UNIVERSITY OF CAPE COAST

INTERNAL FINANCIAL CONTROL SYSTEM AND PERFORMANCE OF

THE KOMENDA EDINA EGUAFO ABREM MUNICIPAL ASSEMBLY

BY

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DECLARATION

Candidate's Declaration

I hereby declare that this paper is the product of my own original research and

no section of it has been presented to the University of Cape Coast or elsewhere.
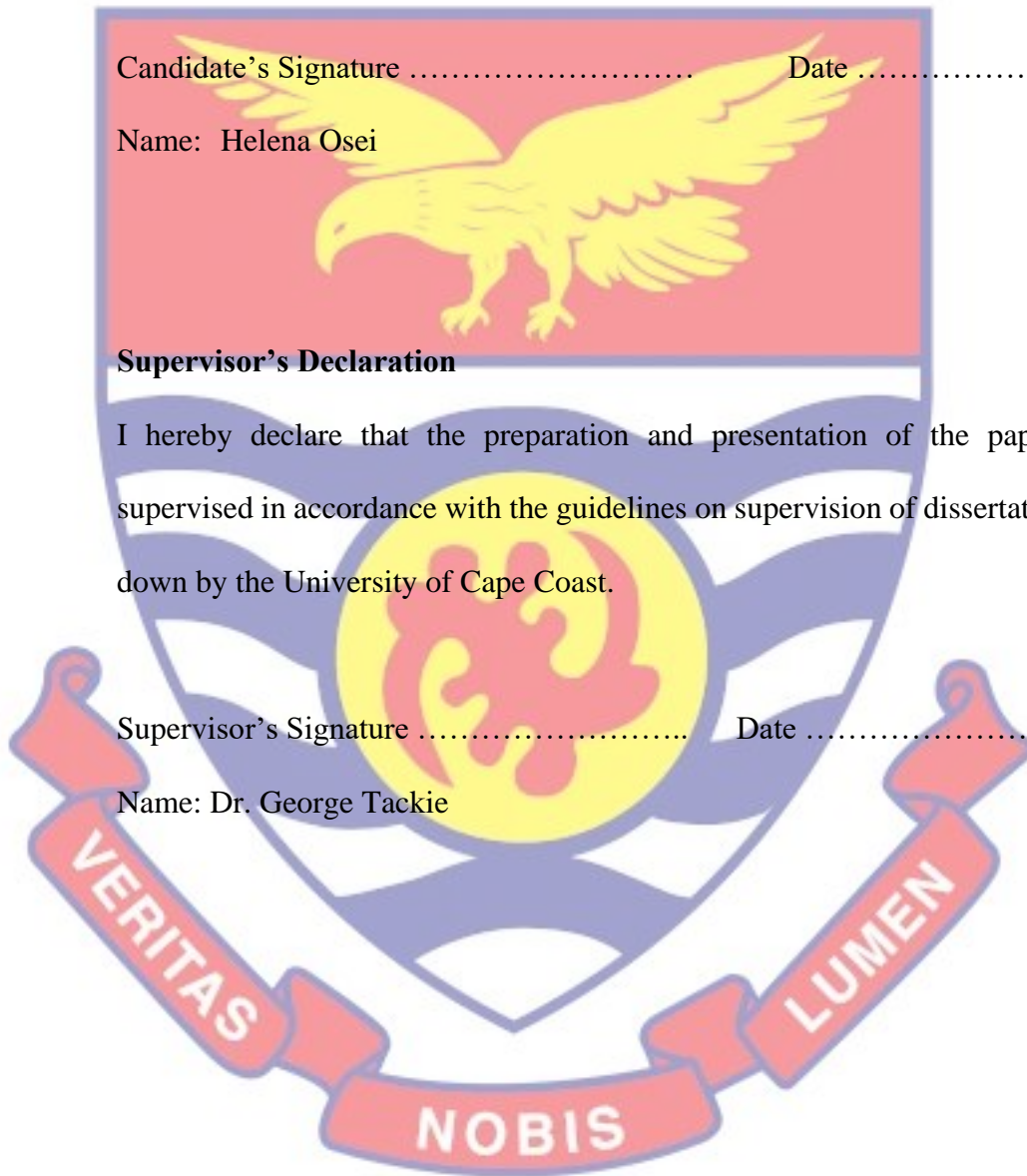
Candidate's Signature ……………………   Date ……………………

Name: Helena Osei

Supervisor's Declaration

I hereby declare that the preparation and presentation of the paper was

supervised in accordance with the guidelines on supervision of dissertation laid

down by the University of Cape Coast.

Supervisor's Signature ……………………..   Date …………………………

Name: Dr. George Tackie

ABSTRACT

Several studies have been done in the area of internal financial control system of organisations in countries outside Africa, in Africa and also in Ghana. Such works posited that a good internal financial control system where there is proper documentation of financial transactions, direct and indirect control and preventive controls, helps the organisation to perform well financially. Added to that, they also ascertained that, there is a direct relationship between financial performance and good internal financial control mechanisms put in place by the company. Thus, using a positive paradigm through a descriptive quantitative method, the study set out to critically examine the internal financial control system of the Komenda Edina Eguafo Abrem Municipal Assembly. It made use of the staff of the Municipal Assembly as its respondents. The study found out that apart from a few challenges with the Assembly's internal financial control system, it is doing very well in adhering to all internal financial control practices. Again, the study recognised that there is a direct association between financial performance and internal financial control practices. However, it came out that, the Assembly does not provide enough logistics for financial monitoring, being one of the important pillars of internal financial control system. Furthermore, it was discovered that there is a positive link between the presence of IFCS and the financial performance of the Assembly. More so, a good IFCS practices will help the Assembly to rake in more money to undertake its projects. In view of that, there were suggestions that adequate logistics must be provided for proper monitoring of the system to ensure good financial performance; the revenue unit of the Assembly must be decoupled from the financial unit for more effective and efficient work, among others.

KEY WORDS

District Assembly

Internal financial control system
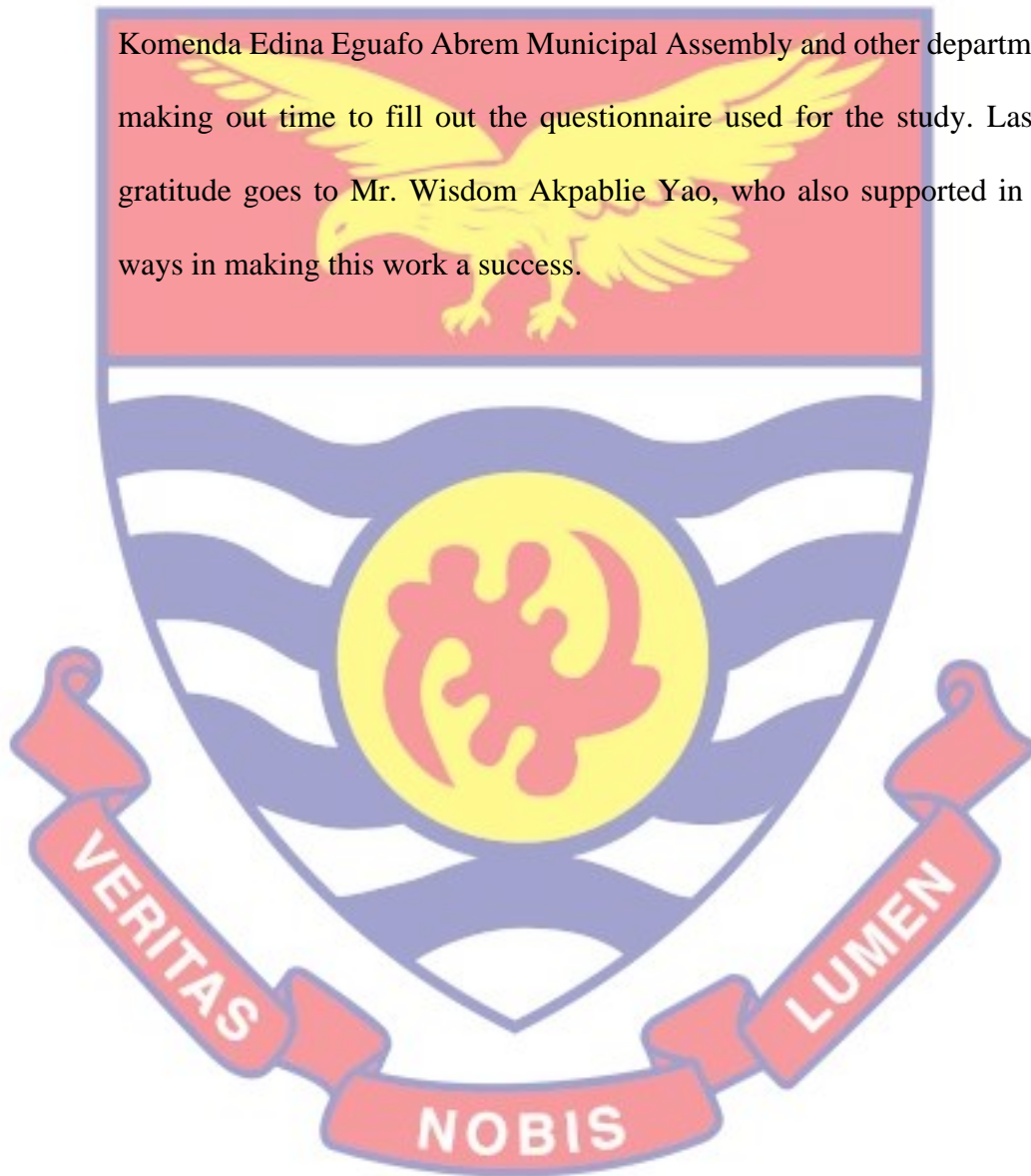
Komenda Edina Eguafo Abrem

Metropolitan Assembly

Municipal Assembly

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DEDICATION

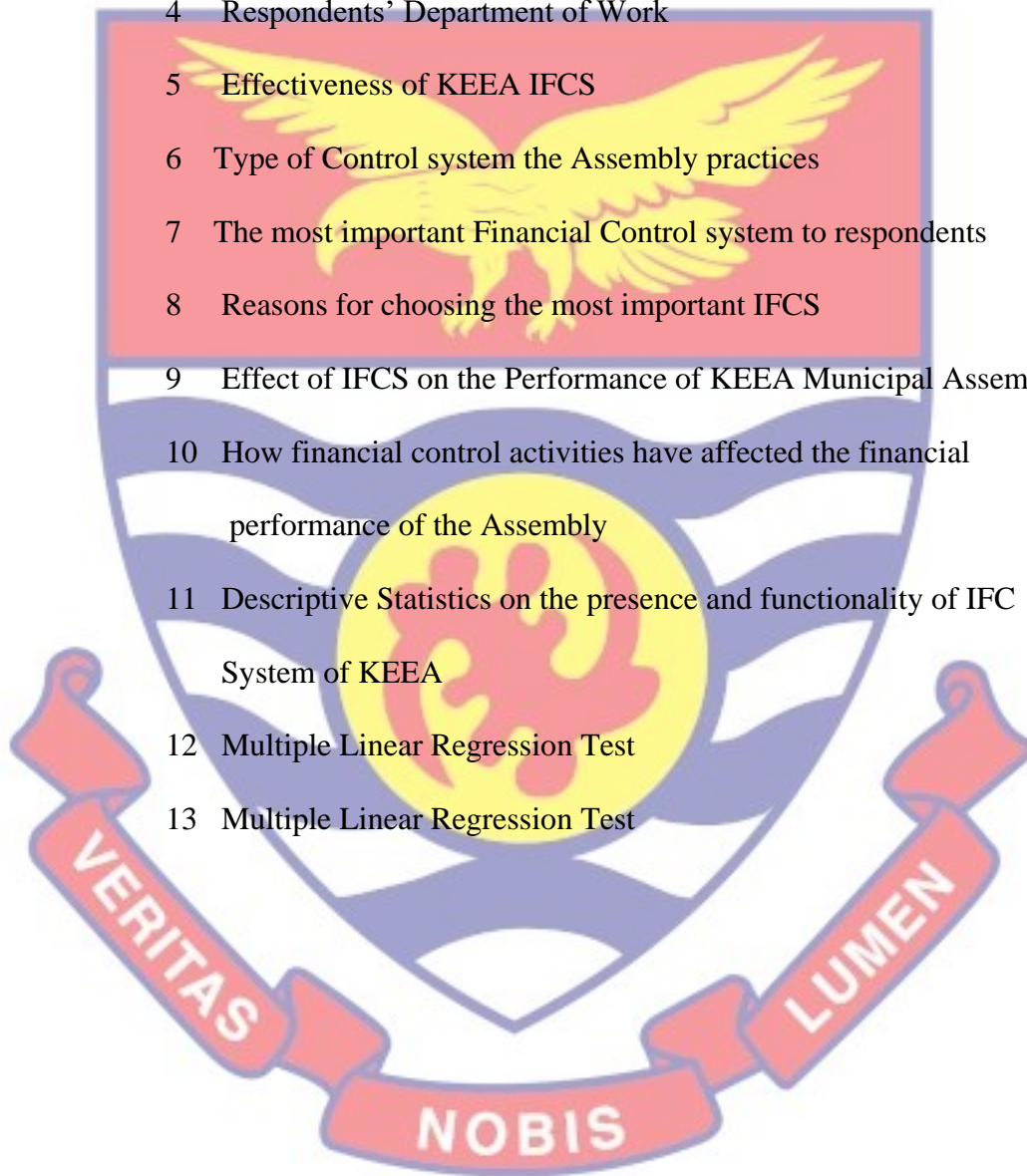I dedicate this work to my parents and siblings.

