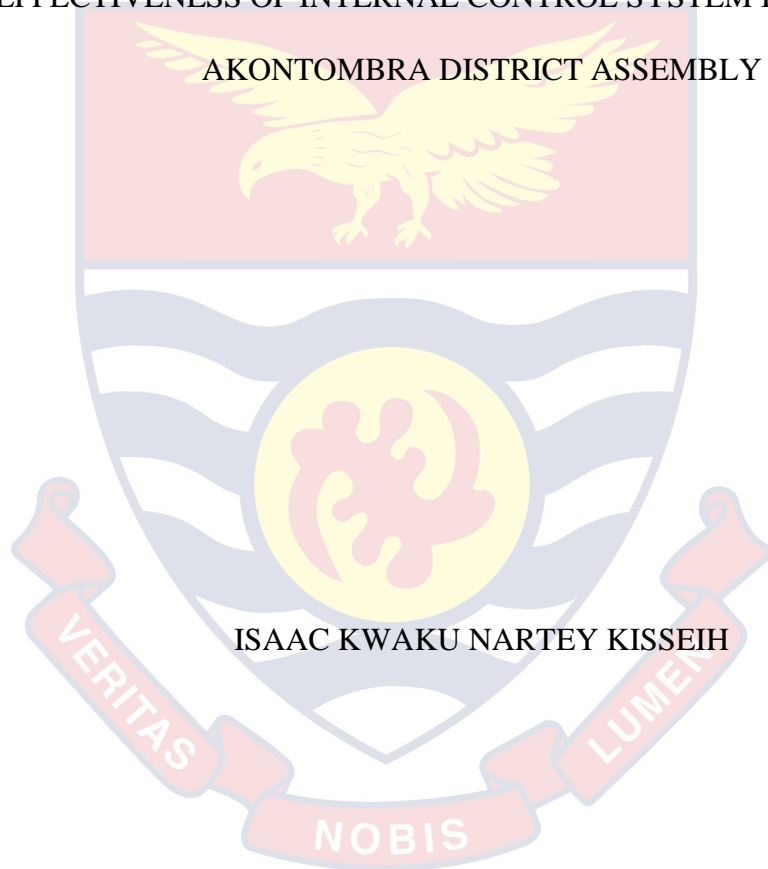


UNIVERSITY OF CAPE COAST

EFFECTIVENESS OF INTERNAL CONTROL SYSTEM IN THE SEFWI

AKONTOMBRA DISTRICT ASSEMBLY



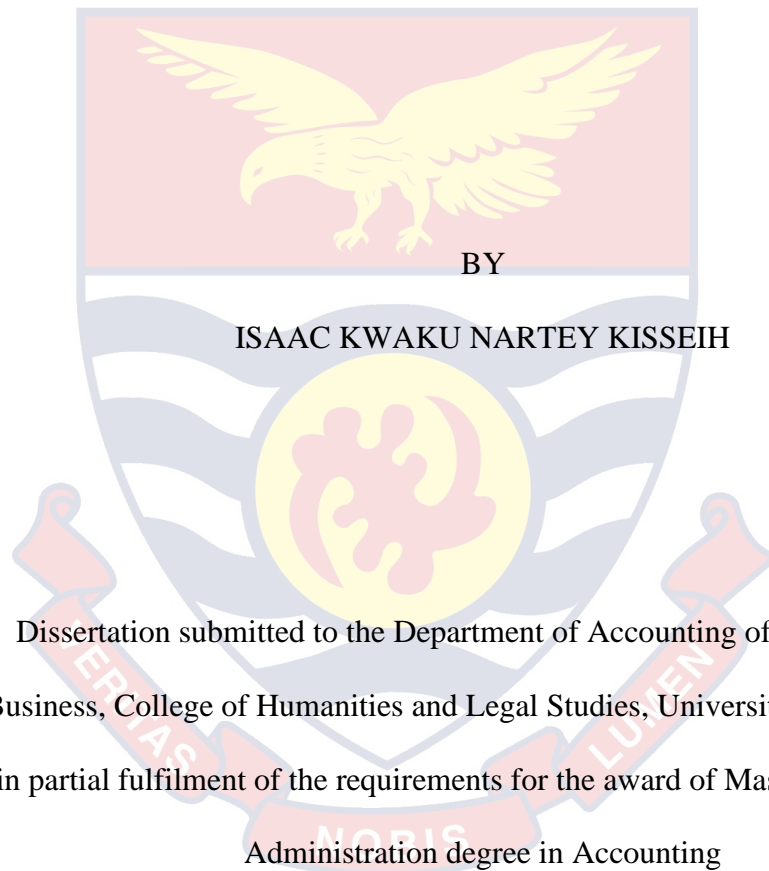
ISAAC KWAKU NARTEY KISSEIH

2021

UNIVERSITY OF CAPE COAST

EFFECTIVENESS OF INTERNAL CONTROL SYSTEM IN THE SEFWI

AKONTOMBRA DISTRICT ASSEMBLY



Dissertation submitted to the Department of Accounting of the School of
Business, College of Humanities and Legal Studies, University of Cape Coast
in partial fulfilment of the requirements for the award of Master of Business
Administration degree in Accounting

SEPTEMBER 2020

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:..... Date:.....

Name: Isaac Kwaku Nartey Kisseih

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:..... Date:.....

Name: Mr. Emmanuel Yaw Arhin

ABSTRACT

This study sought to evaluate the effectiveness of the internal control system in the Sefwi Akontombra District Assembly. The study adopted the descriptive survey research design. Both the purposive and random sampling technique was employed to select 54 staff for the study. Data were collected using a questionnaire while data analysis was done using means and standard deviation. The study found that control activities and Information and Communication Systems are the existing internal control components existing in the District Assembly. The study also revealed that the internal control at the assembly is quite effective. Specifically, the control environment, control activities and monitoring activities component of the internal control systems were effective. However, information and communication systems and risk assessment components of the internal control systems were not effective. Finally, it was found that the challenges associated with the implementation of an effective internal control system in the District Assembly are vast and included a lack of financial resources to enforce and implement internal control rules and regulations and making too much politics in the enforcement of internal controls rules. It is recommended that management of District Assemblies should be very active and ensure continuous ongoing and separate internal control monitoring to ascertain that control really exists and are functioning properly. Additionally, management should as much as possible limit the influence of politics in the enforcement of internal controls rules.

ACKNOWLEDGEMENTS

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Again, to all my friends, Mabel Awuah, Agnes Asare, Bertino and all MBA Accounting Students, 2017/2018. I say God bless you. Finally, to the almighty God for his gift of nature, mercies, the strength, the wisdom and the life He has given to me.

DEDICATION

To my wife Dorothy Adu and my son Amram Kofi Odeffour Kisseih



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CHAPTER ONE

Introduction

Since the second half of the 20th century, much attention has been drawn to internal control system existing in most public institutions. This attention is due to increasing misappropriation which affects public institutions. To remedy these situations that pose challenges to public institutions, it is needful that internal management structure is used as the primary tool. Drawing inspiration from this, this study evaluates the effectiveness of internal control system with particular reference to selected Sefwi Akontombra District Assembly.

Background to the Study

It has been established that District Assemblies form an important part of the economy (Bening, 2012; Owusu-Mensah, 2015). The roles of District Assemblies as specified in the Local Government Act 462 in 1993 include accomplishments of policies, events and procedures required in order for mobilisation of revenues such as human resources needed for the total growth of the districts. Also, they are to take care of maintaining security and public peace within the district in joining hands with the suitable national-and-local-security-agencies (Republic of Ghana, 1993). It is an undeniable fact that for effective and efficient implementation of the above-specified functions, there is the necessity for efficient internal control systems within the District Assembly.

