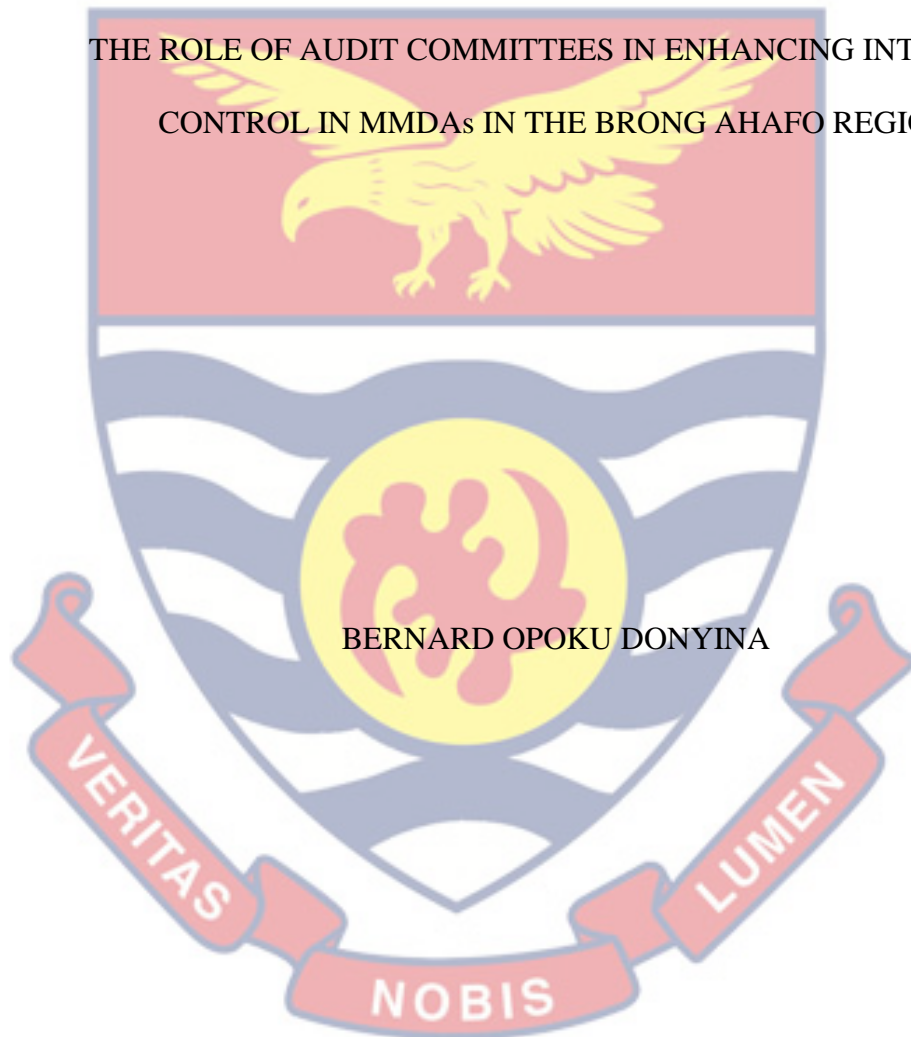


UNIVERSITY OF CAPE COAST

THE ROLE OF AUDIT COMMITTEES IN ENHANCING INTERNAL
CONTROL IN MMDAs IN THE BRONG AHAFO REGION



BERNARD OPOKU DONYINA

2022

UNIVERSITY OF CAPE COAST

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CONTROL IN MMDAs IN THE BRONG AHAFO REGION

BY

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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 award of Master of Business
Administration degree in Accounting.

MAY 2022

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:

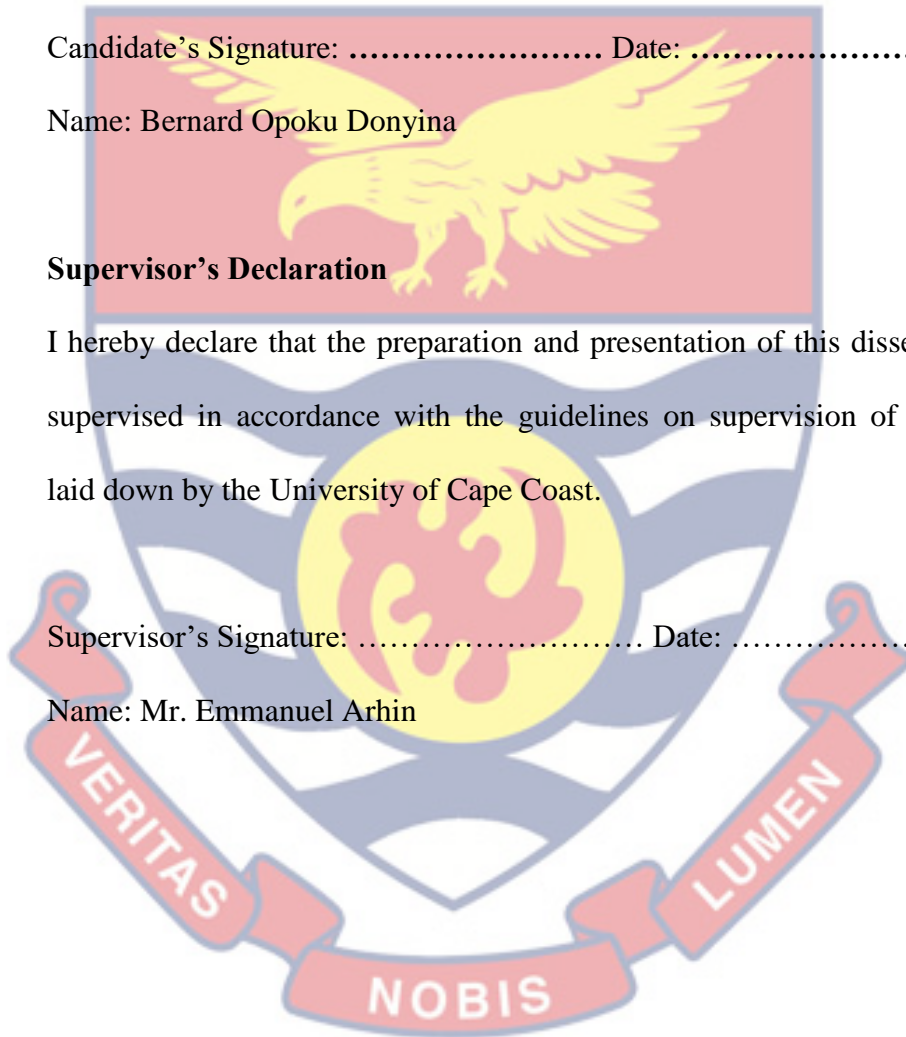
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Supervisor's Declaration

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

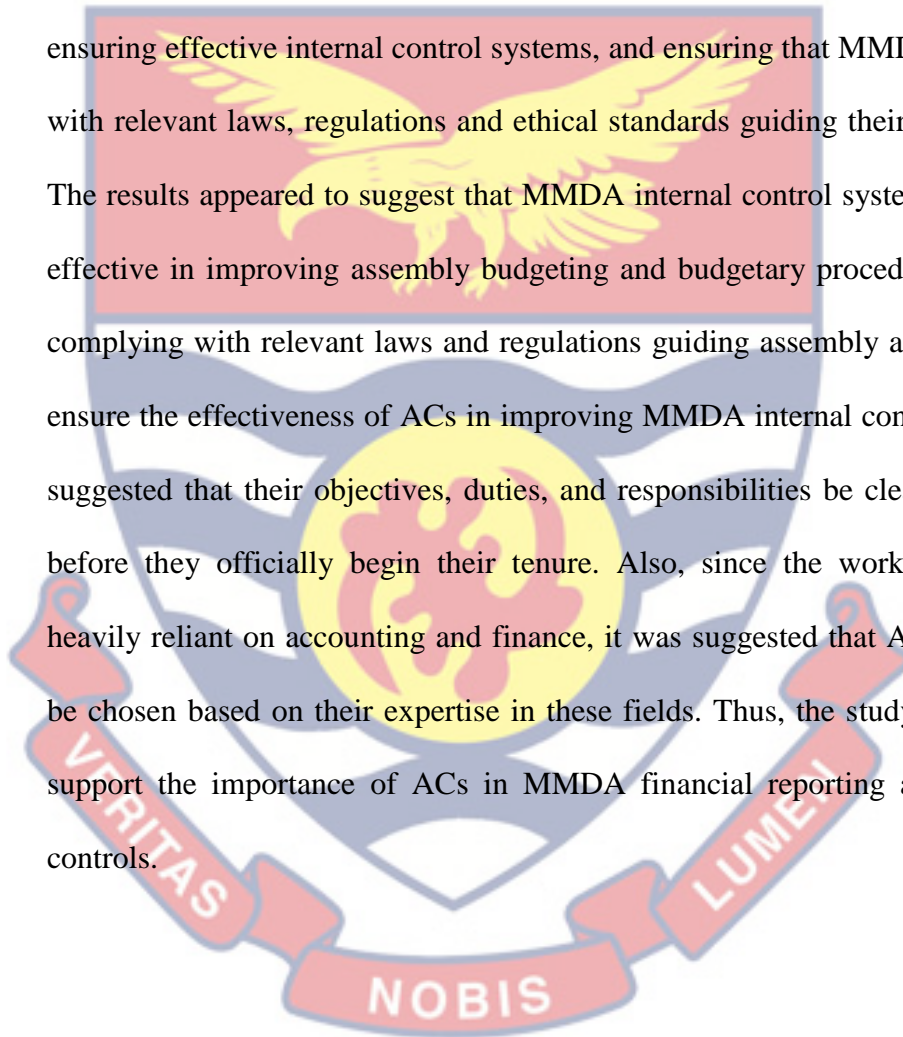
Supervisor's Signature: Date:

Name: Mr. Emmanuel Arhin



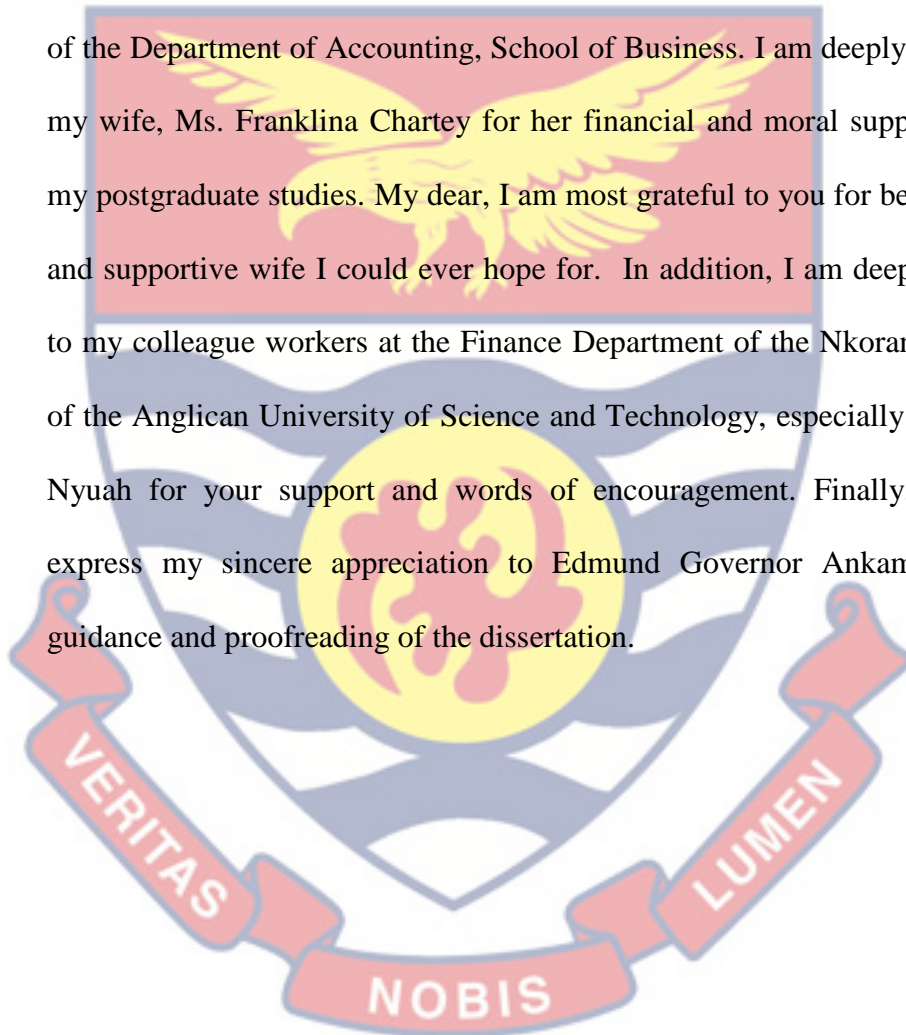
ABSTRACT

The study's objective was to test the role of Audit Committees in MMDAs in the Brong Ahafo Region. The study used the quantitative survey. A sample of 100 members of 20 selected MMDA ACs were chosen from a population of all 27 MMDAs in the Brong Ahafo Region. This entails examining MMDA risk management strategies and putting steps in place to prevent fraud, ensuring effective internal control systems, and ensuring that MMDAs comply with relevant laws, regulations and ethical standards guiding their operations. The results appeared to suggest that MMDA internal control systems are very effective in improving assembly budgeting and budgetary procedures, and in complying with relevant laws and regulations guiding assembly activities. To ensure the effectiveness of ACs in improving MMDA internal controls, it was suggested that their objectives, duties, and responsibilities be clearly defined before they officially begin their tenure. Also, since the work of ACs is heavily reliant on accounting and finance, it was suggested that AC members be chosen based on their expertise in these fields. Thus, the study seemed to support the importance of ACs in MMDA financial reporting and internal controls.



ACKNOWLEDGEMENTS

Many people contributed in diverse ways towards the successful completion of this dissertation and so I deem it fit to appreciate their efforts and acknowledge them accordingly. To begin with, I wish to acknowledge with profound gratitude the warm supervision, cooperation, guidance and constructive criticisms given to me by my supervisor, Mr. Emmanuel Arhin, of the Department of Accounting, School of Business. I am deeply indebted to my wife, Ms. Franklina Chartey for her financial and moral support towards my postgraduate studies. My dear, I am most grateful to you for being the best and supportive wife I could ever hope for. In addition, I am deeply indebted to my colleague workers at the Finance Department of the Nkoranza Campus of the Anglican University of Science and Technology, especially Frank Yaw Nyuah for your support and words of encouragement. Finally, I wish to express my sincere appreciation to Edmund Governor Ankamah for his guidance and proofreading of the dissertation.



DEDICATION

To my lovely wife Franklina Charthey and my beloved daughter Bernarda

Opoku Donyina



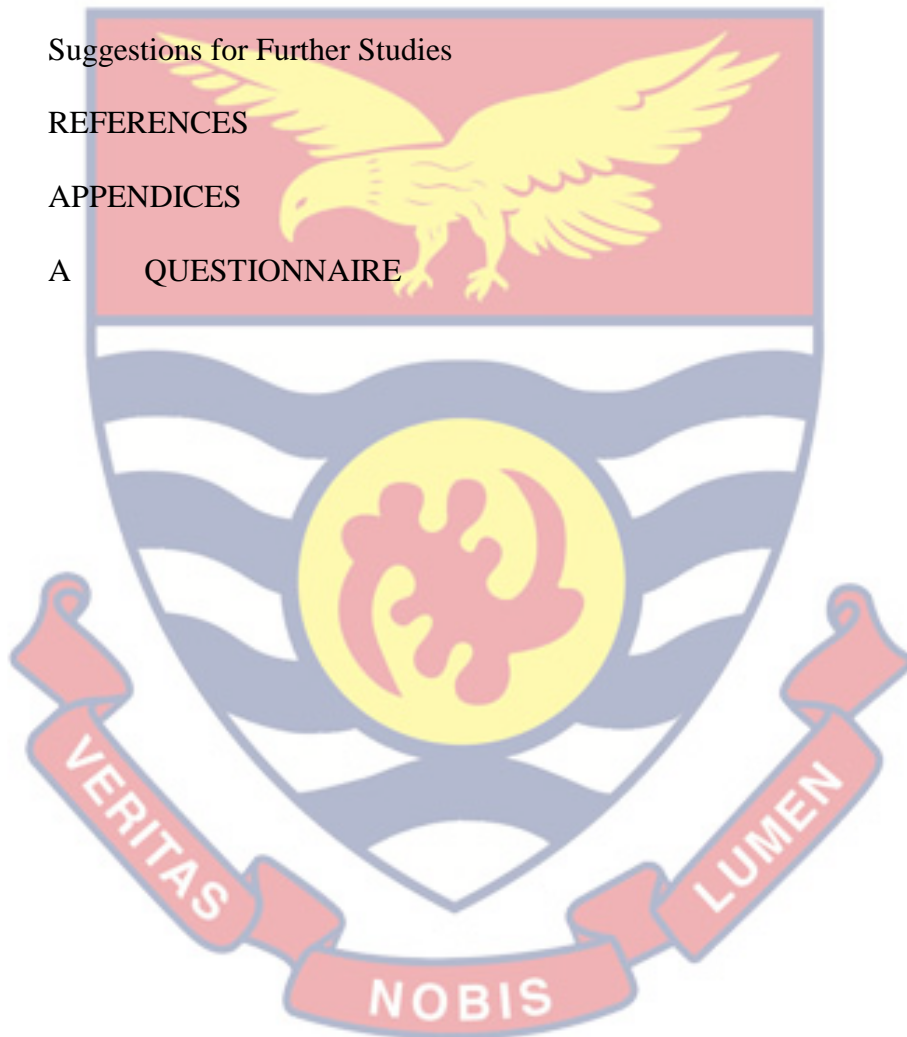
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LIST OF ABBREVIATIONS



AICPA	American Institute of Certified Public Accountants
AC	Audit Committee
CICA	Canadian Institute of Chartered Accountants
CDD	Centre for Democracy and Development
CIMA	Chartered Institute of Management Accountants
COSO	Committee of Sponsoring Organizations of the Treadway Commission
FCCG	Finance Committee on Corporate Governance
GACC	Ghana Anti-Corruption Coalition
GAO	Government Accountability Office
ICPAK	Institute of Certified Public Accountants of Kenya
IAA	Internal Audit Agency
ISA	Internal Standards on Auditing
LGSS	Local Government Service Secretariat
MMDAs	Metropolitan, Municipal and District Assemblies
MDAs	Ministries, Departments and Agencies
MoF	Ministry of Finance
MLGRD	Ministry of Local Government and Rural Development
NYSE	New York Stock Exchange
PAC	Public Accounts Committee
PUFMARP	Public Financial Management Reform Programmes
SOX	Sarbanes-Oxley
SEC	Security and Exchange Commission
SPSS	Statistical Package for Service Solutions

CHAPTER ONE

INTRODUCTION

There is no gainsaying that effective local government system is essential for the smooth implementation of programmes and projects at the local government level to improve the living conditions of the people. Therefore, it is not for nothing that the Ministry of Finance (MoF), Ministry of Local Government and Rural Development (MLGRD), as well as Local Government Service Secretariat (LGSS) are making all possible efforts to improve the budgeting process of Metropolitan, Municipal and District Assemblies (MMDAs) (Ministry of Finance, 2012).

Background of the Study

It is believed that public sector auditing enhances accountability and reinforce the expectation that public and civil servants will perform their functions effectively, efficiently, ethically and in accordance with the applicable laws and regulations. To ensure that audit report recommendations are implemented by MMDAs, and the relevant financial administrations regulations complied with accordingly, Section 30(1) of the Audit Service Act, 2000 (Act 584) requires all public organizations including Ministries, Departments and Agencies (MDAs) and MMDAs who are subject to auditing by the Auditor General, to set up an Audit Committees (ACs). In addition, Section 16(8) of the Internal Audit Agency Act, 2003 (Act 658) reiterates the need for all MDAS and MMDAs to comply with Section 30(1) of Act 584 and establish ACs. Again, the framework for professional practice of internal auditing issued by the Institute of Internal Auditors (IIA) also requires organizations both public and private to have effective audit committees.