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LIST OF ACRONYMS

COSO	Committee of Sponsoring Organisations
DA	District Assembly
DACFs	District Assembly's Common Funds
GES	Ghana Education Service
GHS	Ghana Health Service
GSS	Ghana Statistical Service
IC	Internal Control
ICT	Information Communication Technology
IFC	Internal Financial Control
IFCS	Internal Financial Control Systems
IGF	Internally Generated Fund
KEEA	Komenda Edina Eguafo Abrem
MMDAs	Metropolitan, Municipal and District Assemblies
PPE	Personal Protective Equipment
ROA	Return on Assets
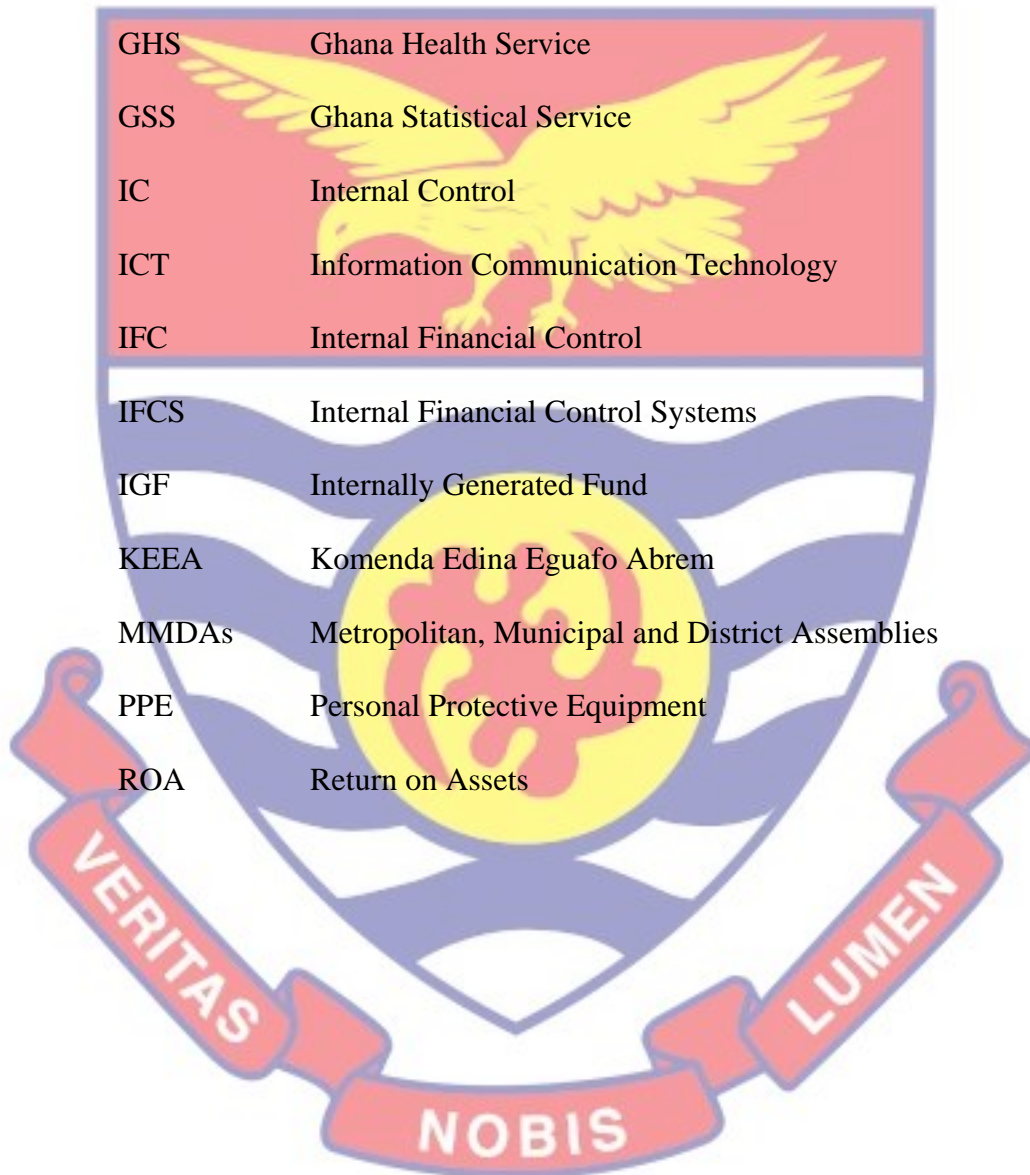
CHAPTER ONE

INTRODUCTION

The chapter one of the study gives an overview of the entire research work. It provides brief background of the topic under study, thus 'Internal financial Control System and its influence on the performance of an organisation. This topic is relevant to current study because, in recent times, most organisations are unable to meet their financial performance goals. This is largely due to failure on the part of institutions to implement the right policies or control measures, do periodic system monitoring and evaluation to make sure they are on track. Accordingly, people take advantage of the lapses not to do what they are supposed to do or if for anything at all, do it to their own benefit. Hence, this study will assess the internal financial control system of Komenda Edina Eguafo Abrem Municipal Assembly and its impact on the financial performance of the institution. The chapter included the problem statement, purpose of the study, research objectives, significance of the study, and how it was organized were all included in this chapter.

Background to the Study

An internal financial control and audit system always targets bettering monetary and organisational control capacity of the establishment by regulating fiscal behaviours that end up in waste, misallocation and misapplication, and corruption. Whereas general in both the public and the private sector, these fiscal regulatory tools, to a large extent, have been extensively ignored from the perspective of devolution in developing countries. In this study, it is contended strongly that, in order to attain proficiency and usefulness at the local government programme of devolution, internal monetary regulatory tools must

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be put in place and executed to control fiscal behaviour among workers (Baltaci, M., Yilmaz, 2012). The idea is to ensure efficiency and effectiveness in its operations. Added to that, it is key to the discovery and prevention of fraud and errors; protection of its assets and coming up with accurate, complete and reliable financial reports. In view of that, this study is timeous and appropriate to examine the internal financial control measures put in place at MMDAs in the country.

Njeri (2014) stated that internal control can be put into two categories, that is, inner fiscal control and non-financial (organisational) internal control. She again mentioned that, inner financial control practice has to do with the financial management and possibly be shown by checks over the company's cash receipts and payments and its administration. Conversely, non-financial internal, has to do with activities that are non-financially related. This is in relation to the company's managements over workers' unit and its operations, fixed assets management as well as controls over code of conduct.

Historically, internal control system in organisations as a concept has evolved over the years. The subject dated way back to the 1900s to about 1936. Its purpose was to protect assets particularly cash, from embezzlement or theft by employees. As such, audits were conducted copiously and the focus was to detect fraud and record errors (Mensah, 2000). In their book, Prempeh, Twumasi, and Kyeremeh, (2015) also discussed the subject of internal financial control as methods and procedures put in place by an organisations or institutions to ensure smooth running of its business activities, establish a more resilient monetary reporting structure, avoiding fraud and ensuring straight adherence to its principles and rules. They again mentioned that, the purpose

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behind internal fiscal management is to support institutions to appraise, assess and determine how robust its structures of accountability and efficiency within the organization are functioning. It again stated that, a good system of internal financial controls provides the assurance about the integrity of financial reporting and protection of assets. According to them, in that system, fraud could easily be detected through its routine checks.

It is also important to note that, the finances of any institution are considered its livewire; therefore, its proper management cannot be underestimated. In light of that, fiscal controlling comprises monetary arrangement and monetary decision making. For these two objectives to work outstandingly, it will largely depend on a well-thought-out, implemented and sustained financial control structures (Prempeh et al., 2015).

The question one may ask is, why organisations or institutions must put measures in place to curtail possible financial linkages and mismanagement in their system? To answer that question, Lartey et al., (2017) has this to say: lack of transparency, fairness, accuracy and truthfulness in financial reporting has resulted in regulated systems strong enough for any potential weaknesses in the financial systems and reporting accounting information within an organisation, especially the public sector of any country.

In Ghana, the 1992 Republican constitution and its subsequent enacted Act's recognise decentralisation as one of the means to achieving the ideals of democracy, including accountability on the part government and her sensitiveness to the needs of the people (Armah-Attoh & Norviewu, 2018). It is for this reason that, Metropolitans, Municipals and District Assemblies (MMDAs) are financially supported (Common fund and other funds) by central

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government to undertake developmental projects, support other departments within the assembly and better the lives of their people. To be able to achieve all these, the assemblies have the onerous responsibility to manage the resources put at their disposal very efficiently. This calls for a strong internal control measures in both fiscal and non-fiscal resources. Hence the need to assess the internal financial control measures exercised by Komenda Edina Eguafo Abrem (KEEA) to check the use, maintenance, record keeping system and reporting on its resources.

Statement of the Problem

The glaring inability of local government authorities to support their people and develop their areas, leading to underdevelopment, poverty, illiteracy, diseases, etc. is a cause for concern. Interestingly, they have the onerous responsibility to develop their local areas: the idea behind the establishment of the MMDA's.

Accentuating the point, Adu-Gyamfi (2014) stated that according to Article two hundred and forty-five (245) and two hundred and fifty-two (252) of the 1992 Constitution and section thirty (34), (vii-x) of the Local Government Act, 1993, Acts 462, indicated that the core responsibilities of the district assemblies is the total growth of their local areas and making sure that development plans and budgets are prepared and submitted to central government on time. From all indications, it is clear that they cannot execute this work successfully without adequate funds.

With regards to funds, they have at their disposal all the needed resources they can harness, both material and human, to generate funds internally, to engender development in their local areas. Aside the assemblies

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generating money from taxes and others, they are also heavily supported by the central government through the districts assembly's common fund (DACF) for their developmental needs, yet underdevelopment, diseases and poverty are seen everywhere.

Komenda Edina Eguafo Abrem Municipal Assembly is one of the Municipal Assemblies in the Central Region that is seriously bedevilled with the problem of underdevelopment in terms of education and educational infrastructure, lack of jobs, poverty, bad health infrastructure, diseases, lack of portable water and bad sanitation, unmotorable roads, etc., (MPCU, 2016). As a matter of fact, the question one may ask is, what have all the funds (both IGF and DACFs), been used for?

From the discussion so far, it is prudent to find a better way of controlling disbursement of the local government funds so as to avoid a probable misapplication. It is in this light that this paper tried to examine the extent to which KEEA Municipal assembly implements internal financial control policies in its operations to ensure monies do not end up in private pockets.

Purpose of the Study

This research seeks to study the presence and effectiveness of the internal financial control system of the Komenda Edina Eguafo Abrem Municipal Assembly and its impact on its financial performance.

Research Objectives

The main objective of this study is to know the presence and scrutinize the effectiveness of the internal financial control system of the Komenda Edina

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Eguafo Abrem (KEEA) Municipal Assembly. But, more precisely, the study sought to:

1. Analyse the nature and quality of internal financial control system of KEEA Municipal Assembly

2. Explore the impacts of internal financial control on the operations of KEEA Municipal Assembly

3. Assess the association between internal financial control system of KEEA Municipal Assembly and its financial performance.

Research Questions

The research questions used for this study included the following:

1. What internal financial control exist within the Komenda Edina Eguafo Abrem Municipal Assembly?

2. How does the internal financial control system of the Assembly impact on its financial performance?

3. Is there any association between internal financial control systems and the financial performance an organisation?

Research Hypothesis

In this research, two (2) hypotheses that guided the study were tested at 0.05 alpha level. The hypotheses are as follows:

Hypothesis I

H_0 : the presence and effectiveness or otherwise of an internal financial control system has no significant impact on the financial performance of an organisation

H_1: the presence and effectiveness or otherwise of an internal financial control system has a significant impact on the financial performance of an organisation

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Hypothesis II

H_0 : there is no significant association between internal financial control system and the financial performance of an organisation

H_1: there is a significant association between internal financial control system and the financial performance of an organisation

Significance of the Study

It was envisaged that the result of this study will help in identifying gaps, if any, within the internal financial control system of the KEEA Municipal Assembly. The researcher also firmly believes that, findings and recommendations from the study will help them put measures in place to prevent financial leakages.

Apart from that, this paper will be relevant for the people of academia. It will serve as literature and knowledge-base for personal financial management research to develop more theories on the subject of internal financial control.

Delimitations

This study was carried out among the staff of the KEEA Municipal Assembly of Ghana, precisely in Elmina, in the central region. The study basically included two (2) main variables such as financial control and financial performance of the Assembly. In addition to that, the researcher used approximately 50, gotten from the sample size calculation as the sample size.

Limitations

The drawbacks of this paper are but a few. The sample size of 50 in relation to the number of public sector workers in the country is small. Considering the sample size in relation to the total number of public sector

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workers in Ghana, it therefore not be said with certainty that it is the correct representation of the total population. This could bias the outcome of the findings and thereby limit its generalisability. The non-availability of time and budgetary constraints were some of the variables that influenced the size of the sample and consequently the reliability of the results.

Organisation of the Study

This paper was categorised into five (5) chapters. The first chapter comprised introduction and background of the study, the problem statement, the objectives of the study, the significance of the study, the delimitations of the study as well as limitations of the study. The second chapter which was on literature review consisted of various topics related to the research objective. Thus, the concept of internal financial control, the scope and nature of internal financial control, importance of internal financial control, effect of internal financial control in Ghana, relationship between financial control and financial performance, gaps in literature reviewed and the theoretical framework of internal financial control. The Chapter Three which is on methodology consisted of research design, study area, population, sampling procedure, data collection instrument, data collection procedures, data processing and analysis. The Chapter Four was on results and discussions and the Chapter Five comprised summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The review of related literature concerns other researchers' views on the topic. This chapter will review different perspectives of internal financial control system. The literature review was mainly organised into conceptual review, empirical review and conceptual framework. Apart from that, the literature review was based on the objectives of the study.

Conceptual Review

As per its definition, the conceptual review of a study is based on the researcher's own ideas or understanding of the concepts formulated by various researchers. The researcher's concept of this study therefore touched on various aspects of internal financial control system.

