The Mediating Role of Organisational Culture in the Audit-Fraud Relationship: Evidence from Ghana's Local Government

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Abstract

Fraud remains a pervasive challenge in Ghana's public sector, particularly within Metropolitan, Municipal, and District Assemblies (MMDAs), despite robust audit mechanisms. This study investigates the mediating role of organisational culture specifically transparency and ethical leadership ("tone at the top") in the relationship between audit activities (internal, external, forensic) and fraudulent financial practices (asset misappropriation, corruption, procurement fraud). A quantitative cross-sectional survey design was employed, collecting data from 343 finance directors, accountants, and internal auditors across 261 MMDAs using structured questionnaires. Data were analysed via Pearson correlation, multiple regression, and mediation analysis using Baron and Kenny's method. Findings revealed mixed relationships: external audits weakly reduced asset misappropriation but correlated positively with corruption and procurement fraud, while internal audits showed weak positive links to the latter. Forensic audits had a weak negative association with corruption. Organisational culture partially mediated the audit-fraud relationship, with transparency unexpectedly showing a weak positive effect on fraud, suggesting superficial implementation. Tone at the Top negatively impacted fraud, though its effect was modest. The study highlights that audits alone are insufficient without a supportive ethical culture. The findings underscore the need for integrated anti-fraud strategies combining audit reforms with cultural interventions, such as strengthening leadership accountability and genuine transparency measures. This research contributes to agency and fraud theories by empirically validating cultural mediation in audit effectiveness, offering policymakers actionable insights for Ghana's public sector and similar contexts. Limitations include the cross-sectional design and focus on MMDAs, suggesting avenues for future longitudinal or mixed-methods research.

Keywords: Organisational culture, Audit, Fraud prevention, Public sector governance, Ethical leadership

DOI: 10.7176/RJFA/16-9-05
Publication date: November 30th 2025

1. Introduction

Fraud and corruption remain pervasive global challenges, eroding public trust, distorting economic development, and undermining governance systems. The devastating impact of fraudulent financial practices extends across nations, with both developed and developing economies suffering significant losses (Ocansey et al., 2015, Ocansey, 2017). Globally, an estimated $2.6 trillion is stolen annually, representing over 5% of the world's GDP, while an additional $1 trillion is lost to bribery and corrupt practices (Kohler & Bowra, 2020). In developing nations, particularly in Africa, the consequences are even more severe, as corruption exacerbates poverty, weakens institutions, and stifles socio-economic progress (Daniel & Southall, 2019).

Ghana, like many other countries, has been grappling with persistent fraud in its public sector, particularly within Metropolitan, Municipal, and District Assemblies (MMDAs). Despite the establishment of strong audit institutions such as the Ghana Audit Service and the Internal Audit Agency and the enactment of anti-corruption laws, fraudulent activities continue to escalate. For instance, between 2016 and 2020, Ghana lost over GH¢12 billion (US$ 2.3 billion) to corruption, misappropriation of assets, and procurement fraud (Allotey, 2021). Recent audit reports reveal recurring irregularities, including the misapplication of GH¢19 million (US$ 3.3 million) in the Free Senior High School Secretariat and unaccounted US$354,760 in consular fees (Auditor-General Report, 2021). These findings raise critical questions about the effectiveness of existing audit mechanisms and governance structures in deterring fraud.

While audits (internal, external, and forensic) are designed to detect and prevent fraud, their success is heavily influenced by organisational culture. Research suggests that cultural factors such as transparency, ethical leadership ("tone at the top"), and accountability play a crucial role in shaping audit outcomes (Mensah &

Yeboah, 2019). According to Erdil et al. (2019), an organisation's culture indicates how frequently fraudulent practices occur. That is to say that if an organisation's culture is one that does not entertain fraudulent practices, the incidence of fraud is bound to be minimised. Similarly, Nani Indriani & Abdullah (2018) discovered a negative correlation between fraud and organisational culture. This means that when there is a strong culture, such as tone at the top and transparency, fraudulent practices reduced and vice versa.