The Internal Audit Agency (IAA) defines an audit committee herein AC as a statutory and high level independent corporate governance committee in the public sector financial management system. The core function of ACs of public sector organizations including MMDAs is to see to the full and effective implementation of audit recommendations by the Auditor General, internal audit unit, or the Public Accounts Committee (PAC) recommendations. More specifically, an AC is expected among other things to promote the effective functioning of internal audit units of MMDAs and follow up on the implementation of audit recommendations to ensure efficient and effective utilization of public resources in line with the objectives of the Public Financial Management Reform Programmes (PUFMARP).

The composition of the membership of the AC at the MMDA level is made up of five members as follows: The presiding member or representative of the presiding member from among members of the Assembly (Chair); a member of the finance and administration sub-committee of the assembly, the MMDA chief executive; the MMDA coordinating director; one external representative with a minimum of four years' experience in accounting or auditing nominated by the Internal Audit Agency. However, in the performance of its functions, an AC may co-opt any senior management personnel to the Committee. In the performance of its roles, an AC shall have unrestricted access to all information, documents, personnel and adequate resources in order to fulfil its responsibilities. It is envisaged that members of AC shall be given induction and guiding principles on their roles, responsibilities and participation in the work of AC. Members are expected to be independent and diligent in their work.

Chien, Mayer, and Sennetti (2010) assert that audit committees serve an important monitoring mechanism in corporate governance. They posit that in the aftermath of highly publicized corporate scandals, such as Enron, WorldCom, and Tyco, the Sarbanes-Oxley (SOX) Act of 2002 increased audit committee's responsibility in providing greater transparency and an internal control structure over financial reporting in private sector. In like manner, the public sector also increased its audit committee's responsibilities. Therefore, the U.S. Government Accountability Office (GAO) reiterated the need for public sector entities to consider the benefit of using audit committees in governmental units.

From the foregoing, it can be asserted that audit committees has become one of the main pillars of the good corporate governance system in both private and public sector organizations. Examining the roles of audit committees in promoting good corporate governance and enhancing internal controls, Idris and Yusoff (2012) posit that an audit committee is established with the aim of enhancing confidence in the integrity of an organization's processes and procedures relating to internal control and corporate reporting. Thus, audit committee provides an 'independent' reassurance to the board through its oversight and monitoring role. They contend that among many responsibilities the board of an organization entrusts the audit committee with are the transparency and accuracy of financial reporting and disclosures, effectiveness of external and internal audit functions, robustness of the systems of internal audit and internal controls, effectiveness of anti-fraud, ethics and compliance systems, review of the functioning of the whistle-

blower mechanism. Audit committees also plays a significant role in the oversight of the company's risk management policies and programs.

In evaluating the internal audit committee functions in financial reporting in the Municipal Council of Eldoret in Kenya, Chelimo and Kariuki (2013) found that internal audit committee functions influence financial reporting in the Municipal council of Eldoret. Hence, they opined those local authorities in Kenya should implement the resolutions of Audit committees within the stipulated timelines; and that the ministry should ensure that required reforms are safeguarded from external interference.

Moreover, empirical studies (e.g Defond & Jiambalvo 1991) focusing on public corporations have provided evidence suggesting that firms with audit committees are more likely to have high quality financial reporting and internal control. In general, these studies indicate a positive association between the presence and characteristics (size, independence, financial expertise, and or meeting frequency) of an audit committee and the quality of financial reporting and internal control.

Statement of the Problem

It has been observed that most research studies focus more on the role of audit committees in private sector organizations than on the role of audit committees in public sector organizations. However, as stipulated in Section 30 (1) of the Audit Service Act, 2000, the role of audit committees in ensuring effective internal controls and financial reporting practices in public sector institutions such as MMDAs cannot be overstated (Act 584).

The Institute of Certified Public Accountants of Kenya (ICPAK) stated in its 2015 Audit Committees Survey Report that the global financial crisis

since 2007, the spate of corporate scandals and failures, as well as globalization and the expansion of financial markets, have increased the call for enhanced regulations in public financial management to contain the canker. According to the Centre for Democracy and Development (CDD), (2000), government officials in Ghana misappropriate public funds, particularly at the local government level, resulting in a massive government budget deficit, a low standard of living, and poor economic performance. Additionally, a 2014 study conducted by the Ghana Anti-Corruption Coalition (GACC) revealed that MMDAs have failed to implement recommendations made by the Parliamentary PAC over the years. This is because the committee's reports do not reach the MMDAs and, if they do, they arrive many years later. Additionally, the PAC has not provided feedback on the submission of final reports to audited organizations. According to GACC, this situation has facilitated the growth of financial irregularities at MMDAs, which totalled GH6,187, 846 between 2005 and 2007 and GH6,011, 248.19 in 2011.

Considering these obstacles, effective public financial management best practices require that public organizations, such as MMDAs, establish an AC to assist in preserving the internal audit function's independence and ensuring appropriate and timely action on audit report recommendations. As a result, Section 30 (1) of the Audit Service Act, 2000 (Act 584) requires all public institutions that are audited by the Auditor-General to establish an Audit Committee (AC) to oversee the implementation of audit recommendations.

Even though the Audit Service Act, 2000 (Act 584) expressly requires all public institutions within MMDAs to establish an AC, it appears that some institutions have not heeded this call. As a result, in 2012, when the Chairman of the Public Accounts Committee was presented with the Auditor General's report on the public accounts of Pre-University Educational Institutions for the fiscal years 2010 and 2011, the Speaker of Parliament, Right (Hon.) Edward Doe Adjaho, emphasized the critical nature of every public institution establishing an AC to consider Auditor General recommendations and sanction individuals cited for gross financial mismanagement. He expressed concern about the annual recurrence of such mismanagement in Public Accounts Committee reports without the respective ACs implementing the Auditor General's recommendations. Additionally, the Auditor General stated that these financial irregularities occurred in the institutions as a result of heads of institutions' disregard for financial rules and regulations and ineffective supervisory controls over accounting offices' financial activities. This situation exacerbates the problem of persistent non-compliance with the laws and regulations governing public account management in Ghana.

Thus, the question is how audit committees in public institutions can ensure the quality of internal control systems in the current environment, given that they are a critical component of internal control systems. This prompted the researcher to conduct research into the audit committee's role in strengthening the internal control systems of MMDAs in the Brong Ahafo Region.

Purpose of the Study

The study explored the role of Audit Committees in ensuring effective internal control in selected MMDAs in the Brong Ahafo Region.

Research Objectives

In line with the purpose of the study, the study sought to achieve the following objectives:

- i. To analyse the role of Audit Committees of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region.
- ii. To assess how effective Internal Control System of MMDAs.
- iii. To identify ways of strengthening the role of ACs to enhance effective Internal Controls of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region.

Research Questions

About the specific objectives of the study, the following pertinent research questions were designed to guide the study:

- i. What is the role of Audit Committees of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region?
- ii. How effective is the internal control system of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region?
- iii. What ways can the role of ACs be strengthened to enhance effective Internal Controls of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region?

Significance of the Study

The study is relevant in that it highlights the role of ACs in ensuring sound internal control system at the MMDAs thereby safeguarding against the

misappropriation of public funds. The study will unearth the lapses in the internal control system of MMDAs and proffer recommendations which when adhered to by ACs will help to enhance the internal control systems. By examining the effectiveness of the internal control system of MMDAs, the study seeks to make policy recommendations with regards to the inefficiencies in the systems for remedial action to be taken by the relevant authorities such as the Ministry for Local Government and Rural Development. Studies on the role of audit committees in ensuring effective internal control in public organization in Ghana is lacking. Hence, the findings of the study will contribute to enriching the literature in this area of study. The study will therefore serve as a source of reference for future researchers in this area.

Delimitations

The study was confined to some selected MMDA's in the Brong Ahafo Region of Ghana. The respondents for the study were be limited to only members of the Audit Committee Audit Committees of the selected MMDA's.

Organization of the Study

The study was presented in five chapters. Chapter One introduces the study by presenting the background of the study, the statement of the problem, the purpose and objectives of the study, research questions, the significance of the study, limitations of the study, delimitations of the study, as well as the organization of the study. Chapter Two involves a review of relevant literature pertaining to the topic of study. Chapter Three focuses on the methods that was adopted for the study. It includes the research design employed, a description of the study area, the population and sample used and sampling techniques employed. It also describes how data was collected and

analysed by explaining the data collection instruments, validity and reliability of the instruments, data collection procedures, and data analysis techniques. Chapter Four involves the presentation, analysis, and discussion of the results of the study. Finally, Chapter Five presents the summary of the findings, conclusion, recommendations, and suggestions for further research.



CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter deals with the literature on audit committee and internal control system. The chapter discusses historical background of audit committee; the role of audit committees; the concept of internal control; components of internal control; internal control limitations; and determinants of internal control weakness.

Overview of Audit Committees

Canadian Institute of Chartered Accountants (1981) claims Canada was the first country to legislate audit committees, with the USA following. Several corporate collapses and questionable conduct severely tarnished the reputation of major organisations prompted the establishment of audit committees in the mentioned countries in 1970. (CICA, 1981). For public companies to be allowed to list on the New York Stock Exchange, the Security and Exchange Commission (SEC) and other capital market stakeholders pushed hard for audit committees to be mandated in 1978. (NYSE). An audit committee should be established by all publicly traded companies by June 30, 1978, per the American Institute of Certified Public Accountants (AICPA). It was also revived by the scandalous role played by Anderson Consulting Firm in the early 2000s.

However, it should be noted that management is obligated to prepare and present financial statements. The Companies Act, 2019 (ACT 992) requires that the financial statements be audited by an independent third party with professional capacity to ensure credibility and confidence in the report.

As a result of the tension between the external auditor and the board, audit committees were formed.

