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Posted Date: 9 September 2025

doi: 10.20944/preprints202509.0830.v1

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Article

# The Rise of Sustainable Corporate Governance in Emerging Economies: Perspective of Government Auditor Capacity and Legislation

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## Abstract

As part of the environmental, social, and governance (ESG) ecosystem, this paper evaluates fundamental success factors that influence external auditors and relevant stakeholders to be proactive and efficacious in sustaining corporate governance practices in emerging economies. The study presents a conceptual policy framework aimed at enhancing sustainable corporate governance, to ensure effective auditing in the public sector, by applying an extensive approach based on agency and corporate risk management theories. Applying an online qualitative technique, exploratory focus groups were held in three countries. The participants were selected by their respective Supreme Audit Institutions, based on their experience and proficiency in public sector auditing. Among the fundamental success factors identified were *capacity building for auditors, poor governance arrangement at SOEs, outdated legislative requirements, skills and specialisation of auditors, continuous training of auditors, synergy between external and internal auditors, financial and logistical constraints, expertise required for audit assignments, understanding of auditee systems/environments and institutional experience, collaboration with stakeholders, lack of commitment culture of auditee leadership, technology limitations, and unhealthy accountability ecosystem and human resources*. Validation interviews were conducted after the success factors to improve the suggested government auditor capacity policy framework were determined. The executive governments, legislatures, legislative oversight bodies, citizens, and worldwide communities can benefit greatly from the empirical segment of this study to enhance sustainable corporate governance in emerging economies and obtain greater contributions from government auditors.

**Keywords:** corporate governance; emerging economies; focus groups; government auditors; interactive qualitative analysis; sustainability

## 1. Introduction

In Westminster democracies, the interplay between public sector auditing, legislation, and sustainable corporate governance practices has long been acknowledged by the relevant stakeholders. According to scholars, a government (*public sector*) auditor is a crucial component of transparent and accountable corporate governance in the public sector (Funnell, Wade & Jupe 2016; De Widdt, Llewelyn & Thorogood 2022; Younas, 2022). The government auditors contribute to the concept of responsible governance, just like every other stakeholder of the Westminster democracy's governmental apparatus. The stakeholders include the government, citizens, legislatures, oversight bodies, investors, and donors among others. Therefore, when the Legislature or Parliament has the authority to hold the Executive branch, including State-Owned Enterprises (SOEs), accountable to the people through government auditors, then such configuration of governance is considered responsible. In a nutshell, Parliament is the vehicle through which government auditors represent



the public, or citizens. Thus, in theory, the Executive's capacity to meet the Parliament's accountability requirements will determine whether it continues to function as the government. Some scholars believe that this was the best style of governance since it ensures that every component of good governance worked in tandem to support one another (Funnell, 1994; Funnell, Wade & Jupe, 2016; Younas, 2022). Therefore, sustainable corporate governance arrangements should apply to stakeholders' interests regarding the management of state institutions.

To increase productive capacities and promote economic development as well as global expansion, several advanced and emerging economies including South Africa and Ghana have embraced the establishment of SOEs since the 1970s (World Bank 2014). Today, many emerging economies provide essential services in significant industries such as finance, utilities, and natural resources through SOEs. In some emerging economies, state ownership of extensive production and services in aggressive industries persists. For instance, SOEs are responsible for 5% of job creation and 20% of investment worldwide. In certain nations, SOEs can even make up as much as 40% of total output (World Bank, 2014).

Supporting the notion of accounting being the language of business, corporate governance is a structure that manages and controls conflicts of interest between management and stakeholders, such as citizens, investors, or shareholders (Younas, 2022). Thus, corporate governance offers the framework for establishing an organisation's goals, whether they are private or public, as well as deciding how to achieve them and track its progress including performance monitoring (OECD, 2015). Scholars confirmed that government auditors, board of directors, management of SOEs and public accounts committees (PACs) are essential actors of corporate governance sustainability (Yasin et al., 2016). Therefore, it makes logical sense that the Legislature or Parliament would always prefer to have government auditors to inform them (*providing assurance*) about the sustainability of corporate governance (Funnell, 1994; Alabede, 2012). For this reason, the impact of government auditors remains a fundamental success factor for sustaining corporate governance practices both in advanced and emerging economies (Hannes, 2010; AGSA, 2019; Audit Service Sierra Leone, 2020). For Samanta and Das (2009) and Alabede (2012), a significant responsibility rests on government auditors to sustain corporate governance practices, as effective auditing often exposes corporate governance weaknesses and makes practicable recommendations for its sustainability.

Nonetheless, considering the persistent systemic corporate governance failures and underperforming SOEs in both advanced and emerging economies (Soltani, 2014; AGSA, 2019; Poee & Stlhalogile, 2023; Mchavi, 2025), the capacity of government auditors as critical mechanisms for sustaining democratic corporate governance, have been questioned by stakeholders. Over the years, Ghana's SOEs have seen terrible corporate performance and business failures due to full disregard for corporate governance, even with independent boards of directors and audit committees (Isshaq, Bokpin & Onumah, 2009; Ministry of Finance Ghana, 2018; Maxwell et al., 2021). Therefore, the interplay between government auditors' capacity and legislation, and how they influence sustainable corporate governance in emerging economies deserves more investigation. In the context of emerging economies, sustainable corporate governance practices are either uneconomical or have diminished (Ayandele & Isichei, 2013; Chigudu, 2018), fueling speculation about the capacity of government auditors. Many SOE challenges are the result of corporate governance failures caused by the board of directors and shareholders, which are government agencies overseeing SOEs' (UNECA, 2021; Mchavi, 2025). Perhaps the frameworks designed for effective operations of SOEs are either extraneous or obsolete.

For stakeholders, good corporate governance and capacity of external auditors both in public and private domains are interconnected since auditing guarantees the accuracy and dependability of financial reporting, which is a critical module of good corporate governance that fosters accountability, transparency, and probity. Regrettably, limited studies have been conducted to develop solutions for corporate governance sustainability in emerging economies' SOEs (Owiredo & Kwakye, 2020; Mchavi, 2025). To reduce corporate failure, it is not surprising that many emerging economies have commenced extensive, sustainable corporate governance reforms and models and



yet without paying attention to the significance of external auditors' capacity as confirmed by the Auditor-General of South Africa (INTOSAI 2018; AGSA, 2021). Additionally, several researchers grapple to find convincing evidence on the fundamental success factors of government auditors (Hay & Cordery, 2018; INCOSAI, 2014), as studies on corporate governance advancement are negligible in emerging economies. There is, therefore, a dearth of meticulous research that investigates how government auditors in democratic systems contribute to corporate governance sustainability in emerging economies. To constrict these gaps, the present study utilised an exploratory chronological qualitative design to discover specific fundamental factors that impact the effectiveness of government auditors. Also, this study extensively examined whether prevailing theories on auditing in the public sector and corporate risk management contribute to the body of knowledge. The subsequent sections include the literature review, theoretical framework, research design, and conclusion.

