



External Auditors' Impact on Corporate Governance of Unlisted Firms: A Developing Country Perspective

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ABSTRACT

Purpose: The purpose of this study is to examine the impact of external auditors on the corporate governance of unlisted firms in Ghana.

Design/Methodology: The study adopts a quantitative research survey design approach. Closed-ended questionnaires were distributed to 485 respondents using the purposive and convenience sampling method. Inferential statistics were conducted on the data collected using IBM SPSS Statistic v23.

Findings: The study found that the presence of boards, familiarity with corporate governance codes, and adherence to the code of conduct are prevalent in unlisted firms in Ghana. Also, the study found that the role external auditors play in unlisted firms in Ghana has a positive and significant impact on corporate governance.

Practical Implications to Business or key stakeholders: The findings of the study highlight the importance of establishing effective boards, adhering to corporate governance codes, and actively engaging external auditors to strengthen governance practices. Stakeholder engagement, training, risk management, and policy enhancements are also crucial in fostering transparency, accountability, and sustainable business growth. Implementing these implications can enhance corporate governance, build stakeholder trust, and promote long-term organizational success.

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ARTICLE INFO

Received: March 09, 2023

Revised: May 26, 2023

Accepted: May 29, 2023

Published: May 31, 2023

Keywords:


External Auditors

Corporate Governance

Developing Economy

Unlisted Firms

Agency Theory

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Introduction

The all-encompassing term "corporate governance" refers to the procedures, standard operating procedures, rules, and regulations that direct how organisations and businesses run, manage, and control their operations. These procedures, practises, rules, and regulations guide how organisations and companies operate, manage, and regulate their activities (Camilleri, 2018). In a principal-agent relationship, owners want to

maximise the value of their shares, whereas managers are more interested in "private consumption of corporate resources and business development" (Ninjin, 2020). According to Purbawangsa et al. (2019), the goal of corporate governance is to find solutions to the problems that result from this relationship and resolve them. Ensuring management accountability to shareholders and stakeholders, as well as supervising and monitoring management performance, are key elements of good corporate governance. These aspects collectively contribute to accountability, which is crucial in effective corporate governance. The degree of monitoring that is carried out on behalf of a company's principal by an agent is one of the key factors that determine the maximum level of performance that can be achieved by the company (Koutoupis & Pappa, 2018). Less dispersed ownership, often known as concentrated ownership, sometimes results in higher oversight by the company's management.

In its broadest definition, auditing is the thorough and objective study of a company's data, financial statements, records, activities, and operations to see if they fulfil specified standards. According to Alrashidi et al. (2022), the primary objective of external auditing is to evaluate how effectively a firm complies with the rules, processes, and laws that pertain to its management. The attest function of external auditing is the auditor's judgement on the company's financials. This function is performed by an external auditor and it is an essential part of the auditing process. The presence of an external auditor is one measure that has the potential to contribute to efforts being made to solve the agency problem as part of corporate governance (Abdeljawad et al., 2020). The external auditor would help to promote a system in which managers are either encouraged or forced to be held more accountable for their actions. An external auditor may be able to assist enable a posture that discourages innovative accounting techniques and hyperinflation or inflation of data by ensuring that accounting policies are applied appropriately and for their intended purposes.

Waheed and Malik (2019) argue that concentrated ownership results in more effective management monitoring and helps overcome agency concerns from ownership and control separation. Even though they acknowledge the existence of certain costs, specifically that of low liquidity and reduced possibilities for risk diversification, they maintain that concentrated ownership has several benefits. According to Nashier and Gupta (2020), the lessons learned from various corporate collapses have highlighted some themes of importance. One of the themes is that it has become evident that putting more weight on the "substance of the transaction" rather than solely focusing on its legal form is crucial. When more weight is put on the substance of the transaction, it ensures that the true nature and impact of the transaction are considered, preventing potential misrepresentations or manipulation. Also, according to Amanda et al. (2020), maintaining transparency throughout corporate operations and financial reporting is vital as it enables stakeholders to have a clear understanding of the firm's activities. Moreover, stakeholders will be able to facilitate trust, ensure accountability and make informed decisions. Moreover, effectively managing risk has emerged as a critical theme. Al-ahdal and Hashim (2022) posit that identifying, assessing and mitigating risks help organizations anticipate and address potential threats, safeguarding their stability and long-term viability.

