in Accounting	5
Informant 3	Finance Staff	Male	30-33	Diploma in Accounting	5
Informant 4	Finance Staff	Male	30-36	Diploma in Accounting	8
Informant 5	Senior Management	Male	50-59	MBA (Finance)	25
Informant 6	Senior Management	Male	40-49	MBA (Procurement)	22
Informant 7	External Auditor	Woman	30-39	Bachelors in Accounting	7
Informant 8	External Auditor	Woman	30-39	Bachelors in Accounting	9
Informant 9	External Auditor	Male	40-49	ACCA Certified	18
Informant 10	Oversight body	Male	40-49	Master's in Public Admin	21

### Theme 1 Audit Effectiveness at Farafenni General Hospital



**Figure 4**

As illustrated in Figure 4, audit Effectiveness emerged as a central theme (Parent), supported by three sub-themes: the Corrective Role of Audits, the Assurance Function and the Preventive Role of audits. These sub-themes were derived from participants' narratives and coded data in NVivo 15, indicating the multidimensional contribution of audits to enhancing the reliability of financial statements at Farafenni General Hospital.

### **Corrective Role of Audits**

One of the most consistent findings from the interviews was that audits play a corrective role in financial reporting at Farafenni General Hospital. Many respondents repeatedly acknowledged that errors, omissions, and inconsistencies in financial statements were often detected only during audit exercises. This includes issues such as misclassifications of expenditures, incomplete documentation, or overlooked details that had not been noticed during the preparation stage.

As Informant 1 explained:

*“Minor mistakes, inconsistencies, or overlooked details usually come to light only when the audit team arrives. They correct us and sometimes even guide us on how to improve our entries. This perspective illustrates how audits function not simply as external policing tools, but as mechanisms of quality assurance. The process of external review brings to light weaknesses that internal processes fail to capture, ensuring that the final version of the financial statements is more accurate and credible. In the absence of such scrutiny, inaccuracies could persist, potentially misleading hospital management, government oversight agencies, and donors about the true financial position of the institution”. (Informant 1).*

The corrective role of audits also fosters a culture of learning and continuous improvement. Several respondents indicated that while it is uncomfortable to have mistakes identified, the process provides important feedback that improves the skills and diligence of finance staff. In this way, audits not only enhance the reliability of current reports but also contribute to stronger reporting practices in subsequent financial cycles. Rather than being perceived as purely punitive, audits were seen by respondents as constructive, helping staff understand how to refine their methods and align their work with accepted standards.

From a broader perspective, this finding reinforces the argument that audits serve as a safeguard mechanism in public-sector financial management. In environments like public hospitals, where financial and human resources are often stretched thin, mistakes are inevitable. However, the existence of audits ensures that these mistakes are detected and corrected before they distort the official accounts. This corrective process directly improves the reliability of financial statements, making them trustworthy tools for decision-making.

This theme directly answers Research Question 1, which asked whether auditing improves the reliability of financial statements. The evidence strongly suggests that audits serve as a safeguard against misstatements and omissions by identifying weaknesses and requiring corrections. Importantly, the corrective role frames auditing not as a fault-finding exercise but as a constructive process that strengthens accuracy and accountability.

### **Assurance Function**

Beyond the corrective role, audits were consistently viewed by respondents as providing an important assurance function. External audit reports served as more than technical evaluations — they were powerful tools of validation that strengthened the hospital's reputation for accountability and transparency.

Several participants emphasized that the presence of an external audit report enhanced the hospital's credibility in the eyes of donors, government agencies, and the wider public. Informant 5 candidly explained:

*"It is not always pleasant to be told our reports are wrong, but in the long term it helps us build credibility and improve our processes. Donors need to see that someone neutral has verified our accounts."* (Informant 5).

This observation highlights how the assurance function extends the value of audits beyond internal corrections. By subjecting financial statements to independent review, audits provide external stakeholders with confidence that hospital resources are being managed responsibly. For donors, in particular, the existence of an audit report is often a precondition for continued or expanded financial support. Government agencies likewise rely on these independent validations to evaluate compliance with national financial regulations, while the wider public interprets them as signals of integrity in the management of public resources.

The assurance function also reinforces the hospital's legitimacy in the broader accountability ecosystem. In a healthcare setting, where funding decisions are closely linked to perceptions of good governance, the assurance provided by audits acts as a safeguard for maintaining trust. Without external verification, donors and oversight bodies might question whether reported figures reflect reality, potentially jeopardizing resource flows. In this way, the assurance function is not only about technical credibility but also about protecting the hospital's ability to sustain partnerships and secure financial stability.

This theme directly addresses Research Question 2, which asked whether auditing enhances the credibility of financial statements. The findings indicate that audit reports are indeed perceived as instruments of assurance, offering external validation that builds stakeholder confidence. In healthcare institutions such as Farafenni General Hospital, where both public trust and donor funding are central to operations, this assurance function is critical. It demonstrates that financial integrity is not solely claimed by management but is verified by an independent authority, thereby reducing doubts and enhancing credibility.

### **Preventive Role**

The interviews also highlighted the preventive or disciplinary role of audits, where the mere anticipation of scrutiny influences the behaviour of staff. This theme reflects the anticipatory effect of audits, whereby the knowledge that financial activities will eventually be reviewed encourages employees to act with greater caution and diligence.

Informant 4 explained this clearly:

*"The mere knowledge of an impending audit review motivates finance staff to exercise greater caution and diligence in preparing accounts. This observation demonstrates that audits are not limited to detecting errors after they occur; they also shape conduct by fostering a culture of caution and accountability. Staff prepare financial reports with the expectation that their work will be reviewed by independent parties, reducing the likelihood of negligence, oversight, or deliberate misstatements. In this way, audits operate as a deterrent mechanism, discouraging practices that could compromise the reliability of financial statements".* (Informant 4).

The preventive role of audits also addresses a subtle but important behavioural dimension of financial reporting: staff are more likely to adhere strictly to procedures and reporting standards when they know that lapses will be scrutinized. In environments where resources are constrained and workloads are high, there may otherwise be a temptation to take shortcuts, such as skipping documentation steps or delaying reconciliations. However, the prospect of external review raises the stakes, compelling staff to ensure that their work withstands scrutiny.

This theme directly contributes to answering Research Question 1, which asked whether auditing improves the reliability of financial statements. The evidence demonstrates that audits contribute not only through correcting errors (the corrective role) and building credibility (the assurance role), but also through preventing errors and misconduct before they occur. The preventive role ensures that reliability is enhanced at the point of preparation, as staff exercise greater diligence knowing that their work will be subject to later review.



## Theme 2 Audit Quality and Independence

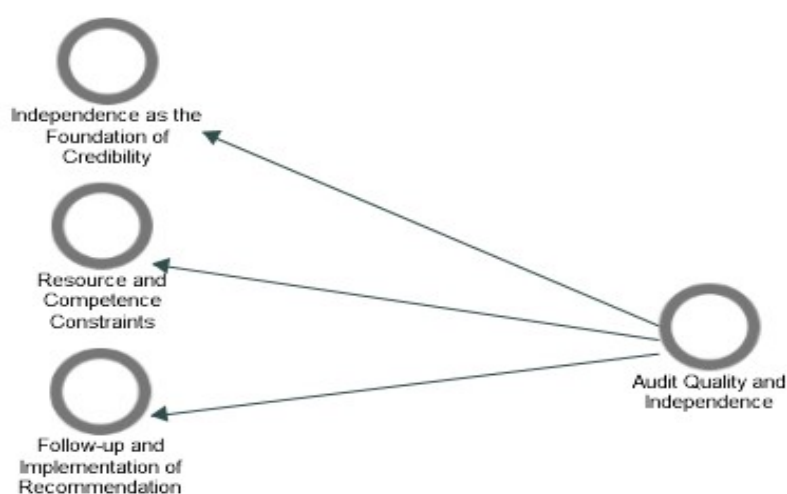


Figure 5

### Independence as the Foundation of Credibility

Independence was repeatedly highlighted by external auditors as the cornerstone of credible financial reporting. Respondents explained that without independence, the very foundation of audit credibility collapses, regardless of technical accuracy. Informant 7 explained:

*“Stakeholders are far more likely to trust financial statements if they believe that auditors have performed their work objectively, without interference.” (Informant 7).*

This finding underscores that independence is not only a professional principle but also a perception issue: financial statements gain legitimacy when stakeholders are confident that the auditors’ judgment is free from manipulation or undue influence. In the context of a public hospital, this is particularly critical, since funding agencies and government oversight bodies are more willing to support institutions, whose financial reports have been verified by auditors acting impartially.