The significance of the internal control system has been acknowledged. Globally, enormous care has been apportioned to issues of an internal

management system within organisations. Public institutions and corporate bodies have been encouraged to give undivided attention to their internal control systems (Aganya, 2011; Berkowitz, 2005; Aduam, 2015; Gamage, Lock & Fernando, 2014). Internal control systems are specific instruments such as reviews, checks and balances, steps and strategies laid down by an entity to run its affairs in organised and effective ways, protect its properties and revenues (COSO, 2006). A useful and well-organised internal control system serves as the weapon to prevent fraud, errors and minimise waste in an organisation. That internal control is an instrument used to ensure that it attains its goal and aims (Treba, 2003).

According to Kaplan and Norton (2008), any organisation, despite its way or level of processes, should obtain an effective internal management structure deep-rooted in its exercise to help attain the entity's aims and missions. Kwayie (2016) maintained that internal management is a changing basic way which is repeatedly accustoming to challenging a company's changes. Ssuuna (2011) posited that there exists a basic thought that companies and execution of well internal influence system will always take us to enhance financial achievement. Also, that internal control is an instrument used to ensure that it reaches its goals and mission (Treba, 2003). Jokipii (2010), asserting that the agency theory and supported by the contingency theory, posits that internal control influences structures that promote efficient control of revenues and efficient and effective ways of organisation.

The recent scandals in organisation and legislations such as the Sarbanes Oxley Act in 2002 have stirred the desire of the public to focus on the significance of internal influence structure in an organisation of which

District Assemblies, are no exception. The ineffectiveness of internal control systems in various institutions accounted for these recent scandals in organisation. However, a well-structured and well-implemented internal influence structure does an enormous and indispensable duty during the operations of the District Assembly. It perfectly forms the basis for securing the operations of the District Assembly. In the operation of the District Assembly, a structure of efficient internal influence is a crucial part of the administration and a solid ground for the well and protected process of the Assembly (Kwayie, 2016).

The internal control structure which is in operation in the assembly must fit well into the tradition and culture of the assembly and be in the place of responding quickly to current issues confronting the assembly. Besides, the internal control system in the assembly should consist of procedures and policies that will safeguard the assets of the assembly, give trusted financial reporting, improve agreement with rules and regulations and attain proficiency and processes in the district (Aduam, 2016). However, in the event of ineffective internal controls, losses and ineffective programmes resulted in the operation of the Assembly (Ofori, 2015).

This assertion explains that an effective internal control system brings about unproductiveness and ineffective programs and eventually leads to losses (Ofori, 2015). Evidently, the outcomes of the Treadway Commission Report of 1987 in the United States (USA) concluded that the unavailability of internal influence or the availability of feeble internal influence is the fundamental basis of many cases of deceitful institutional financial statements. According to Aladejebi (2017), internal control was targeted at the achieving

the goals in public organisations, and the indication of effective internal influence structure improves performance. Having this basis, this research endeavours to assess the efficiency of the internal management produce in the Sefwi Akontombra District Assembly.

Statement of the Problem

The role of internal control systems in the operational work of an organisation has become relevant in recent years (Dimitrijevic, Milovanovic & Stancic, 2015). An efficient internal control system is important in helping administration to notice any fraudulent act and create suitable punishments and management inside an organisation. Moreover, an efficient structure gives confidence without doubt concerning achieving a company's goal (COSO, 2013). The ineffectiveness of internal control system resulted in the misapplications and misappropriations of district assembly funds according to the Auditor General report on the Accounts of District Assemblies for the year end of 2010 (pages 16, 26, 28 and 50 in contravention of Part VII Section 2, Part VIII Sections 1 and 2 of the Financial Memoranda for District Assemblies, 2004 and Section 179 (1) of the Financial Administration Regulations, 2004).

Internal control problems have become rampant in recent years, causing excessive financial loss to the state. The internal control system in public organizations, especially in the District Assemblies, is mostly misunderstood and associated with political and administration alignments instead of it be seen with open-minded and entirely (Aduam, 2016). This has led to distrust of the public within the internal managements in the District

Assemblies. This stands to reason that internal management structure is very essential in creating control to notice deceit and initiate suitable punishments and managements inside District Assemblies.

Several studies such as Ayagre, Appiah-Gyamerah and Nartey (2014); Owusu-Boateng, Amofa and Owusu (2017) and Agyemang (2009) conducted on the effectiveness of internal control system, especially in Ghana, have focused on the banking sector. The other studies conducted in Ghana (for example, Tackie, Marfo-Yiadom & Achina, 2016). Was on the determinants of internal control system but have failed to concentrate on evaluating the effectiveness of internal control system of a specific district assembly. This study examines this issue by taking a specific look at evaluating the internal control system in the Sefwi Akontombra District Assembly.

Purpose of the Study

The primary purpose of the study is to evaluate the effectiveness of the internal control system in the Sefwi Akontombra District Assembly.

Research Objectives

1. Analyse the internal control systems existing in the Sefwi Akontombra District Assembly.
2. Assess the effectiveness of the internal control system in the Sefwi Akontombra District Assembly.
3. Determine the challenges of the internal control system in the Sefwi Akontombra District Assembly.

Research Questions

The following questions guided the study:

1. What are the internal control systems existing in the Sefwi Akontombra District Assembly?
2. How effective is the internal control system in the Sefwi Akontombra District Assembly?
3. What are the challenges of the internal control systems in the Sefwi Akontombra District Assembly?

Significance of the Study

The findings of this research will enable law-makers in the District Assemblies to create and execute a competent, sound and important internal control system to be able to accomplish its objectives. Also, the study's findings will provide a basis against which District Assemblies may evaluate their internal control system and ascertain their competency. The study's findings will create consciousness to the necessity for the competent internal control system in District Assemblies in general and the Ministry of Local government. Additionally, the findings of the study will bring to limelight whether internal control systems are well integrated into the operations of District Assemblies in Ghana.

Finally, the study will provide literature on the internal control systems on District Assemblies in the country, which will be used for further studies.

Limitation

The study's limitations are regarded as situations above the researcher's influence that might restrain the conclusions of the study and their utilisation to other circumstances. Some respondents failed to complete the questionnaire. This curtailed the data collected, but the researcher removed all those questionnaires that was incomplete. Despite the above limitation, the study complements the existing knowledge on the effectiveness of internal control system.

Organisation of the Study

This study was grouped into five chapters. Chapter one gives the background and introduction of the study including those of objectives, research questions, significance of the study and limitation of the study. Chapter two focuses on a review of related literature. Here, it looked at theoretical, conceptual and empirical studies related to the study. Chapter three, comprises the research methods. Chapter four is made up of results and discussion. Chapter five constitutes a summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter is committed to a review of literature relating to the study. Issues discussed include the concept of an internal management structure, the objectives of internal management structure, the uses and importance of internal management structure, components of the internal management structure, rules or criteria of the internal management structure, and roles and responsibilities of internal audit unit.

Definition of Internal Control

Internal Control has diverse explanations, but the commonly employed definition is that of the Committee of Sponsoring Organization (COSO) (2003) which explained internal control as the procedure carried out by a group board of directors, management and other personnel, created to give reasonable assurance pertaining to the accomplishment of goals in the following classifications; competency and proficiency of procedures, reliability of financial reporting and conformity with practical laws and regulations. Whittington (2004) opined that the differences of opinions had lived long ago pertaining to the definitions and goals of internal control. Numerous people have revealed the concept of internal control as processes embarked by a company to avoid misuse of resources and deceitful financial reporting.

While Whittington (2004) admit that internal control is essential for the avoidance of deceit, internal management has the same duty in ensuring influence over duties. Millichamp (2002) explained internal control as the total structure of influence, financial and other things, formed by the administration to proceed with the affairs of the company in a precise and effective way to assure compliance to administrative programs, protect the goods and safeguard in as much as the finishing and correctness of the data.