Therefore, despite the positive relationship observed between external auditors and corporate governance (Buallay et al., 2017; Salehi et al., 2017), there is a need to examine this relationship in the context of a developing nation and on unlisted firms (non-publicly traded firms). This is because these organizations (non-publicly traded firms) often receive less attention in academic research compared to publicly traded companies. Moreover, corporate governance is essential in the competitive and modern world of business that we live in today (Puni & Anlesinya, 2020). This is because good corporate governance enables organisations to highlight the most admirable aspects of themselves. That is to say, when a company's objectives are made public, the likelihood of the company being held accountable for its actions and behaviours increases, and as a result, the company is more likely to disassociate itself from fraudulent activity (Amoako, 2017; Manita et al., 2020). Therefore, conducting this study on unlisted firms in Ghana, who have unique governance challenges will help in providing practical recommendations and guidance for enhancing governance frameworks tailored for such firms' specific needs. It will also help and assist regulators, policymakers and business leaders in

developing more effective governance frameworks for this category of companies. The fundamental premise that underpins agency theory, which states that individualistic economic drives can lead to conflicts of interest between principals and agents (Butzbach, 2022; Rauf et al., 2021), is one of the primary points of concentration in the present research. As a consequence of this, the objective of this research is to examine the impact that external auditors have on the corporate governance practises of unlisted firms in Ghana.

Literature Review

Corporate governance plays a crucial role in ensuring organisations' accountability, transparency, and effectiveness (Purbawangsa et al., 2019). Within the realm of corporate governance, the role of external auditors is of particular importance. These auditors provide independent assessments of financial statements, evaluate internal control systems, and contribute to the overall governance framework of firms (Alrashidi et al., 2022; Koutoupis & Pappa, 2018). While the impact of external auditors on corporate governance has been extensively studied in the context of publicly traded companies, there is a significant gap in understanding their influence on unlisted firms, particularly within the context of developing countries.

According to Cheng et al. (2017), unlisted firms, which are not publicly traded on stock exchanges, form a substantial segment of the business landscape in many developing countries. These firms often face unique governance challenges and operate in environments with diverse cultural, regulatory, and economic contexts (Madhani, 2016; Tunyi & Ntim, 2016). Despite their significance, the research on the role of external auditors in enhancing corporate governance within these firms is limited. Therefore, there is a need to examine external auditors' impact on unlisted firms' corporate governance practices, specifically within a developing country perspective. This review thus discusses the role of external auditors in corporate governance based on scholarly articles, reports and empirical studies. Also, the review discusses the theoretical and conceptual underpinnings of the study.

The Role of External Auditors in Corporate Governance

Auditing is the rigorous, objective study of a company's data, financial statements, records, activities, and operations to see if they fulfil standards. Jenkins and Stanley (2019) assert that auditing is the process of examining the books, accounts, papers, and vouchers of an organisation to determine whether or not the financial statements give an accurate and fair picture of the business. According to Hamdam et al. (2021), the auditor is responsible for identifying and recognising the propositions that are being investigated, as well as gathering evidence, evaluating it, and forming an opinion based on his judgement, which is then provided through the auditor's audit report. An independent auditor typically follows a three-step procedure when conducting an audit: planning, obtaining evidence, and producing a report. The auditor creates an audit program to plan the audit, which specifies and schedules the audit procedures that will be conducted to collect the evidence (Appelbaum et al., 2018). Proof gathered to support the audit's conclusions is referred to as audit evidence. In addition, the activities that an auditor engages in to gather evidence are referred to as audit processes (Almasria, 2018). The gathering of evidence can be accomplished using a variety of techniques, including observation, verification, computation, analysis, inquiry, inspection, and comparison. Therefore, an auditor may evaluate the effectiveness of an organization's internal controls, system designs, as well as the company's policies and procedures by following the audit trail. This allows the auditor to identify both the organization's strengths and shortcomings (Manita et al., 2020).