How particular cultural elements, like transparency and tone at the top, mediate the relationship between audit practices and fraudulent financial practices is lacking, especially in the context of Ghana's public sector. It is widely acknowledged that organisational culture plays a significant role in fostering ethical behaviour and improving audit effectiveness (Mensah & Yeboah, 2019). Prior research has frequently concentrated on the direct consequences of audits or the role of organisational culture in isolation without examining the potential mediating effects of cultural factors on the effectiveness of various audit types in preventing fraud (Mihret and Yismaw, 2007; Zakaria et al., 2016,). Furthermore, little empirical research has been done to examine how these dynamics unfold in the particular governance context of Ghana's MMDAs, which have different challenges pertaining to regulatory oversight, resource limitations, and administrative capacity (World Bank, 2018).

Filling in these gaps is critical because an awareness of the organisational culture's mediating role can yield important insights into how various audit types (forensic, internal, and external) can be best suited to identify and stop particular fraudulent activities. Furthermore, context-specific research is required to customise audit procedures and cultural interventions to the particular requirements and circumstances of Ghana's public sector organisations (Amoako et al. 2023). The purpose of this study is to investigate the mediating effects of organisational culture, particularly transparency and tone at the top, on the relationship between audits and fraudulent financial practices in Ghana's MMDAs. By doing so, it hopes to provide a more nuanced understanding of the interactions between these factors and useful suggestions for improving ways to detect and prevent fraud.

Audit practices and ethical organisational culture are crucial governance mechanisms introduced to enhance organisations' financial reporting quality and serve as an antidote to fraudulent activities, thereby providing reasonable assurance to stakeholders and safely guiding the organisation's assets. Audits (internal, external, and forensic) are traditionally relied upon to detect and prevent such practices; the effectiveness of these audits is heavily influenced by organisational culture elements such as transparency and the tone set by leadership (Surya et al., 2023).

Despite the implementation of audit mechanisms and anti-fraud regulations, fraudulent financial practices continue to rise in Ghana's public sector. The Ghana Audit Service's annual reports consistently uncover significant financial irregularities, indicating that audits alone are insufficient in curbing fraud. For example, between 2017 and 2022, only GH¢2 billion (US$ 368 million) out of GH¢4 billion (US$ 794 million) in disallowed expenditures was recovered (Auditor-General Report, 2022). This suggests systemic weaknesses in fraud detection and prevention, raising concerns about the real-world effectiveness of audit practices.

The current literature exhibits three critical gaps that this study seeks to address. First, while numerous studies have examined the direct effects of either audits or organisational culture on fraud, few have investigated their interactive effects. This oversight is significant because organisational culture may serve as either an enabler or a constraint on audit effectiveness. Second, existing research has largely neglected the comparative effectiveness of different audit types (internal, external, forensic) in detecting various fraud schemes. Third, the specific dynamics of fraud prevention in Ghana's MMDAs remain poorly understood, despite their central role in service delivery and local development.

This study's quantitative approach is justified by several factors. First, the complex relationships between audit types, organisational culture, and fraud outcomes require rigorous empirical testing to establish causal pathways. Second, quantitative methods allow for systematic comparison across different MMDAs, controlling for contextual variables that might influence outcomes. Third, the findings will provide policymakers with actionable evidence to strengthen Ghana's anti-fraud framework.

Several factors contribute to the persistent problem of fraud in Ghana's public sector, undermining the effectiveness of existing audit and governance mechanisms. First, audit limitations play a significant role, as auditors often encounter challenges such as scope creep, sampling errors, and undue pressure from corrupt officials, which impede their ability to detect and prevent fraudulent activities (Kassem, 2023). Additionally, the lack of a robust organisational culture fosters an environment where fraud can thrive. Weak transparency, insufficient ethical leadership, and a lack of accountability within institutions create loopholes that enable corrupt practices to go unchecked (Matebese, 2024). Furthermore, gaps in existing research exacerbate the issue.