Eton et al., (2018) considers internal financial management structure as all the fiscal, working and other regulator systems that are conducted by those designated to do so in terms of monitoring, independent evaluation and timely submission of necessary reports to management levels. This is to guarantee that all activities are implemented by administration in consonance with current guidelines, procedures and directives. Added to that, Sigilai and Njiru, (2016), on the other hand, defined concept as the set of administrative rules and procedures that guarantees that any business is carried out in the proper manner to elude waste, embezzlement and mismanagement of the company's assets. Again, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992) defined internal management as a process provoked by a company's board of directors, administration and other

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personnel, intended to offer sensible guarantee in relation to the achievement of objective in the usefulness and efficiency of procedures, reliability of financial reporting system, and adherence to applicable laws and regulations (Asante, 2011). All these concepts indicate that, internal monetary control within an establishment is managed by board of directors who in turn empowers internal auditors to make sure that the company's rules and regulations are followed to avoid wastage, fraud and conflict of interest.

Added to that, Neeraj Bhagat, and Co. (2012) mentioned that internal financial control is a system or policies put in place by, or under the control of an organisation's executive and the financial officers or other persons playing the same role. These policies and regulations are implemented by the board of directors or management or other personnel appointed by the board to provide the needed assurance with regards to the credibility of financial reporting and preparation of financial statement for external reasons in line with generally acceptable accounting principles. This therefore means a company's policies and regulations regarding IFC must include:

- The maintenance of proper and reliable records that reflects transactions and disposition of assets of the company.
- The assurance that all transactions are documented to facilitate the preparation of financial statements.

According to Silver Touch Technologies (2015) the reason for maintaining an internal fiscal control system is that it helps the management in discharging its responsibilities. Added to that, it helps in making sure that assets are not made available to unsanctioned access and use and that transactions are appropriately documented in the required books. Added to that, it is important

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to ensure that resultant financial information is not only reliable, but also available to all relevant stakeholders in efficient manner as and when required.

Again, with internal control system in place: financial records would be valid; it would help in having accurate financial data; managers will ensure that transactions are valued, properly authorized and recorded; helps to avoid errors at various stages of the recording process; financial dealings are appropriately categorised and documented at the right time (Prempeh et al., 2015).

Internal Control

Control measures are essential for the Assembly to achieve its goals – a good financial performance at the long run. Some of the control measures the Assembly must institute should comprise of, control environment, risk assessment, control activities, information and communication and monitoring.

Control Environment

This is the number one contour of defence to ameliorate any potential risk in any organisation whiles ensuring discipline and structure and not overlooking technical competence and ethical commitment. This include integrity, ethical values and technical competence of the workers in the organisation (Wakida, 2015). This is basically about organisation structure, authority and human resource (HR) policies being put in place. So, for KEEA Municipal Assembly to succeed in its financial performance it must have a robust control environment.

Again, as said by Oyoo, (2014) control environment defines the way the organisation should function and subsequently controls mindfulness of people. He also defines control environment as being the overall attitude of the people, the consciousness and activities of management concerning internal control

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measures and their importance. He further added that, the various types of these control activities which include integrity and ethical values, organizational principles, directing and controlling operations or a disordered system which will only work to confuse the key actors by causing unclear responsibilities as well as assignment of authority and roles and commitment to dexterity.

In one of their books, University of California, (2016) added that, a sound and robust control environment is the one where knowledgeable and experienced people who know what to do at what time, the boundaries of the authorities, well-informed, alert and dedicated to doing the thing and ensuring that they do it well. Furthermore, they mentioned that, control environment includes technical know-how and ethical commitment, though an intangible factor, but very effective for internal control.

Risk Assessment

According to Tuan et al., (2016) risk assessment in this context means the recognition and examination of important risks related to achieving the purposes of the organisation. Risks on the basis of access, security controls and identification procedures must be outlined to ensure safety of life and assets. In this regard, the Assembly must try to identify the potential risk that may arise in their effort to achieving their goals and objectives.

Control Activities

According to Ndungu, (2013) regulatory activities can be defined as the rules, procedures, and mechanisms passed to guarantee instructions of the management are appropriately executed. In his paper, Appiah (2012) mentioned the following as the regulatory activities:

- Top level assessments of real output,

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- Evaluations by the executive at the operational or activity level,

- Supervision of the personnel's value,

- Checks on processing of needed information,

- Management of assets to withstand physical vulnerability,

- Setting up and assessing functional measures and indicators,

- Separation of responsibilities,

- Appropriate implementation of transactions and events,

- Correct and prompt documentation of business dealings and events,

- Access restrictions to and answerability for resources and records, and

- Accurate documentation of transactions

Furthermore, as stated by Uwadiae (2013) regulatory activities are the methods and laid down processes that are essential in addressing any risks in an organisation towards the attainment of its objectives. More so, these events are performed at the various levels of the organisation in its day to day operations.

Also, these may be preventive or detective in nature, thus manual or automated activities which include authorisations and approvals, verification, reconciliation, and also the total performance of the organisation. In addition to that, in the concept of control activities, segregation of duties plays a major role as far as practicable. In situations where segregation of duties seems impossible, the organisation develops alternative control activities.

Information and Communication

Again, in his paper, Asante (2011) noted that, information and communication must be recognised, collected and disseminated timeously and

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efficaciously and is achieved through this aspect of internal management. This also comprises transfer of information, record transactions and accountability for Assets.

Monitoring

Monitoring in this context therefore is seen as the periodic where review of performance of internal control components are carried out, making sure they are operating effectively (Asante, 2011). The monitoring activities include, auditing, supervisory activities and regular management activities. This then must ensure to realise its targets.

Ndungu (2013) stated that in the concept of internal control, monitoring plays a crucial role. Monitoring in this context is the process adopted by an organisation to assess its internal control structures; to certify that it is functioning well. This helps managers and the entire organisation to evaluate the quality and the effectiveness of the systems over a period. In additional to that, monitoring of the internal management system of the entity provides a sure evidence, devoid of prejudice that the outcomes of audits and other reviews are reliable.   In other words, monitoring gives impetus to internal financial control measures.

Added to that, monitoring is a tool used to measure the performance of internal regulatory practice of an organisation. This is done through staff appraisals, self-assessment, peer reviews, general organisational performance review and audits. Internal control is properly implemented when all the five sectors (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) of internal control are present and working effectively as expected (Okelo & Lagat, 2016; Terer,2016).

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Control Objective

The main goal of the internal control activities is to attain a maximum financial performance level.

Control objectives are preferred goals or settings for a particular event cycle which, if attained, reduces the possibility of waste, loss, unauthorized access and use or embezzlement. These are the conditions that the internal financial control system must satisfy. Again, for a control objective to work well, compliance should be observable and measurable (Ndamenenu, 2011).

Types of Financial Control

There are basically four (4) main types of internal financial control mechanism. These comprised directive controls, preventive controls, compensative controls, and detective controls.

Directive Control

This type of control concerns guidelines brought into being by top management to ensure strict adherence with independent rules. To make sure staff comply with all control directives, there must be consistent information from management to drive home the point that policies and procedures are important and must be obeyed. This type of internal control is only able to detect that a lost had occurred is unable to prevent it. Instances of this control include reviews, analyses, variance analyses, reconciliation, physical inventories, and audits (Appiah, 2012).

Preventive Control

Again, according to Appiah (2012) preventive control measures relate to systems put in place by the organisation to discourage people from not adhering to procedures and regulations. These are proactive controls that work

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to forestall a loss and damage. By way of example, this controls include separation of responsibilities, good authorisation, up to the scratch record keeping and physical management of assets.

Compensative Control

These controls are planned to counterbalance eventual deficient controls somewhere in the system. A typical example is the organisation with an electronic database which could keep a hard copy of the client list in the office library. Such a list would make up for stoppage in electronic systems and difficulties (Appiah, 2012).

Detective Control

In his research work, Ndamenenu (2011) mentioned that detective controls are intended for discovering setbacks after they might have taken place. Even though essential in a well-organized internal control structure, discovery of an independence violation after the fact, is less desirable than prevention in the first place. Some of the internal financial control mechanisms include environmental control activities, evaluation of internal controls and other control measures.

Effectiveness of internal financial control system

Under this heading, the researcher wanted to look at two (2) main variables, that is the dependent and the independent. In this case, the dependent variable is the internal financial control system and the independent variable will be the financial performance of the KEEA Municipal Assembly.

A good financial control system functions appropriately when some precise measures are espoused by the authorities of the organisation.

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International Accounting Standards (IAS) classifies internal regulation types as a plan of an entity, where there is segregation of responsibilities, control of documents, protection of properties, competent staff, good accounting measures, impeccable record keeping system, excellent monitoring and supervision, authorisation and supports, vocation and planned task shifting, cost feasibility, regular and automatic checks (Njeri, 2014). When all these internal financial control measures work coherently, then the company or the organisation is bound to achieve its goals and set targets.

According to Okelo et al., (2016) internal control measures in any organisation serves as its surety that helps in achieving the overall goal and objectives of the company. Also, internal controls and procedures prevent financial errors and many other anomalies through timely monitoring and evaluation. This means that, the carrying into action of any institution be it public or private is contingent to a very large extent on its internal control mechanisms.

Okelo, et al (2016) again mentioned that, internal control is the heart and soul of any entity and also argued that, a strong internal control system aids it to achieve its aims and objective. Therefore, a good internal control system helps the organisation to succeed in its operations, whereas the reverse is also true.

Importance of Internal Financial Control System to an Organisation

Management control structure of an establishment is important because it cut down on the possibility of asset loss and helps to guarantee that planned information is complete; it's accurate and timely; that financial reports are consistent, and that planned operations are carried within the laws and

regulations of the organisation. With a robust internal control system, you will be assured that your plan will be achieving its financial reporting goals. However, if it is not good, you have a little or no guarantee at all. Therefore, all things being equal, an effective internal management structure should protect your plan in two ways. Firstly, by reducing the likelihood of accidental mistakes or premeditated fraud that may harm the plan and secondly, by discovering small errors before metamorphosed into big problems (AICPA, 2014).

Challenges of internal financial control system in an organisation

Prempeh et al., (2015) mentioned that notwithstanding all the strong points made about internal managements above, there exist some challenges that must be addressed. These include what has been discussed by one researcher, Eun & Resnik, (2013). They have all concluded that an organisation's system of inside control is generally intended to offer reasonable guarantee where assets are properly secured and that there are trusted records on them. Some of the challenges of internal control system are the cost involve and the human factor. The inkling of realistic assurance depends largely on the idea that the cost involves in creating management processes would not outstrip their projected benefits. On the other hand, the human factor is another important component in any internal management system that cannot be overlooked.

Models of Internal Financial Control System
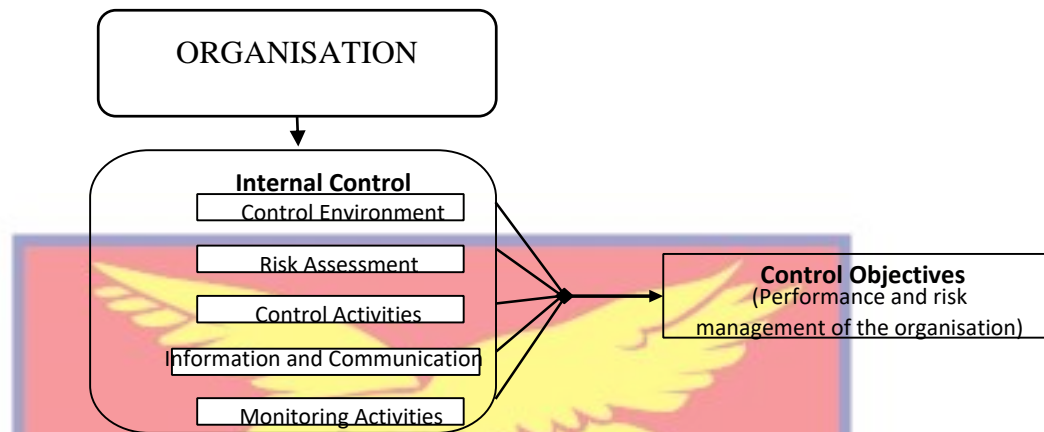
Figure 1: Models of the internal control's impact on performance and risks

Management of the organisation.

Source: Adapted from Tuan & Hung (2016)

The Conceptual Review of the study was drawn to suit the variables in the topic: independent variable such as internal control (control environment, risk assessment, control activities, information and communication and monitoring activities) and the dependent variable such as control objectives (financial performance, risk management of the institution)

Organisation

The individual is in the center of any decision concerning internal financial control system. Therefore, it is imperative to consider the human aspect of the internal financial control conceptual framework. Dwiastanti (2015) concurred to this. They mentioned that internal financial control system as we already know, are plans put in place by organisations who are aiming to make sure their objectives, goals, and mission are achieved. From the definition it could be concluded that, internal financial control is an institution-based affair where the organisation must institute measure to control its internal affair.

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Therefore, from the conceptual review, before an organisation such as the KEEA Municipal Assembly can attain a good financial performance, it must put in place all the control measures necessary. Whiles doing that, they must not lose sight of extraneous variables that could derail their efforts.

The model examines the impact of IC (according to the report of COSO and Basel) on the performance and risks of local governance system that apply to KEEA Municipal Assembly based on Ghana's environmental conditions and laws.