This finding directly addresses Research Question 2, which asked whether auditing enhances the credibility of financial statements. Independence shields auditors from conflicts of interest, ensuring that their opinions are objective and therefore believable. Even when financial reports are technically correct, the absence of independence creates doubt and undermines trust.

### Resource and Competence Constraints

Resource constraints emerged as a major factor undermining audit quality at Farafenni General Hospital. Informant 6 explained that the hospital’s financial records are particularly complex, given that they involve multiple funding streams — including government allocations, donor contributions, and internally generated revenues — each of which comes with its own procurement rules and reporting requirements. Ideally, such complexity demands careful and detailed scrutiny from auditors to ensure that funds are properly tracked and accounted for. However, in practice, shortages of time, manpower, and logistical support often prevent auditors from examining the records in sufficient detail.

From the perspective of hospital management, the absence of an internal audit department further compounds these challenges. Informant 6 candidly admitted that without an internal audit office, accountability gaps persist within the hospital.

*As Informant 6 explained, “If we had a proper internal audit office, we would resolve issues faster instead of waiting for the external auditors’ report each year. This statement highlights the critical role that internal auditors play as continuous monitors of financial processes. Unlike external auditors, who visit only once a year*

*and provide periodic assessments, internal auditors could provide ongoing oversight, addressing weaknesses as they arise and ensuring that irregularities are corrected before they escalate”.*

Informant 5 pointed out that this situation is not a result of negligence but reflects systemic limitations in the public sector auditing environment. Inadequate resources make it difficult for auditors to follow through with detailed testing of records, while insufficient training and professional development reduce their ability to detect more sophisticated forms of misstatement or irregularity. The outcome is an audit process that, while completed on schedule, risks overlooking key weaknesses in internal control systems.

For audits to achieve their intended impact, they must be thorough, adequately resourced, and carried out by competent professionals. Superficial audits undermine the reliability of financial statements by leaving gaps in assurance. In the context of a hospital, where financial integrity is directly tied to donor trust and resource allocation, such limitations diminish the value of the audit process and reduce its role as a safeguard against mismanagement.

### **Follow-up and Implementation of Recommendations**

Another recurring theme related to audit quality was the hospital's response to audit recommendations. Informant 9 observed that while the hospital has shown improvements in addressing audit findings, implementation is often delayed, especially when recommendations require significant financial investment.

As an example, Informant 9 recalled a previous audit in which significant weaknesses were identified in the hospital's procurement procedures. Following the release of the audit report, management acted by strengthening approval processes for purchases, ensuring that all procurement requests passed through stricter layers of authorization. This proactive response demonstrated that the hospital is not resistant to change and is capable of implementing reforms when they are feasible within the existing institutional framework. Such improvements are critical in building both internal accountability and external trust, particularly from oversight bodies and donors who depend on these systems for assurance.

As Informant 9 explained:

*“The management of Farafenni General Hospital usually shows a willingness to act, especially on recommendations tied to compliance with government regulations. But when reforms require additional resources, such as investing in computerized systems or hiring more staff, implementation is either delayed or only partially carried out.” (Informant 9).*

This highlights a gap between identification of weaknesses and actual institutional reform. While management takes corrective steps on issues that are low-cost or regulatory in nature (such as adjusting approval processes in procurement), broader systemic recommendations remain pending due to budgetary constraints. This finding suggests that the effectiveness of audits cannot be assessed solely on the quality of the review itself but also on whether recommendations are implemented in practice. When resource limitations prevent full implementation, the potential of audits to strengthen financial reliability is diminished. This points to what may be described as an “audit implementation gap” — where findings are acknowledged but not fully addressed, leaving recurring weaknesses in place.

### **Theme 3 Financial Reporting Weaknesses**

#### **Procurement Irregularities**

Procurement emerged as one of the most problematic areas of financial management at Farafenni General Hospital. Respondents consistently reported that missing receipts, incomplete approval processes, and weak supporting documentation were common findings highlighted in audit

reports. These weaknesses not only undermined compliance with procurement regulations but also limited the ability of auditors to trace transactions back to verifiable sources.

Informant 3 openly admitted:

*“Sometimes procurement files are not properly documented, and it is during audits that such weaknesses are discovered.” (Informant 3).*

Informant 8 reinforced this concern, noting that procurement irregularities were often accompanied by classification errors:

*“Procurement issues usually come with misclassification of expenses. When documents are missing, it becomes very easy for transactions to be wrongly recorded.” (Informant 8).*

From the perspective of oversight bodies, these procurement challenges were not only technical weaknesses but also governance risks. Informant10 expressed frustration with the persistence of these problems across audit cycles:

*“We repeatedly see the same procurement issues in the audit reports. The problem is not that auditors fail to detect them, but that the hospital struggles to fix them. Without stronger internal checks, procurement will remain a source of irregularities.” (Informant10).*

These insights highlight how procurement weaknesses ripple through the entire financial reporting process. Poorly documented procurement transactions make it difficult to confirm compliance with donor and government requirements, leading to delays in audits and creating space for potential irregularities or even fraud. They also generate a chain reaction of errors, such as misclassification of expenditures, which further distorts the hospital’s financial position.

### **Misclassification of Expenses**

One of the recurrent weaknesses identified in the financial management practices of Farafenni General Hospital is the misclassification of expenditures. This issue was consistently emphasized by respondents during interviews. In particular, capital expenditures—such as the purchase of durable equipment, infrastructural projects, or renovations—were at times incorrectly recorded as recurrent costs. Recurrent expenses, by definition, cover day-to-day activities such as staff salaries, fuel, electricity, and medical consumables, while capital expenditures represent long-term investments intended to provide value over several years.

The failure to draw a proper distinction between these two categories undermines the reliability of financial statements. As a result, the hospital’s financial reports do not present an accurate picture of its financial health or spending priorities.

Informant 8 captured this concern succinctly:

*“Misclassification of expenses is a common finding. For example, when capital expenditures are recorded as recurrent, it misrepresents the hospital’s financial position and complicates budget planning.” (Informant 8).*

Finance staff also admitted that pressures to finalize accounts quickly sometimes contributed to these errors. Informant 2 acknowledged:

*“Sometimes the classification is not done carefully because of time pressure. Items that should be in capital are pushed into recurrent just to close the books.” (Informant 2).*

Similarly, Informant 4 emphasized the impact of such mistakes on accountability:

*“When these errors are picked up by auditors, it is a reminder for us. But without proper training and resources, they keep happening.” (Informant 4).*

The consequences of misclassification extend well beyond bookkeeping errors. At the management level, inaccurate categorization makes it difficult to plan effectively. Recurrent costs may appear artificially inflated, suggesting that the hospital is overspending on operations, while long-term investments are understated. This imbalance can lead to distorted decision-making, inefficient resource allocation, and challenges in projecting future financial needs. For example, if equipment purchases are hidden under recurrent expenditure, management may underestimate the scale of future capital investment required, thereby jeopardizing sustainability.