## 2. Literature Review

### 2.1. *An Overview of Government Auditors and Legislation*

Between 1785 and 1832, government auditors did not possess independent authority and held no direct connection to legislation (Funnell, 1994). Government auditors were deemed representatives of the Executive and, as such, functioned under the direct control of the Executive (Hart, 1960). The main purpose of government auditors, then, was fraud detection and the encouragement of integrity in dealing with government institutions through activities known as public sector audits. Subsequently, government audits in close connection to legislation emerged from 1832 to 1866. In Funnell's (1994) view, a series of fragile governments during the middle decades of the nineteenth century motivated the redirection of the allegiances of government auditors to Parliament. Notwithstanding the significance accorded to the government auditors by the Westminster parliamentary government, the development of public sector audits in the UK during the nineteenth century did not receive critical attention. However, the expectations of financial accountability, transparency, probity and audit in the public sector, as key machineries of good governance, were witnessed in the nineteenth century, where the UK Parliament exhibited curiosity concerning the expenditure and accountability of the military and other state-spending departments, leading to an Audit Act in 1866, for public sector auditing (Funnell, 1994, 2003; Avci, 2015; Funnell et al., 2016). The promulgation of this statute was largely attributable to the lack of eagerness by the UK parliament—following the 1688 revolution—to establish mechanisms to control military spending (Funnell, 1994). In effect, these transformations in government auditing were as a result of the extravagance of the Royal Navy and its conceited indifference to accountability for its expenditure.

From this perspective, government auditing and accounting practices can be traced to apathy in military accountability, that continued until it was opposed by the New Public Management (NPM) reforms, in the twentieth century (Funnell, 1994; Bateman, 2018). The acceptance and promotion of NPM reforms in advanced- and emerging economies have been the agenda of international financial institutions, including the World Bank, International Monetary Fund (IMF) and the African Development Bank (AfDB) (Adikara, 2014). The reforms were meant to render government auditors' function more efficient, and promote expenditure management, transparency and accountability, by adopting private sector practices (Guthrie, Parker & English, 2003). Nevertheless, the government auditors' functions became an indispensable ingredient of the nineteenth century constitutional reforms of the UK Legislature and of administration accountability, that eventually fashioned precedent for the modern practice of government auditing, across the globe (Bunn et al., 2018). Thus, the establishment of oversight-independent authorities, such as public audit institutions headed by independent government auditors with clear legislation, are deemed fundamental to democratic accountability, where audits are conducted to authenticate how public resources are expended and how officials working in the public institutions including SOEs adhere to the rules and regulations. This layout is seen as cementing the sustainability of corporate governance. Certainly, the foundation



of sustainable corporate governance continues to be the strong relationship between the independence of the board of directors, capacity of external auditors and the institutional ownership of both SOEs and private companies (Bunn et al., 2018; Afrosai-e, 2021). In the context of emerging economies, there remains a gap in the literature on the critical functions of independent government auditors and legislation, creating the need for an in-depth study on the fundamental success factors of government auditors (Johnsen 2019).

## 2.2. *The Practice and Framework for Government Auditors Function*

As deliberated in the previous sections, the nineteenth century developments, particularly, led to the design of supreme audit institutions (SAIs) or national audit offices, mostly headed by independent government auditors known as Auditors-General, and the advancement of the practices and principles of government auditing. Following the Declarations of Lima and Mexico (in 1977), the Beijing Declaration (in 2013) recognised the universal goals of SAIs as the promotion of good governance and strengthening of citizens' trust in public institutions (INTOSAI, 2014). In response to stakeholders' demand for public sector governance and sustainable corporate governance, most emerging economies have developed their audit institutions, mandated by their respective jurisdictions to audit public institutions (IPU & UNDP, 2017) and, as such, have independent auditors professionally trained for various audit activities. The establishment of SAIs, where a qualified workforce is subjected to guiding principles and continuous capacity building, are deemed as premises for effective auditing in the public sector, ensuring sustainable corporate governance in public institutions (UN, 2007; IPU & UNDP, 2017). Thus, a capacity building framework for government auditors and SAIs, from this perspective, play a key role in ensuring accountable governance, and proper behaviour by managers of public institutions (Dutzler, 2013 INTOSAI, 2018, Afrosai-e, 2021). It is recognised that sustainable corporate governance will be enhanced where government auditors frequently conduct performance audits and other audit types, to assess public fund stewardship (INTOSAI, 1998; Hakeem, 2010). For instance, a violation of corporate governance practices resulting from a culture of ignoring the independent government auditors' recommendations in South Africa, was captured by the 2019 audit report on local government institutions (AGSA, 2019).

In order to enhance the effectiveness of government auditors and render their functions more relevant in emerging economies, auditing in the public sector requires, inter alia, organisational independence, prosecution power, a formal mandate, capacity building, sufficient funding, competent leadership, competent staff, audit quality, stakeholders support, and professional training (Visser & Erasmus, 2002; DeFond & Francis, 2005; Octavia & Widodo, 2015; Asmara, 2016). Consequently, the independence of government auditors and corporate governance in the public sector is deliberated by several studies (Schelker, 2013; Gustavson, 2015; IPU & UNDP, 2017; Hay & Cordery, 2018; ICBC, 2018; Boakai & Phon, 2020). In most emerging economies, government auditors face several obstacles, including financial and logistical constraints, and an absence of relevant legislative mandates (World Bank, 1989; Visser & Erasmus, 2002), political interference, auditees' resistance, and inability to follow audit recommendations that contribute to poor audit success and impact negatively on sustainable corporate governance (AGSA, 2019; Matlala & Uwizeyimana, 2020). This study also explored significant theoretical epitomes that boost the success factors of independent government auditors and their impact on sustainable corporate governance.