Moreover, according to Jiang and Kim (2020), corporate governance addresses the principal-agent relationship, where owners prioritize private consumption and business expansion, while managers aim to maximize share value. Corporate governance seeks to overcome these challenges by aligning interests, ensuring accountability, transparency, and effective decision-making. Zaman et al. (2020) indicate that the engagement of an external auditor in corporate governance initiatives is a great help in solving the agency problem which

exists in organizations. This is because the external auditor contributes to the creation of an atmosphere in which managers are either prompted to be more accountable or are forced to do so (Admati, 2017). Moreover, the external auditor also plays a role in the facilitation of a situation in which creative accounting procedures and the hyperinflation or inflation of data are forbidden by the correct execution of accounting rules (Vadasi et al., 2019). With the introduction of external auditors in firms, directors and managers can be held liable for their conduct and fined if they falsify or otherwise distort accounting data and financial statements, whether on purpose or by accident (Admati, 2017; Vadasi et al., 2019).

Theoretical Review

Agency Theory

The agency concept is the central focus of this study. The fundamental tenet of the theory is that an agency relationship exists whenever one or more principals choose another individual to act as their agent to carry out a task by the instructions they provide. It is common for such an arrangement to result in the principal delegating accountability to the agent, in which case the principal (or principals) repose their faith in the agent to perform their duties while looking out for the principal's best interests (Jensen & Meckling, 1976). The theory is particularly related to the independent auditor as an agent who is hired to disclose the manager's or directors' performance to the shareholders through the auditing process. According to Baldavoo and Nomlala's (2019), the fundamental tenet of the agency theory dictates that the leader should engage in an opportunistic pattern of behaviour to maximise the value of his utility function. And that for the shareholders to cope with such behaviour, they utilise a third party (external auditor) to monitor the management and assess the quality of the information that is presented (Bosse & Phillips, 2016). When considered within the context of this theoretical framework, the function of an external auditor as a method for controlling and lowering agency costs is two-fold: "It helps, on the one hand, reduce the information asymmetry and, on the other hand, strengthen the mechanisms of corporate governance."

The agency theory emphasizes the necessity for shareholders to keep an eye on the actions of the board of directors (Ahmed et al., 2022; Zogning, 2017). An independent auditor with core financial training and expertise will reduce the incidence of management irregularities or fraud in this relationship. The underlying assumption is that an independent auditor without a stake or a factor to be biased is likely to exhumate inadequacies in the financial dealings of the executive directors/management without fear or favour. An independent auditor with core financial training and expertise will reduce the incidence of management irregularities or fraud in this relationship (Fama & Jensen, 1983). It is therefore on this assumption that evidence becomes clear that independent auditor has a symbiotic relationship with the credibility of financial report. The agency theory under consideration provides a solid foundation for explaining the experiences, skills, and capabilities, also known as qualifications, as part of the process of corporate governance to oversee management and protect shareholder interests.

This is about audit independence and its impact on the quality of financial reports (Arthurs et al., 2009). This provides substantial support for the earlier research conducted by Donaldson and Davis (1991), which found that human capital with the firm's particular skills and capacities can convert intangible resources into sources of competitive advantage. The human resource that is relevant to the current study is the independent auditor in connection to the robust analysis and quality of financial reports in terms of the credibility, understandability, relevance, and integrity of financial reports. The fundamental assumption that underpins agency theory, which states that individualistic utilitarian drives can lead to conflicts of interest between principals and agents, is the primary point of concentration in this research (Fontrodona & Sison, 2006; Maroun, 2017). In other words, professionalism in auditing handling and the process by independent auditors add in no small way to corporate performance, and credible outcomes of financial reports (Maroun, 2017). Therefore, focusing on the auditor's independence, the agency theory magnifies the influence of the independence of the

auditor on the credibility of financial quality, serving as the watchdog on the management, and revealing financial strengths, deficiencies and general performance of the company.