From the stakeholder perspective, the risks are equally significant. Donors, oversight agencies, and the Ministry of Health rely on accurate reports to judge efficiency and compliance with funding agreements. When capital items are recorded as recurrent, stakeholders may wrongly conclude that the hospital is overspending on short-term running costs while neglecting critical infrastructure. This misrepresentation not only erodes trust but also undermines donor confidence, potentially affecting the flow of financial support.

### **Incomplete Documentation and Record-Keeping**

Beyond procurement and misclassification issues, respondents repeatedly emphasized that weak documentation and record-keeping practices posed a persistent and systemic challenge at Farafenni General Hospital. Auditors, finance staff, and oversight representatives all noted that missing vouchers, unsigned authorization forms, and inconsistent filing systems undermined the transparency and reliability of the hospital's financial statements.

Informant 10 explained:

*"We find that some records are either incomplete or not kept properly. This delays audits and makes it hard to confirm whether transactions were valid." (Informant10).*

This concern was echoed by finance personnel, who admitted that the day-to-day pressure of managing multiple accounts and donor-funded projects sometimes led to lapses in documentation.

Informant 2 acknowledged:

*"There are times when documents are misplaced or approvals are delayed. We try to fix them later, but by the time auditors come, it becomes a problem for us." (Informant2).*

External auditors reinforced this perspective, highlighting that inadequate record-keeping not only delayed audit work but also reduced the depth of financial verification. Informant 7 observed:

*"When documents are missing or incomplete, our ability to test transactions is restricted. We have to rely on explanations rather than evidence, which is not ideal for assurance." (Informant 7).*

The absence of systematic record-keeping creates ripple effects. First, it slows down the audit process, as auditors must chase missing documents rather than focusing on substantive analysis. Second, it increases the risk that irregularities remain hidden until the annual external audit is conducted, thereby weakening the hospital's internal monitoring capacity. Third, it erodes stakeholder trust, since both government agencies and donors expect transparent, verifiable records as a basis for continued support. In a healthcare environment where financial accountability is directly tied to donor confidence and service delivery, such weaknesses present serious governance risks. Poor documentation not only undermines reporting integrity but also reduces the hospital's ability to demonstrate effective stewardship of funds.

These findings directly address Research Question 4, which asked whether auditing detects misstatements. The evidence shows that auditors routinely uncover procurement irregularities, misclassifications, and incomplete documentation at Farafenni General Hospital. However, the recurrence of these problems across audit cycles suggests that detection alone is insufficient to resolve

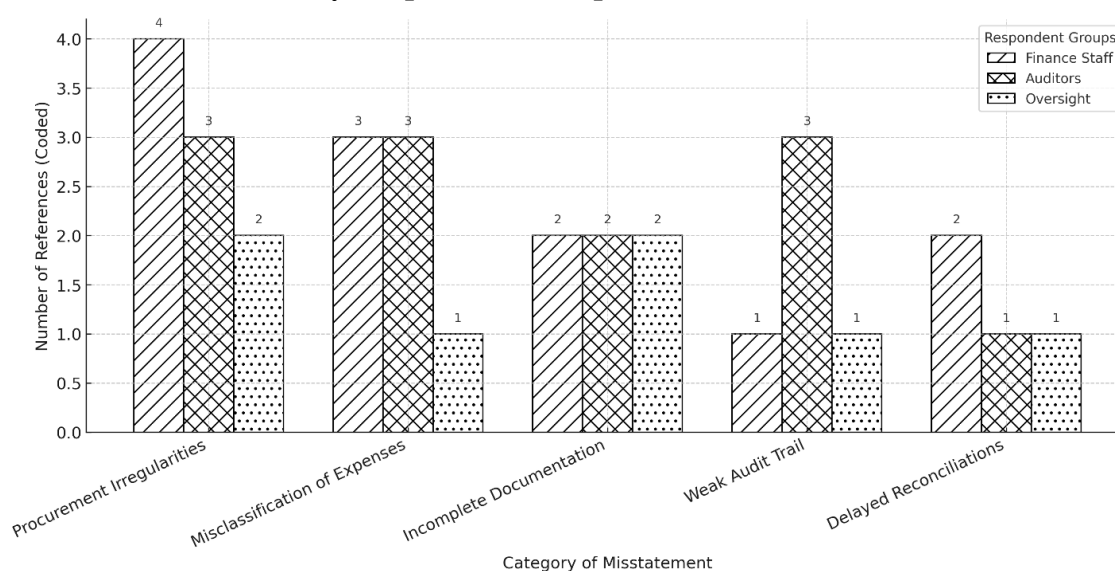
systemic weaknesses. Instead, the persistence of poor record-keeping points to deeper structural problems in procurement systems, filing practices, and internal financial controls.

From a theoretical perspective, this reflects a limitation of Agency Theory in practice. While audits reduce information asymmetry by identifying misstatements, the fact that irregularities repeatedly surface demonstrates that monitoring, without robust enforcement and corrective mechanisms, cannot guarantee accountability. Unless management strengthens record-keeping and internal audit functions, the hospital risks remaining locked in a cycle where audits flag issues but systemic weaknesses persist.

**Table 2: Common Misstatements Identified by the External Auditors at Farafenni General Hospital**

Category of Misstatement	Description	Respondent Evidence
Procurement Irregularities	Missing receipts, incomplete approvals, weak supporting documents.	Procurement files are not properly documented. (Informant 3)
Misclassification of Expenses	Capital items recorded as recurrent costs; incorrect coding of budgeted expenditure lines.	Capital expenditure recorded as recurrent. (Informant 8)
Incomplete Documentation	Missing Payment Vouchers, unsigned authorization forms.	Some records are incomplete or not kept properly. (Informant 10)
Weak Audit Trail	Gaps in supporting evidence for donor-funded transactions; lack of cross-references	Auditors struggle to verify without proper evidence. (Informant 9)
Delayed Reconciliations	Bank reconciliations not performed on time, leading to discrepancies in balances	Reconciliation is sometimes late, causing mismatches, (Informant 2)

**Crosstab of Misstatements by Respondent Group**



**Figure 6**

- Procurement irregularities** received the highest number of references, particularly from finance staff and auditors, showing that this is the most common and visible weakness.
- Misclassification of expenses** was flagged equally by finance staff and auditors but was less of a focus for oversight bodies, who concentrate more on compliance and governance.
- Incomplete documentation** was noted across all three groups, reflecting that weak record-keeping is a systemic hospital-wide issue.

**d. Weak audit trails** were most frequently mentioned by auditors, since they directly face challenges verifying donor-funded and other sensitive transactions.

**e. Delayed reconciliations** were mainly emphasized by finance staff, as they are the ones responsible for preparing reconciliations and facing delays in practice.

The chart highlights that while all groups recognize financial reporting weaknesses, their emphasis differs by role. Finance staff stress operational challenges, auditors focus on technical misstatements and evidence gaps, and oversight bodies emphasize governance and compliance.

## Theme 4 Implementation and Governance

### Implementation Gap

Although external audits regularly produced detailed recommendations, respondents emphasized that their implementation was inconsistent. Issues requiring minimal resources—such as completing missing approval signatures, correcting clerical mistakes, or filing missing vouchers—were typically resolved quickly. These actions, while important, addressed only surface-level weaknesses in financial reporting.

By contrast, reforms requiring significant financial investment—such as the establishment of computerized accounting systems, hiring additional qualified personnel, or providing continuous professional training—were frequently postponed, implemented only partially, or abandoned altogether. This created an uneven pattern of reform, where low-cost recommendations were acted upon, but high-impact systemic changes remained unaddressed.