## 3. Theoretical Framing- Corporate Governance and Risk Management

Important theories such as agency and corporate risk management have always been linked to the origins of auditing and corporate governance. Since risk assessment buttresses a critical function of government auditors (Palermo, 2014; Barret, 2022), it is impossible to ignore capacity building strategies for government auditors and SAIs in corporate governance arrangement (OECD, 2012; Vergotine & Thomas, 2016). It ultimately boils down to the interests of stakeholders regarding the substantive tests of auditors and corporate risk assessments. Most organisations including SOEs are



confronted with complex risks (Padovani 2005; Spikin 2013), particularly those operating with a large number of employees and resources. These risks could include unpredictability, competition, technology threats, insufficient workforce training, financial reporting fraud, error, and irregularities. Nonetheless, managers (agents) and business owners (principals) are the key actors in many organisations. Thus, the interaction between principals and agents as well as the costs associated with keeping an eye on the agents' actions are explained by the agency theory (Ross 1973). Agency hindrances and risk-sharing hindrances are the two main concerns in the principal-agent relationship that are addressed by the agency theory (Eisenhardt, 1989; Cordery & Hay, 2017). A conflict of interest between the principal and the agent creates an agency dilemma, which makes it costly for the principal to keep an eye on the agent's behaviour. The fact that the principal and agent view risk differently also contribute to a risk-sharing issue. According to Yusoff and Alhaji (2012), agency costs encompass the expenditures associated with draughting, overseeing, and upholding agreements between disputing parties. These expenses or costs are related to employing assurance providers (external auditors) to stop agents from acting selfishly because of knowledge asymmetry. To mitigate the costs of the principal-agent relationship (Cordery & Hay, 2017), an auditing system or an external auditor capacity can assist in reducing these agency costs (Hay & Cordery, 2018). According to Bunn et al. (2018) and Funnell (1994), agency theory is applicable to parliamentary governance systems in many countries. Therefore, the government auditors, who are appointed to offer assurance on public institutions, including SOEs, represent the legislature and citizens as principals (Boakai & Phon, 2020; Bunn et al., 2018; Cordery & Hay, 2017).

In line with sustainable corporate governance, risk management concentrates on decision-makers and resource managers as well as the external auditors (Spikin, 2013; Barrett, 2022). The process of risk management, even though costly, creates public sector value (Zins & Weill, 2017). The International Organisation of Supreme Audit Institution (INTOSAI) and audit firms have, over the years, contributed enormously to risk management in the public sector environment (Lim et al., 2017), as organisations and principal stakeholders are subject to sophisticated risks. Moreover, the significance of empirical studies on corporate risk management has increased during recent decades, focusing mainly on organisational management, stakeholders, processes of governance, and institutional economics (Modigliani & Miller, 1958; Williamson, 1998; Klimczak, 2007). Theoretically, risk management, from the standpoint of corporate governance, is often connected to organisations and stakeholders (Padovani, 2005; Spikin, 2013) and the genesis of risk management is tied to a corporate body, comprising policy makers and those in charge of resources (Spikin, 2013). As such, several considerations justified the acceptance of risk management and its importance for evaluating value-for-money, accountable and transparent corporate governance, in public sector arrangements (Demek et al., 2018). Thus, the capacity building for external auditors is perceived as a mechanism for evaluating the willingness towards and the monitoring of improved risk management implementation by organisations (Palermo, 2014; INTOSAI, 2018; Afrosai-e, 2021). Furthermore, the adoption of risk management practices by the public sector as a principle of good governance for effective service delivery, has become progressively dispersed over the years (Audit Commission, 2011; Spikin, 2013). Consequently, the capacity of auditors is deemed as improving governance processes by examining how objectives and principles of organisations are established, to guarantee effective management and control (UN, 2007; Rahmatika, 2014). According to Themsen and Skærbæk (2018), the tax financiers—who are usually the key stakeholders and include the citizens—will benefit once organisations implement risk management practices that guarantee trust in public sector institutions. As signified in the section above, it is still unclear, whether current theories are adequate to address those fundamental factors of auditing in the public sector or if a novel theory is required.



## 4. Methodology

### 4.1. Research Design

A qualitative methodology was adopted in this study in addressing the phenomenon. Using sociological viewpoints, communication, and social interface, qualitative research provides an invaluable lens through which to view human experiences, conducts, and social situations. Qualitative research is expected to follow the concept of trustworthiness to the extent that the research is dependable and that the findings are worthy of consideration. Thus, in the collection and analysis of the required data, all the participants enthusiastically constructed their own meaning of reality, derived from their experiences of engaging with the phenomenon in the context, using qualitative online focus groups and validation interviews.

### 4.2. Focus Group

To produce descriptive or illustrative data, an exploratory focus group discussion is typically led by a group facilitator in a social setting (du Preez & Stiglingh, 2018; Chand, 2025). Significantly, various scholars view focus groups as a method of group communication that produces substantive information for research and decision making (Duggleby, 2005; Creswell & Poth, 2018). What sets focus groups apart from other forms of data generating interviews is their explicit use of exploratory group discussions (Krueger & Casey, 2014; Flynn et al., 2018). As a result, focus group conversations may uncover information through participants interaction that would be challenging to gather in a one-on-one interview. The acceptance of exploratory focus group discussions has gained a lot of attention in literature because of growing interest in qualitative research techniques (Lathen & laestadius, 2021). In their efforts to strengthen public sector governance reform in specific countries, the World Bank used exploratory focus groups as participation machinery (Kulshreshtha, 2014; World Bank, 2020). Thus, a significant benefit of adopting focus groups is their proficiency to obtain diverse perspectives in a distinct session, fashioning them resourceful and valuable in content.

Conventional focus groups might be restricted by logistical issues including participants convenience and geographic limitations, even though they provide insightful information about group dynamics and common viewpoints. However, virtual or online modalities have become a feasible substitute to address these problems, providing more convenience and flexibility for a range of demographics. For Lathen and Laestadius (2021), online or virtual focus group research is necessary to guarantee that qualitative approaches fulfil their maximum capability during the COVID-19 pandemic and elsewhere. This study therefore illustrates the application of a focus group approach as part of qualitative research design to investigate significant success factors that influence effective auditing in sustaining corporate governance practices. As recounted by Bédard and Gendron (2010) and Bevir (2010), issues regarding governance must be thoroughly investigated through the lenses of qualitative research design.