Audit committees in the local government of Ghana

In Ghana, an Audit Committee (AC) is a statutory and high-level independent corporate governance committee in the public sector, established by the Audit Service Act, 2000 (Act 584) to perform specified roles as stipulated in the Act 584. An AC is comprised of members who are appointed by the President and appointed by the Minister of Finance. It is required under Section 30 (1) of the Audit Service Act, 2000 (Act 584) that each entity that is subject to auditing by the Auditor General create an audit committee (AC). Section 16 (8) of the Internal Audit Agency Act, 2003 (Act 658) emphasises the need of establishing ACs in all Ministries, Departments, and Agencies. These findings support the Institute of Internal Auditors' (IIA) and the International Framework for Professional Practice in Internal Auditing's (IPPF) recommendation for organisations to have effective audit committees, which both advocate for effective audit committees.

The IAA and the Audit Service created an operational guide that specifies the membership of audit committees in public sector enterprises, which normally consists of a minimum of five (5) members in most cases. The AC is composed of five members at the level of MMDAs, who are listed as follows: Chair: The Presiding Member or a representative of the Presiding Member chosen from among Assembly members, and a member of the Finance and Administration Subcommittee of the Assembly. In addition to the MMDA chief executive and coordinating director, the Internal Audit Agency

has selected one external person with a minimum of four years' expertise in accounting or auditing to serve on the committee.

While carrying out its responsibilities, an AC may co-opt any senior management individuals to serve on the committee. Regarding the tenure of AC members, external members of an AC may serve on the AC for no more than two terms of two years each (a total of no more than four years consecutively) and may not serve on the AC for more than two terms of four years each (Audit Service Act-2000, ACT 584). Compensation and administrative support for ACs are defined as follows: An AC will get administrative assistance from management in order to facilitate the performance of the AC's responsibilities. This assistance will include secretarial assistance as well as meeting room service. Members of AC will be reimbursed for their attendance at meetings if they are entitled to the same sitting allowances as board members or senior management personnel (whichever is greater and prevails). According to the law, the Auditor-General is responsible for evaluating the performance of an AC on a yearly basis to ensure they function successfully and that MDAs (including MMDAs) reap the benefits of their efforts.

Role of audit committees

The SOX 2002 defines an audit committee as a committee (or equivalent body) established by and within the board of directors of an issuer to oversee the issuer's accounting and financial reporting processes, as well as audits of its financial statements. Section 30 (2) of the Audit Service Act, 2000 (Act 584) states that the Audit Committee "shall ensure that the head of an institution, body, or organisation to which subsection (1) applies": (a) pursues

the implementation of matters raised in all audit reports, the Auditor-General's reports endorsed by Parliament, and financial matters raised in the institution, body, or organization's internal monitoring reports.

A statement of remedial action taken or proposed to be taken to avoid or minimise the recurrence of undesirable features in an institution, body or organization's accounts and operations, and the time frame for action completion, are required under Section 30 (3) of the Audit Service Act 2000 (Act 584). Subsection (3) needs a ministerial endorsement and is to be delivered within six months following the parliament's decision on a report by the Auditor-General. The Audit Service Act, 2000 (Act 584) mandates that the AC meet at least once per quarter of the financial year. A quorum is three members of an AC plus the chairman and one external representative. The committee must have its own meeting procedures.

Cohen et al (2014) state that audit committees have additional obligations while maintaining their primary roles. Therefore, although financial acumen is still important, audit committees are looking for abilities and experience in areas like technology and international operations. It is also vital to have good soft skills to work well with management and the external auditor. To locate these talents (and those needed by other board committees), boards and recruiters are utilising skill matrices to prepare for current and future requirements. They are also seeking for fresh individuals, generally younger and from other sectors and regions.

Audit committees provide supervision by advising the board on the organization's governance, risk management, and internal control systems. Audit committees assist develop trust in the organization's management

(Global Public Sector Insight, 2014). A witness to management's methods, the audit committee validates management's selection choices, according to Fiolleau et al. (2013). (p.866-867). Audit committees effectively monitor the executive directors' authority in accounting and financial reporting. It promotes the independence of auditors by enabling them to report to a body independent of executive directors (Enofe, Aronmwan & Abadua, 2013).

Cohen et al. (2010) concluded that the audit committee's function has evolved, and that auditors increasingly value the board and the control environment. Beasley et al. (2009) discovered a diversity of Audit Committee methods in 42 US public businesses after SOX. However, audit committee members are increasingly involved in meaningful financial reporting oversight. An audit committee would indeed offer crucial supervision of a company's financial reporting and auditing operations (Walker, 2004).

According to Ayinde (2002), the audit committee works with internal auditors and management to develop and reinforce financial reporting methods and maintain good corporate governance in compliance with widely recognised ethical and legal norms. Internal and external auditors, as well as the board of directors, communicate via audit committees. They supervise the audit assignment, the outcomes, internal financial controls, and financial information for publishing (Finance Committee on Corporate Governance [FCCG], 1999).

According to Nnadi (1999), audit committees were created to ensure the external auditor's independence and effectiveness. Audit committee members are more likely to support the auditor than management in audit conflicts, according to Knapp (1987). PriceWaterhouseCoopers (1997) states

that audit committee members should have expertise of business, business risk, supervision performance, financial status, and accounting policy. Thus, corporate boards and audit committees are scarce and important resources. Long-term, organisations with more resources and skill tend to develop credibility.

the company's accounting, reporting, and financial processes, as well as the company's consolidated subsidiaries. The audit committee also guarantees legal and regulatory compliance. The audit committee is also in charge of the company's internal audit function and independent auditors. The committee also creates the annual proxy report required by the US Securities and Exchange Commission.

Conceptual Review

The concept of internal control

The definition of internal control was presented for the first time in 1949 by AICPA. The AICPA defines internal control as a plan and other coordinated means and ways by the enterprise to keep safe its assets, check the covertness and reliability of data, to increase its effectiveness and to ensure the settled management politics. According to Committee of Sponsoring Organizations of the Treadway Commission (COSO) Model (1985), internal control is a process affected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. Also, the Institute of Internal Auditors (IIA, 2012) defines internal control as a process within an organization designed to provide reasonable assurance

regarding the following primary objectives: the reliability and integrity of information; compliance with policies, plans, procedures, laws and regulations; the safeguarding of assets; the economic and efficient uses of resources; the accomplishment of established objectives and goals. Hence Dawuda (2010) asserts that internal control systems are fundamental to the success and survival of organizations. They put an organization on the trails though sometimes they go off the trail (Dawuda, 2010).

Moreover, Internal Standards on Auditing (ISA) Guide 315 defines internal control as a process designed and effected by those charged with governance, management and other personnel and intended to provide reasonable assurance about the achievement of the entity's objectives regarding reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. To Dinapoli (2007), internal control is a system linking up enterprise performance, plans, attitudes, politics, and integration of systems and management of human resources that helps the organization to achieve the settled goals and to follow its mission. In a broader perspective, Byanguye (2007) defines internal control as a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation.

It must be emphasized that the term "internal control" is being used to refer to two basic concepts: The internal control system and the internal control itself (Drogalas, Karagiorgos, Christodoulou & Euaggelidou, 2004).

Internal control systems include all the policies and procedures (within the organization) adopted by the directors and management of an entity to assist in achieving their objectives of ensuring, as far as practicable, the orderly and efficient conduct of a business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information (Chartered Institute of Management Accountants [CIMA], 2006).

According to Lakis and Giriunas (2012), internal control system is ensuring reliable and comprehensive information, protecting the property and documents, to ensure an effective economic performance, keeping to the principles of accounting and presenting reliable financial records, obeying laws and executive acts, enterprise rules and ensuring an effective control of risk. A system of internal control consists of policies and procedures designed to provide management with reasonable assurance that the organization achieves its objectives and goals. These policies and procedures are controls, and collectively, they make up the entity's internal control. Management typically has three broad objectives in designing an effective internal control system: Reliability of financial reporting, efficiency and effectiveness of operations and compliance with laws and regulations (Arens, Elder, Beasley, 2010). To Pfister (2009), internal control is a system of avoiding, identifying and correcting mistakes that might appear during information processing.

The COSO framework describes internal controls as measures put in place not only to help companies reach profitability goals and achieve their missions, but to minimize surprises along the way. An internal control system

enables management to deal with quickly changing economic and competitive environments, market changes such as shifting customer demands and priorities and restructuring.

The COSO Framework states that internal control consists of five interrelated components as follows:

1. *Control environment*. Sometimes referred to as the “tone at the top”

of the organization, meaning the integrity, ethical values, and competence of the entity’s people; management’s philosophy and operating style; the way management assigns authority and responsibility and organizes and develops its people; and the attention and direction provided by the board of directors. It is the foundation for all other components of internal control, providing discipline and structure.

2. *Risk assessment*. The identification and analysis of relevant risks to achieve the objectives that form the basis to determine how risks should be managed. This component should address the risks, both internal and external, that must be assessed. Before conducting a risk assessment, objectives must be set and linked at different levels.

3. *Control activities*. Policies and procedures that help ensure that management directives are carried out. Control activities occur throughout the organization at all levels in all functions. These include activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

4. *Information and communication.* Components that address the need in the organization to identify, capture, and communicate information to the right people to enable them to carry out their responsibilities. Information systems within the organization are key to this element of internal control. Internal information, as well as external events, activities, and conditions must be communicated to enable management to make informed business decisions and for external reporting purposes.

5. *Monitoring.* The activity undertaken by management and others in the organization regarding the internal control system. This framework element is associated with the internal audit function in the company, as well as other means of monitoring such as general management activities and supervisory activities. It is important that internal control deficiencies be reported upstream, and that serious deficiencies be reported to top management and the board of directors.

These five components are linked together, thus forming an integrated system that can react dynamically to changing conditions. The internal control system is intertwined with the organization's operating activities and is most effective when controls are built into the organization's infrastructure, becoming part of the very essence of the organization.

Empirical Review

Looking at the concept of internal control from the local government perspective, Glance (2006) defines internal control as the systems, processes and procedures that local government council establishes in order to ensure

that its established objectives are met. Thus, internal control system serves as a process that guides an organization towards achieving its established objectives (Jokipii 2010; Vijayakumar & Nagaraja, 2012). In the local government setting like the MMDAs, internal control is relevant because government is the custodian of the resources owned by the citizens and therefore there is the need for an effective and efficient utilization of these resources to promote economic growth and development (Dawuda, 2010). Hence, the weakness or absence of internal control in a government institution may lead to corruption, misappropriations of funds and inefficiencies in the systems (CDD Ghana, 2000).