Auditing and Assurance Standards (AAS) 6 (SAS, 300) defines the system of internal control as *'all the programs and strategies gotten by the administration of a group to assist in accomplishing administrative goal of making it as far as applicable the mannerly and competent administration of its affairs consisting compliance to control programs, the protecting of resources, the avoidance and noticing of deceit and mistake, the preciseness and absoluteness of the accounting reports, and the timely arrangement of reliable financial information'* (Ofori, 2011, p.7). Power (1997) asserted that internal control system is not only internal check or internal audit, but the entire structure of management, financial and otherwise, created by the administration to proceed with the affairs of the institution systematically, protecting its revenues secure and so far as the correctness and accuracy of its data.

According to Guy, Alderman and winters (1999), an internal control system can consist of a broad range of precise goals and related programs and strategies. For example, a manufacturing company may create some internal control system to promote the feature of its goods, to get natural resources at the least possible prices, to motivate its employees to partake in the social

growth of the society it operates, or to avoid doing business with customers who are not likely to pay. Hevesi (2005) alluded that internal control is the combination of the duties, strategies, character, programs, and abilities of the individuals in an organisation working collectively to give plausible confidence that the organisation will accomplish its goals and aim. Schroy (2010) stated that internal control is the procedure influenced by an organisations' system, duty and authority flow, individuals and control data structures, created to aid the company to achieve precise aims or missions.

Schroy (2010) further contends that internal control is a way through which a company's revenues are guided, supervised, and evaluated and therefore portrays a crucial duty in avoiding and noticing deceit and safeguarding the company's revenues, both physical and intangible. According to Attah-Botchwey (2018), internal controls are group of programs and strategies incorporated by a company to ensure that an organisation's deals are done in the suitable way to prevent waste, fraud and misappropriation of organisation revenues. He stressed that it is relevant to recognise that internal controls provide only justifiable but not definite confidence to an organisation's administration and management team that the company's goals will be attained.

Components of Internal Control System

Internal control differs considerably from one company to the other, contingent upon diverse conditions, consisting of the size, kind of procedures, and goals of the organisation. The internal control of a Polytechnic varies from the internal control of a District Assembly. However, in the submission made

by Guy, Alderman and Winters (1999), irrespective of the nature and objective of the entity, its effective internal control structure, which is focused on achieving its objectives and mission. The COSO structure of internal control grouped the internal control system into five categories, namely: influencing area, influence operations, risk evaluation, information and communication, and assessing works (Arwinge, 2013; COSO, 2013).

Krishnan (2005) pointed out that the established internal control system within these five components can significantly affect how the auditor approaches his work in terms of planning and how to perform the audit. Therefore, these five components are vital for the conservation of the kind of internal control system and how they are considered in an audit. In considering the proficiency of internal financial control, the administration should regard these five vital components.

Risk Assessment

Toma, Chiriță and Șarpe (2012) explained risk as to the likelihood of loss which can be ascribed to the unpredictable of the event. Any entity may encounter various forms of threat from an internal and external source, which should must assessed. A precondition to risk assessment is establishing objectives, associated at different stages and internal coherence (COSO, 2013). Risk evaluation is the classification and identification of important threats to accomplishing the goals, creating controls for deciding how threats must be controlled. Risk assessment, thus, in financial reporting is typically related to the company's capability to document, analyse, review and broadcast financial data. Explicitly, it may be explained as determining the

kinds of probable misreporting and creating influences to avoid or immediately recognise those misreporting.

Guy et al., (1999) observed that risk assessment is a company's description, evaluation, and administration of threats crucial to the documentation of financial reports that are impartially given in line with typically approved auditing guidelines. According to them, a risk assessment procedure considers outside and inside occurrences and conditions that may severely control its competence to management's declaration in the financial statement. If not determined and addressed in a timely manner, many threats can cause misstatement in the entity's financial statement. Therefore, threat evaluation is a critical part of the internal control system.

According to Bies (2003), risk evaluation consists assessing the predisposition of element scheduled or programmed directive scope of splurge, theft, misuse or incompetence. It is a filtering instrument that enhances the fast determination of probable challenges which might need preventive efforts. Risk assessment is rated in supremacy order through risk assessment in accordance with the possibility and hardness of damage results. Bies (2003) further emphasised that the risk assessment procedure ranks risk scopes as high, medium or low risk. Based on the ratings and the possibility of hardness of the damage results, a yearly strategy is structured, prioritising and determining the risk control review to be done. Richiute (2001) asserted that administrative duty is to determine the risk which occurs on their works, financial reporting and adherence goals, and put in place actions importance to control them

Ricchiute (2001) opined that risk management might emerge solely as a result of managing change. For example, changed operating environment could call for risk of divestiture in the telecommunication industry; engaging new senior executives could be as he would not have understood the entity's culture. The risk assessment is an essential part during the avenue in analysing the rate of influence. The moment an importance aspect is seen, management works must be should enforced. Regular observation evaluation should assist to ascertain inappropriate structured or inefficient management and must be announced continuously.

Control Activities

Administration performs various activities as means of ensuring accuracy, completeness, and authorisation of activities. Some of these duties may be as follows; differentiation of activities, authorisation and consent and monitoring. Control operations assist organisation to go in for new programs and processes in order to respond appropriately to determine risks. Administration designs management duties to safeguard the revenues of the organisation and making sure that the organizations goals are accomplished. According to Ricchiute (2001), management duties are the programs and processes, adding to the management environment and the information structure that administration create to give justifiable assurance that goals are accomplished. In order words, management duties are programs and processes created to make sure that control activities are efficiently enforced.

Programs and processes as such enhance initiatives that look at risks which affect the company. They include various works as different as consent,

authorisation, validation, reconciliations, summaries of work output, securing of properties, and separation of duties. Toma, Chiriță and Șarpe (2012) noted that control procedures ensure complete and accurate financial statement reporting. Completeness and accuracy of recording is prerequisite of complete and accurate reporting”. In his explanation, there should be right approval boundaries for the deals which should justifiably limit the organisation’s exposure to risk. According to the submission made by Guy et al., (1999) and Millichamp (2002), control works are the programs and processes administration creates to address risks which may deter a group from attaining its goal.

Control duties have diverse goals and they are used at diverse organisational and operational stages in the company. According to Millichamp (2002), the following categories of activities are required for effective control procedures:

1. Performance Review: This involves a regular and consistent comparison of actual performance with budget and forecast to ascertain whether the entity is meeting its objective, and to put timely corrective measures of any unforeseen circumstance that might inhibit the entity from achieving the target.
2. Information processing: This involves procedures aimed at ensuring the dependability of information processing and data reports created for management decisions. The control activities are used to check authorisation, accuracy and completeness of transactions. Computers could perform the control activities. For instance, a computer program may check the validity of the account number entered from invoices before accepting them for

processing. They, however indicated that one of the great risks in the modern data processing system is the potential for corruption and loss of data and information held in computer files. It, therefore, bears on management, the responsibility to put in place risk-free measures (for example, provision of back-up facilities) to rescue any of these events.

3. Physical Control: This is about the physical keeping of resources and includes processes created to restrict entry to only approved persons. They consist of internal control tools which restrict danger to loss of resources, records, or deceit. Physical control also includes simple measures such as keeping high-value items under lock and key; approval to gain access to computer programs and report documents; and the regular calculation of assets and juxtaposing it with amount or quantities displayed on management records.

4. Separation of Activities: Separation of duties is designed to reduce the loss of assets by ensuring that not a single individual must be accountable for the stating and preparing of an entire business, or only liable or handling resources or statements without interference by others. The participation of many individuals limits the danger of any person carrying out and hiding mistakes and irregularities in the usual process of discharge of his or her works.

Information Processing and Communication

According to Gray and Manson (2000), information and communication are performance indicators that allow administration to assess the major jobs and financial duties and risks, move with their financial objective, and determine development that requires intervention. As a

component of internal control system, information and communication encompasses both the information systems used to produce financial information and the communication of that information to the appropriate person at the appropriate time. Shim, Yang, Kim, Han and Cho (2014) also opined that communication systems indicate strategies and ways that organisation embrace to bring crucial information, orders and arrangements. The information and communication system enables the organisation's individuals to take and interchange the information needed to control and perform its works (Noël & Lemire, 2010).