Informant 9 highlighted this dilemma:

*“The management usually shows a willingness to act, especially on recommendations tied to compliance with government regulations. But when reforms require more money—like digital systems or more staff—they are either delayed or only partially done.” (Informant 9).*

From the management side, similar concerns were acknowledged. Informant 5 admitted that although they valued audit findings, they often lacked the financial flexibility to follow through on more demanding recommendations:

*“We accept most audit recommendations in principle, but the reality is that we don’t always have the budget to carry them out. Even simple things like training require funds that are not always available.” (Informant 5).*

This gap between acknowledgment and execution reflects a structural problem within the hospital’s governance environment. The persistence of unresolved issues means that the same weaknesses—such as procurement irregularities, poor documentation, and misclassification of expenses—resurface in subsequent audit reports. Instead of achieving long-term reform, audits risk becoming repetitive exercises in identifying problems that remain structurally unaddressed.

From an Agency Theory perspective, this implementation gap illustrates the tension between principals (government, donors, and the public) and their agents (hospital management). While principals expect accountability, transparency, and reform, agents may lack the resources, incentives, or institutional support to fully align their actions with those expectations. In effect, management demonstrates symbolic compliance by addressing minor issues while systemic weaknesses remain unresolved due to financial and bureaucratic constraints.

### Bureaucracy and Political Factors

The execution of audit findings was also constrained by bureaucratic processes and political considerations. Respondents consistently reported that recommendations requiring approval beyond the hospital’s management level often faced long administrative delays. Routine audit issues, such as

correcting procurement documentation or filing vouchers, could be addressed within the hospital. However, recommendations involving policy changes, high-value procurement contracts, or budget reallocations required approval from ministries or central government agencies, where processes were described as slow, cumbersome, and prone to political interference.

Informant 10 captured this challenge directly:

*“Even when auditors make useful recommendations, they are delayed by bureaucracy or blocked when they are politically sensitive. This means important weaknesses remain unaddressed.” (Informant 10).*

Political sensitivities were particularly evident in cases where audit recommendations implicated senior officials, influential suppliers, or large government contracts. Respondents noted that in such cases, recommendations were either quietly shelved, reframed to appear less critical, or postponed indefinitely. This selective implementation revealed how political interests often took precedence over accountability, weakening the transformative potential of audits.

Informant 9 added that the lack of follow-through was not necessarily due to hospital management alone but stemmed from system-wide constraints:

*“Some recommendations are beyond the hospital’s control. Once they go to the Ministry level, decisions are delayed, and we see the same issues coming back year after year.” (Informant 9).*

These observations highlight the institutional dimension of governance, where technical audit recommendations alone are insufficient. Instead, their effectiveness depends on the political will to act and the administrative efficiency of approval processes. Without addressing these structural constraints, audits risk becoming symbolic reporting exercises—producing findings year after year without achieving systemic reform.

The persistence of politically constrained delays also illustrates a deeper governance problem: audits in public hospitals may be formally respected but substantively weakened by the lack of enforcement mechanisms. In this context, the credibility of the audit process is undermined not because auditors fail to detect weaknesses, but because the broader governance environment lacks the commitment to act on their findings.

### **Internal Audit Absence**

A structural weakness consistently raised by respondents was the absence of a dedicated internal audit unit at Farafenni General Hospital. In practice, this meant that the hospital relied entirely on external audits, conducted only once per year, to identify irregularities. The lack of continuous oversight significantly reduced the hospital’s ability to detect, correct, and prevent problems in real time.

Informant 6 openly acknowledged this shortcoming:

*“If we had a proper internal audit office, we would resolve issues faster instead of waiting for the external auditors’ report each year.” (Informant 6).*

External auditors reinforced this perspective, noting that their mandate was not designed to replace routine internal monitoring:

*“Our responsibility is to give assurance annually. We are not here for daily checks, and without internal audit, many issues remain unnoticed until year-end.” (Informant 7).*

Finance staff also admitted that the absence of internal oversight created accountability gaps. As one respondent explained:

*“Without internal audit, small mistakes can continue for months. By the time the external auditors arrive, they have become bigger issues.” (Informant 2).*

From a governance perspective, this represents a first-line defense failure. Internal audit functions serve as the initial safeguard against errors and irregularities, ensuring compliance with regulations, verifying procurement processes, and monitoring financial discipline on a continuous basis. Their absence not only prolongs the persistence of weaknesses but also overburdens external auditors, who are then forced to carry out corrective work that should have been resolved internally.

This situation also undermines the preventive role of auditing. Whereas an internal audit function would provide early detection and correction, the hospital's reliance on annual external audits means that weaknesses are allowed to accumulate unchecked. As a result, problems such as procurement irregularities, misclassification of expenditures, and incomplete documentation often persist for months before being formally flagged.

### **Outcomes, Impacts, and Donor Confidence**

Despite the challenges highlighted in earlier sections, respondents acknowledged that external audits had yielded tangible positive outcomes when recommendations were implemented. Across finance staff, management, auditors, and oversight representatives, audits were described not only as corrective exercises but also as catalysts for institutional improvement and external validation.

Informant 5 recognized the value of external scrutiny, even when it involved uncomfortable feedback:

*"It is not always pleasant to be told our reports are wrong, but in the long term it helps us build credibility and improve our processes." (Informant 5).*

Auditors similarly observed gradual but meaningful improvements:

*"We have noticed that when issues are repeatedly flagged, management tends to take them more seriously. Over the years, some areas have improved." (Informant 9).*

Finance staff echoed this sentiment, noting that the anticipation of audits had encouraged greater care in preparing accounts. As Informant 4 explained:

*"Knowing that auditors will review our work makes us double-check the statements. It helps us avoid mistakes that would otherwise damage our credibility." (Informant 4).*

Together, these accounts suggest that external audits provide both a corrective and preventive mechanism. Errors are not only detected and corrected but, over time, the process encourages staff to adopt more cautious and disciplined approaches to financial reporting.

A particularly important dimension of audit outcomes lies in donor confidence and external perceptions. Donors and government ministries often regard audited financial statements as a precondition for continued or expanded funding. In this sense, audits serve as both a technical tool for assurance and a symbolic marker of institutional transparency.

Informant 5 made this link explicit:

*"Donors need to see that someone neutral has verified our accounts. Without that assurance, they hesitate to release more funding." (Informant 5).*

Informant 10 confirmed the symbolic importance of audit certification:

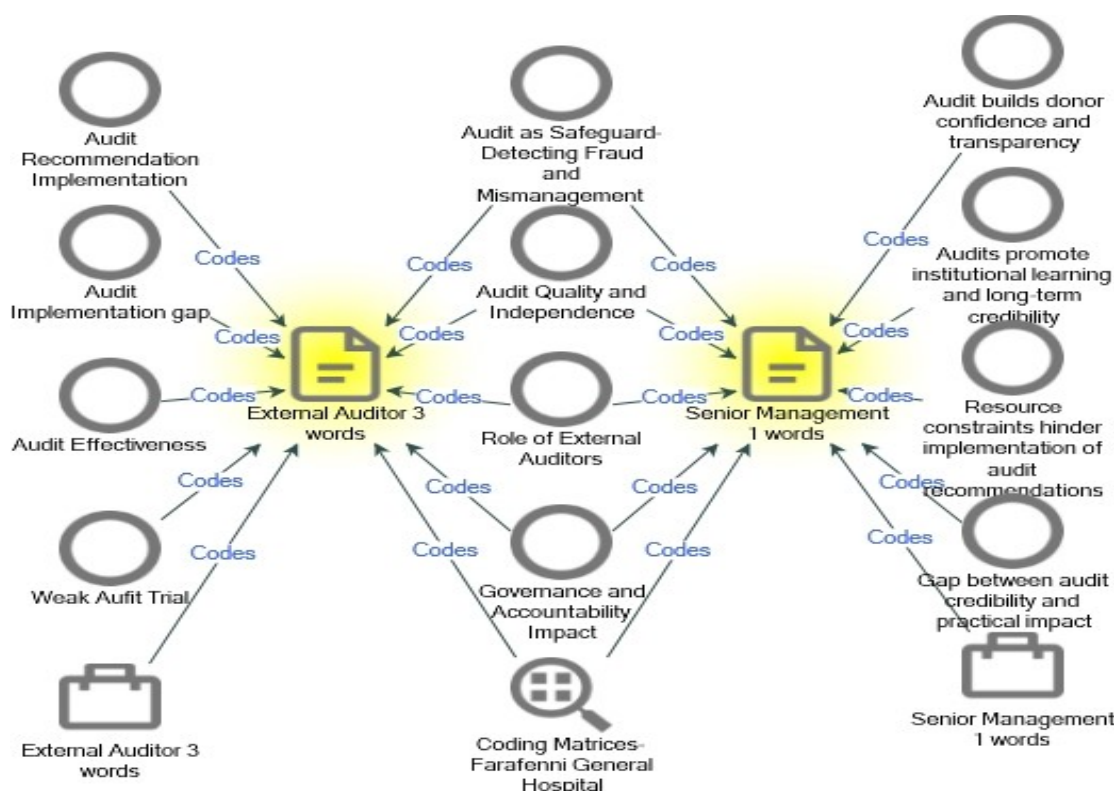
*"An audit certificate is not just about numbers—it shows the hospital is accountable and transparent. Without it, trust is undermined." (Informant 10).*

This highlights that audited accounts act as a credibility signal, assuring external stakeholders that the hospital is managing funds appropriately. In contexts where public resources are scarce and donor scrutiny is intense, such assurances are indispensable for sustaining partnerships and maintaining financial flows.



However, respondents also stressed that the transformative potential of audits remains unrealized as long as recurring weaknesses persist. The failure to fully implement recommendations—whether due to resource shortages, bureaucratic bottlenecks, or lack of internal audit capacity—limits the ability of audits to achieve systemic change. In their current state, audits strengthen credibility and accountability in the short term but struggle to address structural governance issues that continue to undermine financial reliability.

### Comparative Analysis: External Auditors vs Senior Management



**Figure 7: Comparison Matrix of External Auditors and Senior Management Perspectives on Audit Practices at Farafenni General Hospital (NVivo 15 Output)**

The comparison matrix was generated using NVivo 15 through a coding query that cross-referenced nodes related to External Auditors and Senior Management. This analysis enabled the visualization of key conceptual overlaps and divergences in their perspectives on auditing practices at Farafenni General Hospital. Each node in the diagram represents a major theme identified from the interview transcripts, while the connecting lines illustrate relationships between subthemes coded during the qualitative analysis process.

The NVivo coding output demonstrates how both groups acknowledge the importance of auditing as a tool for enhancing financial reliability, yet they emphasize different dimensions of its effectiveness. External Auditors focus on issues of audit quality, independence, and accountability, reflecting a technical and professional orientation toward compliance and assurance. In contrast, Senior Management places greater emphasis on donor confidence, institutional credibility, and resource limitations, viewing audits as instruments of transparency and organizational legitimacy rather than purely technical exercises.

The visualization highlights that although both parties share a commitment to transparency, their priorities diverge in practice. Auditors frame their role as the enforcement of financial discipline, while management interprets it as a means of sustaining trust and support from external stakeholders. This NVivo-based comparative analysis thus substantiates the study's broader finding that the effectiveness of auditing in public hospitals depends not only on technical rigor but also on

institutional capacity, political will, and the interplay between internal and external accountability mechanisms.

### **Perspective of External Auditors Vs Senior Management**

From the perspective of external auditors, the focus rested on the technical and professional dimensions of auditing—independence, competence, and objectivity. Auditors described independence as “the foundation of credibility,” arguing that audit findings lose their integrity when external interference or institutional bias shapes the process. For instance, Informant 7 remarked:

*“Stakeholders are far more likely to trust financial statements if they believe that auditors have performed their work objectively, without interference.”*

External auditors also stressed that their role was limited to annual verification, not continuous supervision. As informant 7 noted, “Our responsibility is to give assurance annually... we are not here for daily checks.” This statement underscores the professional boundary that auditors must maintain to preserve independence but also highlights the structural limitation that occurs when internal monitoring mechanisms, such as an internal audit unit, are absent.

In contrast, senior management viewed audit effectiveness through a more operational and pragmatic lens. They emphasized resource limitations, bureaucratic bottlenecks, and delayed implementation as the main barriers to transforming audit recommendations into tangible improvements. Informant 5 admitted:

*“It is not always pleasant to be told our reports are wrong, but in the long term it helps us build credibility and improve our processes.”*

Similarly, informant 6 pointed to institutional weakness:

*“If we had a proper internal audit office, we would resolve issues faster instead of waiting for the external auditors’ report each year.”*

These narratives reveal a contrast in orientation—external auditors prioritize objectivity and compliance, while senior management prioritizes practical feasibility and institutional capacity. Through NVivo cross-coding, these two perspectives converged around a shared understanding that reliability in financial reporting requires both strong oversight and sufficient institutional support. The analysis thus exposes a monitoring-implementation gap, consistent with Agency Theory: auditors (representing the principals) seek accountability, while management (as agents) operate under constraints that limit full compliance.

The External Auditors’ side of the coding structure reflects a professional and compliance-oriented stance. Their responses emphasized themes such as Audit Quality and Independence, Audit as a Safeguard Against Mismanagement, Governance and Accountability Impact, and Audit Recommendation Implementation. External auditors described their primary role as ensuring objectivity, compliance, and credibility in financial reporting. They viewed auditing as a technical and ethical process aimed at maintaining institutional transparency and detecting financial irregularities.

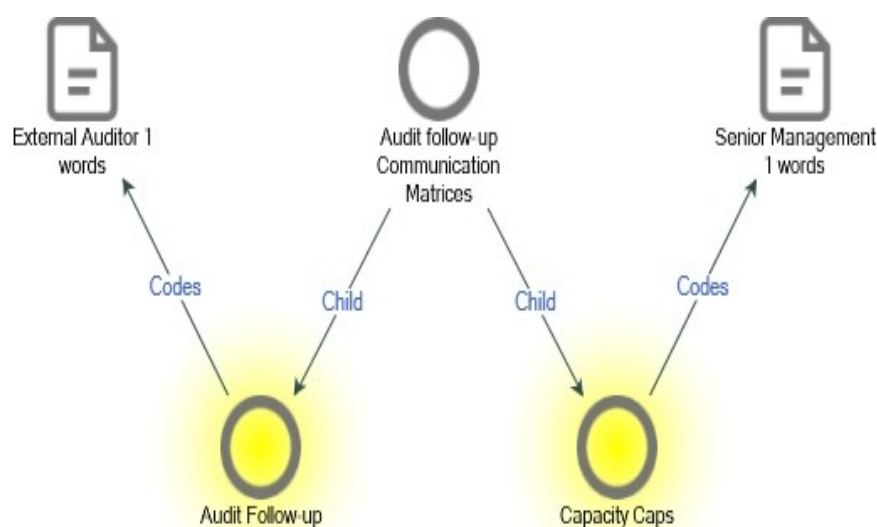
### **Integration to Agency Theory**

The findings illustrate how the principal-agent relationship operates within the context of public healthcare auditing. According to Agency Theory, auditors act as monitoring mechanisms that reduce information asymmetry between management (agents) and principals (donors, the state, and the public). In the case of Farafenni General Hospital, this monitoring role is compromised by two main factors: (1) limited internal audit capacity, and (2) insufficient enforcement of recommendations. The hospital’s dependence on external audits means that internal accountability mechanisms remain underdeveloped, creating an asymmetry of power where external auditors bear the oversight burden without adequate institutional cooperation or follow-up.