Impact Assessment of the model

The expected performance of the above model is shown in the next two (2) models.
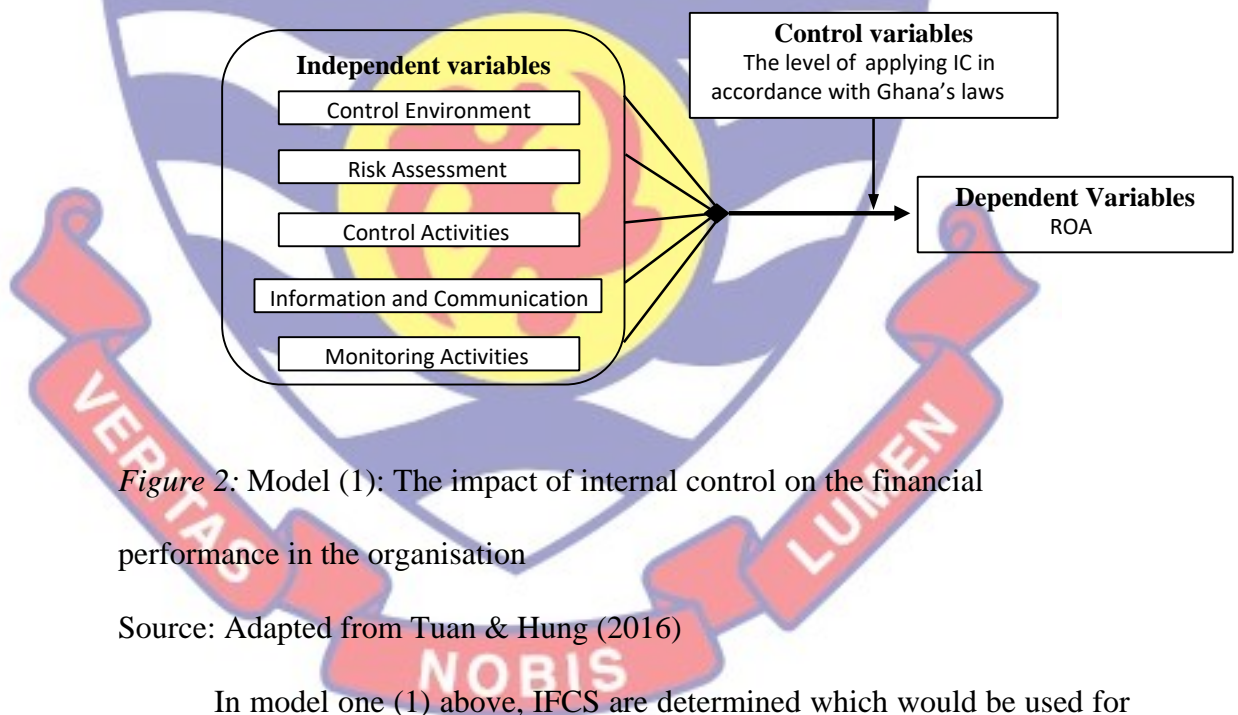
Figure 2: Model (1): The impact of internal control on the financial performance in the organisation

Source: Adapted from Tuan & Hung (2016)

In model one (1) above, IFCS are determined which would be used for the evaluation of the capability of the control system. Referring to the first model, internal control is considered as the independent variable in model one (1). From the model, five (5) independent variables are present. This included control environment, risk assessment, control activities, information and

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communication and monitoring activities that are vital ingredients for a good internal control (IC) system. Added to that, the control variables are determined and applied based on the internal control laws of Ghana. Lastly, the dependent variable is the desired results the municipal assembly (MA) would be expecting, e.g. returns on assets (ROA) among others.
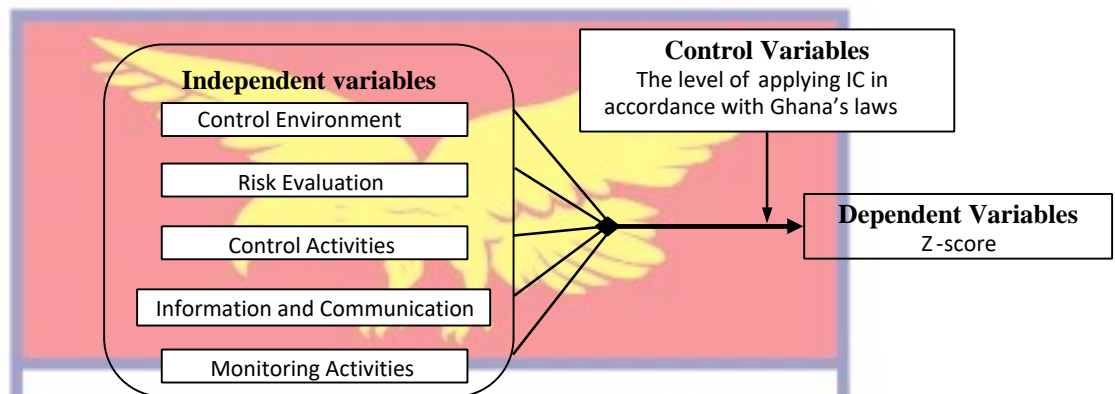
Figure 3: Model (2): The impact of internal control on the risk of loses in the organisation

Source: Adapted from Tuan & Hung (2016)

Empirical Review

The research looked at different writings on the subject or topic under study from different organisations and different countries across the globe as presented hereunder. In Muhunyo (2018) studies, regulatory pursuits, information and communication as pointers of internal management structures have a significant effect on the fiscal performance of the institutions of advanced learning in Nairobi City County, Kenya. The variables in the study showed 99.1% of the disparities in monetary performance of the institutions. The paper again pointed out to the fact that, an increase in the regulatory environment resulted in 0.96% rise in financial performance of the institutions; a unit change in risk management practices also resulted in 0.99 increase in fiscal output of the organisation; a unit boost in regulatory activities translated

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to a 0.88 increase in performance of the institutions while a unit rise in the usage of information and communication systems led to a 0.96 increase in their monetary performance.

Also, in the concluding part of his studies, Adofo (2015) findings substantiated the claim made by the Treadway commission of the Committee of Sponsoring Organizations (COSO), that it is the duty of the authorities to put in place the needed internal control mechanisms and also the responsibility of the internal audit department is to assess the effectiveness of the internal control system. For that reason, the internal audit department often plans out an important inspection role in the organisation, whereas their superior colleagues at the head offices visit the branches on yearly basis. The internal audit department mostly influences the internal control systems. But for a control system to function effective one person must not have great influence on the control policies and procedures set-up by management.

Conceptual Framework

According to Adom et al., (2018) a conceptual framework is a system which the researcher believe can best describe the normal development of the event to be studied. It spells out the necessary actions needed in every step of the research work, considering the researcher's former understanding of other researcher's exposition and his observation pertaining to the issue of research. In other words, conceptual framework is the researcher's thought on how certain variables in the study interplay with each other. In this very research, the variable to study are "internal financial control of KEEA Municipal Assembly" and financial performance of the KEEA Municipal Assembly. Find below the researcher's conceptual framework.

INDEPENDENT VARIABLE Internal control	DEPENDENT VARIABLE Financial Performance
• Control environment • Internal Audit • Control Activities	• Liquidity • Accountability • Reporting

INTERVENING VARIABLES

- Government policies
- Proper documentation
- Staff motivation
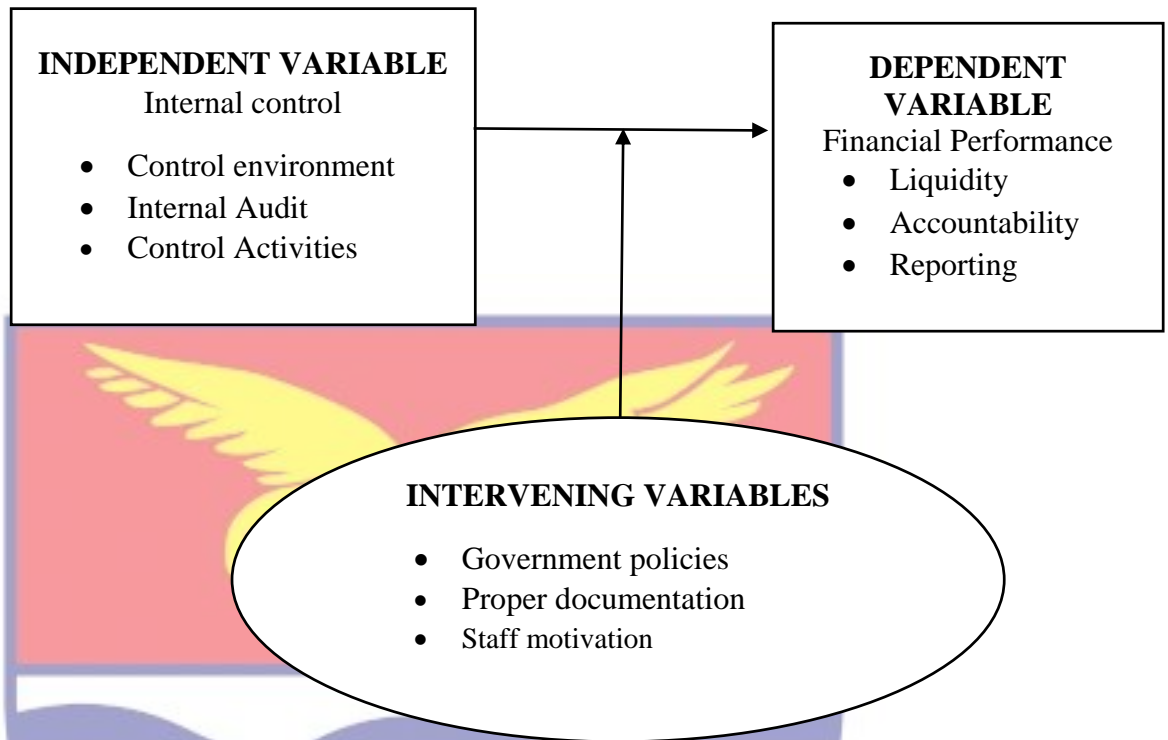
Figure 4: Conceptual Framework of Internal Financial Control

Source: Author's construct (2020)

Chapter Summary

Considering the literature review conducted so far, it has become patently clear that, in any organisation, a good financial performance and value for money can be only realised when the firm puts in place adequate control measures. The reverse is true in the sense that, when the organisation fails to enforce internal control measures it also automatically fails to attain a positive financial performance.

Furthermore, whereas, much is being done on control environment and control activities, only little has been in the area of internal audit. In addition to that, it has been realised that most of the researchers studied into the broader subject of internal control system, but only a few of them narrowed their work to internal financial control system of a firm.

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The literatures also revealed that, most of the researches were institution-specific. In other words, most of the literature showed that majority of the studies focused on a particular organisation which exhibits a certain features or substantial weakness in their internal control system to make their case. More so, most of the studies were unable to reveal the great impact of control activities, control environment and monitoring, for that reason, this study sought to address that to fill the knowledge gaps.

Based on the reviewed literatures, especially from the theoretical framework, it can emphatically be said that Control Environment, Control Activities, Risk Assessment, Information and Communication and Monitoring are good predictors of financial performance in an organisation.
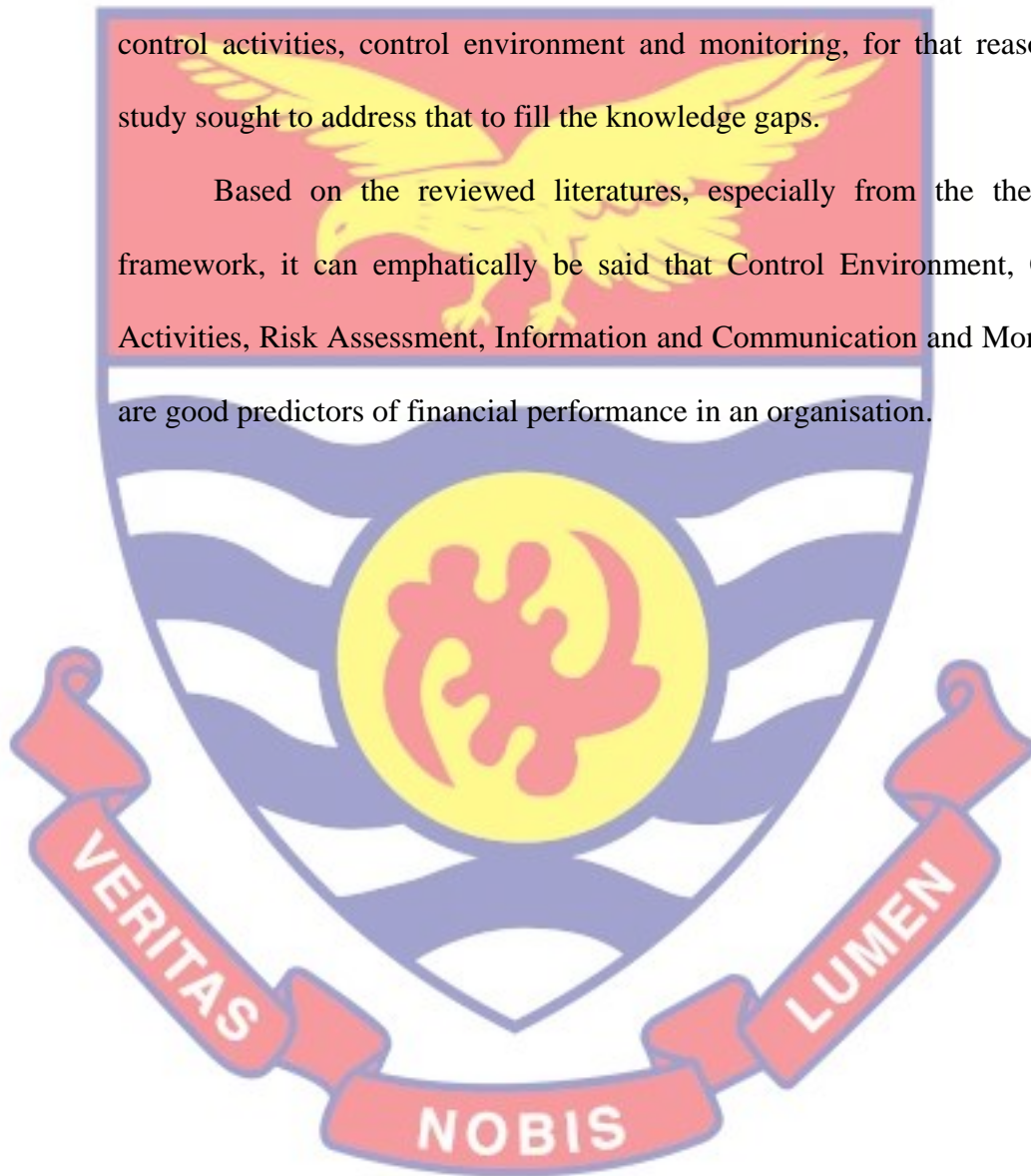
CHAPTER THREE

RESEARCH METHODS

Introduction

According to Grover, (2015) research methods are the means to gather information from the sample under study. Therefore, this aspect of the study discussed the various procedures employed to gather the needed data for the study. These included the research design, study setting, target population, sample and sampling technique, research instrument, data collection and data analysis.