Conceptual Framework

This study presents a conceptual framework that highlights the relationship between external auditors' function and corporate governance procedures in unlisted companies of external auditors and the procedures of corporate governance in unlisted companies. The framework shows the major components and how they interact, showing the effect of external auditors on the governance processes one another, showing the effect of external auditors on the governance processes that are specific to unlisted enterprises. This framework has been specifically adapted to fit the setting of unlisted firms. It places a strong emphasis on the role that external auditors play in improving board supervision, transparency, risk management, and ethical behaviour within unlisted companies. The framework provides a foundation for understanding how the function of external auditors contributes to the effectiveness and integrity of corporate governance in the unique context of unlisted companies by exploring these linkages and so providing a basis for understanding how these relationships operate together.



Figure 1: Conceptual framework indicating the relationship between the role of external auditors and corporate governance in unlisted firms.

Empirical Review and Hypothesis Development

The position that external auditors play in the framework for corporate governance is a very important one. Their primary responsibility is to ensure that the board of directors and management are acting responsibly and in the best interests of shareholders (Appelbaum et al., 2018). According to Amoako (2017), due to the fact that they are not affiliated with the firm, they can give insightful feedback and check the procedures used for internal control, both of which are beneficial to the efficient operation of corporate governance. An important duty of external auditors is to provide an audit opinion on whether or not the financial statements give an accurate and fair picture of the company's financial situation (Amoako, 2017; Appelbaum et al., 2018). This serves as an external objective check on the firm's financial reporting, boosting transparency and providing shareholders with a way to monitor and control management. In addition, it provides the company with an opportunity to improve its financial reporting. It is essential to employ independent auditors who are in possession of the requisite knowledge to audit financial accounts in order to ensure their accuracy if this duty is to be properly fulfilled (Appelbaum et al., 2018).

According to Abdeljawad et al. (2020), an organization's internal control systems are examined by external auditors, in addition to the financial reports that are produced. This evaluation according to the authors helps identify any areas of weakness or deficiency, which encourages accountability and promotes the implementation of actions and policies to remedy these areas of weakness or deficiency. In the study by Manita et al. (2020), the authors indicate that external auditors bring about measures that force accountability and improve the overall structure of company governance by disclosing these inadequacies to management and then

introducing these measures. Furthermore, shareholders are also represented by the interests of the company by external auditors, who provide independent audits that confirm the authenticity of the financial reports (Almasria, 2018). Almasria (2018) postulates that the interests of the shareholders may be protected thanks to this third-party validation, and the accuracy of the financial information can be guaranteed. External auditors according to these authors therefore play a critical role in ensuring that trust and confidence are maintained in the company's financial status and performance by carrying out these procedures.

Also, the performance of risk assessments is another significant contribution that external auditors provide to the process of corporate governance. This method helps identify possible risk areas, such as fraud or corruption within a corporation and evaluates how successful the organisation's risk mitigation strategies are (Manita et al., 2020; Saputra & Yusuf, 2019). From the findings of the study of Almasria (2022) and Fakhfakh and Jarboui (2023), auditors contribute to the improvement of corporate governance practises and the guarantee of the organization's continued viability over the long term by conducting investigations into the overall risk tolerance and the effectiveness of attempts to mitigate risks. In addition, Fakhfakh and Jarboui (2023) indicate that, external auditors lend a hand in crisis management by analysing the efficiency of emergency plans and determining whether or not they are ready. This allows the firms to be more prepared.