Supervising of Management

Guy et al., (1999) defines monitoring as the way of evaluating the proficiency of internal of accomplishment over a period of time. As entities enlarge or expand their works in their submission, fresh staffs may enter the company or the efficiency of training and monitoring might differ. It, therefore, bears on management the responsibility to analyse if the internal management structure progresses to be effective. This is done through monitoring. Monitoring, therefore, gives justifiable confidence to the board that there exist suitable internal management processes for all the organisation's financial job works and that these processes are being emulated.

In their work, COSO (2013) ascertain that supervising is the process whereby the works of internal management accomplishments is evaluated over a period of time and is achieved by ongoing supervising works and by different internal control evaluation as individual-assessment, reviews of each other and audits internally. With this, internal control systems must be a

watched process which evaluates the proficiency of the structure's achievement over-time. In the words of COSO and the corroborators as cited above, the aim of monitoring is to analyse if the internal control is effectively created, accomplished well and efficient. It is effectively created and well implemented when all the five internal control parts are adequately available and working as created.

The aim of executing on board internal controls is to assess the organisation's competency and effectiveness of the organisation, retain the image of the organisation's financial records, and make sure that the organisation is in adherence with all applicable laws and regulations. Many organisations possess structure solutions available therefore they can continuously supervise their internal controls. In addition, the controls need to be updated regularly to reflect changes in regulations.

Effectiveness of Internal Control

The internal control consist structures came out with needs for a competent pattern of internal control. According to COSO (2013), an effective system provides reasonable assurance in relation to achieving a company's goals. A productive system of internal control alleviates, to an appreciable stage, the risk of not accomplishing the company's goal. It is needed that all the five parts and important guidelines are available and working and the five parts operate hand in hand since the parts are interwoven on one another with many interrelationships and linkages among them, particularly the manner in which guidelines function in and over the other. (COSO, 2013).

An internal control system can be evaluated to be competent if the leaders of the management and supervisory board acquires a justifiable confidence, pertaining to the work in the company's system, that the organisation:

- Accomplishes competent works if external programs are not possible to acquire an essential influence on the attainment of goals or in the case that the organisation can justify foreseen the outlook and timing event and outside influence to an appreciable stage.
- Comprehends the level to which works are controlled appropriately if outside programs might have a crucial influence on the accomplishment of the goals or in the case in which the organization can justifiably foreseen the outlook and timing of outside programs and reduce the influence to an appreciable stage
- Plans reports in adherence with applicable rules, regulations, and standards or with the company's particular reporting goals.
- Conforms to the working rules, laws, code of ethics, and outside laid down rules. (COSO, 2013).

Role of Internal Audit Unit (IAU) in Evaluating Internal Controls in Ghana

Local government over the years in Ghana have been necessitated to create and conform to efficient internal control systems to enable them obtain their aims, prohibit waste of revenues, enhance dependable financial reporting and adherence to rules and regulations. However, from the execution of the Decentralisation policy in 1988, the decree of the 1992 constitution of Ghana

and the implementation of the Local Government Act (Act 462) of 1993 (Republic of Ghana, 1993), there has been a significant increase in the Internal control requirement (Attah-Botchway, 2018). A unit established to see to the adherence to program manual and correct deviation from management code of conduct or principles is the Internal Audit Unit (IAU).

According to the Audit manual for Metropolitan, Municipal and District Assemblies, the mandate of the IAUs in the MMDAs should be explained by the Internal Audit Charter and the duties forced on the Audit function by the legal framework of the Internal Audit Agency Act. The IAU reviews all business process activities in a particular department or through the whole MMDAs. Some of the information an internal auditor (IA) observes consists assets, liabilities, waste, incomes, IT environment, cash flow statements and inventory. The IA's duty is to analyse whether the books are consciously being meddled with or if errors have been made in the documentary procedure. The internal audit operation must help the MMDAs in sustaining adequate influence by assessing their competency and enhancing continual growth.

In the process of evaluating or reviewing the controls in either a specific department or throughout the organisation, the IA conducts audits. Some types of the IA audits that could be used to evaluate controls by the auditor include financial audits, operational audits, fraud and financial irregularity audits and information technology (IT) audits. Internal controls in a computerised area consists both manual processes and processes created into computer software. These management processes include-general IT controls and applications controls. The scope of the IAU's work is to analyse if

whether the risk management, management and ruling procedures, as created and stand in for by the Management of the MDAs, is adequate and functioning to verify that: Risks are well determined and controlled.

Communication with the diverse ruling happens as required. Important financial, control and working data is correct, dependable and timely. Accounting procedures are effective. Employees' actions comply with programs, standards, processes and rules and regulations. Revenues are needed for economic growth, to use well and in as much as possible guided. Projects, programs, strategies and goals are obtained. Excellence and consistent growth are enhanced in the MMDAs and are seen and properly handled. Chances for enhancing administrative influence control and the MMDAs reputation may be seen in the course of audits and reported to the right management stage.

Limitations of Internal Controls

According to Millichamp and Taylor (2008), internal control is an essential aspect for any institution which is managed proficiently. Nonetheless, it is crucial to know that internal control has intrinsic restraints. This constitutes a demand that the cost of internal control is not unequal to the probable loss which might happen from its unavailability, probable human mistake made by the pressure of a lot of chores, alcohol, recklessness, disturbance, the error of appraisals, insensibility and the misconception of order. The probability of evasion of management whether alone or by joining forces with others either external or within the organisation to misuse duty by senior managers out going in management overrides controls. Other limitations include fraud, changes in the environment making management

insufficient, and lack of or much internal management limits work output, rise the complication of doing businesses, rise the time needed to do businesses and amount no worth to the works.

Empirical Review

Many studies have assessed the potency of internal control systems of diverse organisations. For example, Muraleetharan (2012) learnt the influence of internal control on the financial accomplishment of selected private and public organisations. The key finding was that financial performances are statistically significant in determining performance and a good relation among internal management and financial achievement. However, based on the statistic there is no essential correlation between control environment and information and communication and financial performance. The research recommended that much concern should be given in order to get an effective control information system and staff training to understand the principles of internal controls.

Mensah (2011) evaluated the competence of internal control system in Public Institutions. He showed that there exists thought monitoring, approval and separation of responsibilities at Takoradi Polytechnic. The results further showed that administration does not interact to the staff of the new management programs implemented. Again, the results revealed that the revealed the control systems at the polytechnic are nit productive and are geared towards getting to know and how to hinder of theft and mistake.

A study by Owusu-Boateng, Amofa and Owusu (2017) on evaluating the internal structure of control concluded an internal control system. It further

revealed that the management teams are highly responsible for making that an adequate and competent structure of internal control is set and controlled. Also, the administration has overseeing duties for allocating in places plans and policies established by the board.

Ayagre, Appiah-Gyamerah and Nartey (2014) also studied the effectiveness of internal control systems. By administering 56 questionnaires to all managers, the study concluded that a stalwart management is at the control environment and supervising work parts of the internal control systems of banks in Ghana. The study particularly revealed that there exists a Board of Director's devotion to honesty and moral values. A study by Affum (2011) to evaluate the effectiveness of internal control at Papsco Ghana Limited concluded that internal control procedure comprises authorisation and approval, segregation of duties, physical controls, arithmetical among others. It also revealed that the internal audit department does major duty in competency of the organisation's internal control systems.

Siayor (2010) assessed the effects of risks and internal control systems on the performance of DnB NOR ASA, a Norwegian financial institution. A questionnaire was employed as the data collection instrument. The study finds risk management and internal control systems as integral parts of DnB NOR ASA. The study concluded that internal control measures are important in instituting adequate checks and balances within the organisation. The strong financial performance by the bank during the financial crisis between 2007 and 2009 was due to strong internal control systems available.