While studies recognise the importance of audits and organisational culture, few have explored how specific cultural elements such as transparency and tone at the top interact with different types of audits to influence fraud prevention (Nguyen et al., 2020). Without a deeper understanding of these dynamics, efforts to combat fraud remain fragmented and less effective. Addressing these interconnected factors is crucial for developing comprehensive strategies that strengthen governance and reduce fraudulent activities in Ghana’s public sector. This study, therefore, addresses these gaps by investigating the role of organisational culture in mediating the relationship between audit functions and financial fraud prevention. The findings will enhance academic understanding and offer practical solutions to improve governance processes in mitigating fraud and promoting ethical conduct.

Specifically, this research seeks to examine the relationship between the different audit types (internal, external, and forensic) and financial fraud (asset misappropriation, corruption, and procurement fraud) within Ghana’s MMDAs. It also seeks to assess the influence of organisational culture, specifically transparency and tone at the top, on fraud prevention mechanisms in Ghana’s public sector. The mediation effect of organisational culture on the relationship between audit functions and the reduction of fraudulent financial practices is also determined.

2. Literature Review

2.1 Theoretical Review

This study is anchored in three foundational theories that collectively explain the dynamics of fraud, audit effectiveness, and organisational culture in Ghana's Metropolitan, Municipal, and District Assemblies (MMDAs). These theories provide complementary perspectives on why fraud persists despite audit mechanisms and how organisational culture might strengthen fraud prevention efforts.

The Agency Theory by Mitnick (1975) forms the primary lens for understanding the principal-agent relationship in public sector governance. This theory posits that inherent conflicts arise when agents (government officials) entrusted with managing public resources prioritise personal interests over their fiduciary duty to principals (citizens and taxpayers). In Ghana's decentralised governance system, this dynamic manifests through various forms of financial malfeasance, including misappropriation of funds and procurement fraud. The theory underscores the critical role of audits as monitoring mechanisms to reduce information asymmetry and align the interests of agents with those of principals. However, as evidenced by persistent fraud cases in Ghana's MMDAs, audits alone may be insufficient without complementary governance structures.

Building on this foundation, the Fraud Triangle Theory (Cressey, 1950) offers a psychological framework for understanding why individuals commit fraud. The theory identifies three interrelated factors that must converge for fraud to occur: pressure (financial or non-financial motivations), opportunity (weak internal controls), and rationalisation (justification of unethical behaviour). In the context of Ghana's local government sector, these elements are particularly relevant. Many public officials face intense political pressures to meet unrealistic expectations or maintain certain lifestyles, while systemic weaknesses in financial controls create ample opportunities for malfeasance. The rationalisation component helps explain how otherwise ethical individuals justify fraudulent actions, often viewing them as necessary or victimless within the prevailing organisational culture.

The Fraud Pentagon Theory (Crowe, 2011) expands this framework by introducing two additional elements: capability (the skills or position needed to commit fraud) and arrogance (a belief in one's invulnerability to consequences). These additions are particularly salient in analyzing fraud within Ghana's MMDAs, where senior officials often exploit their positions of authority and political connections to circumvent controls. The theory helps explain why conventional audit approaches may fail to detect sophisticated fraud schemes orchestrated by powerful individuals who believe themselves above accountability.