One further essential part of the duty of the external auditor in fostering good corporate governance according to Mallin (2016) is to cultivate and preserve fruitful working relationships with the relevant regulatory bodies. External auditors cultivate regulators' trust and confidence by carrying out audits that are open to scrutiny and comprehensive in scope. The trust that is instilled in the regulators as a result of the review of an entity's records and validation of its disclosures by auditors contributes to the strengthening of the entire regulatory environment (Fakhfakh & Jarboui, 2023). Therefore, the presence of external auditors contributes significantly to the improvement of corporate governance practices in unlisted companies. Therefore, the study's hypothesis is

H₁: The role external auditors play has a significant and positive impact on the corporate governance of unlisted firms.

Methodology

Research Design

For the purpose of data collection and subsequent analysis, this study made use of a survey research design. In order to learn how people as a whole feel about a certain concept or topic of study, surveys were deemed the best option. When compared to alternative approaches, the survey design enabled researchers to obtain data from a greater number of respondents at a cost that was significantly less than what would have been required otherwise (Creswell & Creswell, 2017). The researchers wanted to be able to generalise their findings to a broader population, therefore they decided to conduct their research in the form of surveys.

Sample and Procedure

There is a dearth of literature on the effect of external auditors on the corporate governance of unlisted enterprises in Ghana, thus the study narrowed down to the most successful private corporations in the country which are not listed on the Ghana Stock Exchange market. External auditors and corporate governance traits were assumed to be typical of the largest companies in the nation. The use of purposeful sampling allowed for the selection of respondents who grasped awareness of the features associated with corporate governance and the function of external auditors. It was crucial to engage experts on corporate governance and external auditors in this study. The researchers used purposive sampling to guarantee that the selected respondents had the expertise and experience to contribute effectively to the study. The selection of willing participants who were conveniently available for the study was also accomplished through the use of convenience sampling.

Convenience sampling helped the researchers efficiently acquire data under practical restrictions and limited resources. The researchers reached more participants faster and cheaper. The provision of information was entirely optional for respondents, and they were allowed to withdraw their consent at any time over the course of the data-collecting procedure.

Measurement Instruments

In this particular study, the instruments for the assessment were taken in the form of structured questionnaires. The use of questionnaires was decided upon due to the convenience with which they could be administered and the comparatively cheap expenses associated with their analysis. In order to validate the dependability of the data obtained through the questionnaires and guarantee their precision and consistency, a Cronbach Alpha coefficient analysis was performed. The constructs in the questionnaire were adapted from Okafor and Okaro (2018) and Abu Hasan (2010). The surveys were conducted post-pandemic in 2022. In establishing the validity of the survey instrument, the questionnaires were first pre-tested and validity was established using reviews by seven (7) experts in the accounting field (N.B: 5 external auditors). In addition, with regard to the problem of common method bias, the researchers adopted the recommendation that Schwarz et al. (2017) provided. The researchers made sure that none of the components in the survey could be influenced by external factors at the time that data was being collected by avoiding using any items that were unclear or difficult to understand.

Statistical Tools

Following the completion of data collection from all 485 respondents, the IBM Statistical Package for Social Sciences version 23 was utilised in order to perform data analysis and accomplish the objective of the research. In order to offer a concise summary of the replies that were supplied by the respondents, descriptive statistics were computed. These statistics included measurements such as the minimum, maximum, mean, and standard deviation. To investigate potential links and associations among the variables of interest, inferential statistical methods such as correlation and regression analyses were carried out. The researchers were able to glean significant insights and draw conclusions based on the data they gathered thanks to the statistical techniques at their disposal.

Results and Discussion

In this section, descriptive and inferential statistics of the data collected are presented. Also, the reliability and discussion of the findings of the study are not left out. First, the study checked whether the research questionnaire was reliable for further analysis.

Reliability

The questionnaire was tested for its reliability using the Cronbach Alpha value.