Ndamenenu (2011) studied how internal control contributes to organisational effectiveness and efficiency. The study revealed that

management is responsible for internal controls within the organisation with strictly adhered control policies. Also, the internal audit department is responsible for monitoring internal controls. To ensure independence, the internal audit department is separated from the other departments.

Chapter Summary

The review of literature on internal control and the clarifications have appeared us that there are several interpretations to the subject of internal controls, which pre assumes that the subject has assorted areas. This implies that those areas are subjective to other implications in diverse situations. Internal controls are created and actualized by the Board of Directors and management of a company to guarantee reliable reporting, securing corporate resources, as well compliance with laws and controls. All these are to assist the organisation to realise its goals. In conclusion, internal controls give many merits and profits to those organisations which might put strong management benchmarks. Effective utilisation of organisations revenues may be an outcome of well managed benchmarks put across. Also, it aids in alleviating theft and other inappropriateness in financial reporting and misuse of funds by employees.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter discusses the steps that were followed and the various activities that were carried out to collect data for the research. Specific areas of concentration covered include the study area, the research design, study population, sampling procedures, sampling techniques, sources and instruments of data collection, analysis of data and limitation of the study.

Research Design

The study employed the descriptive research design. Gravetter and Forzano (2006) pointed out that descriptive research generally includes assessing variables. This was done by given respondents with well-formed questions, it is likely to achieve self-reported answers on attitude, views, personal characteristics and behaviours. Nugor (2012) also submitted that descriptive research is created to gather data with relation to the status quo. According to Osuala (1991), the descriptive survey is applicable to the researcher, and it identifies the now or existing requirements at the research period. Descriptive method of research assists to determine the main conclusion pertaining to a condition at a specific period.

Nanda, Rivas, Trochim and Deshler (2000) posited that descriptive research is concerned with existing conditions and relations. These include practices, attitudes and opinions of people. Thus, there is always an objective description of activities. According to him, descriptive research answers the

question OF who, what, where, when and how. Consequently, in respect to the evaluation of the internal management structure of the Sefwi Akontombra District Assembly, the descriptive research design was chosen by the researcher as it characteristically has the potentials of gathering the needed response from the respondents for an objective result.

The researcher adopted the descriptive design because of its potential of producing good responses from respondents. It gives a clear meaning of occurrences and endeavours to describe people's thoughts in relation to the situation being examined. Also, with descriptive design, in unclear item-depth another question can be asked to follow up, and unclear questions can be explained. Again, the descriptive design is suitable for collecting information through questionnaires, interviews or observations.

Research Approach

This study adopted the quantitative research technique for the purposes of collecting and analyzing data using questionnaires. Raimo (2019) posited that quantitative approach includes numbered data that can be analyzed utilizing factual methods for estimation.

Quantitative includes generation of data in quantitative form which can be subjected to thorough quantitative examination in a formal and unbending way. A research questionnaire was created to assist the researcher in achieving a quantified data. Also, this method was employed because it is in line with the positivism approach.

Study Area

The Sefwi Akontombra District is one of the 260 Metropolitan, Municipal and District Assemblies (MMDAs) in the Western North Region of

Ghana. Moreover, the Administrative Capital of the District is Akontombra. Sefwi Akontombra District Assembly was established and inaugurated on 28th February, 2008 by Local Government Act 463, 1993. The Legislative Instrument (LI) 1884 established the assembly. The District Assembly as the Planning Authority depends greatly on the taxes it collects from rural agriculture farmers in creating funds for running its administrative machinery, especially during market days. The main revenue-generating centres are Nsawora, Essase and Akontombra.

The reason for the district's choice is that there has not been any research which has assessed the effectiveness of internal control systems in the District Assembly. Most of the research within the District have focused on other important issues, including working conditions of staff, revenue generation challenges and job performance of employees. It is relevant to assess the potency of the internal control practices in the District to enhance it.

Population

The study population is the total summation of cases that suit the designated set of criteria (Penrod, Preston Cain & Starks, 2003). It includes the total summation of factors that the researcher has interest in getting data and analysing an informed conclusion on. Amedahe (2002) posited that a target population is the sum total of issues on which the researcher may use to make generalisation on. The target population comprises 64 administrative staff.

Sample Size

Using the Yamane (1973) formula as a yardstick for choosing sample size in a given population of sixty-four (64). The sample was taken from the various departments within the District Assembly. A sample of fifty-five (55) respondents was selected to have a fair representation of the various service providers in the company. The Yamane (1973) formula was utilized to determine the sample size. The determination of the sample size is given as:

$$n = N / \{ 1 + N (e)^2 \}$$

Where; n = sample, N= population e = error margin

$$n = 57 / \{ 1 + 64(0.05)^2 \}$$

$$n = 55.17255.172$$

Hence, the sample size for the study is 55.

Sampling Techniques

The researcher employed two sampling techniques in selecting the sample size of 55 respondents. Specifically, for the management the purposive sampling was used, and simple random sampling techniques was used select the staff. Different sampling techniques were employed because of the differences in their populations. The selected respondents were believed to be those in control of affairs at the assembly and thus have an-depth understanding of the responsibilities of their units. The basic determining factor in purposive sampling is the research's evaluation as to who can give the best information to accomplish the study's objective. In this case, the

researcher only got in touch with those informants who, in his view, are likely to have the needed information and be ready to share it.

Targeting only the informants as the sample for this study helps lower cost, provide a more accurate result, and increase the speed of data collection and analysis. On the other hand, random sampling is used for all participants in the population whom when the sample is drawn, get a similar opportunity or likelihood to be part of the study (Henn, Weinstein & Foard, 2009).

Data Collection Instrument

The instrument which was employed to gather the data was a self-distributed questionnaire, the questionnaire comprised of close-ended items only. The option of the questionnaire will be grounded on the believe of Cohen, Manion, and Morrison (2004), it is largely employed and helpful for gathering survey data, given patterned, numeral information and is given out without the researcher present. Also, the questionnaire was justifiable appropriate and cheap in comparison to a face-to-face interview, specifically when the sample is far away from the researcher (Basu, Georgalas, Kumar, & Desai, 2005). Hair, Babin and Tatham. (2006) further asserted that a questionnaire is potent if the information to be gathered from a large number of respondents and when confidentiality of the respondents is to be given.

The questionnaire items were made up of close-ended questions grouped into 4 components; A, B, C, D; each addressed each of the research questions. Section A sought to gather personal data from the respondents. Section B focuses on the component of the internal control system at the Sefwi Akontombra district assembly. Section C contains questions on internal

control system effectiveness. Finally, Section D contains information on the challenges of the internal control system.

Data Collection Procedure

Initially, a letter of introduction was obtained from the Department of Accounting, the University of Cape Coast, to the management of the assembly. The researcher introduced himself to the management of the assembly for the exercise. The data for the study was collected through a questionnaire for the fifty-five (55) respondents. The questionnaires were given to the respondents to give their opinion about the situation at the Sefwi Akontombra District Assembly in respect of the internal control system. The researcher's administration was done personally by the researcher for the collection of the required information necessary for the assessment of the internal control system.

Instrument Validity and Reliability

The questionnaire was presented to the research supervisor to assess the instrument's appropriateness in yielding the right kind of answers. The reliability of the research instrument was assessed using Cronbach's alpha. Numerous researchers consider the value of 6.0 to 0.70 and over as satisfactory (Cooper & Schindler, 2006).

Data Analysis

Emory and Cooper (2003) opined that raw data gotten from research is worthless, only if it changed for decision-making. Data analysis generally of limits the raw data to an appreciable size, developing summaries and using statistical inferences. Hence, the following procedures were embarked on to

determine the data for the study: Data processing and analysis Data collected was processed utilising the Statistical Package for Social Sciences (SPSS, version 22.0). Mean and standard deviation were then used to analyse the data.

Ethical Considerations

Blanche, Blanche, Durrheim and Painter (2006) asserted that it is important to protect information gathered from the field. The researcher ensures that replies partakers gave could not be traced back to them in the analysis. Participants are required to present written informed approval, which is skilled and have total comprehension of the research, willingness in partaking and the freedom to stop or come out at any time in the study.