2.2 Audit and Fraud

Previous studies highlight a strong link between internal audit effectiveness and reduced asset misappropriation. Research shows that independent internal audits are crucial for fraud prevention. For instance, Linuhur et al. (2023) emphasize the significant role of internal auditors in deterring fraud. Al-Dhubaibi & Sharaf-Addin (2022) found that auditors use fraud risk factors to detect fraudulent financial statements. Khan et al. (2020) identified that attributes like effectiveness, independence, staff training, and experience positively influence fraud prevention in Pakistan. Similarly, Setiawan and Soewarno (2025) noted that strong internal controls correlate negatively with asset misappropriation, enhancing organizational integrity. Asiedu and Defor (2017) revealed that full implementation of Act 658 and the independence of the audit department significantly improve internal audit effectiveness and reduce corruption. Shohihah et al. (2018) noted that auditor competency, independence, and management support positively influence audit effectiveness. Jachi and Yona (2019) highlighted the connection between accountability and an independent audit function, promoting good governance. Samuels et al. (2024) stated internal audits enhance accountability and transparency in procurement. However, Usang and Salim (2016) pointed out that internal audit units in local government often struggle to prevent fraud, with Menso (2020) and Ismail et al. (2018) suggesting that procurement fraud may increase despite internal controls. David (2019) and Masoud et al. (2021) further emphasized the need for better training and effective procurement procedures. Kamal and Elim (2021) advocated for technology use to assist internal auditors in preventing fraud through enhanced data analytics.

2.3 Organizational Culture and Fraud

Extant literature provides substantial evidence on the relationship between audit functions, organizational culture, and fraud prevention, though significant gaps remain in understanding their interplay within developing country contexts. Studies on audit effectiveness in the public sector yield mixed findings. While Al-Faryan (2024) demonstrated that external audits significantly enhance accountability in Middle Eastern governments, Omran et al. (2015) found that audit quality in developing nations often suffers from limited enforcement capacity and political interference. These contradictory findings suggest that audit effectiveness may be contingent on contextual factors, including the strength of supporting institutions and organizational culture.

Research on organizational culture's role in fraud prevention has gained momentum in recent years. Soares et al. (2023) provided compelling evidence that ethical organizational culture significantly strengthens internal controls and reduces fraud incidence in Brazilian public institutions. Their findings align with Yasa et al.'s (2022) study of Indonesian local governments, which identified transparency and ethical leadership as critical deterrents to fraudulent behavior. However, Fade et al. (2022) cautioned that cultural interventions alone may be insufficient without complementary structural reforms, particularly in environments with weak rule of law.

The Ghanaian context presents unique challenges that remain underexplored in the literature. While several studies have examined fraud in Ghana's public sector (e.g., Allotey, 2021; Auditor-General Report, 2021), few have systematically analysed how organisational culture mediates audit effectiveness. This gap is particularly salient given Ghana's hybrid governance system, which combines formal bureaucratic structures with informal patronage networks that often undermine accountability mechanisms.

3. Methodology

The specific research design used in this study is a cross-sectional survey design. This design is particularly suited for examining the impact of internal, external, and forensic audits on fraud prevention in the Metropolitan, Municipal, and District Assemblies (MMDAs) of Ghana. A cross-sectional survey design captures data at a single point in time, providing a snapshot of the current state of audit practices, organisational culture, and fraudulent financial activities within the MMDAs. Non-probability sampling strategy was adopted for the study, comprising purposive sampling techniques. The sample size of 343 was drawn from a total population of 2394, comprising Finance Directors, Accountants, and Internal Auditors, using Yamane's (1967) sample size determination formula. The study utilised primary data collected from respondents by the researcher. A self-developed questionnaire was the primary tool for data collection in this study, allowing the researcher to efficiently reach more respondents and gather relevant information quickly. It featured close-ended questions to obtain quantifiable data for accurate correlation of research variables.

The questionnaire encompassed five sections (A, B, and C). Section A captured the data on audit activities. Section B focused on data relating to fraudulent activities. Section A consisted of thirty-one self-developed items that measure audit activities within the MMDAs. The scale for the audit activities included an internal audit with twelve statements, an external audit with seven statements, and a forensic audit with twelve statements. Section B consisted of sixteen self-developed items that measured organisational culture within the MMDAs. The scale for the organisational culture included transparency with eight statements, and tone at the top with eight statements. Section C consisted of twenty-four self-developed items that measured fraudulent financial practices within the MMDAs. The scale for the fraudulent financial practices included asset misappropriation with nine statements, corruption with seven statements and procurement fraud with eight statements.