Table 1: Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.824	.834	23

The Cronbach's alpha result, presented in Table 1, shows that the scales and items employed in the study to measure the constructs in question had reliability estimates above the commonly used threshold of 0.7 (Pavot et al., 1991). Thus, in summary, Cronbach's Alpha value of .834 in this study indicates that the items and scales used in sorting data from respondents were very accurate and reliable for further analysis.

Descriptive Statistics

The study presents descriptive statistics of the various questions in the questionnaire. First the role of external auditors in an organization and second, the impact of external auditors on corporate governance.

Table 2: Corporate governance structures in unlisted firms

	N	Minimum	Maximum	Mean	Std. Deviation
There exist a board of directors in your organization.	485	3	5	4.02	.454
Senior management and the Board of Directors are familiar with the country's voluntary code of corporate governance.	485	2	5	3.40	.770
All employees and management of the organization adhere to the rules of this code.	485	1	5	3.61	1.137
There exist corporate governance rules or codes for your organization itself.	485	2	5	3.54	1.123
The organization makes publicly the level of adherence to its corporate governance rules and practices.	485	1	5	3.70	.922
There exists an ethics code for your organization.	485	2	5	3.73	.844
The organization have a designated official in charge of monitoring adherence to its corporate governance guidelines and code of ethics.	485	2	5	3.54	.839
The board established a formal and transparent arrangement for maintaining an appropriate relationship with the company's auditors.	485	2	5	3.82	.674
There are sufficient internal control systems put in place within your organization.	485	2	5	3.48	.976
Internal control systems are regularly reviewed and adequately documented.	485	2	5	3.85	1.010

The research began by analysing a few assertions that the organization's corporate governance structures are indicated by. This was done so that the researchers could determine the responsibilities that external auditors play in the process of corporate governance. The fact that the mean values of all of the claims were higher than 3.0, as shown in the table, indicates that the vast majority of respondents agreed or strongly agreed with the statements supplied in the questionnaire about the corporate governance systems in the firm. This demonstrates that the frequency of responses that were either highly agree (5) or agree (4) was higher than the responses that were either strongly disagree (1) or disagree (2), with neutral being (3). Accordingly, all of the representations made about the corporate governance arrangements in the firm were supported by the respondent agreement.

This part of the research examines the function of external auditors in unlisted companies in Ghana. According to the table, it is possible to deduce that the mean values of all of the statements were higher than 3.0, which indicates that the vast majority of respondents agreed or strongly agreed with the statements that were provided in the questionnaire regarding the role of external auditors in unlisted firms in Ghana. This conclusion can be reached because the mean values of all of the statements were higher than 3.0. This demonstrates that the frequency of responses that were either highly agree (5) or agree (4) was higher than the responses that were either strongly disagree (1) or disagree (2), with neutral being the most common response (3). As a result, respondents had no disagreements with any of the assertions made regarding the function of external auditors in unlisted businesses in Ghana.

Table 3: Role of external auditors in unlisted firms

	N	Minimum	Maximum	Mean	Std. Deviation
Your company conducts a periodic external audit	485	2	5	3.41	.823
External audit encourages management to be held to higher standards of accountability.	485	2	5	3.86	.850
Auditors monitor the management-installed internal control systems to make sure they are working properly and complying with regulations.	485	2	5	3.42	1.035
The audit committee has complete authority over the board of directors' corporate management decisions.	485	1	5	3.60	.870
Auditors facilitate more effective oversight of the financial reporting process by the board of directors.	485	2	5	3.42	.962
Auditors analyse security measures put in place by the organization to prevent corporate fraud and corruption and conduct periodic risk assessments.	485	1	5	3.48	1.007
Auditors create effective risk management strategies to be applied when there is corporate fraud and corruption.	485	1	5	3.55	.875
Audit reports convey information to people in charge of the company's governance.	485	2	5	3.73	.892
Audit reports convey information to people in charge of the company's governance.	485	2	5	3.54	.826
Audit reports have improved your organization's stability, dependability, and possibilities of luring in new investors.	485	2	5	3.84	.846
Your organization's effectiveness has increased as auditing issues are more accessible and understood.	485	2	5	3.82	.863
By making disclosures more trustworthy, the audit of financial statements raises public trust in the company's openness.	485	2	5	3.28	.983
External auditors ensure that the board of directors and management are behaving properly regarding the interests of the shareholders.	485	1	5	3.58	1.084