Chapter Summary

This chapter presented the research methods used during the research. Firstly, the descriptive survey research design was presented, followed by study area, population and sampling design, which articulated how data was sampled from the population. The sample size was also presented, followed by data collection methods, data processing, and data analysis.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The results and discusses of the research is presented in this chapter. The aim of the research was to assess the effectiveness of the internal control system in the Sefwi Akontombra District Assembly. Specifically, the research intended to determine the internal control system; evaluate the competence of internal management structure; and identify the challenges of the internal control system in the Sefwi Akontombra District Assembly. The results and explanations are presented with regard to the sequence of the research aims.

Response Rate

The questionnaire was administered to the respondents and collected on the same day. The names of the respondents were not taken to ensure the confidentiality and anonymity of the respondents. The merit of anonymity, as asserted by Osuala (2001), is that the researcher can brief the respondents to get it precisely what the things on the survey mean to obtain the correct responses. The whole duration of the questionnaire administration was 3 hours. The study return rate was 94%.

Demographic Characteristics of Respondents

This section gives the demographic features of the respondents. The inclusion of the demographic characteristics of the respondents is important in grasping the dynamics among the selected group, and an in-depth understanding of these characteristics helps explain the study results.

Table 1: Demographic Data of Customers

Variable	Sub-scale	Frequency (N)51	Percentage (P)100%
Gender	Male	39	76.5
	Female	12	23.5
Age	20-29 years	15	29.4
	30-39 years	25	49
	40-49 years	8	15.7
	50 or more	3	5.9
Educational Background	SHS/Equivalent	7	13.7
	HND/Diploma	15	29.4
	First Degree		
	Second Degree	25	49
Number of Years Spent Working		4	7.8
	1 year and below	13	
	2 – 5 years	6	
	6 – 9 years		
	10 years and above	24	
		8	

Source: Field survey (2021)

Table 1 shows the socio-demographic characteristics of the respondents used for the study. The result in Table 1 reveals that out of the total respondents sampled for the study, 76.5% were males, while 23.5% were females. This implies that the males are more than the females. This ample variation affirms the common assertions that males are preeminent in public institutions than females. However, this did not affect the validity and reliability of the results like the kind of responses from the questionnaire administration required objectivity.

From Table 1, that majority, 49% of the respondents, fell within the 30-39 years age group while a minority of 5.9% of the respondents were 50 years and above. This infers that most of the respondents were generally youthful, thus, seen to be exceptionally enthusiastic and committed to work due to their energetic nature.

From Table 1, it is evident that there are more First-Degree holders than any of the other qualifications. Whereas First Degree holders detailed 49% of the sampled respondents, 29.4% of the total respondents were HND/Diploma holders, while a minority of 7.8% of the respondents were recorded as Second-Degree holders. This indicates that many of the respondents had Bachelor Degree qualifications (First degree), which is a common requirement for most government employees in the country.

Finally, the results in Table 1 indicate that majority, that is, 25.5% of them had worked within 1 year and below while 47.1% and 15.7% of them had worked within 2-5 years and 6-9 years respectively. Undoubtedly, it is broadly expected that the higher the number of a long time a person works

in a field shows their skill and conversance with the work. Based on this result, it could be alleged that the majority of the respondents were without much experience, as opined by Steffy and Ledvinka (1989), that individuals who have worked in a particular field for not more than 5 years are inexperienced.

Internal Control System Existing in the Sefwi Akontombra District

Assembly

The first objective sought to identify the internal control system existing in Sefwi Akontombra District Assembly. According to Lannoye (1999), the components of internal management highlight the essence of control, critically determining and assessing conditions that can prohibit it from accomplishing its aim. Table 2 displays the results.

Table 2: Components of Internal Control System Existing in the Sefwi Akontombra District Assembly.

Components of Internal Controls	Mean	Standard Deviation
Control Environment	3.71	1.137
Control Activities	3.88	1.013
Information and Communication Systems	3.82	1.014
Monitoring Activities	3.67	1.089
Risk Assessment	3.71	1.082

Mean of Means = 3.75; Mean of Standard Deviation = 1.067

Source: Field survey (2021)

Table 2 presents the five components of an internal control system according to COSO (2013). These are control environment, risk assessment, control activities, information and communication and monitoring. From Table 2, the majority of the respondents strongly agreed that the practice of time management in the District Assembly includes control activities. This was apparent as the respondents' responses on the articulation recorded the highest mean, 3.88. Control activities constitute the approaches, methods, and hones set up to assist guarantee that an organisation's work force carry out board and management directives at each business level through the organisation. Therefore, control activities happen across every stage and works of the organization (Botez, 2012).

The existence of control activities in the assembly encompasses a range of manual and automated works which provide evidence of the implementation of these works and proper documentation (Lamoye, 2005). These control activities are performed by administration to ensure the attainment of organisational objectives and risk management. Also, with means as high as 3.82, the respondents again strongly agreed that another internal control system in the District Assembly is Information and Communication Systems. Information and Communication Systems is part of the internal control systems which consists the process of determining, catching and interchanging data regularly to ensure the organisations able to achieve the laid down goals.

Information is essential for every business to undertake internal control duties to help attainment of its goals. Therefore, the board gets and employs essential and facts from within and outside avenues to assist the working of

other parts of internal control. This component of internal control is the systems and procedures which assist the determination, catch and reciprocate data within a shortest period which will ensure that personnel perform their duties. Therefore, the effectiveness of the control system hinges on essential and dependable data which must be documented and passed on to the board and other workers in the company (Lamoye (2005).

On the whole, it could be concluded that the respondents, without doubt, strongly agreed that control activities and Information and Communication Systems are the existing internal control components in the District Assembly. These results suggest that control activities and Information and Communication Systems are essential and valued by management since such practices serve as pathways to achieving the goals and objectives of the assembly. These findings are consistent with Ayagre, Appiah-Gyamerah and Nartey (2014) who reported the same findings in their studies.

Effectiveness of Internal Control Systems in the Sefwi Akontombra District Assembly

A well-structured and well-implemented internal control system plays an enormous and indispensable role in the management of an institution and perfectly forms the basis for securing the Institution's operations. Therefore, this explains that an ineffective internal control system brings about unproductiveness and ineffective programmes and eventually leads to losses (Aramide & Bashir, 2015). In this view, the second objective sought to assess the effectiveness of the internal control system in the Sefwi Akontombra

District Assembly. The respondents' feedbacks pertaining to this goal are shown in Table 3 below.

Table 3: Effectiveness of Internal Control Systems

Components	Mean	Standard Deviation
Control Environment		
The board regularly analyses programs and strategies to enable appropriate managements are in position	3.80	.939
Management demonstrates commitment to integrity and ethical values	3.71	.923
The assembly made available work ethics	3.61	.981
Duties and activities are laid down for all employees	3.82	.865
Control Activities		
Processes exist for independent verification of transactions (to ensure integrity)	3.73	.874
key managers review and approve all financial transactions	3.98	.836
There exists a structure available to enable that works are rotated periodically	3.73	.940
The assembly has put in order permit and consent strategies for revenue utilization	3.84	.967
Information and Communication Systems		
The assembly makes information about the operations of each department/unit within its	3.67	.973

jurisdiction available

There exists way of interactions of individuals to report misconducts pertaining to the breaches of laws or regulations or inappropriateness. 3.65 1.110

Major data on the Assembly works are determined and periodically reported 3.80 .849

Employee's grievances are appreciated, analyzed, and worked on 3.29 1.082

Supervising Activities

The assembly audits its accounts periodically to ensure compliance 3.88 .887

Internal audit reports to management and the board on unresolved deficiencies 3.96 .937

There exist proficient follow-up strategies to make sure that proper modifications or work takes place in feedback to modifications in risks and control evaluations 3.78 .856

The assembly makes separate evaluations of operating projects 3.61 .961

Risk Assessment

The assembly responds to risk factors when they appear and treat them comprehensively 3.49 1.084

Management appropriately evaluates risk when planning for activity 3.63 1.058

The assembly have established overall strategies for 3.39 1.021

managing important risks.