From the foregoing, it must be emphasized that the importance of audit committees in enhancing the internal control system of an organization cannot be overemphasized. For instance, Krishnamurthy and Wright (2010) posit that audit committees satisfy the wider requirement for sound financial management. Thus, they ensure that the financial management of an organization is adequate and effective and that the organization has a sound system of internal control.

According to Krishnamurthy and Wright (2010), audit committees may perform several responsibilities which may bother on issues pertaining to governance risk and control, internal audit, external audit, financial reporting, treasury management, accountability arrangements. They assert that an effective audit committee bring many benefits to the organization including: increase public confidence in the objectivity and fairness of financial and other reporting; reduce the risk of illegal or improper acts; reinforce the importance and independence of internal and external audit; provide a sharper focus on

financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting; assist the coordination of sources of assurance and, in so doing, make management more accountable; provide additional assurance through a process of independent and objective review; and raise awareness of the need for internal control and the implementation of audit recommendations.

In examining the relationship between the presence and the characteristics of audit committees of public hospitals and the quality of internal control over financial reporting and major US Federal award programmes, Chien et al. (2010) found a significant relationship between the presence of audit committees and internal control quality. They found that independence, financial expertise, and activity level (meeting frequency), exhibit a significant negative association with the incidence of internal control problems.

In their study on audit committee quality, auditor independence, and internal control weaknesses, Zhang, Zhou and Zhou (2007) found that firms are more likely to be identified with an internal control weakness, if their audit committees have less financial expertise or, more specifically, have less accounting financial expertise and non-accounting financial expertise. Again, they are also more likely to be identified with an internal control weakness, if their auditors are more independent. In addition, firms with recent auditor changes are more likely to have internal control weaknesses.

Therefore, considering the diverse roles of audit committees, Walton (2014) recommends that members of the audit committees should have, or acquire as soon as possible after appointment: an understanding of the

objectives and current significant issues facing the council; an understanding of the organization's structure including key relationships with external partner organizations; an understanding of any relevant legislation or other rules governing the operation of the organization; in the case of local government, a broad understanding of the local government environment, in particular its accountability structures and current, major initiatives.

Baltaci and Yilmaz (2006) observed that establishing internal control system and audit practices at the local government level has received little or no attention. And without such establishment, detection and control of misconduct in the local government would not be possible. Therefore, there is the need for an effective audit committee that can achieve its established objective of ensuring quality internal control. An audit committee is said to be effective when it meets the goals for which it is established (David, 2009). Therefore, it is good for MMDAs to empower their audit committees to function effectively. This is because a functional and effective audit committee enhances the internal control system of an organization.

Effectiveness of internal auditing

Oxford Dictionary defines effectiveness as having an effect or able to bring about the result intended. Effectiveness has been defined to mean the achievement of objective and goals (Omar 2007). Beckmerhagen (2001) indicated that in order to adequately measure audit effectiveness, evaluation need not be made only on the result of the audit as against planned objective, but also audit processes and resources. There is a narrow view when effectiveness is measured by only comparing the outcome to that of the

objectives set. The processes and the amount of resource used should all be factored.

Sterch and Bouckaert (2006) mentioned that the implementation of internal audit function in public sector is effective on conditions of legal requirement for establishment of internal audit function, presence of audit committee and help from obtained from top management and central unit for the advancement of internal audit function. Also, by mandate the internal audit agency needs to support the internal audit units in the Metropolitan, Municipal and District Assemblies in their discharge of duties as a function. Areas of the support could be from human resources capacity building, information technology capacity, training and other means of support (Sylvester, 2013). For effectiveness, the internal audit agency needs to set standards and procedures for the conduct of internal audit in the district assemblies in Ghana. In line with this Audit Committee established and under the remit of the auditor general needs to be functional by ensuring that the recommendations of parliament and the auditor general are implemented as well as reviewing and advising the internal auditors on the strategic and annual internal audit plans and monitoring for their performance.

Once there is successful implementation of internal audit function, the next serious challenge is developing it to be effective. Six themes have been identified as critical in ensuring internal audit effectiveness as perception and ownership, organisation and governance framework, legislation, improve professionalism, a conceptual performance and resources (Owodo, 2016).

The two important attributes impacting on internal audit quality and effectiveness are the internal audit quality and management support (Adongo,

2017). Hung and Han (1998) conducted an investigation into factors that influence effectiveness of internal audit function by using private sector firms listed in Taiwan. The result indicated that on average, regular performance evaluation of internal audit, good attitude of head of internal auditing work and education and training of internal auditors were useful in the effectiveness. The findings also indicated that internal audit units have impact on the success of annual audit plan. The reason been that it is the internal audit unit that design the annual audit plan to management to review before audit work can be carried out. The quality of the audit work is then tie up to this plan designed.

Contrary to the findings of Hung and Han (1998), Annuar et al (2001) obtained the side of the internal auditors to provide information on the important factors that contribute to the effectiveness of the internal audit function in Malaysian companies. In the study it was observed that interpersonal skills, internal audit commitment and support from audit committee and board of directors among other contribute a lot in the effectiveness of the internal audit function. Signs of added value and effectiveness in operation of the business are the perceived function of the internal audit to stakeholders. Chambers (1992, P.22) sees effectiveness as “doing the right thing”. Efficiency means doing thing well and economy also means doing things cheaply. Effectiveness is seen as the most important factor to consider in internal auditing. In situation where internal audit is ineffective, but been conducted in economic manner or efficiently carried out audit objective will not have been achieved. What matters to the entity is effectiveness? since efficiency in ineffective practice amounts to waste with

no benefit (Dittenhofer, 2001). Thus, the audit conducted in efficient way can be done in any area at all.

The effectiveness of internal audit could as well be in line with the quality of it. Studies have shown that auditor's tenure has impact on the quality or effectiveness of the internal audit. Supporting this position, Deis and Giroux (1992) examined audit result in Texas School district and concluded that when the auditor's tenure increases, the quality of his audit which could be measured as the effectiveness decreases. There is therefore a consensus based on literature that as the auditor remains to audit the company for quite a long period, threat to familiarity sets in which could undermine the quality or effectiveness of the audit. De Angelo (1981) indicates that as auditor tenure increases there is an increase pressure as well to reduce quality of work and controlling of cost thereby leading to ineffective audit work conducted. Audit quality in this perspective means that the possibility that the auditor will detect and report weaknesses (Lin 2011, Lopez & Peter, 2010). Internal audit is considered as providing services to the entity. An effective internal audit requires reviewing the main areas of risk in order to contribute to the achievement of the entity's objective by improving the corporate governance positively. Consequently, the rate at which goals are achieved in terms of internal audit function is associated to the corporate governance practices.

We see internal audit effectiveness as a "risk-based concept that helps the organisation to achieve its objective by positively influencing the quality of corporate governance" (Lenz, 2013). In terms of risk management, internal auditing must assess risk of the entity, respond to the assessed risk and report the risk appropriately. Effective internal audit is expected to monitor systems,

processes and review risk management processes and systems designed by management to achieve corporate objective by positively influencing corporate governance. For there to be effective internal audit, there is a need to establish a relationship between internal auditors and the companies audit committee. Regular interaction or communication help the internal audit function to be most effective (Rezaee & Lander, 1993). There should be a dialogue between the internal auditors and the audit committee in ensuring effective internal audit function. Failure of communication between internal audit and audit committee would result in poor funding of internal audit unit, no implementation of recommendations made by internal audit and operational problem without appropriate ways of solution.

Audit committee with solely non-executive directors are the surest way to establish a symbolic relationship between the audit committee and internal audit function (Scarborough, 1998). Raghunandan (2001) and Goodwin (2004) supported the findings of Scarborough (1998) when examining the association between audit committee composition and the interaction with internal audit indicating that independence of the audit committee and the funding and accounting background or experience have a supporting impact upon the audit committee relationship with the internal audit.

The challenges however, when there is interaction between audit committee and the internal audit are mostly competition on the resources. The same position has been observed by Abbott (2010) that, there could be competing claim on internal audit function resources between management and the audit committee. However, there may be challenges facing internal audit function in the local government level such as inexperience of

employees and lack of independence, lack of implementation or no action taken on audit findings and recommendation by district authorities, lack of resources and perception of internal auditors.