Inferential Statistics

The correlation and regression analysis were conducted to determine the relationship and impact of the two variables under study.

Correlation Analysis

This section of the study presents the correlation results of the variables under study.

Table 4: Correlation

		RO	CG
RO	Pearson Correlation	1	.782**
	Sig. (2-tailed)		.000
	N	485	485
CG	Pearson Correlation	.782**	1
	Sig. (2-tailed)	.000	
	N	485	485

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

The correlation results between the role of auditors (RO) and impact on corporate governance (CG) show a positive coefficient of .782, this indicates that there is a strong and positive relationship (correlation) between the role of auditors and corporate governance. The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between RO and CG is significant (using a 1% significance level).

Regression Analysis

This section of the study presents the regression results of the variables under study. Thus, the regression results for the role of auditors as an independent variable and corporate governance are presented here.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.782 ^a	.611	.610	.25808

a. Predictors: (Constant), RO

In Table 5, the coefficient of determination (adjusted R²) for the dependent variable CG is 0.610, which means that about 61% of the variation in the CG variable is explained by the variable capable RO. While the remaining 39% is explained by other variables outside the model. Thus, the role of external auditors can cause a 61% variable change in the corporate governance of unlisted firms in Ghana.

Table 6: ANOVA^a

Model		Sum of Squares	f	Mean Square	F	Sig.
1	Regression	50.499	1	50.499	758.198	.000 ^b
	Residual	32.170	483	.067		
	Total	82.668	484			

a. Dependent Variable: CG
b. Predictors: (Constant), RO

According to the table, the influence significance test of RO towards the CG, with the F statistic is 758.198 and the error probability (p) = 0.000. Thus, it can be concluded that the variable RO gave significant effects towards CG. The role external auditors play in organizations, therefore, has an impact on the corporate governance of firms.

Table 7: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.044	.093		11.257	.000
	RO	.691	.025	.782	27.535	.000

a. Dependent Variable: CG

From Table 7, it can be observed that the regression coefficient of the role of auditors is 0.691 and the coefficient significance test with the t statistic is 27.535 with an error probability of (p) = 0.000 at the significance level of 0.01. So, it can be concluded that partially, the RO variable positively affects the CG variable significantly. Therefore, the study accepts the hypothesis which states that the role external auditors play has a significant and positive impact on the corporate governance of unlisted firms.

Discussion of Findings

From the findings of the study, there existed a board in all the firms that took part in the study, and the senior management and the Board of Directors are familiar with the country's voluntary corporate governance

code. The study further indicated that employees and management of the organization adhere to the rules of this code of conduct. The external auditor sees to it that all these are adhered to through the auditing process. Thus, it can be argued that external auditors play an important role in corporate governance. The findings of this study support the study of Appelbaum et al. (2018) and Manita et al. (2020) who agree that the auditor creates an audit program to plan the audit, which specifies and schedules the audit procedures that will be conducted to collect the evidence and analyses the strengths and weaknesses of internal controls, system designs, and business policies and procedures using the audit trail. Also, the study further shows that the role of auditors and corporate governance have a strong and positive relationship. The results show a correlation coefficient of .782 which indicates that when firms go through the right audit process, corporate governance issues are strengthened. The results of the study also show that this relationship is a significant one. The results of this study add to the study of Suhadak et al. (2019) and Amoako (2017) who also shows that corporate governance and auditing have a positive and strong relationship. The study's final objective was to assess the role that external auditors play in improving the corporate governance of Ghana's private, non-publicly traded companies. Regression analysis was used to back up the study's claims about the influence of the independent variable on the dependent variable. The study shows that the independent variable (external auditor's role) explains 61% variation in the corporate governance variable and also, and the regression coefficient shows a positive coefficient of 0.691. This result is also significant as it shows that whenever the external auditor's role increases by 69%, the corporate governance of the firm is strengthened by 69%. Corporate governance in Ghanaian businesses that are not publicly traded is thus profoundly influenced by the role of external auditors. Therefore, the hypothesis (H₁) is accepted. The findings of this study support the study of Suhadak et al. (2019), who also found a significant impact of external auditors on corporate governance.