The study employed the multiple regression model to ascertain the relationship between the dependent (fraud) and independent variables (internal, external and forensic audit). The Ordinary Least Squares (OLS) regression emerged as the most appropriate estimation technique for the current study. This is primarily because fraud prevention can be effectively operationalised as a continuous or interval-level dependent variable; OLS is well-suited for modelling the linear relationship between such a dependent variable and multiple independent variables, allowing researchers to simultaneously assess the individual impact of internal, external, and forensic audits. Its intuitive interpretability of coefficients, computational efficiency, and broad availability in statistical software make it a pragmatic choice, though careful diagnostic checks for assumptions like homoskedasticity and multicollinearity were essential to ensure the validity and reliability of the estimated coefficients. The Statistical Package for Social Sciences (SPSS v27.1) was used to analyse the data for this study.

The instrument underwent a pilot test with a 17 percent sample of respondents, who were not included in the actual data collection. The study evaluated the convergent and discriminant validity of the instrument. After determining the reliability and validity, the instrument was revised and approved for administration after the results were submitted to experts for review and the University's Institutional Review Board (IRB) under the Centre for Academic Research and Engaged Scholarship (CARES) for review and approval.

4. Results and Discussion

The study examined the relationship between the various audit activities (external, internal and forensic) and fraudulent financial practices. A Pearson product-moment correlation was then conducted to examine the relationship between the aforementioned variables at a significant level of 0.5. The result is shown in the table below:

Table 1. Correlation between Audit Activities amd Fraud

		External Audit Activities	Internal Audit Activities	Forensic Audit Activities
Assert Misappropriation	Pearson Correlation	-.118*	0.048	.252**
	Sig. (2-tailed)	0.024	0.363	0
	N	367	367	367
Corruption	Pearson Correlation	.315**	.238**	-0.047
	Sig. (2-tailed)	0	0	0.368
	N	367	367	367
Procurement Fraud	Pearson Correlation	.268**	.291**	0.008
	Sig. (2-tailed)	0	0	0.878
	N	367	367	367

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Results from Table 1 show a weak negative relationship between external audit activities and asset misappropriation (r=-.118, p=0.024). There is a weak positive relationship between external audit activities and corruption (r=.367, p=0). There is also a weak positive relationship between external audit activities and procurement fraud (r=.268, p=0). Additionally, the results reveal a weak positive relationship between the following variables: internal audit activities and corruption (r=.238, p=.0); and internal audit activities and procurement fraud (r=.291, p=.0). It further reveals that there is a weak positive relationship between the following variables: internal audit activities and asset misappropriation (r=-0.048, p=.0). Furthermore, the results reveal a weak negative relationship between forensic audit activities and corruption (r=-0.047, p=0.247) and a weak positive relationship between forensic audit activities and procurement fraud (r=-0.029, p=0.581). It further reveals a weak negative relationship between the following variables: forensic audit activities and asset misappropriation (r=.252, p=0).

The analysis of organisational culture's impact on fraudulent financial practices in Ghana's MMDAs yielded significant insights. A regression model tested the influence of two key cultural dimensions, transparency and tone at the top, on fraud prevalence. The table below presents the detailed regression outcomes, including coefficients, significance levels, and model fit statistics.

Table 2. Influence of Organizational Culture on Fraudulent Financial Practices

	Unstandardised Coefficients		Standardised Coefficients	Sig	Collinearity Statistics	
	B	Std Error	Beta		Tolerance	VIF
(Constant)	2.601	0.111		0		
Transparency	0.315	0.034	0.565	0	0.547	1.829
Tone at the Top	-0.054	0.028	-0.117	0.059	0.547	1.829