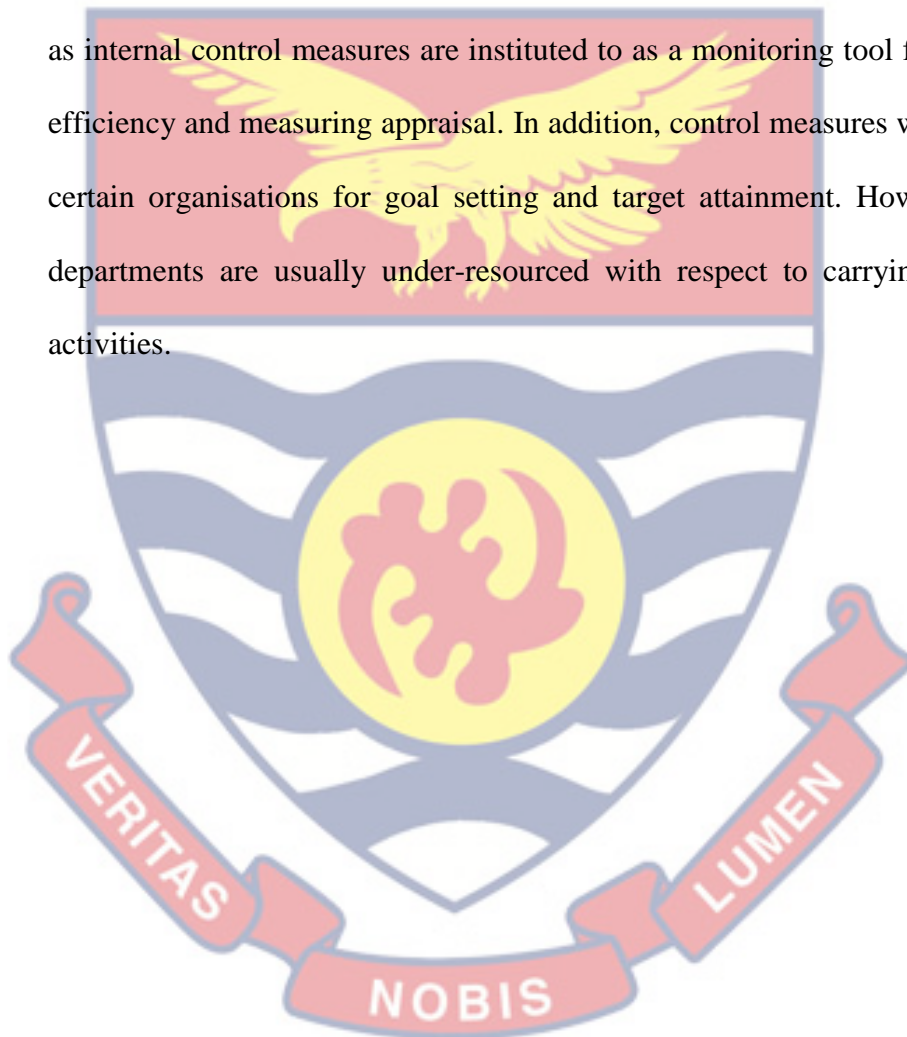
Literature Gap

Several studies have been conducted on audit committee and internal auditing outside Africa, within Africa as well as within Ghana. For instance, Halimah et al (2009), Christopher et al (2009) and Gabrini (2013) conducted studies on internal auditing and accountability in Malaysian, Australia and Canada respectively. These studies did not critically examine the specific roles of audit committee. In Africa, Mihret and Yismaw (2007) Ozuomba, Nwadiolor and Ifureze (2016) conducted studies relating to the effectiveness of internal auditing in Ethiopian public educational sector and Nigeria public sector respectively. Though these authors examined the effectiveness and challenges of internal auditing, they did not focus on how internal auditors can effectively enhance the accountability of public funded physical projects.

In Ghana, Aminu (2015) and Ayrah (2016) research on the effectiveness of internal auditing at Tamale Metropolitan Assembly and Keta Municipal Education Office. The studies only focused on the challenges of internal audit but did not investigate how the role and effectiveness of audit committee and internal auditing. Even those studies that have been conducted on effectiveness and challenges of audit committee, their location is different from Brong Ahafo Region. It is against this background, that the study examines the role of audit committees in enhancing internal controls in MMDAs in the Brong Ahafo Region.

Chapter Summary

The chapter reviewed literature on theories, concepts and empirical studies that had significant bearing on the study. The review explored the overall concept of audit committee and internal controls, their role, effectiveness and challenges. After examining actual research findings that had a bearing on the current study, it was observed that internal audits as well as internal control measures are instituted to as a monitoring tool for ensuring efficiency and measuring appraisal. In addition, control measures were used in certain organisations for goal setting and target attainment. However, audit departments are usually under-resourced with respect to carrying out their activities.



CHAPTER THREE

RESEARCH METHODS

Introduction

The chapter presents the methodology adopted to achieve the specific objectives of the study. It comprises the research design employed for the study, a description of the population and sample as well as the sampling techniques adopted in selecting the sample size. In addition, the instruments for data collection and data collection procedures are discussed in this chapter. Finally, the chapter presents the methods used in analyzing the results of the study.

Research Approach

Research approach is the path that a researcher adopts based on the type of research he/she intends to undertake to provide satisfactory answers to the research questions. Therefore, the type of research strategy to adopt for a particular study largely depends on the purpose of the study as well as the specific objectives that the study seeks to achieve. Depending on the type of data to be collected and how the results of the study will be analyzed, Naoum (2007) postulates that research strategies can be divided into two types, 'quantitative research' and 'qualitative research'.

In distinguishing between the two major research strategies, Cavana, Delahaye, and Sekaran (2001) assert that "quantitative research is based on deductive reasoning, and is used within the positivist research paradigm. Qualitative research on the other hand involves inductive reasoning, and is used within the interpretivist paradigm". In addition, Naoum (2007) contends that while qualitative research is overly 'subjective' in nature and seeks to

develop theory, quantitative research is 'objective' in nature and seeks to test a theory by testing hypothesis or providing answers to specific research questions.

Based on the type of research questions set out to be answered, the study sought to draw on the quantitative strategy to research for the purpose of data collection and analysis. The quantitative approach to the research was adopted based on the assertion of Kothari (2004) that the quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Moreover, Boateng (2014) asserts that the quantitative strategy is used to determine the extent of a problem or the existence of a relationship between aspects of a phenomenon by quantifying the variation.

Research Design

Kothari (2004) defines research design as an advance planning of the methods to be adopted for collecting relevant data and the techniques to be used in their analysis, keeping in view the objective of the research. Thus, it involves the general plan of how the researcher will go about answering the research questions.

Considering the purpose of the study as well as the nature of the research questions set out to be answered, a survey was employed as the appropriate research design for the study. Kothari (2004) defines a survey as research design where a sample of the population is studied (questioned or observed) to determine its characteristics or relationship, and it is then inferred that the population has the same characteristics or relationship. Creswell (2012) contends that survey researchers collect quantitative, numbered data

using questionnaires (e.g., mailed questionnaires) or interviews (e.g., one-on-one interviews) and statistically analyze the data to describe trends about responses to questions and to test research questions or hypotheses.

A survey was employed because considering the large number of MMDAs in Ghana and the Brong Ahafo Region in specificity, the research could not cover ACs in all the 27 MMDAs in the Brong Ahafo Region. Hence, this design was deemed appropriate in that it allows the researcher to study a sample of the population and based on the results obtained, make a generalization to the rest of the population.

Study Area

Southern Ghana's Brong-Ahafo region. Brong-Ahafo was bordered by the Black Volta River, Lake Volta, Ashanti, Eastern, and Western regions to the south. Sunyani, Brong-capital. Ahafo's Brong-Ahafo was created on April 14, 1959 from Western Ashanti and named after the Akans, Brong and Ahafo. As a result of the 2018 Ghanaian new regions referendum, the region was divided into three and ceased to exist in 2019.

Brong Ahafo's cocoa and agribusiness industries are well-known. Brong-Ahafo is less known than Ashanti or Central for its Akan cultural and wildlife attractions. Brong-attractions Ahafo's include Kintampo's waterfalls and nature reserves, Fiema's Boabeng-Fiema Monkey Sanctuary (near Sunyani), and Bui and Digya national parks.

Population

Population for a research study comprises “a collection of all possible individuals, objects or measurement that have one or more characteristics in common that are of interest to the researcher” (Arthur, 2012 p.109). The

population for the study comprised members of ACs of all the 27 MMDAs in the Brong Ahafo Region.

Sampling Procedure

Kumar (1999) defines sample as a sub-group of the population that is an ideal representative of the entire population. Thus, sample is “a representative of the population to the extent that it exhibits the same distribution of characteristics as the population” (Arthur, 2012, p. 111). The sample frame for the study involved 20 MMDAs selected out of the 27 MMDAs in the Brong Ahafo Region through the simple random sampling technique.

In selecting the sample frame from which the sample of respondents was selected, the researcher obtained the list of all 27 MMDAs in the Brong Ahafo Region from the official website of Ghana District Repository (www.ghanadistricts.com/region). Using the lottery method, the names of the 27 MMDAs were written on pieces of papers, folded and poured in a bowl and mixed up. The researcher then picked at random without replacement 20 pieces of paper from the container. The simple random sampling technique was adopted because according to Best and Kahn (1998), it is an ideal method that allows chance to determine which members of the population should be selected as part of the sample. Moreover, the simple random sampling technique provides each member of the population an equal opportunity and chance of being selected.

Considering the nature of the study, the respondents for the study were required to have in-depth knowledge and experience in the implementation of audit recommendations at the MMDAs. Therefore, the criteria for selecting the

sample of respondents were strictly based on membership of ACs. The membership of the audit committee of each MMDA is made up of five members as follows: the presiding member or representative of the presiding member from among members of the assembly (he/she is chairperson of the committee), a member of the finance and administration sub-committee of the assembly, the MMDA chief executive, the MMDA coordinating director, and one external representative with a minimum of four year experience in accounting or auditing nominated by the internal audit agency.

Using the purposive sampling technique in selecting the sample, the sample for the study involved 100 members of ACs selected from 20 MMDAs (five members from each MMDA) in the Brong Ahafo Region. The respondents were selected based on the researcher's decision of which members of the MMDAs were more relevant to the study in terms of their ability to provide the appropriate responses and contribution towards the achievement of the specific objectives of the study.

Data Collection Instruments

Generally, the kind of data collection methods for a particular study depends on the research approach adopted (quantitative approach or qualitative approach) as well as the kind of research questions to be answered. In survey research, Phoya (2012) asserts that the common data collection instruments have been either a questionnaire or interview or both. Therefore, based on the quantitative approach adopted, and the nature of the research questions to be answered, the study employed the questionnaire as the main instrument for data collection. Koul (2002) defines a questionnaire as a device consisting of series of questions to address a specific issue or topic with the

objective of obtaining data on the problem under investigation. It consists of a series of questions either closed-ended, open ended or both that requires the respondents to provide brief answers with regards to a description of current events, conditions or attributes of a population at a particular point in time (Burns, 2000).

The questionnaire was employed based on the assertion of Cohen, Manion and Morrison (2005) that the questionnaire is an effective instrument for securing information about practices and conditions of which the respondents are presumed to have knowledge and opinions on. Also, the questionnaire as a data collection tool allows for the collection of data from large group of relatively literate population within a short (Oso & Onen, 2005).