The present study applied an online qualitative technique, as exploratory group discussions systematized to investigate a particular set of concerns (World Bank, 2020; Lathen & laestadius, 2021), where participants from their standpoint established numerous fundamental factors that impact effective auditing and sustainable corporate governance in emerging economies. The participants who were knowledgeable about the research subject produced qualitative data, which resulted in factors (affinities) that could influence effective auditing. The findings were successively categorised into themes to determine the relationships among identified factors, leading to the realisation of fundamental success factors shaping the effectiveness of government auditing. Consistent with the objective of this study, constructive reasoning was used by the researchers and the focus group participants to elucidate or decipher the findings (Creswell & Clark, 2018). Following the successful categorisation of factors, a suggested policy framework was developed for effective government auditing in sustaining corporate governance in emerging economies.

### Identifying Focus Group Participants

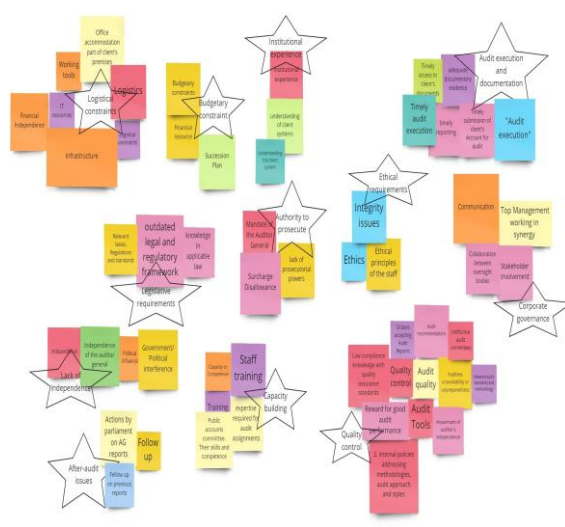


Following the formulation of the research problem, the focus group participants sought to represent their understanding of the phenomenon, its facets of meaning, and their proposed explanations. This approach relates to the interpretive paradigm, in that knowledge is socially constructed. Therefore, the participants or constituents were selected based on certain factors, such as the degree of control over the event and how close they were to or how much they were affected by it (Northcutt & McCoy, 2004). In this study, the constituents comprised a purposive sample of 36 experts in public sector accounting/auditing, hailing from Ghana, Sierra Leone and South Africa. As such, the constituents were selected as closest to the phenomenon under study and they had the experience and authority to represent their reality regarding the factors that influenced effective auditing.

#### *4.3. Data Collection via Online Focus Group*

Conventional qualitative research generally recommends six to 10 participants in a focus group (De Vos et al., 2009; Cohen et al., 2011; Rule & John, 2011), however, according to Northcutt and McCoy (2004), an eight-to-12-member participation is required in an exploratory focus group—as the process does not inspire oral discussion—so as to lessen the likelihood of bias by domineering personalities. However, there is propensity for participants to be disengaged, or that their voices may not be heard in the focus group with many participants (Wyatt, 2010). Hence, during the focus group phase, the constituents' opinions, insights and experiences regarding the phenomenon being studied, are explored via silent brainstorming, to generate data. In this study, the focus group discussions were conducted via an online platform, using the Miro application to simulate the notecards and Zoom for the meeting, as online voice-based group discussions are prevalent in qualitative research (Gray et al., 2020; Lathen & Laestadius, 2021). The researchers gathered information or data in accordance with compliance approved protocols to ensure trustworthiness. Following authorisation of heads of SAIs in Ghana, Sierra Leone and South Africa, three separate online focus groups were conducted in July through to August of 2022. These SAIs were chosen according to their usefulness, readiness to take part in the study, significant ranking position in the global project on SAIs independence, and authors convenience. The participants were leading managers with experience and proficiency in public sector accounting and auditing. A consultant and an authoritative psychologist led the focus groups to guard against researchers' bias. System links were initially sent to the constituents via their email addresses, allowing them to sign up on the online platform. Commencing with the session, the constituents were asked to regulate their thoughts to a state of tranquillity and percipience (Northcutt & McCoy, 2004). They were then requested to reflect on their experiences regarding influences on effective auditing in the public sector, in silence. Towards deconstruction and operationalisation of the research question, an issue statement on the phenomenon was initiated by the facilitator, as suggested by Mampane and Bouwer (2011), to initiate reflection. Thus, the constituents spent about 45 minutes quietly, following a brief discussion of the issue statement, reflecting on their experiences and then typing their reflections on the notecards, with the aid of Miro application whiteboard, to formulate the factors that influence the effective auditing in the public sector. The number of notecards each constituent could place on the whiteboard had no limit, however, only one thought or experience per card was allowed—using words, phrases and sentences. The task of the facilitator was strictly to guide the process and encourage the constituents to write without suppressing their thoughts, until they exhausted their ideas (Northcutt & McCoy, 2004:69). Once every constituent was finished writing, notecards representing the factors were randomly displayed on the Miro application whiteboard. These individual ideas represented sub-factors. The cards were then grouped into comparable themes, and a discussion ensued to ensure that all participants agreed on the categorisation of the note cards. The participants then enhanced the sub-factor category and assigned a designation (factor). The purpose of recording the factor discussions was to document the participants' interpretations of each factor. Data minimisation and retention were the outcomes of the first session, which is a good strategy for distilling meaning from vast volumes of data. The facilitators compiled a summary record of the factors for expanded analysis





#### 4.4. Data Analysis

**Table 1.** Fundamental success factors and sub-factors developed by the participants.

	Focus Group 1	Focus Group 2	Focus Group 3
Participants	11	12	12
Benchmark for choosing participants	Leading Managers	Leading Managers	Leading Managers
Emerging economies	Ghana	Sierra Leone	South Africa
Factors generated	9	12	12
Sub-factors generated	36	56	61

The participants also provided interpretation of each factor in the form of descriptions whilst the facilitator and researcher compiled a summary record of the factors for expanded analysis by the participants. The fundamental success factors and sub-factors of the various focus groups participants were developed as illustrated in Figures 2–4.