Research Approach

Creswell (2014) defined research approaches as plans and measures for research that extents the steps from broad assumptions to comprehensive methods of data collection, analysis, and interpretation. He again asserted that, it is imperative that the researcher states the research approach because it is the strategy used to increase the validity of a social research.

Again, Creswell (2014) mentioned that, there are basically three main research approaches. These includes quantitative, qualitative and the mixed methods. This study made use of the quantitative research approach.

Broadly, quantitative research approach can be defined as the degree of pragmatism according to which concepts are not only to be justified by the extent to which they could be tested but also by an application to facts acquired. Added to that, it is the research approach that finds out about the backgrounds, reasons and progress of information through observation, nonetheless is believed to have meaning only in so far as they can be derived (Amaratunga et al., 2002). Sukamolson (2007) also defined as the quantitative representation

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and manipulation of observations with the mind of describing and explaining the phenomena that those observations reflect.

The reason for using the quantitative method is to enable the researcher to be able to specify the what, the where, the when, how much and by what means in terms of objective measurement, thus in numerical form. Secondly, since quantitative research method deals with measuring and analysing variables in order to get results, it would help the researcher achieve answer to his objectives.

Research Design

It refers the finest plan that are employed to tackle a problem that involves the combination of other elements of the study in a comprehensible and logical manner, resulting in solving the problem effectively and efficiently (Grover, 2015).

Before choosing the research design for this study, the researcher looked at plethora of research designs in order to choose the most appropriate. Some of the research methods considered included descriptive qualitative methods, experimental methods, meta-analysis method, quasi-experimental method and quantitative research methods. We shall look at the various research methods.

The study considered two (2) main types of descriptive qualitative research methods. These are: case study and ethnography. Case study as qualitative research methods is a total explanation of an individual case and its exploration, thus the description of the case and the events, in addition to a depiction of the discovery process of these features that is the process of research itself (Rebolji, 2013). He continued to say that, the study is used when we analyse and describe, for example each person individually based (on his or

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her activity, special needs, life situation, life history, etc., a group of people also based on (a school department, a group of students with special needs, teaching staff, etc.), in detail.

It is again clear from the discussion so far that, case study as a qualitative research method cannot be applied to this study since the study is not about an individual, a distinct group or a particular institution.

Other research methods the researcher is aware included ethnography, experimental research design, Quasi-experimental methods, and quantitative research design. As an emerging area of anthropology, ethnography is a kind of qualitative research method that concerns the survey of the beliefs, social instructions, and behaviours of small groups of people or societies. This also involves the participation and observation of the peoples' culture at a well determined time period, and how the data collected is interpreted (Naidoo, 2012).

As per the definition of the research design or methods above, it can easily be deduced that ethnography cannot be applied to this study. In that, this study is not about the cultural values or beliefs of a group of people or society and ways of doing thing.

In his studies (Harland, 2015) defined experimental research design as a study that strictly keeps to a scientific research design. It consists of a hypothesis, thus a variable which the researcher can influence, and variables which can be assessed, calculated and compared. In adding to that, Rao et al., (2002) mentioned that, the aim of experimental research design is to give the researcher the room to reliably establish a cause and effect relationship.

Again, from the definitions and explanations given, experimental research design though a quantitative method cannot be used for this study. The reason being that, this study is not about cause-and-effect relationship.

This is a statistical technique that combines the results from independent studies. More often than not, it is employed to evaluate the clinical effectiveness of health care interventions. This is done through the combining of data from two or more randomised control trials (Richard-Devantoy et al., 2014).

Clearly, this research design too cannot be used for this research work, in that this study is not combining two (2) or more studies.

According to IIed (2017), Quasi-experimental methods are intended to study the causal effects of an intervention, treatment or stimulus on a unit of study, thus a population. Even though these methods have many qualities connected with scientific experiments, they lack the benefits of the random assignment of treatments across a population that is often necessary for broad generalisability. They added that, quasi-experimental methods are normally planned to show the effect of an intervention on a target population — most usually at the household level.

It can also be seen from the explanation above that, since this study is not designed to know the impact of an intervention on a population, this method cannot be applied.

The last method to be considered is quantitative research design. It is a method that is targeted at testing theories, verifying facts, showing relationships between variables and predicting outcomes (Merwe, 2017).

Again, according to Creswell, (2003); as cited by (Fischer et al., 2014) quantitative research approach demands gathering data so that relevant

information can be enumerated and taken through statistical treatment so as to support or refute "alternate knowledge claims". He went further to explain that, this method also comprises data aggregation that is distinctively numeric and as such the researcher inclines to use mathematical models as the methodology of data analysis.

Furthermore, unlike Case Study research design or approach, quantitative research design results can be generalised. By generalisability or external validity, the results of a study can be generalised (applied) beyond the sample to the larger population.

From the definition and explanation given so far, it is clear that quantitative research design is the appropriate method for this study. The reason being that, using the research questions of the study, numerical responses would be obtained and for that matter generalisation would be made based on the outcome of the findings.

Since this research sought to scrutinise the "Internal Financial Control Systems and Performance in The Komenda Edina Eguafo Abrem Municipal (KEEA) Assembly**",** the researcher espoused descriptive quantitative research design among the lot. The researcher believes that with this design the objective of the study would be achieved. The researcher chose this research design because, according to Neville (2007) descriptive research could be employed to categorise and classify the elements or characteristics of the subject, e.g. the number of personal protective equipment (PPE) KEEA Municipal Assembly distributed to health facilities in the municipality to fight Covid-19.

The study basically included two (2) main variables such as financial control and financial performance of KEEA Assembly. As such, internal

financial control is the independent variable (X) whereas, performance is the dependent variable (Y).

Study Area

This research was conducted at the Municipal Assembly of the Komenda Edina Eguafo Abrem in the Central region of Ghana located in Elmina. Komenda Edina Eguafo Abrem (KEEA) Municipality as a district is made up of four (4) traditional areas or states, which have been put together to constitute a political district. These are Komenda, Edina (Elmina), Eguafo and Abrem. The Municipality has Elmina as its municipal capital. It is delimited on the south by the Atlantic Ocean (Gulf of Guinea), to the east by the Cape Coast Municipality, the north by the Twifo-Hemang-Lower Denkyira district and to the west by the Mpohor–Wassa East district in the Western Region. Being perched between longitude 1020' West and 1040' West and latitude 5005' North and 150North, the Municipality covers an area of 452.5square kilometres, given the municipality a population density of 319.8 persons per sq. km, (GSS, 2014).

Figure 5: Map of Komenda/Edina/Eguafo/Abrem Municipality

Source: Ghana Statistical Service (2014).

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Population

The target population for this study is the staff and management members of the KEEA Municipal Assembly. The table shows the various unit within the Assembly where respondents will be drawn from.

Table 1: Target Population

Department	Frequency
Finance	6
Planning	4
Budgeting	5
Store/ Procurement	5
Education	5
Statistics	5
Audit	4
Agric	5
Health	3
Social Welfare	5
Environment Health	5
Other	5
Total	57

Source: KEEA Municipal Assembly (2020)

Sampling Procedure

The KEEA Municipal Assembly houses a cross-section of staff from various departments within the municipality, namely, Local Government, Education, Health, Environmental, Agric, Town and Country Planning, etc. Out of a target population of about fifty-seven (57), fifty (50) were sampled for the study.

The study adopted the simple random sampling method to sample respondents. With this technique, every one of the subset had an equal probability of being chosen for the study. It was sampling without replacement. Therefore, there were no biases as far as the sample selection was concerned.

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Simple random sampling method was used because the study was the quantitative type and could help answer the research objectives. Another reason was that, even though more suitably used for large population, the researcher found it more convenient and easy to use because the population was small, homogeneous in character and readily available.

The random number method was employed where the staff were assigned 2-digit numbers, thus from 01 to 57. After that, a random number table was used to select the respondents based on the number assigned to them.

The sample size of fifty (50) was arrived at using the formula below and subsequent calculation.

Using the Taro Yamane's Simplified formula for proportions, which is:

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

Where:

n -the sample size

N -the population size

e -the acceptable sampling error

Using a targeted population 57 (N) of and a sampling error (e) of 5%, the sample size for the study was calculated as follows:

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

$$n = \frac{57}{1 + 57 * 0.0025}$$

$$n = \frac{57}{1 + 0.1425}$$

$$n = \frac{57}{1.1425}$$

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$$n = 49.89$$

$$n \approx 50$$

Data Collection Instrument

The research made use of structured questionnaire as its data collection instrument. The questions were mostly made up of close-ended questions and a few open-ended ones. This was to get numerical responses since the study is the quantitative type.

The data used for this study was the primary type since it was collected from the field using self-administered questionnaire. The questionnaire comprised closed-ended, opened-ended, Likert-scale and rating. Closed-ended question questions do not allow respondents state their opinions, but rather answers provided. However, it makes the responses as objective as possible. Opened-ended questions on the other hand, allow respondents to be as subjective as they can by stating their thought on the subject. These different forms of questions were used to collect data from the staff of Komenda Edina Eguafo Abrem Municipality.

More so, to ensure the cogency of the research instrument, the researcher made sure the instrument was able to collect the information it is intended to gather. For that reason, after designing the questionnaire, the researcher pretested it to ensure its internal validity. Subsequently, the result of the pretest was examined and necessary corrections to be made before the actual survey.

Again, in designing the instrument for the work, the researcher took into account the fact that, the instrument must be reliable enough to collect the same information even when it is used by different researchers, that is to say, to ensure instrument triangulation.

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Data Collection Procedure

As stated earlier, questionnaire was employed to garner the necessary data for the study. The questionnaire was administered either using the face-to-face or the one-on-one approach where the interviewer and the respondent went through the questionnaire together or by the questionnaire method where the respondent alone read and answered the questionnaire

Data Processing and Analysis

The data gathered for the study was analysed using version 21 of Statistical package for Service Solution (SPSS). In addition to that, the researcher carried out hypothesis testing to test for correlation between internal financial control system of the Assembly and its performance.

Added to that, the researcher carried out further analysis to conduct hypotheses testing to find out correlation and relationship between variables using correlation analysis and Multiple Linear Regression. The linear regression for the test was:

$$y = \alpha + \beta_0 + \beta_1 + \beta_2 + \ldots\ldots + \beta_n + \varepsilon_i$$

where:

y is the dependent variable

β_0 is the first term

β_1 is the second independent variable

β_3 is the third independent variable

α is the constant term

β_n is the nth term, and

ε_i is the error term

Chapter Summary

This chapter provided the research methods used for the study and the relevance of the selected methods. The researcher chose the appropriate research method for the study among other methods. Stating other methods, the researcher proved he was aware of these methods which in any case were not relevant to this study. In general, a quantitative approach was used supported by a descriptive survey method used in the presentation and the analysis of data. A brief background of the study area was given to help better understand the features of the study area. A total of 50 out of 57 staff of the Assembly were sampled for the study.
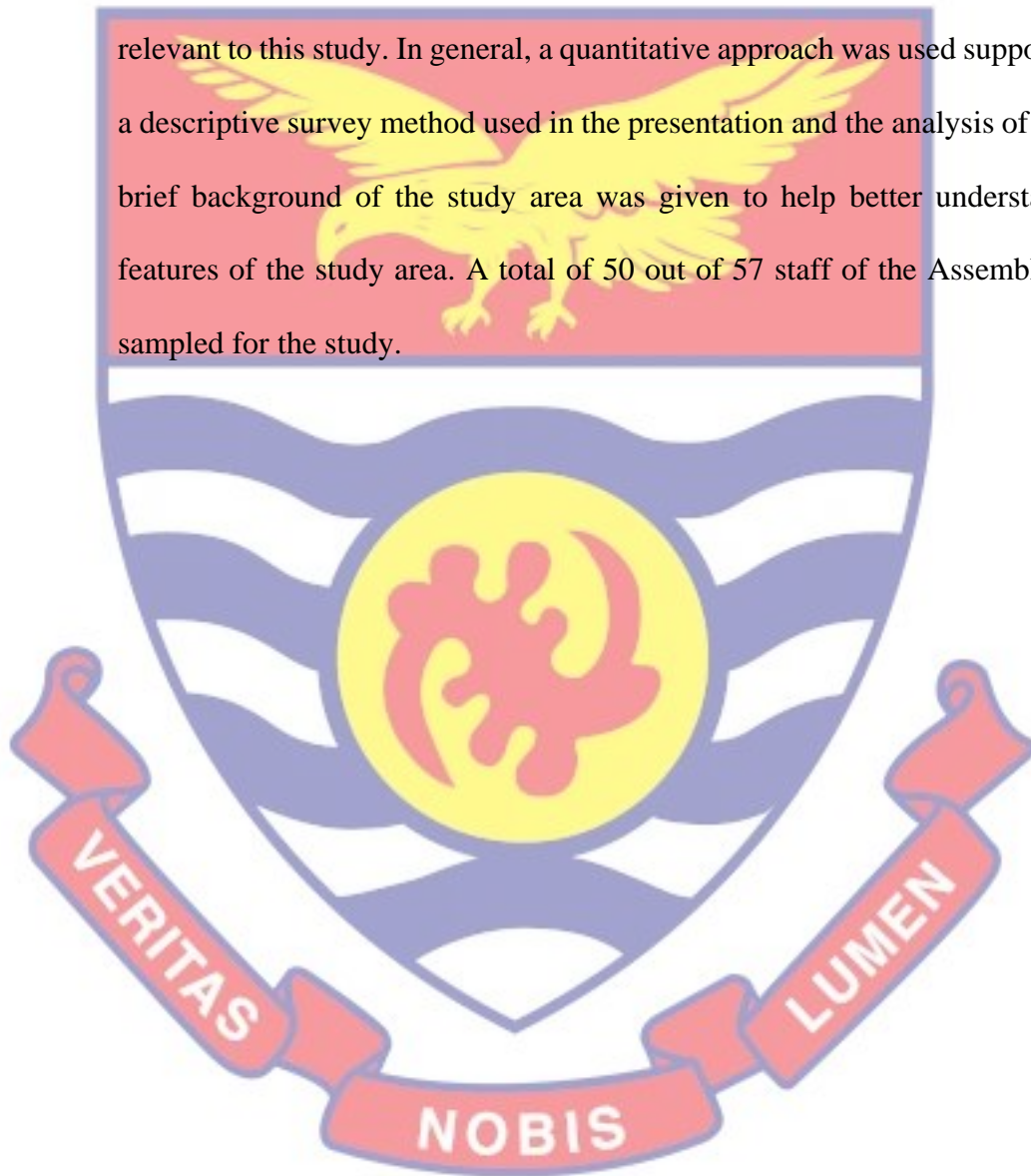
CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This research aimed at critically examining the existence and effectiveness of the internal financial control system (IFCS) of the Komenda Edina Eguafo Abrem (KEEA) Municipal Assembly. Based on this, the researcher used quantitative research method which guided the selection of target population, sample selection and size, the type of research instrument, type of data and type of data analysis tools used.