R = 0.494 R Square = 0.244 Adjusted R Square = 0.240

As presented in Table 2, transparency contributed positively to fraudulent financial practices of the MMDAs, while tone at the top contributed negatively to fraudulent financial practices of the MMDAs. Specifically, transparency ($\beta = 0.565$ (0.034), $p<0.02$) and tone at the top ($\beta = -0.117$ (0.028), $p<0.001$) contributed 56.5 per cent and 11.7 per cent, respectively, to fraudulent financial practices in the MMDAs. It is significant to observe that the proportional contribution of the two dimensions of organisational culture to the dependent variable was 0.244 with an adjusted R-squared of 0.240. This means that the organisational culture of the MMDAs was able to predict or influence only 24.4 per cent of the variance in the fraudulent financial practices of the MMDAs. It, therefore, means that besides these two entered variables, other variables not yet in the model have a chance of contributing or predicting about 75.6 per cent to the fraudulent financial practices of MMDAs in Ghana.

To examine whether organisational culture mediates the relationship between audit activities and fraudulent financial practices, mediation analysis was conducted. The mediating effect was tested using Baron and Kenny's Method of mediating analysis. The table below presents the detailed mediation analysis, including total, direct, and indirect effects.

Table 3. Mediating Effect of Organisational Culture on the Relationship between Audit Activities and Fraudulent Financial Practices

	Total Effect of Audits Activities on Fraudulent Financial Practices			
	Coefficient	T value	p-value	
	0.565	13.871	.000	
	Direct Effect of Audits Activities on Fraudulent Financial Practices			
	Coefficient	T value	p-value	
	0.295	5.517	.000	
	Indirect Effect of Audits Activities on Fraudulent Financial Practices			
	Coefficient	SE	T value	p-value
Audit Activities-Organizational Culture-Fraudulent Financial Practices	0.27	0.47	5.794	.000

Mediation analysis was performed to assess the mediating role of Organisational Culture (OC) on relationship between Audit Activities (AA) and Financial Fraudulent Practices (FFP). The results from Table 3 revealed a significant indirect effect of Audit Activities on Fraudulent Financial Practices (ß =.270, t= 5794. P <.001). The total effect of Audit Activities on Fraudulent Financial Practices was significant (ß =565.t= 13.871, p <.001), with the inclusion of the mediator, the effect of Audit Activities on Fraudulent Financial Practices was still significant (ß =295. T 5517, P<.001). This shows that Organisational Culture partially mediates the relationship between Audit Activities and Fraudulent Financial Practices.

Based on the findings of this study on determining the relationship between audit activities (internal, external, and forensic), and fraudulent financial practices (asset misappropriation, corruption and procurement fraud) it posits that audit activities (external, internal and forensic) have a negative relationship on the fraudulent financial practices (asset misappropriation, corruption and procurement fraud). This means that, audit activities when carried out efficiently and effectively taking into account ensuring the ultimate independence of internal auditors, acting on auditors recommendations, employing the services of forensic audits or perhaps training of auditors with forensic skills and providing resources to auditors to discharge their mandate could lead to the reduction in fraud cases in the MMDAs. These findings are in congruent with the findings of Oppong, et al. (2021) which revealed that internal audits, external audits and audit committees have a positive and significant effect on the effectiveness of public sector audits. Gustavson and Sundström (2016) which posited that good auditing has a positive effect on national levels of public sector corruption. The findings are further in alignment with the findings of Assakaf et al. 2018), who stated that improved public sector audits significantly lower national fraud and according to Lukman and Chariri (2023), which revealed that audit has a significant effect on fraud prevention and fraud detection.

Surprisingly, transparency had a positive but weak effect on fraudulent practices. This contradicts Yasa et al. (2022) findings, which linked transparency to reduced fraud. A possible explanation is that transparency measures in Ghana's MMDAs may be superficial, lacking genuine accountability mechanisms. Alternatively, corrupt officials may exploit transparency policies to legitimize their actions while circumventing real oversight. Ethical leadership ("tone at the top") showed a negative relationship with fraud, supporting Mensah and Yeboah's (2019) argument that strong leadership fosters accountability. However, the modest effect size suggests that leadership alone cannot fully counteract systemic corruption without complementary governance reforms.