Overall, the assembly frequently undertakes risk assessment	3.55	1.154
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Mean of Means = 3.70; Mean of Standard Deviation = 0.964

Source: Field survey (2021)

Table 3 responses to the respondents in evaluating the proficiency of the various component of the internal control system in the District Assembly. In relation to the control environment, the results indicated that the statement ‘duties and activities are laid down for all employees’ recorded the highest mean of 3.82 and standard deviation of 0.8655. This was taken after by ‘management intermittently audits policies and strategies to guarantee that appropriate controls are in place’ with a mean of 3.80 and a standard deviation of 0.939. The respondents further indicated that management demonstrates devoted to honesty and moral integrity as it recorded a mean of 3.71 and a standard deviation of 0.923. It must be underscored that nearly all the things detailed beneath the control environment had mean scores of more than 3.69. This implies that the larger part of the respondents unequivocally concurred that the control environment component of the internal control systems is effective.

The second component considered was control activities. From the result, with a mean of 3.98 and a standard deviation of 0.836, the respondents strongly agreed that key managers review and approve all financial transactions in the assembly. This statement followed that ‘the Assembly has put in place an authorisation and approval procedures for resource utilisation’s as it recorded a mean of 3.84 and a standard deviation of 0.967. Also, with a

mean of 3.73, the respondents concurred that forms exist for autonomous confirmation of exchanges which there's a framework in place to guarantee that obligations are turned occasionally. These outcomes indicated that the larger part of the respondents were of the view that the existing control activities of the internal control systems were effective in the District Assembly.

Regarding the information and communication systems component, the results indicated that the statement 'duty and activities are laid down for all employees' recorded the highest mean of 3.82 and standard deviation of 0.8655. However, most of the respondents believed that employee's complaints were not taken seriously, investigated, and acted upon, and ways are not created for interaction of individuals to report issues of breaches of laws or regulation or other inappropriateness. This was evident as the responses to the statements recorded respective means of 3.29 and 3.65. These results showed that internal control systems' existing information and communications systems component are not effective in the District Assembly.

The monitoring activities components of the internal control system were also evaluated for their effectiveness. The results indicated that the statement 'internal audit reports to management and the board on unresolved deficiencies and 'the Assembly audits its accounts periodically to ensure compliance' both had the highest mean of 3.96 and 3.88. Again, the respondents acknowledged that there exist strong follow-up strategies to make sure that a proper modification or work happens in feedback to modifications in risks and control evaluations with a mean of 3.78 and standard deviation of

0.856. It must be underscored that almost all the items reported under monitoring activities except for the assembly makes separate evaluations of operating projects that had mean scores of more than 3.70. These demonstrate that the majority of the respondents strongly agreed that the monitoring activities part of the internal control systems works.

Finally, under the risk evaluation part of the internal control systems, the statement 'the board must properly assess risk when preparing to undertake a program' had the highest mean of 6.63. This was followed by 'overall the assembly frequently undertakes risk assessment' with a mean of 3.50. However, all these statements, and the other statements under risk assessment, recorded a mean less than the mean of the mean of 3.70. This implied that most of the respondents were of the opinion that the risk assessment part of the internal control systems of the assembly is not effective.

In general, the results give a clear indication that the internal control at the assembly is quite effective since three out of the five components of the internal control system were effective. The results support the findings of Ali (2013); Ayagre, Appiah-Gyamerah and Nartey (2014) and Mensah (2011) that internal control systems give justifiable confidence pertaining to the working strong and competence of institutions. They also posited that an internal control framework of an organisation is working or not may be prone to judgement from the outcome of the appraisal of the activities of the five parts of inside control system over the whole organisation (COSO, 2006). The working system gives a justifiable confidence in relation to the accomplishing of a company's goals (COSO, 2013)

Ali (2013) further opined that the internal controls had made the allocation of dependence financial reports and assured and ensure adherence to precise rules and regulations. Despite the broad effectiveness of the supervised controls, some shortfalls were found. The results also collaborate with the findings of Mensah (2011), who showed that the control systems at the polytechnic are efficient and are geared towards the identification and obscuring theft and mistake. Aduam (2016) asserted that mishandling of revenues in government offices is gradually going out of hands and widely turning to a big challenge that needs an effective internal control system as the mere way to curb it.

Challenges of Internal Control System in Sefwi Akontombra District

Assembly

Implementing an effective internal control system comes with its associated challenges. Therefore, this research question was created to request the respondents' views on the challenges of the internal control system in the Sefwi Akontombra District Assembly to achieve the final objective. The outcomes are showed in Table 4.

Table 4: Challenges of Internal Control System

Challenges	Mean	Stand Deviation
Inadequate policies and procedures	3.45	1.119
Lack of segregation of duties	3.41	1.043
Too much politics in the enforcement of internal controls rules	3.51	1.206
Inadequate supporting documents and	3.43	1.025

literature on internal control

Managerial oversight and review of internal control	3.43	1.237
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Management forcing controls on employees	3.29	1.205
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Lack of financial resources to enforce and implement internal control rules and regulations	3.67	1.211
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Mean of Means = 3.45; Mean of Standard Deviation =1.14

Source: Field survey (2021)

Scrutiny of Table 4 display a wide range of challenges associated with the application of internal control system in the Sefwi Akontombra District Assembly. Among the challenges outlined in Table 4, the majority of the respondents deemed a lack of financial resources to enforce and implement internal control rules and regulations as the topmost obstacle to the internal control system in the District Assembly as it recorded the highest mean of 3.67 and standard deviation of 1.211. This was followed by a mean of 3.51 and a standard deviation of 1.206 hence making too much politics in the enforcement of internal controls rules the second topmost obstacle to the internal control system acknowledged by the respondents. Also, with a mean of 3.45 and an associated standard deviation of 1.116, the respondents agreed that inadequate policies and procedures are a challenge to the internal control system in the District Assembly.

Furthermore, with the least mean being 2.98, it is unveiled that the respondents agree that management forcing controls on employees is the least problem to the internal control system in the District Assembly. Similarly,

challenges such as managerial oversight and internal control review, inadequate supporting documents and literature on internal control and lack of segregation of duties were considered the least problem to the internal control system. These results suggest that the challenges accompanying with implementing an effective internal control system in the District Assembly are vast and could have staggering effects on the performance of the District Assembly. The results support the findings of Aduam (2016), Affum (2011) and Masanja (2018).

Chapter Summary

This chapter has presented the results and discussion of the study. The respondents' demographic characteristics was presented first. The result of the study indicated that that control activities and Information and Communication Systems are the existing internal control components existing in the District Assembly. The study also showed that the internal control at the assembly is quite strong. However, information and communication systems and risk assessment components of the internal control systems were not effective. Finally, it was found that the challenges surrounding the execution of the effective internal control system in the District Assembly are vast and included the lack of financial resources to enforce and implement internal control rules and regulations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter provides an overview of the research problem, a summary of the research process and its outcomes. Also, it draws conclusions, makes recommendations and makes submissions for further researches.

Summary

Historically, internal controls have existed since ancient times. A well-structured and well-implemented internal control an enormous and indispensable role in the management of institutions and perfectly forms the basis for securing institutions operations. Therefore, this explains that an internal control system that is ineffective creates fruitless and ineffective programs and eventually leads to losses (Aramide & Bashir, 2015). The main aim of the research was to assess the usefulness of the internal control system in the Sefwi Akontombra District Assembly.

The following research questions were: What are the internal control system existing in Sefwi Akontombra District Assembly? How effective is the internal control system in Sefwi Akontombra District Assembly? What are the challenges of the internal control system used in the Sefwi Akontombra District Assembly? The study adopted the descriptive survey research design. Both the purposive and simple random sampling technique was utilized to select 54 staff for the study. A questionnaire was used to collect the data and the data analysis was done using means and standard deviation.