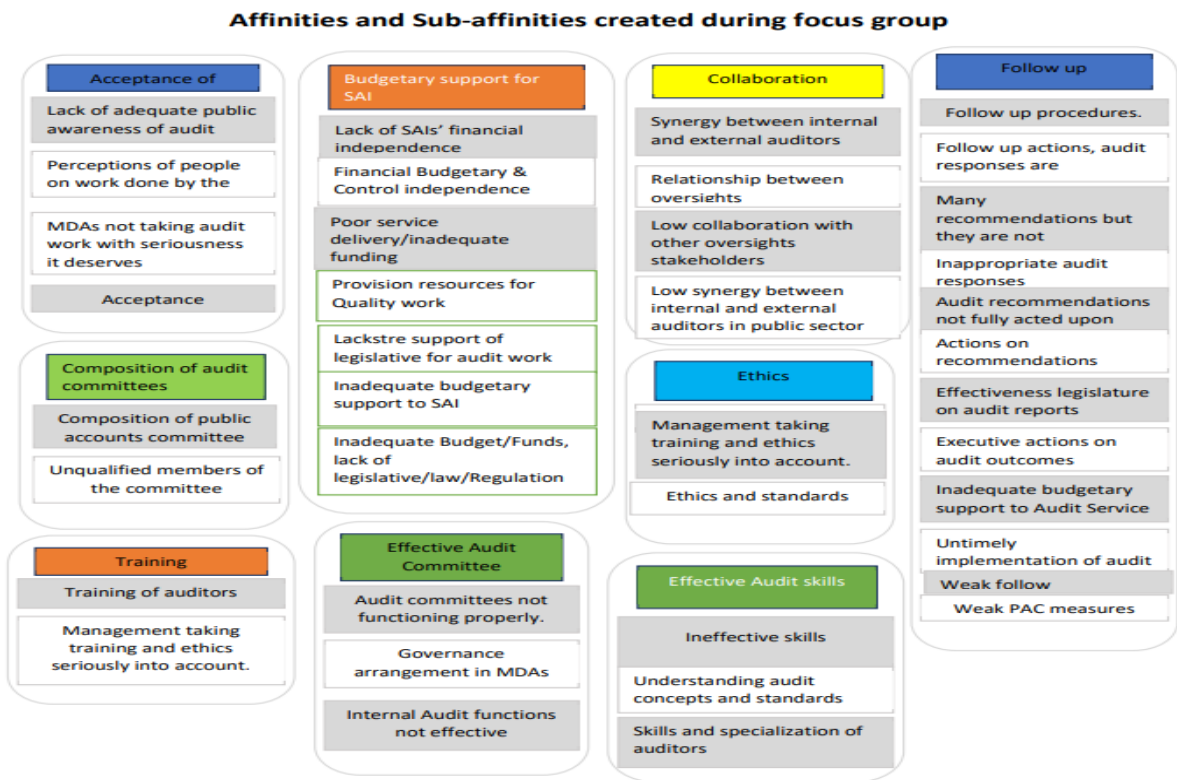


Figure 2. List of factors (affinities) and sub-factors (sub-affinities) developed by focus group 1.

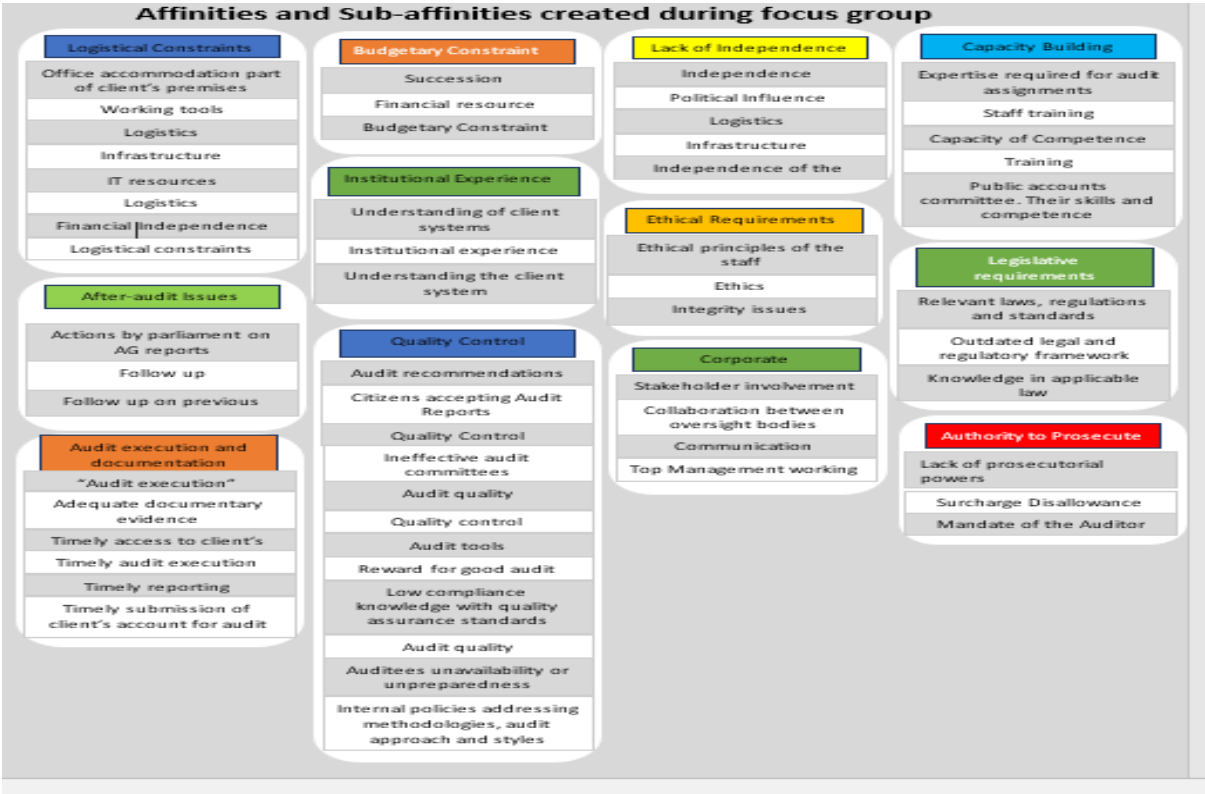


Figure 3. List of factors (affinities) and sub-factors (sub-affinities) developed by focus group 2.