Furthermore, recurring irregularities indicate that monitoring alone cannot substitute for structural reform. Effective agency alignment requires both continuous oversight (via internal audits) and resource empowerment to implement corrective measures. This theoretical lens reinforces the argument that sustainable reliability in public financial reporting depends not only on audit presence but also on governance quality and institutional responsiveness.

Overall, the expanded analysis shows that auditing at Farafenni General Hospital serves as both a technical and institutional instrument for improving financial reliability. The corrective, preventive, and assurance roles of auditing contribute to more accurate and credible reporting. However, resource constraints, bureaucratic bottlenecks, and lack of internal audit functions continue to limit audit effectiveness. The divergence between external auditors and senior management perspectives underscores the multidimensional nature of accountability in public sector institutions. True reform requires alignment between oversight expectations and managerial capacity, supported by continuous monitoring, transparency, and investment in audit infrastructure.

### Audit Follow-Up vs Capacity Gaps



**Figure 8**

One of the most significant insights revealed through NVivo analysis was the weakness in communication between auditors and management during and after the audit process. Both external auditors and senior management acknowledged that communication plays a decisive role in determining whether audit recommendations are acted upon. Yet, the evidence suggests that follow-up engagement is irregular and largely dependent on informal exchanges rather than structured institutional processes.

Informant 8 observed that once audit reports are submitted, the process often ends there, with limited opportunities for ongoing dialogue:

*“After submitting our report, there is rarely any follow-up session. We sometimes get informal calls to clarify certain points, but there is no formal feedback mechanism.” (Informant 8).*

This lack of formalized communication has practical consequences. Audit recommendations that require management action tend to lose urgency once the audit cycle concludes. Senior management representatives expressed frustration that while they are willing to act, the absence of post-audit meetings prevents a shared understanding of priorities. Informant 6 explained:

*“We usually wait for the ministry to act or respond to the audit findings. Sometimes, by the time approval comes, the next audit has already started.” (Informant 6).*

NVivo coding confirmed that “communication” and “feedback” were among the most referenced sub-nodes under the broader theme of Implementation and Governance. The frequency of these codes shows that participants across all respondent groups view weak communication as a critical barrier to effective auditing. The qualitative data suggest that the hospital would benefit from a structured follow-up protocol—one that includes debriefing sessions, progress-tracking meetings, and mid-year reviews of audit recommendations.

From an agency theory standpoint, this communication gap represents a breakdown in the monitoring channel between agents (hospital management) and principals (the government and donors). While auditors act as intermediaries tasked with reducing information asymmetry, ineffective communication restricts the feedback loop, allowing recurrent issues to persist. In other words, the monitoring mechanism exists, but the corrective signal is not fully transmitted to those who can act upon it.

**Table 3: NVivo Crosstab Analysis: Audit Follow-Up and Communication**

Respondents	Communication Gap	Feedback Mechanism	Implementation Delay
External Auditor	32,15%	19,74%	32,15%
Finance Staff	28,73%	33,98%	28,73%
Oversight body	26,27%	31,07%	26,27%
Senior Management	12,86%	15,21%	12,86%

The NVivo 15 crosstab query provided a detailed visualization of how different respondent categories discussed the themes of communication gap, feedback mechanism, and implementation delay. The data reveal a significant concentration of references under the communication and implementation categories, suggesting that challenges in these areas are both persistent and interrelated across all stakeholder groups.

External auditors recorded the highest percentage of coded references (32.15%) under communication gap and implementation delay, indicating that they view these issues as central to the audit process. Their responses suggest that post-audit communication is often irregular, informal, and lacks a standardized follow-up structure. This confirms earlier findings that external auditors frequently complete their reviews and submit reports but are rarely involved in subsequent monitoring activities. Informant 8 summarized the situation clearly:

*“After we submit our report, there’s rarely a structured follow-up. We sometimes get a request for clarification months later, but by then, the audit cycle has already moved on.” (Informant 8).*

Finance staff, with 28.73% references under communication gap and 33.98% under feedback mechanism, appear to be at the core of these interactions. Their central position in the NVivo matrix highlights their dual role as both information providers and implementers of audit recommendations. However, the data also show that they face internal bottlenecks that limit their responsiveness. Many finance officers indicated that they often receive audit feedback indirectly or too late to make timely adjustments.

*“Sometimes we hear about the audit findings only after they are submitted to the Ministry. We should be part of the review because we handle the documents daily.” (Informant 2).*

Oversight bodies also featured prominently in the crosstab, with 26.27% of coded references under communication gap and 31.07% under feedback mechanism. Their responses reflect the higher-level institutional communication barriers that exist between the hospital, the Ministry of Health, and the Ministry of Finance. This aligns with comments from oversight respondents who expressed frustration over slow inter-agency coordination and bureaucratic inertia, which often delay the implementation of important audit recommendations.

*“By the time a report moves through the proper channels, it loses urgency. The bureaucracy slows everything, and key recommendations are not acted on immediately.” (Informant 10).*

Senior management, while showing fewer coded references overall (averaging around 13–15% across categories), still identified communication and feedback as major challenges. Their limited references may not necessarily indicate lesser concern but rather reflect their focus on higher-level administrative and policy constraints rather than day-to-day operational details. Nevertheless, they acknowledged that delayed communication from external auditors and ministries contributes to a cycle of slow implementation.

*“We are always willing to act on audit reports, but the communication chain is too long. Sometimes we receive official correspondence months after the audit is completed.” (Informant 5).*

The distribution of coding across respondent groups demonstrates that communication issues are not confined to one level of the organization but are systemic and multidirectional. Vertically, delays occur between auditors, hospital management, and ministerial oversight institutions. Horizontally, internal communication within the hospital is fragmented, resulting in inconsistent information flow between departments.

The NVivo visualization highlights that communication gaps and implementation delays are tightly connected. Where feedback mechanisms are strong (as reflected by higher references among finance staff), implementation tends to improve. Conversely, in contexts with weak feedback structures (as seen in external auditor references), implementation lags significantly. This relationship suggests that effective audit outcomes depend less on the audit’s technical rigor and more on the quality and timeliness of communication that follows the audit process.

Moreover, the data indicate that feedback mechanisms play a mediating role between communication and implementation. Without structured follow-up sessions, audit recommendations lose their practical impact. This leads to what NVivo coding memos repeatedly described as a “reactive culture”—where institutions respond to audit findings only when external pressure is applied rather than through proactive internal correction.

This pattern is consistent with broader findings in public-sector audit literature, which suggest that weak communication channels and limited feedback loops undermine accountability (Amalia, 2023). In the case of Farafenni General Hospital, the recurring communication and feedback issues explain why similar audit findings reappear across successive years despite prior recommendations.

From the perspective of Agency Theory, these findings illustrate a breakdown in the communication chain between principals (government and donors) and agents (hospital management and finance staff). External auditors, as monitoring agents, attempt to transmit accountability signals through audit reports, but these signals are weakened by delayed or incomplete feedback processes. The absence of timely two-way communication limits corrective action, allowing information asymmetry to persist. In this context, the hospital’s reliance on external auditors without an internal communication protocol perpetuates dependence and undermines local accountability mechanisms.