With regard to the mediating effect of organisational culture on the relationship between audit activities and fraudulent financial practices, the findings indicated that organisational culture partially mediates the relationship between audit activities and fraudulent financial practices. This implies that organisational culture can either amplify or mitigate the effectiveness of audit activities in preventing fraud. A culture that values integrity, transparency, and tone at the top can enhance the effectiveness of audit activities in detecting and preventing fraud while a culture that devalues integrity, transparency, and tone at the top can result in the ineffectiveness of audit activities leading to the alarming rate of fraudulent activities in the MMDAs. The findings support other studies by Karikari Appiah et al. (2023), which showed that cultural and strategic resilience dimensions of organisational resilience significantly mediate the relationship between audit effectiveness and procurement performance. Mithkal et al. (2021) studied the mediating role of organisational culture on the relationship between information technology and audit effectiveness and revealed that information technology and the efficacy of audits are mediated by organisational culture (OC), which is crucial. The study shows that organisational culture support is critical to improving internal audit effectiveness and that a robust organisational culture can enhance the influence of information technology on audit effectiveness.

The study's finding that organizational culture mediates the relationship between audit activities and fraudulent practices aligns with existing literature that emphasizes the importance of cultural factors in governance and compliance. For instance, prior research by Hofstede (1984) has shown that organizational culture significantly influences employee behavior and ethical decision-making. This supports the notion that a strong ethical culture can enhance the effectiveness of auditing processes, thereby reducing instances of fraud. Moreover, Schein's (2010) model of organizational culture underscores how shared values and beliefs shape organizational behavior. The current study's emphasis on fostering an ethical culture resonates with Schein's assertion that culture is a critical determinant of organizational effectiveness. By demonstrating that a positive organizational culture can enhance audit outcomes, this research contributes to the theoretical understanding of how cultural dynamics influence financial integrity.

5. Conclusion and Recommendations

This study examined the mediating role of organisational culture on the relationship between audit activities and fraudulent financial practices in Ghana's Metropolitan, Municipal, and District Assemblies (MMDAs). The findings revealed nuanced relationships between different audit types and fraud. External audits revealed a weak negative correlation with asset misappropriation, but surprisingly, weak positive links to corruption and procurement fraud. Internal audits showed a weak positive association with corruption and procurement fraud, whereas forensic audits revealed a weak negative relationship with corruption. These results suggest that while audits are essential for fraud detection, their effectiveness varies depending on the type of fraud and the cultural context in which they operate.

A key contribution of this research is its theoretical integration of Agency Theory, Fraud Triangle Theory, and Fraud Pentagon Theory to explain how organisational culture mediates audit effectiveness. By demonstrating that cultural factors like transparency and ethical leadership partially influence the audit-fraud relationship, the study addresses a critical gap in the literature. Practically, the findings emphasise the need for public sector reforms that go beyond procedural audits to cultivate genuine ethical cultures. For policymakers, this implies prioritising leadership accountability, whistleblower protections, and deeper transparency measures to complement existing audit frameworks.

Despite these contributions, the study has limitations. Its focus on Ghana's MMDAs limits generalisability to other sectors or countries. The cross-sectional design restricts causal interpretations, and self-reported data may introduce bias, particularly on sensitive topics like fraud. Future research could address these gaps by adopting longitudinal designs, expanding to private sector contexts, or employing mixed methods to explore cultural dynamics in greater depth. Additionally, investigating other potential mediators, such as technological adoption or employee incentives, could help explain the substantial unexplained variance in fraudulent practices.

Ultimately, this study highlights that audits alone are insufficient to curb fraud without a supportive organisational culture. For Ghana's public sector and similar governance contexts, the path to reducing fraud requires a dual focus: strengthening audit mechanisms while fostering cultures of integrity, accountability, and ethical leadership. Future research should build on these insights to develop more holistic anti-fraud strategies tailored to diverse institutional settings.

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