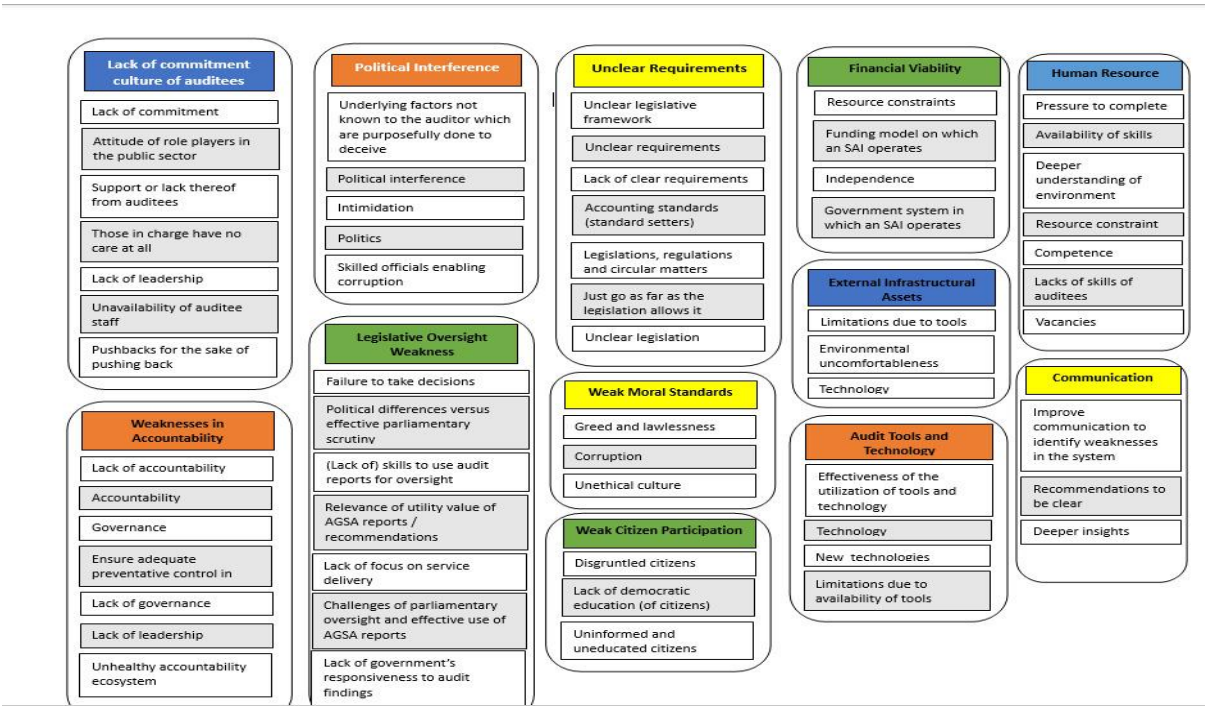


Figure 4. List of factors (affinities) and sub-factors (sub-affinities) developed by focus group 3.

4.5. Semi-Structured Validation Interviews

The second qualitative method selected for this study was semi-structured interviews. These interviews are primarily suitable for exploring individual respondents’ perceptions and opinions on delicate issues for further probing and clarification. Therefore, the semi-structured interviews were conducted after developing the framework from the literature review findings on the factors identified by the focus groups. The researchers deemed these interviews necessary to determine whether expert practitioners agreed with the framework derived from a more in-depth analysis of effective auditing influences identified by the focus groups. Twenty-five in-depth online interviews (via MS Teams) were conducted to validate and refine a suggested policy framework. According to Guest et al. (2006), data saturation typically occurs within the first 12 interviews, after which only minimal new information is expected. Hennink and Kaiser (2022) also suggest that a sample size of 12 to 13 interviews is sufficient to achieve data saturation in qualitative studies. This sample size aligns with recommendations for qualitative research, which often suggests conducting between 10 to 50 semi-structured interviews (Ritchie et al., 2014; Mason, 2015). Additionally, Irani (2019) noted that face-to-face qualitative interviews are comparable to online interviews.

5. Findings and Discussion

5.1. Findings

Following the analysis of data that was generated during the focus group discussions, 33 fundamental success factors with varying degrees of significance were developed out of 153 sub-factors by 35 participants (refer to Table1). For participants from Ghana, nine fundamental success factors out of 36 sub-factors with their respective significance or influence were unearthed (refer to Figure 2). Among the significant fundamental success factors identified by participants are acceptance of audit undertakings by stakeholders, composition of audit committee, continuous training of government auditors, budgetary support (*financial capacity*) for government auditors, effective audit committee, effective audit skills and collaboration among oversight stakeholders as well as internal and external auditors.

For participants from Sierra Leone (focus group 2), 12 fundamental success factors out of 56 sub-factors with their respective significance or influence were unearthed (refer to Figure 3). Among the



significant fundamental success factors identified by participants are logistical constraints, institutional experience of auditors, lack of independence, ethical requirements, capacity building of government auditors, corporate governance issues, authority of government auditors to prosecute those involved in inappropriate transactions with state institutions and legislative requirements. The corporate governance issues include leadership, management, monitoring, structures, processes and systems. For participants from South Africa (focus group 3), 12 fundamental success factors out of 61 sub-factors with their respective significance or influence were unearthed (refer to Figure 3). Among the significant fundamental success factors identified by participants are lack of commitment culture of auditee’s top management, weakness in accountability, political interference, weak moral standards among stakeholders, human resources, external infrastructure and financial viability of government auditors.

5.2. Advancement of Comparable Fundamental Success Factors and Themes

Based on Figures 2–4, undivided themes materialised following further analysis of the factors impacting government auditors and other stakeholders as revealed by the participants. Subsequently, the rearrangement and consolidation of the factors led to the emergence of six themes, one of which was *auditor capacity* as illustrated in Table 2. The focus group participants discussed what emerged to be similar factors and sub-factors by articulating their experiences as specialists. To prevent recurrence, themes were developed by merging both factors and sub-factors because several of the factors overlapped. *The other 5 themes are budgetary constraints (financial viability of government auditors), auditor ethics, auditee corporate governance, audit tools and technology support and legislative requirement (legal capacity).* Succeeding the participants’ discussions, these 5 themes certainly represent various capacities required for government auditors and other stakeholders to be effective in enhancing sustainable corporate governance in emerging economies. These five themes are regarded by the International Organisation of Supreme Audit Institution's Capacity Building Committee as critical capacities necessary for government auditors to function effectively (INTOSAI, 2018; Afrosai-e, 2021). As confirmed by the participants during the focus group discussions, the three most important areas of capacity building that INTOSAI and other donor agencies have supported throughout the years for government auditors have been professional capacity, organisational capacity, and institutional capacity (OECD, 2012). Already, research on capacity building strategies for government auditors and SAIs with theoretical underpinnings is uncommon (Bergeron et al., 2017). Simply put, "capacity building" is the practice of improving an organisation’s management and governance, so that it can achieve its goals and carry out its mission successfully (Kacou, Ika & Munro, 2022:1 2).Therefore, to fulfill a capacity building strategy, SAIs must have government auditors possessed of indispensable knowledge and skills, as well as acceptable technical and management systems, physical infrastructure, and sufficient financial resources (Wing, 2004). Furthermore, SAIs may concentrate on government auditors training (*technical capacity*) whilst ignoring other problems, such as outdated audit tools and technology, outmoded legislative mandate or a physical infrastructure that prevents auditors from implementing new and innovative practices (Fixsen et al., 2008). *In summary, there must be a burgeoning curiosity in strategies to augment research on capacity building for government auditors and SAIs in emerging economies.*

Table 2. Advancement of auditor capacity by participants from distinct focus group discussions.