The NVivo crosstab data therefore underscore that auditing is as much a communication process as it is a technical review exercise. Without a feedback structure that ensures understanding, ownership, and timely action, the audit function loses its corrective and preventive value. Strengthening internal and inter-institutional communication should therefore be viewed as a strategic reform priority for enhancing financial reliability in public hospitals like Farafenni General Hospital.

### **Audit Communication Flow**

The findings indicate that the audit communication process at Farafenni General Hospital operates through several interlinked stages. Each stage involves distinct actors whose roles are critical

in determining whether audit recommendations are effectively implemented. The below explain the typical communication flow identified during the interviews of respondents:

### **Audit Findings and Report Preparation**

External auditors conduct their annual review, document irregularities, and compile an audit report. At this stage, auditors maintain limited interaction with management except for requesting clarifications or additional documents. NVivo codes under “communication gap” and “documentation delay” were highly concentrated in this phase, suggesting that incomplete or late submission of financial records often hampers the efficiency of report preparation.

*“When documents are missing, it becomes difficult to finalize findings on time.” (Informant 8).*

### **Submission of Audit Report to Hospital Management**

Once finalized, the audit report is formally submitted to the hospital’s management team. Communication at this point becomes one-directional, as auditors deliver recommendations without an established mechanism for interactive feedback. NVivo references show that this is where the first breakdown occurs — communication flows outward but not inward. Management receives the report but often lacks opportunities to clarify findings or discuss implementation priorities before the next audit cycle begins.

*“We usually receive the report after the auditors have left, so we just read and start thinking how to respond later.” (Informant 6).*

### **Internal Dissemination and Departmental Feedback**

Management then circulates audit findings among relevant departments, especially the finance and procurement units. This is the most inconsistent communication point. Some departments receive audit feedback quickly, while others learn of the findings indirectly or through informal discussions. As Informant 3 explained:

*“Sometimes we hear about audit findings from colleagues instead of official channels.” (Informant 3).*

The absence of a centralized communication framework results in partial awareness and uneven implementation of audit recommendations across departments. This shows a high overlap between “internal communication weakness” and “implementation delay,” underscoring the direct link between information flow and follow-up efficiency.

### **Feedback to Oversight Bodies**

After internal discussions, hospital management compiles a response report that is submitted to the Ministry of Health and the National Audit Office. However, interviews with oversight representatives indicated that this stage is also characterized by bureaucratic lag and fragmented coordination between ministries. Informant 10 commented that even when responses are submitted, feedback from the Ministry is rarely prompt:

*“The process of responding goes through so many layers that by the time it reaches us, the next financial year has already started.” (Informant10).*

### **Donor and External Stakeholder Review**

Finally, audit outcomes are communicated to donors and development partners, particularly when projects involve external funding. Respondents noted that donors rely heavily on audited financial statements as indicators of financial reliability. Yet, delays in internal communication and slow response to recommendations reduce donor confidence over time.

*“Donors want assurance that funds are properly used. When reports are late, they start doubting our financial management.” (Informant 5).*

This communication flow highlights that breakdowns occur at nearly every stage of the audit cycle — from documentation to follow-up — resulting in cumulative inefficiencies. The process is largely linear and unidirectional, with limited feedback loops. Once audit reports are submitted, there is minimal interactive engagement to clarify findings, prioritize corrective actions, or track progress.

### Capacity Building and Competence Gaps

Another theme that emerged from the extended NVivo analysis is the issue of staff competence and capacity building. Both external auditors and management participants expressed concerns that limited professional development opportunities hinder the hospital's ability to maintain sound financial practices and to prepare for audits effectively. The data reveal that even when staff possess technical qualifications, the lack of continuous training on evolving accounting standards and audit requirements limits their efficiency.

Informant 5 emphasized:

*“Our finance staff are hardworking, but most of them were trained long ago. Accounting systems and standards have changed, yet training is not regular.” (Informant 5).*

Informant 9 echoed this observation, noting that poor documentation and errors in classification often stem from limited staff knowledge of modern accounting software or IPSAS (International Public Sector Accounting Standards):

*“Many of the mistakes we identify are not intentional. They happen because staff are not familiar with the current standards or computerized systems.” (Informant 9).*

The NVivo node “capacity gap” appeared across several major themes—particularly Audit Quality, Implementation, and Financial Reporting Weaknesses. This cross-thematic presence shows that competence is a foundational determinant of audit effectiveness. Without skilled personnel, even the best-designed audit systems risk producing only temporary compliance instead of sustained improvement.

Theoretically, this finding ties directly to the information asymmetry principle within Agency Theory. A lack of staff competence reduces the accuracy and transparency of information available to auditors (the monitors), which in turn compromises the monitoring function and weakens accountability. Therefore, investment in professional training is not only a managerial responsibility but also a policy imperative for strengthening the entire governance framework.

### Institutional Learning and Audit Culture

Respondents described the audit process as cyclical but not necessarily cumulative—each audit identifies familiar issues, yet lessons from previous audits are seldom internalized into the hospital's operational culture.

Informant 4 noted:

*“We correct issues during the audit, but after that, things go back to normal. It's like we wait for the next audit before checking again.” (Informant 4).*

This quote reflects a reactive rather than preventive orientation. The hospital tends to view audits as events rather than as components of an ongoing learning process. Informant 10 also emphasized that the Ministry rarely organizes formal review sessions to evaluate how hospitals have applied previous audit lessons.

From a governance perspective, this indicates the absence of a knowledge management mechanism that transforms audit experiences into institutional learning. Establishing an “Audit Follow-Up and Learning Committee” within the hospital could address this gap, ensuring that audit results are not only documented but also embedded into standard operating procedures and staff

performance evaluations. Such a committee would also facilitate peer learning among other regional hospitals, reinforcing a culture of continuous improvement.

### **Thematic Link to Broader Accountability Framework**

The findings from Farafenni General Hospital reveal that audit effectiveness depends not only on technical quality but also on the interaction between audit institutions, management responsiveness, and systemic governance. In public sector settings like The Gambia, accountability is shared across multiple layers—hospital management, ministerial oversight, and external auditors. NVivo's matrix coding highlighted that respondents across all levels see auditing as the principal mechanism for ensuring transparency, yet they also recognize that it cannot succeed without reciprocal accountability.

In essence, auditing functions as the mirror of governance: it reflects institutional strengths and weaknesses but cannot by itself correct them. This insight expands the theoretical dimension of the study, showing that effective monitoring requires mutual reinforcement between internal governance structures (like internal audit) and external oversight mechanisms.

### **Theoretical Implications**

The findings of this study reinforce the applicability of Agency Theory as a useful framework for understanding the dynamics between management, auditors, and stakeholders in public sector institutions. In theory, auditing functions as a mechanism for reducing information asymmetry — the gap in knowledge between those who manage resources (agents) and those who provide or oversee those resources (principals). By validating management's financial reports, auditors act as independent agents who assure principals that public funds are being used efficiently, transparently, and in compliance with established laws and procedures.

The evidence from Farafenni General Hospital, however, reveals that while audits reduce asymmetry, they do not fully eliminate agency problems. Persistent weaknesses such as poor documentation, procurement irregularities, and delayed implementation of recommendations show that the principal-agent relationship is complicated by institutional realities. The assumption in Agency Theory that actors behave rationally and respond predictably to incentives or sanctions does not fully hold in the context of a developing public institution constrained by limited resources, bureaucratic culture, and political influence.

In the hospital's case, compliance is not merely a matter of rational choice but is shaped by contextual factors such as funding shortages, inadequate human resources, and competing administrative pressures. Managers may accept audit recommendations in principle but lack the capacity or autonomy to implement them effectively. This finding expands Agency Theory by demonstrating that structural and environmental factors can weaken the expected monitoring-response relationship between auditors and management.