The questionnaire was designed by the researcher based on constructs from the literature review, the Audit Manual for MMDAs in Ghana, and other manuals on the roles of Audit Committees in relation to internal control of organizations. It comprised of four sections, Section A, B, C and D. The first section consisted of dichotomous response questions relating to the demographic characteristics of the respondents while the remaining sections consist of closed-ended questions based on the three research questions. Closed-ended questions were used because they are easy to ask and quick to answer. They require no writing by either respondent or interviewer, and their analysis is straightforward (Naoum, 1998).

Section A consisted of five dichotomous response questions relating to the gender of the respondents, age group of respondents, membership status on the AC, highest educational qualification and level of knowledge in

accounting and finance. Section B contained 22 closed-ended response items relating to the role of ACs presented under four sub-headings - financial management and reporting, risk management and prevention of fraud, internal control, and compliance with laws, regulations and ethical standards. Respondents had three response categories (yes, not sure, no) to guide them in answering Section B. Section C comprised 6 closed-ended response items on the effectiveness of internal control system of MMDAs. For likert scale items in this Section, respondents had the option to rank their responses using: 1 – not very effective, 2 – not effective, 3 – somehow effective, 4 – effective, 5 – very effective. Section D had 18 closed-ended response items relating to the strategies for enhancing the internal control system of MMDAs. The responses to questions in Section D were ranked using - 1 – strongly disagree, 2 – disagree, 3 – not sure, 4 – agree, 5 – strongly agree.

Validity and Reliability Test

Mugenda and Mugenda (2003) define validity of a research instrument as the degree to which results obtained from the analysis of the data represent the phenomena under study. On the other hand, they define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. It was deemed necessary to pre-test the questionnaire in order to ascertain its validity and reliability before administering it to the main respondents of the study. This is because according to Mugenda and Mugenda (2003), pre-testing a data collection instrument enables the researcher to evaluate the effectiveness and clarity of the research instrument and its ease of use, allowing errors to be identified.

To enhance the validity and reliability of the questionnaire, the questionnaire was pre-tested using 3 groups of respondents with each group comprising five members each selected from ACs of two MMDA outside the sample frame. The pre-test was used to eliminate ambiguous, duplicate, or unclear questions before the final questionnaire was administered. This helped in determining the clarity and validity of questions.

Also, the content validity of the instrument was established by designing the questionnaire based on the purpose of the study and the specific objectives. In addition, the instrument was submitted to the researcher's supervisor for vetting and his expert advice for necessary corrections and modifications to be made. Based on these exercises, the researcher assumed a reasonable face and content validity of the instrument. To determine the reliability of the questionnaire, a test-retest was conducted using the responses to questionnaire from the two group of respondents. Using the Cronbach's alpha to establish the reliability of the questionnaire, the alpha value generated from the test was 0.80. This coefficient was deemed appropriate and reliable because according to De Vellis (1991), a reliability coefficient of 0.8 is considered very respectable for determining the appropriateness of the instrument.

Data Collection Procedures

Before the commencement of data collection process, various ethical issues relating to research were taken into consideration. Firstly, the researcher obtained an introductory letter from the Head of Department of Accounting of the School of Business of the University of Cape Coast. The researcher made copies of the letter and distributed them to all the 20 selected MMDAs in the

Brong Ahafo Region in order to officially inform the top management of his intention to use their assemblies as case studies. Also, during the distribution of the introductory letters, the researcher took the opportunity to explain the purpose and objectives of the study to the prospective respondents in all the MMDAs he visited. In addition, a date and time was booked with the respondents so that the questionnaire can be administered to them without any inconvenience.

In all, the researcher administered 100 set of questionnaires to members of ACs selected from the 20 MMDAs within three weeks. During the distribution of the questionnaire to the audit committee members in their respective assemblies, the researcher reiterated the purpose of the study to them and explained the guidelines for answering the questionnaire. A period of seven days was agreed upon to enable the respondents complete after which the researcher could come over to retrieve the completed questionnaire.

Data Processing and Analysis

Data analysis is the process of transforming the raw data obtained from the various data sources into meaningful results. It consists of examining, categorizing, tabulating, or recombining evidence to address the research questions (Boateng, 2014). Results from the questionnaire were extracted, coded, and entered of the Statistical Package for Service Solutions (SPSS) Version 21 and manipulated to generate quantitative results. The results were analyzed using frequencies, percentages and means, which were presented in tables.

Ethical Considerations

Ethics is mostly associated with morality and deals with issues of right and wrong among groups, society or communities (Babbie, 2015). According to Kumar and Panneerselvam (2012) it is of tremendous importance that everyone who is engaged in research should be aware of the ethical concerns. Issues of major ethical concern include but not limited to: respondents being fully informed about the aims, methods and benefits of the research; granting voluntary consent and maintaining the right of withdrawal. Babbie (2015) further highlights the importance of ensuring anonymity of the respondents and the protection against any physical or psychological harm. Thus, appropriate permissions were sought from the heads of municipality as well as staff who partook in this study before the data was collected. According to Babbie (2015) a good research project guarantees anonymity and not the one who reads about the study alone is unable to associate a particular response to a specific respondent. It is important therefore, in observing the rule of anonymity not to get the names of respondents or anything by which respondents can be identified with

Chapter Summary

This chapter presents information on the methodology adopted to carry out the study. A survey approach was used to descriptively assess the role of audit committee in enhancing internal controls in MMDAS in the Brong Ahafo Region. Although, all staffs were considered, the members from the Finance and Audit Departments were used for the study due to their rich knowledge of the internal audit and finance structures in place to improve financial performance. In addition, a questionnaire was used as the instrument

for data collection. Finally, all the responses gathered were analysed quantitatively.



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the analysis of results of the study. It contains results relating to the profile of the respondents. The result is presented according to how the objectives were captured. The first objective analyses the role of Audit Committees, the second explored the effectiveness of internal control system of MMDAs, and the last objective looked at the strategies for enhancing the internal control system MMDAs. The chapter also presents the discussion of the findings of the study with reference to prior literature using the percentage in agreement and mean standard deviation analysis.

Profile of the Respondents

A total of 100 questionnaires were administered to members of ACs from 20 selected MMDAs in the Brong Ahafo Region. However, the researcher was able to retrieve only 67 out of the 100 questionnaires. The rest of the respondents comprising 33 members were not available at the time of retrieving the questionnaires and subsequent attempts by the researcher to obtain the answered questionnaire proved futile. Hence, the study relied on the 67 retrieved questionnaire which were used for the analysis. This implies that the study achieved a response rate of 67%. The demographic characteristics of the respondents were collected and analysed to give readers an overview of the background of the respondents and why they were deemed to be the most appropriate set of respondents for this type of study. Therefore, the information in Table 1 involved the background characteristics of the 67 members of ACs who participated in the study.

Table 1: Profile of the Respondents

Variable	Frequency	Percentage
Gender		
Male	42	62.7
Female	25	37.3
Age		
Below 30 years	5	7.5
30 – 39	17	25.4
40 – 49	33	49.3
50 – 59	12	17.9
Status on AC		
MMDA Chief Executive	9	13.4
MMDA Coordinating Director	20	29.9
Presiding Member	17	25.4
External Representative	2	3.0
Member of Finance Sub-Committee	19	28.3
Level of Education		
Bachelor’s Degree	37	55.2
Postgraduate Degree	23	34.3
Professional Qualification	7	10.5
Knowledge in Accounting and Finance		
In-depth knowledge in accounting and finance	35	52.2
Some level of knowledge in accounting and finance	20	29.9
No knowledge in accounting and finance	12	17.9

Source: Field Survey (2017)

The gender distribution of the respondents showed that over half (62.7%) of them were males with 37.8% being females. This implied that majority of the respondents were males. In terms of the age of the respondents, it was revealed that about 67.2% of them were either 40 years or above with only five of them being below 30 years. With the average age being 40 years and above, it was deduced that most of the members of ACs were adults who had the natural ability to contribute towards the study.

Though the sample for the study involved five members each from the five categories of respondents namely MMDA Chief Executive, MMDA Coordinating Director, Presiding Member, External Representative, and Member of Finance Sub-Committee in each of the 20 selected MMDAs, largest group of respondents was MMDA Coordinating Directors representing 29.9% of the total respondents. This was followed by members of the finance sub-committee with a representation of 19 members representing 28.3%. The least category of ACs membership who participated in the study were the external representative group which had only 2 members responding to the questionnaire representing 3.0%. The response rate of the various categories of respondents showed that the study failed to achieve even distribution of respondents. This implied that the views of the groups that were largely represented may likely influence the results of the study.

With regards to the level of education of the respondents, over half (55.2%) of them indicated that their highest educational qualification was bachelor's degree while 10.5% revealed that they had acquired some professional qualifications in accounting. Also, 34.3% stated that they have acquired postgraduate degrees. The level of educational attainment of the

respondents as revealed by the results implied that the respondents were in a better position as intellectuals to appreciate the importance of the study and contribute their individual views with regards to the responsibilities of ACs members as required of them from the questionnaire.

Since the work of ACs bothers on accounting and finance related issues, it was necessary to assess the knowledge of members of ACs in accounting and finance to ascertain whether they were well vexed in these areas of knowledge. As revealed in the study, slightly over half (52.2%) of the respondents indicated that they have in-depth knowledge in accounting and finance. Also, 29.9% indicated that they have some amount of knowledge in accounting and finance which they believe qualify them to perform their roles as members of ACs. However, 12 members representing 17.9% reported that they have no formal knowledge in accounting and finance. Majority of members who indicated that they very limited or no knowledge in accounting and finance were found to belong to the MMDA chief executive and presiding member categories of respondents. It can be deduced from the results that majority of the respondents had some level of knowledge in accounting and finance and therefore in a better position to understand the issues under discussion as stated in the questionnaire.

Role of Audit Committees

In order to achieve the first objective of the study – to investigate the role of Audit Committees (ACs) of Metropolitan, Municipal, and District Assemblies in the Brong Ahafo Region, members of the various ACs through the questionnaire method were asked to state the duties and responsibilities

they perform in their respective MMDAs. The responses with regards to the roles of members of ACs were presented in Table 2.