Established theme	Comparable fundamental factors from the focus group discussions
Auditor Capacity	capacity building for auditors, poor governance arrangement at state owned enterprises, outdated legislative requirements, skills and specialization of auditors, continuous training of auditors, synergy between external and internal auditors, financial and logistical constraints, expertise required for audit assignments, understanding of auditees systems/ownership and institutional experience/capacity, collaboration with stakeholders, lack of



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commitment culture of auditees leadership, technology limitations, unhealthy accountability ecosystem and human resources.

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5.3. Discussion

The impact of an auditor capacity has been discussed in this section. This exploratory study has evaluated the fundamental success factors that influenced the capacity of external auditors and relevant stakeholders to be proactive and efficacious in sustaining corporate governance practices as part of the ESG ecosystem. It presents an auditor capacity policy framework aimed at enhancing sustainable corporate governance, together with adequate legislation, to ensure effective operation and performance of SOEs in emerging countries, utilising an extensive approach based on agency and corporate risk management theories. *As symbolised in Table 2, these analogous fundamental success factors emphatically validate why auditor capacity building is critical to sustainable corporate governance practices in SOEs.* The focus group participants and interviewees underscored the influence of auditor capacity on public sector audit activities and their subsequent impact on sustainable corporate governance. The participants' perceptions of the capacities of public audit institutions and government auditors align with those of important stakeholders, such as the World Bank (OECD, 2015, INTOSAI, 2018; Afrosai-e, 2021). This is because corporate risk identification and management—also known as agency and corporate risk management—are crucial to the integrity and practice of auditing and how they are empirically bonded to sustainable corporate governance practices across the globe. The focus group participants debated that auditor capacity is a critical driver impacting the entire audit execution or engagements. Participants mentioned skills and specialization of auditors, expertise required for audit execution, understanding of auditees' systems and institutional experience of auditors as critical drivers that influence the capacity of external auditors. As a result, government auditors are required to guarantee that corporate governance practices are fully fulfilled through audit execution and recommendations (Anandarajah, 2001; Hay & Cordery, 2018; Schelker, 2013). Participants contended that capacity building for auditors and continuous training in technology also hypothetically influence external auditor capacity and, in that way, impacting accountable and transparent corporate governance in most emerging countries. They alluded that fundamental success factors such as synergy between internal and external auditors, human resources and collaboration with stakeholders including shareholders, managers (business stewards), independent board of directors and oversight bodies significantly influence effectiveness of government auditors. It makes sense that most of the participants during the focus group discussions decried the issues of corporate governance such as leadership, management, monitoring, structures, processes and systems as important fundamental factors that underpin sustainable corporate governance which can potentially be strengthened by government auditors via effective risk assessment. Significantly, it is necessary for public audit institutions in emerging economies to strengthen not only their professional capabilities but also their organisational capability, and their capacity to deal effectively with the external environment of SOEs (Dutzler, 2013; OECD, 2015). It, thus, suggested that constant human resources challenges could be addressed via the effective capacity development framework of public audit institutions. In this regard, they should implement capacity-building measures or programmes to assist them in building professional audit- and institutional capacities, enabling government auditors to execute their mandatory requirements more effectively and efficiently. The focus group highlighted how the efficacy of public auditors had been positively impacted by legislative/statutory requirements. The focus group mentioned relevant laws, regulations and standards as important fundamental success factors influencing public auditors and their direct impact on sustainable corporate governance practices. They mentioned that acquaintance with knowledge of applicable laws and standards would enable auditors to conduct audits effectively. However, the focus group expressed concern relative to outdated legal- and regulatory frameworks meant for public audits and how some SOEs obstruct audit execution.

The focus group participants complained about poor governance arrangement at SOEs, financial and logistical constraints, lack of commitment culture of auditees leadership and unhealthy



accountability ecosystem within public sector. For instance, concerns regarding pushbacks and the risk of pushing back were also expressed by the focus group participants. The focus group indicated the need for independent government auditors (Auditors- General) to be possessed of prosecution authority, the impact this will have on public sector auditing, and how it will significantly improve public accountability and transparency in public corporations and SOEs. They mentioned the Auditor-General's mandate, authority to prosecute, surcharge, and disallowance, as significant influences on government auditors. The focus group reasoned that the Auditor-General fully implementing the surcharge- and disallowance powers, as stipulated by the 1992 Constitution of Ghana, could impact accountability and transparency in public organisations. *One issue they noted, though, was the absence of prosecutorial authority of government auditors, which left managers and the board of directors unaccountable and politically controlled over the operation of SOEs and publicly traded corporations.* The construction of corporate governance frameworks or codes, as described at various forums and in several existing literatures, is not the only solution to corporate governance failures in emerging countries, according to focus group discussions. Rather, much attention should be focused on fundamental success factors impacting the capacity of government auditors and SAIs.

For the economic advancement of emerging countries, launching suitable corporate governance frameworks and regulations for public institutions, especially SOEs—should be a top concern through the resource-based view of auditors’ capacity strategy. It is therefore obligatory to re-examine the legislation controlling government auditors and corporate governance practices in emerging economies. The World Bank assessment report on 118 countries revealed that public audit institutions need institutional capacity, human resources and proficient audit skills, in order to execute its key role of fostering not only sustainable corporate governance, but also public accountability and transparency (Anon, 2021). Gaining the capacity of government auditors and SAIs to enhance sustainable corporate governance is a gradual process that demands funding in capacity building, professional training and the reinforcement of governmental or administrative capabilities (UNCTAD, 2019). In summary, a suggested auditor capacity is presented in Table 3.