Conclusion

The findings of this study add to the body of knowledge regarding the significant part that external auditors play in the process of corporate governance. In today's highly competitive company environment, having solid corporate governance has become more important than ever before. If a corporation's goals are made known to the general public, it will be subjected to a higher level of scrutiny, which will encourage the company to further separate itself from fraudulent practices. External auditors help guarantee that such systems are in place within organisations, playing a crucial part in the process of fostering strong corporate governance as a result. The outcomes of the research provide evidence that external auditing has a considerable influence, positively and significantly, on the corporate governance of unlisted firms. This conclusion provides support for the premise and framework of the study. These findings are consistent with those found in prior research, which also pointed out the important connection between external auditors and proper corporate governance. This study contributes to the current body of literature by concentrating explicitly on the influence of external auditors on corporate governance in unlisted companies; hence, it makes a significant contribution to the body of knowledge. The findings provide credence to the idea that the involvement of external auditors in the development of better governance procedures is very important. The research highlights the significance of organisations recognising and appreciating the functions that external auditors play inside the institutions they oversee. It encourages workers and external auditors to work together and suggests to executives of organisations that they make the participation of external auditors in corporate governance procedures a priority while also recommending that employees and external auditors work together.

Limitation and Future Direction

The findings of this study may not be able to be generalised to other contexts, which is one of the study's limitations. Due to the study's exclusive emphasis on unlisted companies in Ghana, it may be difficult to generalise the findings to other countries or other types of businesses. In the future, researchers might investigate the link between external auditors and corporate governance in a variety of countries or within

certain industries. This would help to increase the findings' applicability to a wider range of contexts. In addition to this, methodological limitations should be taken into consideration. The majority of the information in the study came from surveys and self-reported measurements, both of which have the potential to be affected by response bias and social desirability effects. Incorporating other data collecting methods, such as interviews or archive data, might help give a more thorough and impartial understanding of the link between external auditors and corporate governance and so help overcome this restriction.

In terms of the future, a comparative study of different countries or areas could be done. This would make it possible for researchers to investigate the many relationships that exist between external auditors and corporate governance practises, taking into consideration the cultural, legislative, and contextual aspects that have the potential to have an effect on such relationships. It would be beneficial to conduct longitudinal studies in order to monitor the development of corporate governance practises and the function of external auditors over time. This type of study would give insights into the influence and efficacy of governance systems over the long term, as well as uncover trends and patterns that might inspire best practices. The Sustainable Development Goals (SDGs) set out by the United Nations might be used as a guide for future study that investigates the potential relationship between the function of external auditors and the SDGs. It would be beneficial to investigate how successful corporate governance practises, which are impacted by external auditors, might help sustainable development across a variety of aspects, such as economic growth, social equity, environmental sustainability, and partnership building. Finally, qualitative research might be done to better comprehend the mechanisms and dynamics of the connection between external auditors and corporate governance. Research methods that are qualitative in nature, such as conducting interviews or conducting case studies, would yield a wealth of information on the procedures, difficulties, and results of corporate governance practises.

Funding: This research received no external funding.

Acknowledgments: We acknowledge there was no external funding support.

Conflicts of Interest: The authors declare no conflict of interest.

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