Moreover, the study contributes to the theoretical discourse by integrating Institutional Theory perspectives into Agency Theory's rational model. The bureaucratic environment at Farafenni General Hospital illustrates how institutional norms, administrative routines, and hierarchical approval processes influence audit behavior. Even when auditors identify misstatements, the deeply embedded culture of bureaucracy delays corrective action. Thus, improving financial reliability requires not only the strengthening of audit systems but also the reformation of institutional structures, incentive systems, and communication networks.

In essence, the theoretical implication of this study is that accountability in public institutions is multidimensional. Effective auditing can mitigate agency problems, but its full potential depends on complementary reforms that enhance institutional autonomy, resource availability, and leadership commitment to transparency. Without these enabling conditions, the audit process risks becoming procedural rather than transformative.



## Policy Recommendations

Based on the findings and analysis, it is clear that auditing can only achieve its intended impact if supported by deliberate institutional reforms and policy interventions. Several policy directions emerge from this research. First, there is a pressing need to establish a dedicated internal audit unit at Farafenni General Hospital. The absence of such a unit has left a structural void in daily oversight, forcing the institution to rely solely on annual external audits. An internal audit function would provide continuous scrutiny of financial transactions, detect irregularities early, and ensure that management addresses weaknesses before they accumulate. This proactive monitoring would complement external audits and create a culture of ongoing accountability rather than periodic compliance.

Second, auditor independence must be protected and strengthened. Both internal and external auditors should operate free from administrative or political influence. Independence can be enhanced through clear reporting lines — for instance, internal auditors should report directly to the Board or a governing oversight committee, rather than management. Providing auditors with adequate training, modern audit tools, and financial resources will also improve their competence and credibility.

Third, there is an urgent need to institutionalize a structured audit follow-up and monitoring mechanism. The NVivo analysis revealed that many audit recommendations are accepted but remain unimplemented due to weak follow-up and communication systems. Establishing a quarterly “Audit Review and Action Committee” within the hospital, comprising representatives from finance, management, and oversight bodies, would create accountability for progress. This committee would track each recommendation, record the actions taken, and submit progress reports to the Ministry of Health and the National Audit Office.

Fourth, digitizing the hospital’s accounting and procurement systems would greatly enhance transparency, accuracy, and timeliness of reporting. Manual record-keeping has contributed to missing vouchers, classification errors, and documentation delays. By transitioning to a computerized accounting platform with automated data backup, audit trails, and integrated procurement modules, the hospital can minimize human errors and improve accessibility of records during audits.

Furthermore, management should actively engage with donors and external stakeholders by sharing audit outcomes, progress updates, and remedial actions taken. This level of transparency not only strengthens donor confidence but also demonstrates a commitment to good governance and fiscal responsibility. Regular publication of summarized audit outcomes, while maintaining confidentiality where required, would promote a culture of openness and public accountability.

At the national policy level, the Ministry of Health and the National Audit Office should collaborate to create a Public Health Audit Reform Framework. This framework would standardize audit procedures across all government hospitals, establish uniform reporting timelines, and define sanctions for non-compliance. A national electronic audit monitoring system could further ensure that audit findings, implementation status, and feedback are tracked systematically across all public health facilities.

## Limitations of the Study

While the study provides valuable insights into the role of auditing in improving financial reliability, several limitations must be acknowledged to maintain transparency and research integrity. Firstly, the study was confined to a single institution — Farafenni General Hospital, which limits the generalizability of the findings. Although the case study approach allowed for rich, in-depth understanding, audit practices may differ across other hospitals or government departments in The Gambia, depending on administrative capacity and leadership style.

Secondly, the study relied primarily on semi-structured interviews and document analysis. While these methods are effective for qualitative exploration, they are subject to interpretation bias and depend on the candor of respondents. Some participants, especially those in managerial positions,

appeared cautious when discussing sensitive issues related to audit failures or political influence. This may have limited the depth of disclosure in certain areas.

Thirdly, while the use of NVivo 15 software improved analytical rigor by providing systematic coding, theme comparison, and visualization, qualitative interpretation ultimately rests on the researcher's analytical judgment. Thus, despite methodological transparency, subjectivity remains inherent in the process.

Finally, the study was cross-sectional, capturing audit practices at a single point in time. A longitudinal study would have provided insights into how audit recommendations are implemented and sustained over multiple years. Future researchers could build on this study by conducting follow-up investigations to evaluate whether institutional reforms have led to measurable improvements in audit effectiveness.

### **Suggestions for Future Research**

Future studies should broaden the scope of inquiry by including multiple public hospitals or other state enterprises. A comparative case study design would allow researchers to examine whether the challenges identified at Farafenni General Hospital are systemic across the Gambian public sector or specific to individual institutions. Adopting a mixed-methods approach would also be valuable. Combining qualitative interviews with quantitative audit performance indicators (such as implementation rates or error reduction percentages) could provide a more comprehensive understanding of audit effectiveness.

Researchers could also explore the role of digital auditing technologies — including e-audit platforms, real-time transaction monitoring, and data analytics tools — in improving transparency and reducing manual errors in public sector auditing. As The Gambia continues its digital transformation, understanding how technology enhances or challenges accountability will be an important area for policy-oriented research. Furthermore, scholars may wish to investigate the political economy of auditing, exploring how political influence, bureaucratic culture, and leadership behavior affect the independence and enforcement of audit recommendations. Finally, future studies might assess the long-term impact of internal audit reforms once they are introduced in public hospitals, providing evidence on whether institutional capacity building translates into sustainable improvements in accountability and financial integrity.

### **CONCLUSION**

This study examined the role of auditing as a tool for enhancing the reliability of financial statements at Farafenni General Hospital in The Gambia, using a qualitative design supported by NVivo 15 analysis. The findings demonstrated that auditing performs three key functions — corrective, preventive, and assurance — that collectively reinforce the accuracy, transparency, and credibility of financial reporting.

The corrective role ensures that errors, misclassifications, and irregularities are identified and rectified, leading to more accurate financial statements. The preventive role motivates staff to comply with established standards due to the anticipation of audit scrutiny. The assurance role, meanwhile, provides confidence to external stakeholders — including donors, government agencies, and the public — that financial information is independently verified and trustworthy.

However, the study also revealed significant institutional constraints that hinder the full effectiveness of auditing in the hospital. Limited financial resources, inadequate staffing, bureaucratic delays, and the lack of an internal audit unit collectively undermine audit impact. The hospital's reliance on annual external audits results in delayed detection of irregularities and a reactive approach to financial management. Additionally, although audit recommendations are acknowledged, their implementation is often inconsistent due to resource shortages and administrative barriers.

The study therefore concludes that while auditing remains a vital instrument for improving financial reliability, its success depends on the strength of institutional support systems. The introduction of a dedicated internal audit department, capacity-building initiatives, and digitized financial systems would significantly enhance audit effectiveness. Moreover, creating a structured mechanism for monitoring and evaluating the implementation of audit recommendations would ensure sustained accountability.

Beyond the institutional level, this study underscores that strengthening auditing systems is not merely a matter of compliance — it is a strategic investment in good governance, donor confidence, and sustainable public trust. For The Gambia's health sector, improving audit quality represents an opportunity to advance transparency, safeguard public resources, and enhance service delivery.

Ultimately, the research affirms that effective auditing, when grounded in independence, competence, and transparency, serves as a cornerstone for financial integrity and institutional credibility. The case of Farafenni General Hospital demonstrates that even within resource-limited settings, well-structured audit systems can act as catalysts for ethical management, accountability, and long-term organizational improvement.

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