The sample used for the study was the staff of KEEA Municipal Assembly and its sub-departments which included, Ghana Education Service (GES), Ghana Health Service (GHS), Agric, Social Welfare and Environmental Health. These departments operate under the local government concept directly under the Municipal Assembly. In line with that, they report administratively to the Municipal Chief Executive about their activities on quarterly bases.

A total of fifty (50) participants were used for the study. The common characteristics ensured in the sample were age, gender, level of education and geographical location. With regards to age, the researcher made sure that the age of those used in the study was proportional to the age distribution in the population. Similarly, the gender of those used in the study was proportional to that of the population. Also, in term of education, the amount of educational level of those used in the study was proportional to the population. Lastly, in relation to geographical location, the researcher ensured that those questioned during the study were all working in KEEA Municipality.

This chapter present analyses of the data collected from the field. The data are presented in tables and inferential statistics with descriptive explanations of the meaning of variables in the table.

Demographic Information on Respondents

This aspect of the study presents and discusses the preliminary data which consists of the background data of the respondents for the study. Six (6) characteristics of the study respondents were sought for which were deemed necessary for the study in order to address research objectives. Added to that, the characteristics of the respondents would provide the necessary understanding to readers as to the category of respondents used for the study in relation to their level of experience. The characteristics comprised their age, sex, marital status, level of education, department/unit of work and years of experience in the work.

Table 2: Age of Respondents

Age Group	Frequency	Percent
<30	23	46.0
31-40	18	36.0
41-50	8	16.0
51-60	1	2.0
Total	50	100.0

Source: Field Survey (2020)

The Table 2 above illustrates the age distribution of the 50 respondents surveyed. From the data collected, it is evident that almost half of the respondents, 46.0%, mentioned that they were less than 30 years, whereas, 36% of them said they were between the age category of 31-40 years.
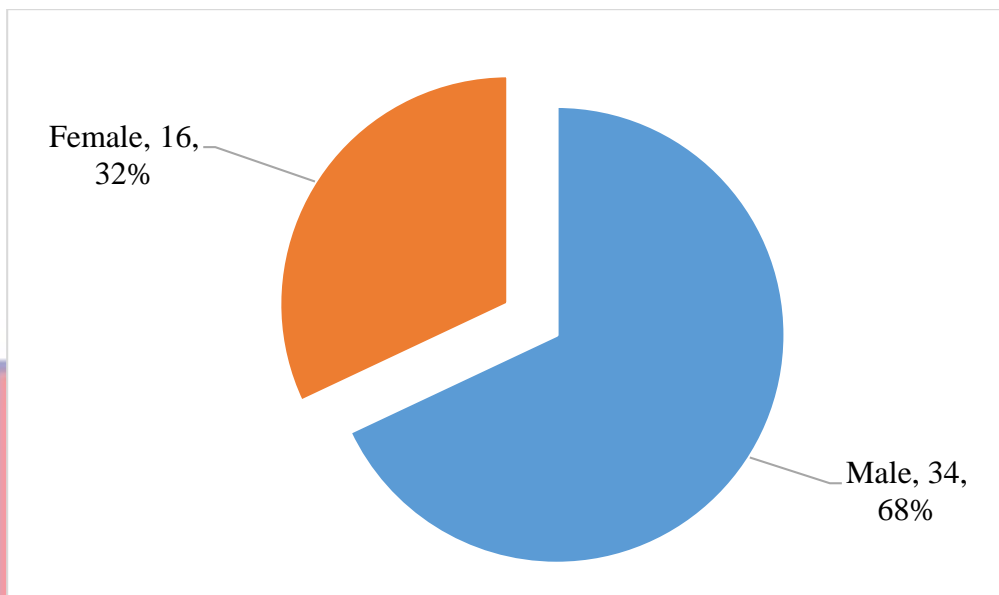
Figure 6: Gender of Distribution of Respondents

Source: Field Survey (2020)

The pie chart in Figure 6 presents analysis on the gender distribution of the 50 respondents surveyed. More than 60% of the respondents were male and less than 40% were female.

Table 3: Marital Status

Marital Status	Frequency	Percent
Single	26	52.0
Married	23	46.0
Separated	1	2.0
Total	50	100.0

Source: Field Survey (2020)

It can be seen from the above table that, majority of the respondents, 52% pointed out that they are not married, whiles 46% of them indicated they were married.
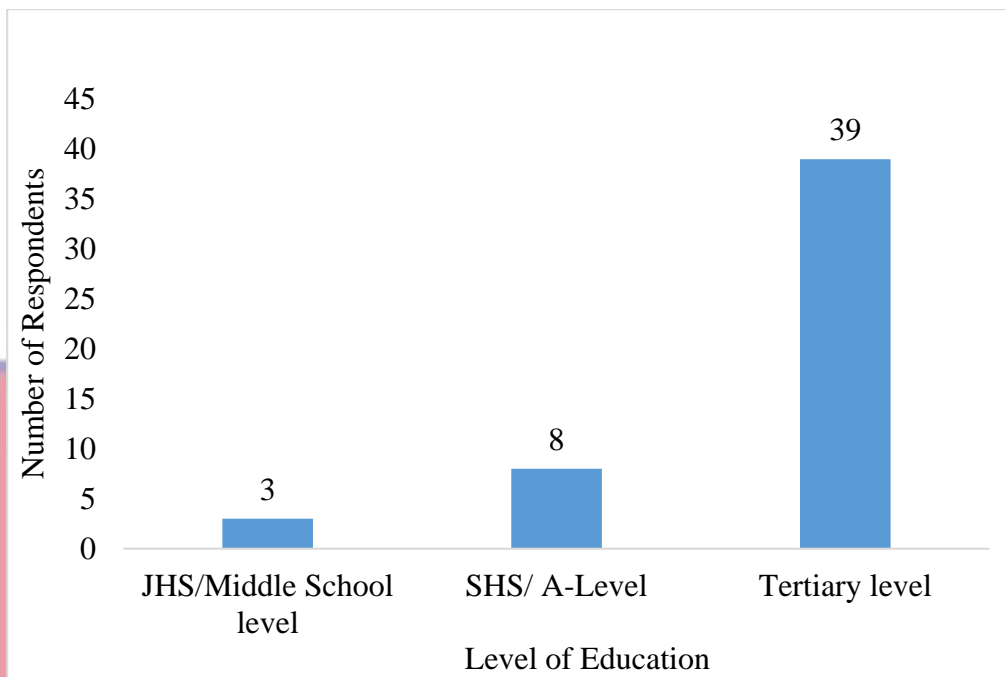
Figure 7: Respondents' Level of Education

Source: Field Survey (2020)

The bar graph shows the educational level of the respondents. It can be noted that a higher number of the respondents, 78% intimated that they have attended school to tertiary level. The second group, 16% said that they were SHS and A-level leavers.

Table 4: Respondents' Department of Work

Department	Frequency	Percent
Finance	5	10.0
Planning	2	4.0
Budgeting	4	8.0
Store/ Procurement	7	14.0
Education	3	6.0
Statistics	1	2.0
Audit	6	12.0
Agric	3	6.0
Health	6	12.0
Social Welfare	5	10.0
Environment Health	5	10.0
Other	3	6.0
Total	50	100.0

Source: Field Survey (2020)

The Table 4 above presents an analysis on the department within which the respondents work. The table shows that, respondents who participated in the study cut across the various department under the Assembly.
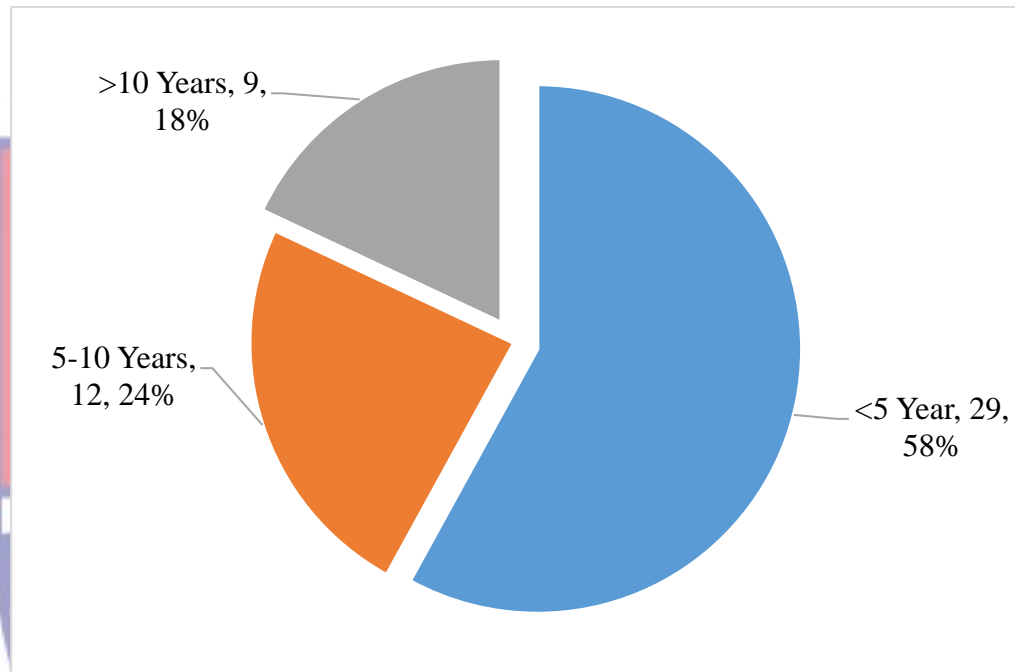
Figure 8: Respondents work Experience (years
Source: Field Survey (2020)

A cursory look at the above pie chart shows that majority of the respondents, 58% indicated that they have worked in their departments/ Units for less than 5 years now; 24% mentioned that they have been in their department/ Unit between 5 to 10 years, whereas the remaining 18% stated that they have been working in their department/ Unit for more 10 than years.

Nature and Quality of KEEA Internal Financial Control System

This part of the chapter four presents data on the nature and quality of the KEEA's internal financial control system. It looked at whether the Assembly has an internal financial control system (IFCS); how good it is and the type of IFCS in place. This aspect of the work helped to answer the first objective of the study.

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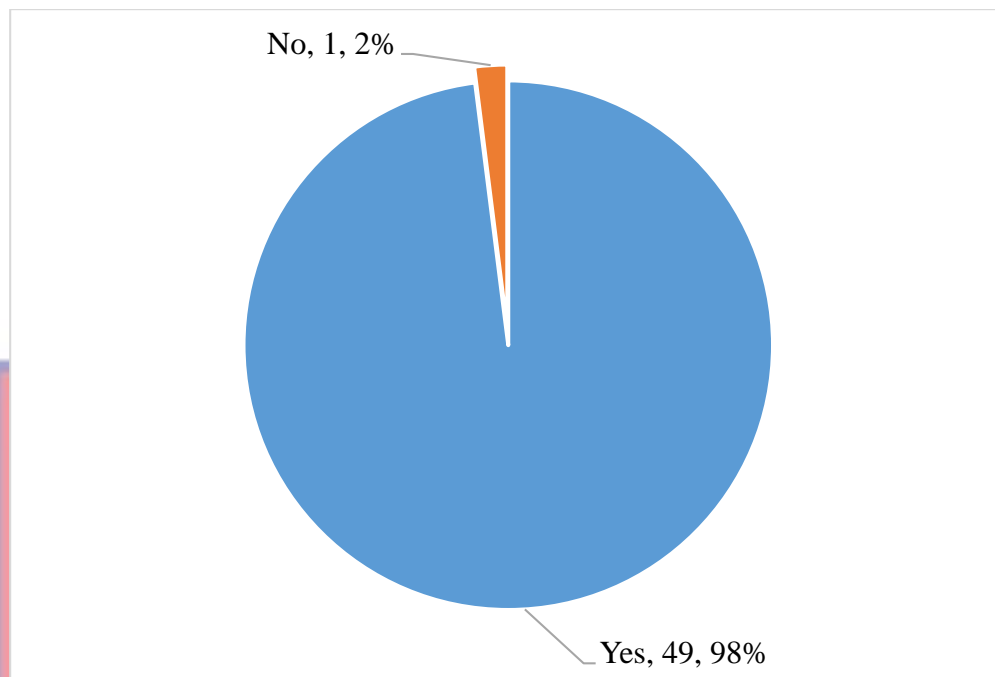
Figure 9: Awareness of KEEA IFCS

Source: Field Survey (2020)

As shown in the Figure 9 above, more than 95% of the respondents asserted that the KEEA Municipal Assembly has an internal financial control system (IFCS).