**Table 3.** The proposed auditor capacity policy framework.

<b>Category: Auditor capacity</b>	
<b>Principle 1:</b> Relevant capacity building frameworks and strategies will ensure public audit institutions’ professional capacity, human resources and proficient audit skills in order to secure their key role of fostering sustainable corporate governance.	
<b>Principle 2:</b> Relevant and clear legislative requirements will assure supreme audit institutions’ mandates, its secure independent functions and its practices of public sector auditing, whilst strengthening its role and responsibilities in public sector corporate governance.	
1.	Fundamental success factors impacting external auditor capacity and sustainable corporate governance (refer to Table 2).
<b>Recommendations:</b>	
1	Top management of SAIs must collaborate with stakeholders and implement the relevant aspects of INTOSAI and AFROSAI-E’s capacity-building frameworks, to assist them in maintaining their role and capacity.
2	SAI leaders must engage the legislature and development partners to ensure successful auditor capacity development.
3	SAIs must develop its own capacity building strategies at various levels of its operations, including in-house and external training for staff, knowledge and skills development for Public Accounts Committee, the media and CSOs. Such strategies should enhance the professional, technical and research base capacity of the SAIs, as well as the transfer of knowledge amongst auditors, CSOs and PACs.
4	All public businesses must develop appropriate corporate governance standards and laws that consider the most recent developments in sustainable and successful corporate



	governance practices. Ensuring the implementation of all audit recommendations mandatory and enforceable in the corporate frameworks or codes.
5	To maintain SAI’s continuity and cooperation with the legislature, a liaison directorate should be established. In this capacity, the liaison directorate will ensure that the SAI is aware of any current parliamentary interests or concerns that require consideration when developing the annual audit programme. The directorate will ensure that lawmakers are regularly informed of SAI activity that may be significant to lawmakers. The liaison directorate will assist lawmakers, particularly PACs, in communicating its perspectives to the SAI, on issues of mutual concern.
6	When the SAI is both mandated and independent with clear legislation and regulations, then the practices and functions of public sector auditing are said to be strengthening corporate governance practices. Therefore, SAIs' mandates should be clearly anchored in laws established by the Legislature, devoid of any ambiguity.
7	Public institutions, including state-owned businesses, need to be strengthened by requiring a culture of ethical and technically capable boards, elucidating the relationship between boards and important stakeholders, repairing the milky regulatory structure, and redefining the missions of these institutions to make their goals and missions clearer.

6. Conclusion

The primary objective of this exploratory study was to evaluate the fundamental success factors that influence the capacity of external auditors and relevant stakeholders to be proactive and efficacious in sustaining corporate governance practices as part of the ESG ecosystem in emerging economies. The researchers further examined the relevance of legislation or regulations that ensure effective operations and performance of government auditors and state organisations, particularly SOEs. In doing so, the exploratory study evaluates how auditor capacity interfaces with legislation and stakeholders in public sector governance. The uncovered fundamental success factors are considered as significant variables that strengthen auditors’ capacity and sustainable corporate governance practices in both advanced and emerging economies. In the end, an auditor capacity policy framework for effective auditing was developed, utilising an extensive approach based on agency and corporate risk management theories. In-depth data from focus group discussions and resource-based perspectives on ideas that influenced the study's guidance were used to perform the exploratory study. The focus group participants' perceptions were shaped by their different experiences, even though their roles and responsibilities as public sector auditing experts are comparable worldwide.

However, the comprehensive information (fundamental success factors) produced, and the conclusions reached should be transferable to other, comparable situations because the researchers employed exploratory technique based on qualitative principles. Following the exploratory focus group discussions, 25 government auditing specialists participated in semi-structured interviews. These interviews helped to confirm and improve the substance of the proposed auditor capacity policy framework as illustrated in Table 3. It has been eminent that auditors’ capacity building is interconnected to effective auditing and sustainable corporate governance practices and their implications on public accountability and transparency. The exploratory study filled considerable gaps in the research puzzle, resulting in important implications. To determine the fundamental factors influencing the capacity of external auditors in emerging economies, the researchers adopted an interpretive research methodology. As clarified in section 5.2, despite the identification of six themes that impact effective auditing, this exploratory study only looked closely at auditor capacity. Important ideas such as auditors’ capacity, stakeholders’ interests and sustainable corporate governance, which require more research to promote the advancement of theories and their practical consequences in other emerging countries, were covered in detail by data analysis and focus group discussions.



The findings or results have important implications for policy and scholarly literature. This exploratory study was timely given the concerning issues surrounding sustainable corporate governance in emerging countries and the paucity of research on the capacity of government auditors. As a result, the study provided a basis for further investigation and experimentation in the field of public sector auditing. In this study, the supply side of public sector auditing underscores the significant impact of auditors' capacity, which legislators and other regulatory agencies in emerging countries should be aware of given similar challenges. The viewpoint of emerging countries on the demand side of auditing in the public sector may provide more information for enhanced effective auditing in addition to the study's suggestions for future research. Consequently, the application of focus groups may be expanded upon in future comparative studies on the impact of effective auditing and auditors' capacity in other contexts and economies, especially in emerging countries. In both advanced and emerging countries, stakeholders share a commitment to environmental security, auditors' capacity building, and sustainable corporate governance. For important stakeholders, such as legislative bodies, executive governments, public audit institutions, and investors, the empirical segment of this exploratory study offers unique insights. To prevent unforeseen corporate governance failures in the administration of SOEs and other public organisations in emerging countries, these stakeholders might use the study's advice when fashioning policies and implementation instructions.

**Funding:** This research received no external funding.

**Institutional Review Board Statement:** The research involved human participants. All procedures performed including request for participants selection were in accordance with the standards of the institutional and /or Unisa College of Accounting Sciences Research Ethics Review Committee. The approved request letters to three Auditors-General in Africa and Unisa Research Ethics Review Committee approval can be made available upon request.

**Informed Consent Statement:** Informed consent was obtained from all individual participants involved in the study through their respective audit institutions.

**Data Availability Statement:** The data used to support the research findings are available from the corresponding author upon request.

**Acknowledgments:** We would like to thank the University of South Africa (Unisa) and Unisa College of Accounting Sciences Research Ethics Review Committee.

**Conflicts of Interest:** The authors declare no conflicts of interest.

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