Findings

The study found that control activities and information and communication systems are the existing internal control components existing in the District Assembly. The study also showed that the internal control at the assembly is a bit efficient. Specifically, the control environment, control activities and supervising duties component of the internal control systems were effective. However, information and communication systems and risk assessment components of the internal control systems were not effective. Finally, it was found that the challenges associated with the implementation of the effective internal control system in the District Assembly are vast and included the lack of financial resources to enforce and implement internal control rules and regulations and making too much politics in the enforcement of internal controls rules.

Conclusions

The study has advanced the awareness of internal control productiveness in the District Assembly in Ghana. The study has brought to bear the perceived strength of internal controls in District Assembly in using the COSO framework. The research summarised that the internal control system existent in the Sefwi Akontombra District Assembly is varied in nature, hence, guiding the activities District Assembly. Furthermore, the control environment, control activities and supervising duties component of the internal control systems were useful. Finally, the challenges associated with applying the internal management system in the Sefwi Akontombra District Assembly are expansive and varying, hence capable of affecting the endeavours of the District Assembly to achieve their quest.

Recommendations

1. The board of the District Assemblies must be effective and to guarantee continual and separately supervising internal control to assess if controls are there and operates well.
2. The board of directors must make a conscious effort to acquire the needed logistics and other resources to effectively implement the existing internal control system.
3. The government should develop a comprehensive internal control policy for District Assemblies, particularly the Sefwi Akontombra District Assembly, with a special focus on information and communication systems, control environment and risk assessment parts of the internal control system.
4. Finally, management should as much as possible limit the influence of politics in the enforcement of internal controls rules.

Suggestions for Further Research

The research assessed the effectiveness of the internal control system in the Sefwi Akontombra District Assembly. To further contribute to knowledge on the competence of internal management structure, the following suggestions for more research are made:

Another research on the same subject matter need-to be carried out on a wide scale over various district assemblies in the country to aid generalisation. Additionally, another study of this nature should be carried out amongst institutions that render services to the public, such as bank to ascertain the status quo of how effective their internal control system is.

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APPENDIX
UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING
QUESTIONNAIRE

Dear correspondent,

I am conducting a research on the Topic **ASSESSING THE INTERNAL CONTROL SYSTEMS OF SEFWI AKONTOMBRA DISTRICT ASSEMBLY**, as part of the requirement for the award of a Master's degree at the University of Cape Coast. I would be grateful if you could participate in my survey. All data are strictly for academic purpose and will be treated with the utmost care and confidentiality. Therefore, you are requested to willingly provide information that reflects the true situation on ground.

SECTION A: PERSONAL DATA

1. Gender

Male

Female

2. Age

20 – 29

30 – 39

40 – 49

50 or more

3. Educational Background

SHS/Equivalent

HND/Diploma

- First Degree
- Second Degree
- Other(s) If other(s), Kindly Specify
-

4. How long have you been working for Sefwi Akontombra District Assembly?

- 1 year and below
- 2 – 5 years
- 6 – 9 years
- 10 years and above

SECTION B: COMPONENT OF INTERNAL CONTROL SYSTEM AT SEFWI AKONTOMBRA DISTRICT ASSEMBLY

The table below shows various internal control systems existing in Sefwi Akontombra District Assembly. Please tick [✓] the appropriate column to indicate whether you Strongly Disagree (SD), Disagree (D), Neutral (N) Agree (A) or Strongly Agree (SA) to the following component of internal control system..

Components of Internal Controls	SD	D	N	A	SA
Control Environment					
Control Activities					
Information and Communication Systems					
Monitoring Activities					
Risk Assessment					

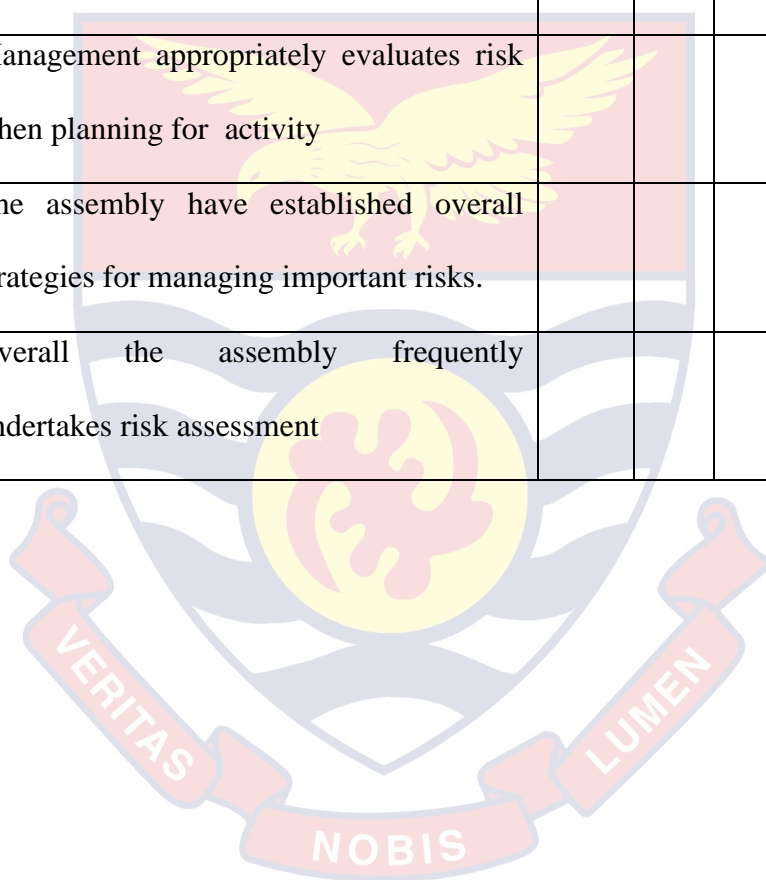
SECTION C: EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

The table below shows your knowledge and perception of internal controls and internal control system effectiveness in the District Assembly. Please tick [√] the appropriate column to indicate whether you Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) or Strongly Agree (SA) to the following benefits.

Components	D	A	N	A	SD
Control Environment					
Management periodically reviews policies and procedures to ensure that proper controls are in place					
Management demonstrate commitment to integrity and ethical values					
The assembly has put in place codes of conduct or ethics policies					
Roles and responsibilities are clearly stated for all employees					
Control Activities					
Processes exist for independent verification of transaction (to ensure integrity)					
key managers review and approve all financial transactions					
There is a system in place to ensure that duties are rotated periodically					

The assembly has put in place authorisation and approval procedures for resource utilization					
Information and Communication Systems					
The assembly makes information about the operations of each department/unit within its jurisdiction available					
There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.					
key information about the Assembly operations are identified and regularly reported					
Employees complaints taken seriously, investigated, and acted upon					
Monitoring Activities					
The assembly audits its accounts periodically to ensure compliance					
Internal audit reports to management and the board on unresolved deficiencies					
There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and					

control assessments					
The assembly makes separate evaluations of operating projects					
Risk Assessment					
The assembly responds to risk factors when they appear and treat them comprehensively					
Management appropriately evaluates risk when planning for activity					
The assembly have established overall strategies for managing important risks.					
Overall the assembly frequently undertakes risk assessment					



SECTION D: CHALLENGES OF INTERNAL CONTROL SYSTEM

The table below shows various challenges of internal control systems in in the assembly. Please tick [√] the appropriate column to indicate whether you Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) or Strongly Agree (SA) to the following challenges.

Challenges	SD	D	N	A	SA
Inadequate policies and procedures					
Lack of segregation of duties					
Too much politics in the enforcement of internal controls rules					
Inadequate supporting documents and literature on internal control					
Managerial oversight and review of internal control					
Management forcing controls on employees					
Lack of financial resources to enforce and implement internal control rules and regulations					

THANK YOU