Table 5: Effectiveness of KEEA IFCS

Response	Frequency	Percent
Not so good	11	22.0
Good	28	56.0
Very good	10	20.0
Excellent	1	2.0
Total	50	100.0

Source: Field Survey (2020)

It can be noted from the table that, most of the respondents, 78% were of the view that KEEA Municipal Assembly has a good internal financial control system (IFCS). However, 22% of them opined that the Assembly does not have a good IFCS.

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Table 6: Type of Control system the Assembly practices

Control Mechanism	Response		
	Yes	No	Total
Revenue control	47 (94%)	3 (6%)	50 (100%)
Expenditure control	42 (84%)	8 (16%)	50 (100%)
Stores and inventory management control	39 (78%)	11 (22%)	50 (100%)
Operational control	30 (60%)	20 (40%)	50 (100%)
Effective control	16 (32%)	34 (68%)	50 (100%)

Source: Field Survey (2020)

The Table 6 above presents the result of the analysis on the multiple response question on the type of financial control system the various unit's practices in the Assembly. In this case, each of the control mechanisms constitutes a separate variable. From the table, it is evident that, most of the respondents, 47,42, 39 and 30, corresponding to the variable, indicated that, the various units of the Assembly, practice Revenue control, Expenditure control, Store and Inventory management control and Operational control systems. However, 34 of them mentioned that the Assembly do not practice effective control mechanism.

Table 7: The most important Financial Control system to respondents

Control Mechanism	Response		
	Yes	No	Total
Revenue control	34 (68%)	16 (32%)	50 (100%)
Expenditure control	23 (46%)	27 (44%)	50 (100%)
Stores and inventory management control	19 (38%)	31 (72%)	50 (100%)
Operational control	18 (36%)	32 (64)	50 (100%)
Effective control	8 (16%)	42 (84%)	50 (100%)

Source: Field Survey (2020)

The Table 7 above presents the result of the analysis on the multiple response question on the most important financial control system to the Assembly. In the same vein, each of the control mechanisms constitutes a separate variable. From the table, it is evident that, among the six (6) control mechanisms, most of the respondents, 34 (70%), out of the total respondent stated that, "Revenue Control" is the most important IFC in the opinion.

Table 8: Reasons for choosing the most important IFCS

Reason	Frequency
To strengthen the financial operations of the Assembly	38
To ensure proper expenditure control	18
To bring about proper stores and inventory management.	12
To detect fraudulent activities on time	9

Source: Field Survey (2020)

The Table 8 above presents analysis on why respondents chose the IFCS they thought to them was the most important among the rest. In a similar fashion, this is also a multiple response question, so respondents were allowed to choose more than one response. From the table, most of the respondents, 38

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(76%), mentioned that, their reason for choosing the "revenue control" as the most important IFCS is that, "it strengthens the financial operations of the Assembly". Apart from that, 18 (36%) of them, stated that, their reason for choosing "revenue control" as the most important IFCS is that, "it ensures proper expenditure control".

Table 9: Effect of IFCS on the Performance of KEEA Municipal Assembly

	N	Mean	Std. Deviation
Achievement of objectives	50	2.90	.886
Increased revenue	50	2.04	.755
Reduced operational cost	50	2.21	.798
Project execution	50	2.55	.980
Reduced fraudulent activities	50	2.31	.742
Minimized intended errors	50	2.35	.663
Improved performance	50	2.19	.734
Resources management	50	2.27	1.151
Regulatory compliance	50	1.98	.721
Increased public confidence	50	2.29	.935

Source: Field Survey (2020)

From the table above, the study showed that, with (mean=2.90 and standard deviation=.886) IFC practices helped the Assembly to achieve its goals and objectives. Also, with (mean=2.04 and 2.21 and standard deviation=.755 and .798), the research showed that the IFC helped the Assembly to increase its revenue and reduce its operational cost. Again, as per the other (means and standard deviations) IFC practice helped the Assembly to execute its projects; reduce fraudulent activities; minimized errors and improved performance; managed resources more efficiently; operated within the financial regulatory act and also gained public confidence.

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Table 10: How financial control activities have affected the financial performance of the Assembly

Response	Frequency
Improved revenue and expenditure	9
Management of finance	5
Ensured financial discipline	8
Delay in release of funds.	7
Checked fraudulent activities	3
Preparation of reliable financial reports	2
Executed projects	2
Operated within financial regulations	1

Source: Field Survey (2020)

From the Table 10 above, respondents showed their views on how financial control activities have affected the financial performance of the Assembly. Nine (9) of the respondents mentioned that, financial control activities helped the Assembly to improve on its revenue and expenditure control performance. Again, 8 of them pointed out that it helps to ensure proper financial discipline in the assembly. Whilst 5 of them thought it helps the Assembly to manage its financial resources to meet its objectives, 7 of them indicated it has been bad and therefore needs improvement because there is the issue of lack of logistics and delay in release of funds to achieve targets.

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Table 11: Descriptive Statistics on the presence and functionality of IFC System of KEEA

	N	Mean	Std. Deviation
Presence of IFCS	50	1.02	.141
Status of KEEA IFCS	50	2.02	.714
Reason for choice	50	2.30	1.632
Opinion about the IFC	50	1.20	.404
IFCS effect on financial performance	50	1.16	.370

Source: Field Survey (2020)

The presence and functionality of the internal financial control system (IFCS) of the Assembly was one of the key indicators considered in the study. Firstly, the study tried to find out if the Assembly has IFC measures in place and its functionality. Secondly, it sought to know respondents reason(s) for their choice of one particular IFC practice over the other and its influence on financial performance of the Assembly.

With a (mean= 1.02 and a standard deviation .141), the analysis showed that indeed the KEEA Municipal Assembly practices internal financial control measures. Similarly, the study revealed mostly that with (mean= 2.02 and standard deviation= .714) the Assembly's IFC system is functioning well. Again, from (a mean=2.30 and a standard deviation =1.632), the study indicated that the predominant reason respondents adduced for choosing one IFC practice over the other is that it strengthens the financial operations of the Assembly. Lastly, as shown in the table, with (mean= 1.16 add standard deviation=.370) the survey revealed that, the Assembly's IFC system has significant effect on its financial operations.

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The Relationship between IFCS and Financial Performance of the Assembly

This aspect of the study was on further analysis carried out on the data collected to help draw further conclusions on the findings. The statistical tool used for this analysis was Multiple Linear Regression. It was used to find out if there exist a relationship between the presence of IFCS at the Assembly and its financial performance.

1. **Multiple Linear Regression Test**

Table 12: Multiple Linear Regression Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.562[a]	.315	.271	.593

Source: Field Survey (2020)

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.448	3	2.483	7.062	.001[b]
Residual	16.172	46	.352		
Total	23.620	49			

Source: Field Survey (2020)

Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta (β)		
(Constant)	2.820	.519	0	5.437	.000
State of IFC	.302	.122	.311	2.470	.017
Effectiveness of IFC	-.545	.216	-.317	-2.520	.015
Impact on financial performance	-.478	.323	-.188	-1.479	.146

Source: Field Survey (2020)

   a. *Dependent Variable: Presence of IFCS*

A multiple regression was carried out to investigate whether the state of the Assembly's IFC, its effectiveness and its impact on financial performance could significantly predict how the Assembly's IFC system can financially perform. The results of the regression indicated that the model explained 31.5% of the variance and that the model was a significant predictor of financial performance of the Assembly, $F (3, 46) = 7.06$, p= .001. While state of the Assembly's IFC and the effectiveness of the IFC contributed significantly to the model ($β_0$= .31, p<.05) and ($β_1$= -.32, p<.05) respectively, impact on financial performance did not ($β_2$= -.19, p=.15). The final predictive model was:

IFC impact = 2.82+ (.30*State of IFC) – (.55*Effectiveness of IFC) – (.48*Impact on financial performance)

2. Multiple Linear Regression Test

Table 13: Multiple Linear Regression Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621	.386	.216	.129

Source: Field Survey (2020)

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.378	10	.038	2.264	.036[b]
Residual	.601	36	.017		
Total	.979	46			

Coefficients

| Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta (β)		
(Constant)	.971	.118		8.231	.000
Achievement of objectives	-.030	.023	-.187	-1.284	.207
Project execution	.067	.025	.445	2.622	.013
Reduced fraudulent activities	.059	.031	.304	1.902	.065
Resource management	-.039	.024	-.306	-1.637	.110
Increased public confidence	-.005	.034	-.031	-.144	.886

Source: Field Survey (2020)

a. *Dependent Variable: Presence of IFCS*

Another multiple regression test was carried out to investigate whether the presence of internal financial control system at the Assembly (y) over the years could significantly predict that Control activities can help the Assembly to stay focused to its objectives ($β0$), Control activities can help the Assembly

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to undertake a lot of projects (**β1**), Control activities can aid the Assembly to check fraudulent activities **(β2)**, Control activities can help the Assembly to manage its meagre resources well (**β3**), Control activities of the Assembly can help engender public confidence (**β4).** The result of the regression indicated that the model explained 38.6% of the variance and that the model was a significant predictor of y, $F_{(10, 36)} = 2.26$, $\rho = .036$. While $\beta1$ contributed significantly to the model (**β1** $= .067$, $\rho < .01$), $\beta0$ did not (**β0** $= -.030$, $\rho = .21$); **β2** did not (**β2** $= .059$, $\rho = .07$); **β3** did not (**β3** $= -.039$, $\rho = .11$) and **β4** also did not (**β4** $= -.005$, $\rho = .89$). The final predictor model was:

$$y = .97 - .03*\beta0 + .07*\beta1 + .06*\beta2 - .04*\beta3 - .01*\beta4$$

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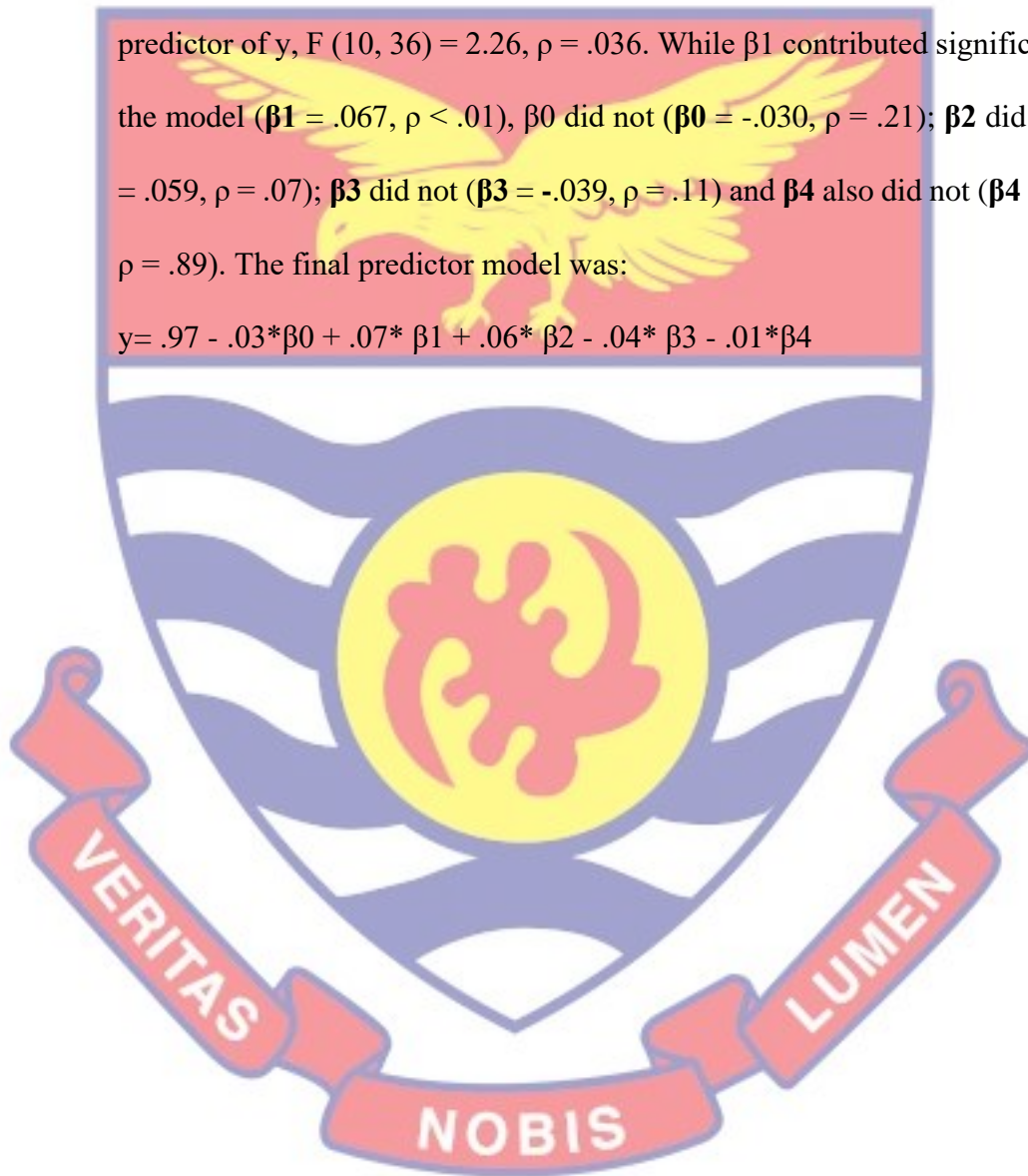
Discussions

From the data collected and the findings from the field, there is no negating the fact that, KEEA Municipal Assembly has an internal financial management system in place. This is in line with government's requirement of all MMDAs to maintain a sound and prudent financial management system.

Added to that, as a way of evidence, it was found out that the Assembly practices the various forms of controls, such as revenue control, expenditure control, stores and inventory management control, operational control and effective controls. With all these controls in place, the Assembly is able to manage its internal financial control system effectively to be able to achieve its set goals and objectives.

Again, the practice of internal financial control mechanisms has helped the Assembly to a large extent to enhance its financial performance. Again, it was established that, there is a relationship between internal financial control of an organisation and its financial performance at all time. Consequently, the findings showed there is a direct link between prudent internal financial control system of the Assembly and its financial achievements. This means that systems are put in place to make sure everyone or officer complies with one financial regulation or the other.

Furthermore, the findings showed the actual type of relationship that exist between the internal financial control system and its performance and its effect on it. Some of these effects are that, it provides the relevant procedure for the financial discipline and value for money. Also, when because controls are strong and effective, the Assembly is able to perform well financially.

That notwithstanding, there must be proper monitoring of the system to ensure complete and excellent financial performance of the Assembly. In addition to that, expenditure budget of the Assembly must be reduced for an increased revenue.

In addition to that, the further analysis from the multiple linear regression test carried out indicated that the model explained 31.5% of the variance and that the model was a significant predictor of financial performance of the Assembly, $F (3, 46) = 7.06$, $p= .001$. While state of the Assembly's IFC and the effectiveness of the IFC contributed significantly to the model ($B= .30$, $p<.05$) and ($B_1= -.55$, $p<.05$) respectively, impact on financial performance did not ($B= -.48$, $p=.15$). In other words, there is a positive relationship between the KEEA Municipal Assembly's internal financial control system and its financial performance. This also means that, Assembly needs to work more on its internal financial control activities to perform better financially.

A second hypothesis test carried out was also a multiple linear regression which tested the presence of internal financial control system at the KEEA Municipal Assembly and its contributions to the various activities of the Assembly leading to good financial performance. The test showed that among other contributions IFCS makes to the Assembly, the most significant one is that, IFC activities helps the Assembly to undertake all its projects. That means that, with control practices, the Assembly is able to rake in more revenue to undertake its projects.

Chapter Summary

The chapter four of this research captured the results and discussions of data gathered from the field survey. The self-administered questionnaire used, collected data on respondent's basic information; the nature of KEEA Municipal Assembly's (MA) internal financial control system; the impact of internal financial control system on the financial performance of KEEA MA; the relationship between internal financial control system and financial performance of KEEA MA.

The findings showed that the KEEA MA has an internal financial control system (IFCS) in place. As a result, the presence of the internal financial control system has had a positive impact on the financial performance of the Assembly. Therefore, the Assembly was able to execute majority of its projects due to the prudent financial control measures.
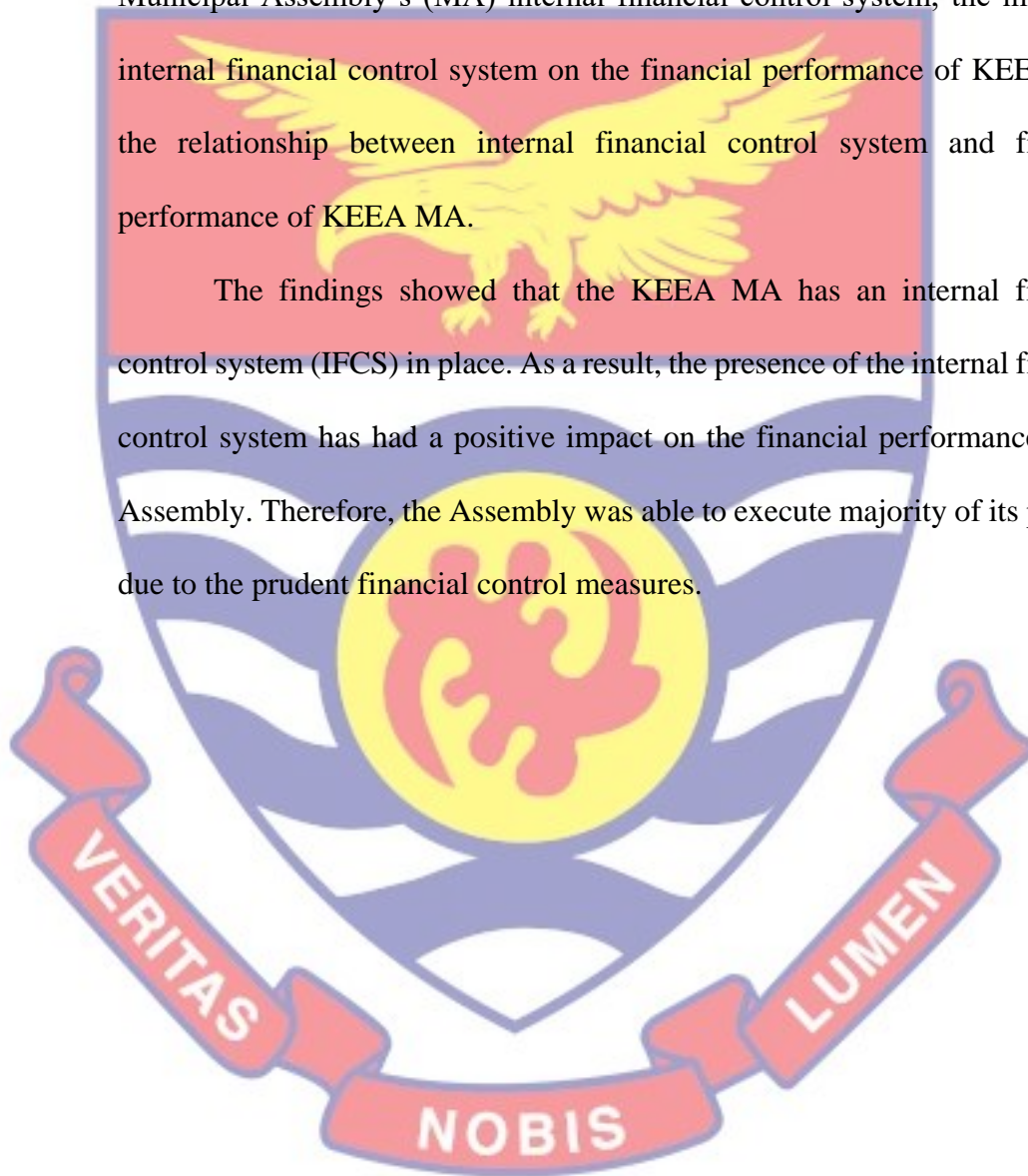
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents summary of key findings from the chapter four (4) of the study, conclusions drawn based on the findings and recommendations made for necessary action by government, corporate organisations, members of the academia and others.

Summary of Key Findings

This research work was on the topic, "Internal Financial Control Systems and Performance of the Komenda Edina Eguafo Abrem Municipal Assembly" was conducted to critically examine the existence and effectiveness of the internal financial control system of the Komenda Edina Eguafo Abrem (KEEA) Municipal Assembly. The study was conducted using descriptive quantitative research method. To get participants for the study, a simple random sampling methods was employed to sample 50 Assembly staff and staff from other departments.

From the study the following findings were made:

1. The KEEA Municipal Assembly has an internal financial control system in place

2. The Assembly's internal financial control system is effective

3. It makes use of all the types of internal financial control mechanisms, i.e., revenue control, expenditure control, stores and inventory management control, operational control and effective control.

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4. Revenue control system was considered the best internal financial control practice by the respondents

5. The reason for choosing the revenue control as the best is that, it strengthens the financial operations of the Assembly

6. It was highly accepted or agreed that financial control activities helped the Assembly in its financial performance.

7. It was established that there is direct relationship between good internal financial control system and the financial performance of an organisation.

8. There must be proper monitoring of the system to ensure good financial performance.

9. Logistics must be provided for financial monitoring

10. From the further analysis conducted, the study was able to establish that, there is a relationship between the presence of IFC at the Assembly its performance in various activities.

Conclusions

From the relevant books, articles and journals reviewed and the study conducted on the field, it can be concluded that the Komenda Edina Eguafo Abrem Municipal Assembly has a good internal financial control system which has helped in its financial performance over the years. Additionally, it makes use of all types of internal financial control mechanisms such as control environment, internal audit and control activities, in its operations.

Again, government policies, proper documentation and self-motivation of staff helped the Assembly to stay on course. This resulted in good liquidity, proper accountability and reporting.

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Also, it can be inferred that a poor internal financial control system negatively affects the financial performance of an organisation and vice-versa.

Added to that, a good IFCS contributes to a good financial performance of the organisation. More so, it is concluded that there is a positive relationship between IFC and the financial performance of the Assembly. It was furthermore concluded that, internal financial practices help the Assembly to collect more revenue to undertake its projects.

Recommendations

From the findings of this research work, it would be recommended that:

1. The Assembly should continue to maintain a good and sound internal financial control system for a good financial performance

2. There must be proper monitoring of the system to ensure good financial performance

3. The revenue unit of the Assembly must be decoupled from the financial unit for more effective and efficient work

4. Expenditure must be controlled to save more revenue

5. Documentation of all activities at the Assembly should be enhanced.

6. ICT equipment and accounting software must be employed in all financial transaction

7. The Assembly must intensify its control practices to rake in more money to undertake its projects.

Suggestion for Further Studies

This study was very practical and useful. The researcher could not delve into knowing the actual amount in terms of revenue that the Assembly saves as a result of practicing internal financial control measures and what those monies were used to do. Also, the researcher could not find out if there are punitive measures in place to punish those who flout IFCS rules at the Assembly. For that reason, it is suggested that a further study be conducted to that effect.

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APPENDIX

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

QUESTIONNAIRE

"INTERNAL FINANCIAL CONTROL SYSTEMS AND PERFORMANCE

OF THE KOMENDA EDINA EGUAFO ABREM MUNICIPAL

ASSEMBLY"

This study seeks to assess the Internal Financial Control Systems of the

Komenda Edina Eguafo Abrem Municipal Assembly in the Central Region of

Ghana. You have been selected to participate in this study due to the importance

of your information to this study

Being purely academic work, any information provided would be used solely

for the purpose of the research work. So, your responses would not be traced to

you in any way.

Please, provide your answer by checking the box or stating it wherever

applicable.

SECTION A: RESPONDENT'S BASIC INFORMATION

   1. Age:

A. <30   □   B. 31-40 □   C. 41-50   □   D. 51-60 □

   2. Gender:

A. Male   □   B. Female □   C. Other (specify)…………………

   3. Marital Status:

A. Single   □   B. Married □   C. Separated □   D. Widowed □

E. Divorced □   F. other (Specify)……………………………………

4. Level of education:

A. JHS/MIDDLE School □ B. SHS/ A-Level □ C. Tertiary level □

5. Department of work:……………………………………….

6. How many years have you been working in your department?

A. > 5 years □   B. 5-10 years □   C. > 10 years □

SECTION B: SECTION B: THE NATURE AND QUALITY OF KEEA ASSEMBLY'S INTERNAL FINANCIAL CONTROL SYSTEM (IFCS)

7. Does KEEA Municipal Assembly have an internal financial control system?

A. Yes □   B. No □

8. How good is the Assembly's internal financial control system?

A. Not so good □ B. Good □ C. very good   □   D. Excellent □

9. What internal control practices does the Assembly use*? (Check as many as applicable).*

A. Financial Control   □

B. Expenditure Control   □

C. Stores and inventory management controls   □

E. Operational control   □

F. Effective control   □

10. Which of these practices identified above do you think are most important?

A. Financial Control   □   B. Expenditure □   Control □ C. Stores and inventory management controls   □   E. Operational control   □

F. Effective control □

11. Which of the following is your reason for your choice in QS 9?

A. To strengthen the financial operations of the Assembly   □

B. To detect fraudulent activities on time   □

C. To ensure proper expenditure control   □

D. To bring about proper stores and inventory management   □

12. To what extent do you agree with the following statements in relation

to effective financial control activities at the Assembly?

(Please, tick once against each factor as appropriate)

Element	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Control activities have helped the Assembly to stay focused to its objectives over the last five years					
Control activities have helped the Assembly to rake in more revenue over the last five years					
Control activities have impacted the Assembly's operation cost for the last five years					
Control activities have helped the Assembly to undertake a lot of projects over the last five years.					
Control activities have aided the Assembly to check fraudulent activities					
Control cheeks have aided the Assembly to minimize unintended error					

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Control activities have helped the Assembly to perform better over the last five years					
Control activities have helped the Assembly to manage its meagre resources well over the last five years					
Control activities have helped the Assembly to operate within the laws and regulations of the state					
Control activities of the Assembly over the last five years increased its public confidence					

SECTION C: EFFECT OF IFCS ON PERFORMANCE OF KEEA MUNICIPAL ASSEMBLY

In your opinion, are financial control activities effective in the Assembly?

A. Yes   □   B. No □

13. Do you think the financial control system of the Assembly has had a significant impact on its financial performance? A. Yes □ B. No □

14. In your view, how have financial control activities affected the financial performance of the Assembly?

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15. Per your assessment, do you think internal financial control practice has had any effect on the performance of the Assembly?

A. Yes □   B. No □

16. To what extent do you think the IFCS has impacted KEEA'S performance?

A. To a lesser extent   □

B. To some extent   □

C. To a large extent   □

SECTION E: RELATIONSHIP BETWEEN IFCS AND PERFORMANCE OF KEEA DA

17. Do you think there is any relationship between IFCS and the performance of organisations? A. Yes   □   B. No   □

18. a. If yes; what is the relationship?

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19. Give suggestion(s) (if any) to improve on the internal financial control practices of the Assembly.

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Thank you very much for your time

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