In terms of ensuring that the management of MMDAs manages their finances in the best interest of the assembly and provide regular financial reports to the assembly, over three-quarter (83.6%) of the respondents indicated that ACs review the appropriateness of accounting policies adopted by the finance department of MMDAs to ascertain whether the policies are in line with the relevant public sector accounting policies. It was revealed that as part of their financial management and reporting oversight responsibilities, ACs carried out periodic reviews to ascertain the appropriateness of the significant assumptions supporting revenue and expenditure estimates as indicated by over half (58.2%) of the respondents.

Also, majority of the respondents representing 86.6% indicated that as part of the responsibilities, ACs exercise scepticisms by probing and seeking full and better particulars for unusual transactions carried out by management of MMDAs. However, over half (61.2%) of the respondents disagreed with the assertion that ACs ensure that financial statements of MMDAs comply with the relevant accounting standards and reporting requirements though 32.8% answered in the positive. Also, majority (59.7%) of the respondents stated that it was not their responsibility to ensure the accuracy and completeness of the financial statements prepared by management though 28.4% stated otherwise.

Table 2: Role of Audit Committees

Duties and Responsibilities of ACs	Yes		Not Sure		No	
	f	%	f	%	f	%
Financial Management and Reporting						
Review the appropriateness of accounting policies adopted	56	83.6	3	4.5	8	11.9
Review the appropriateness of significant assumptions seeking to justify revenue and expenditure estimates	39	58.2	5	7.5	23	34.3
Review the financial statements for compliance with prescribed accounting and other requirements.	22	32.8	4	6.0	41	61.2
Exercise skepticism by questioning and seeking full and adequate explanations for any unusual transactions	58	86.6	2	3.0	7	10.4
Ensure the accuracy and completeness of the financial statements prepared by management	19	28.4	8	11.9	40	59.7
Risk Management and Prevention of Fraud						
Review the risk management framework for identifying, monitoring and managing significant risks including fraud	21	31.3	7	10.4	39	58.2
Liaise with management to ensure there is a common understanding of the key risk factors	6	9.0	13	19.4	48	71.6
Assess and contribute to the audit planning processes relating to the risks and threats to MMDA	52	77.6	0	0	15	22.4
Internal Control						
Monitor the performance of internal audit against annual internal audit plans and strategic plans	42	62.7	6	9.0	19	28.4

Table 2: Continued

Review and advise on strategic and internal audit plans	38	56.7	9	13.4	20	29.9
Review budget and staffing of the internal audit unit	24	35.8	3	4.5	40	59.7
Review significant findings and recommendations of internal audit and the response to them by management	51	76.1	2	3.0	14	20.9
Review the findings and recommendations of external audit and the response to them by management	41	61.2	1	1.5	25	37.3
Monitor the implementation of audit recommendations	61	91.0	2	3.0	4	6.0
Compliance with Laws, and Ethical Standards						
Follow-up on Auditor-General and Public Accounts Committee's recommendations	45	67.2	7	10.4	15	22.4
Follow-up recommendations in internal audit reports	48	71.6	0	0	19	28.4
Review monitoring systems to ensure compliance with relevant laws, regulations and government policies	43	64.2	5	7.5	19	28.4
Review the findings of examinations by regulatory agencies, and any auditor observations.	9	13.4	12	17.9	46	68.7

Source: Field Survey (2017)

In performing their oversight responsibilities relating to risk management and prevention of fraud, it was reported by slightly over three-quarter (77.6%) of the respondents that ACs assess and contribute to the audit planning processes relating to minimizing the risks and threats that the MMDAs are likely to encounter. However, while 31.3% of the respondents asserted that they are involved in the review of the framework for identifying, monitoring and managing significant risks that MMDAs are exposed to, majority of them representing 58.2% stated otherwise. Also, almost three-quarter (71.6%) of them indicated that they were not engaged in description of identification and description of key risk factors facing MMDAs.

In order to ensure the effectiveness of internal controls in MMDAs, members of ACs ensure that every MMDAs has operational internal control systems as indicated by 92.5% of the respondents. It was found that ACs ensure effective internal controls in MMDAs by monitoring the performance of the internal audit unit against annual internal audit plans and strategic plans as revealed by 62.7% of the respondents though 28.4% of them stated otherwise. In addition, over half (56.7%) of the respondents revealed that as part of their responsibilities as members of ACs, they review and advise management and the internal audit unit on strategic and annual internal audit plans.

Another responsibility of ACs as revealed by slightly over three-quarter (76.1%) of the respondents was the review of findings and recommendations of internal audit as well as management's responses to critically issues raised in the audit reports. ACs are also involved in the review of findings and recommendations of external auditors as indicated by

61.2% of the members who participated in the study. Again, ACs ensure the effective implementation of audit recommendations by management of MMDAs as revealed by an overwhelming majority (91.0%) of the respondents. However, majority of the respondents comprising over half (59.7%) it was not their responsibility to review the budget and staffing related issues of the internal audit unit of MMDAs though 35.8% of them answered in the affirmative.

In investigating the role of ACs with regards to ensuring that MMDAs comply with the relevant laws, regulation and ethical standards, it emerged that ACs make follow-ups on the recommendations of Auditor-General and Public Accounts Committee (PAC) to make sure that the recommendations are implemented by management as revealed by 67.2% of the respondents. In addition, they make follow-ups on the implementation of the recommendations of internal audit reports of the MMDAs as indicated by 71.6% of the respondents. Again, it was found that ACs regularly review the internal control systems of MMDAs to ensure that all activities and financial transactions of MMDAs in in line with the relevant laws, regulations and government policies as reported by 64.2% of the respondents. However, ACs appeared not to be engaged in the review of findings of regulatory agencies and investigative bodies outside the MMDAs as reported by 68.7% of the respondents though 13.4% shared a different opinion.

The study revealed that ACs perform five major functions – oversight responsibility in ensuring sound financial management and reporting by MMDAs, review the risk management strategies of MMDAs and putting steps in place to prevent fraud, ensuring effective internal control system, and

ensuring that MMDAs comply with the relevant laws, regulations and ethical standards guiding their activities. The results corroborated the views of Krishnamurthy and Wright (2010) on the roles of audit committees with regards to issues pertaining to governance risk and control, internal audit, external audit, financial reporting, financial management, accountability arrangements.

The findings appeared to support the views of Enofe et al. (2013) that audit committees strengthen the reporting functions of organizations as it enhances the independence of auditors by allowing them to report to a body that is independent of management or executive directors. The role of ACs in ensuring sound financial reporting and effective audit planning processes supported the assertion of Walker (2004); Ayinde (2002) that the existence of an audit committee would provide a critical oversight of an organization's financial reporting and auditing processes and ensure compliance with generally accepted ethical and legal standards. Also, by ensuring that management implements recommendations of audit reports, ACs serve as a bridge in the communication network between internal and external auditors and the management/board of directors as indicated by Ayinde (2002).

Effectiveness of Internal Control System of MMDAs

In assessing the effectiveness of internal control systems of MMDAs in the Brong Ahafo Region, the study sought the views of members of ACs in some selected assemblies, which were presented in Table 3 as follows:

The results appeared to suggest that the internal control systems of MMDAs are very effective in term of enhancing the budgeting and budgetary practices of assemblies. Thus, MMDAs have strong budgetary controls to

guard against wasteful and unnecessary expenditures and spending within budget as indicated by the highest mean score of 4.52. Another indication of the effectiveness of internal controls of MMDAs is in the area of compliance with the relevant law and regulations guiding the activities of assemblies. For instance, it was revealed that the internal control systems of majority of the MMDAs ensured that assemblies strictly complied with relevant laws and regulations guiding the appropriation of funds and wards of contracts as shown by a mean 4.01.

Table 3: Effectiveness of Internal Control Systems of MMDAs

Effectiveness of Internal Control System	Mean	SD
Budgeting and budgetary controls	4.52	0.98
Compliance with laws, regulations and ethical standards	4.01	0.54
Appropriateness of accounting and financial reporting policies	3.98	0.52
Financial management strategies	3.25	0.86
Risk management strategies	2.54	0.62
Measures for preventing, controlling and detecting fraud	1.05	0.98

Source: Field Survey (2017)

Also, internal control systems instituted by MMDAs required that assemblies adopted the most appropriate accounting and financial reporting policies in the preparation of financial statement and other financial reports as shown by a mean of 3.98. In a direction, it was found that sound internal control systems of assemblies helped in improving the effectiveness of the financial management strategies of MMDAs as indicated by a mean of 3.25. On the contrary, the findings showed that internal controls are not effective in mitigating the potential risks that assemblies are exposed due to lack of

proactive risk management strategies as indicated by a low mean of 2.54. Again, the results appear to suggest that internal control systems of MMDAs are not effective in preventing, controlling and detecting fraud in MMDAs as revealed by the lowest mean of 1.05.

It was expected of MMDAs to establish strong internal controls to safeguard against unnecessary expenditure, fraud and embezzlements, inefficiencies in the MMDA machinery, risks and non-compliance with laid down procedures, laws and regulations. The effectiveness of internal control lies in its ability to ensure that the various operations of the assembly are carried out smoothly and how the control measures helped streamlined the activities of the assembly in achieving its objectives in the most appropriate, legal and effective manner. As indicated by the Institute of Internal Auditors (IIA, 2012), the main objectives of an internal control system involve ensuring the: reliability and integrity of information; compliance with policies, plans, procedures, laws and regulations; the safeguarding of assets; the economic and efficient uses of resources; the accomplishment of established objectives and goals. The findings with regards to the effectiveness of internal controls in MMDAs appeared to be consistent with the views of IIA on what the objectives of internal control are.

Furthermore, in assessing the effectiveness of internal controls of MMDAs it emerged that control measures are very strong and effective in the areas of budgeting and budgetary controls, compliance relevant procedures, laws and regulations, adoption of appropriate accounting policies, and sound financial management strategies. This corroborated the position of Krishnamurthy and Wright (2010) that for internal control to be effective, it

must provide a sharper focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of financial reporting; assist the co-ordination of sources of assurance and, in so doing, make management more accountable; provide additional assurance through a process of independent and objective review; and raise awareness of the need for the implementation of audit recommendations. However, the ineffectiveness of the existing internal controls in mitigating the risks facing MMDAs due to poor risk management strategies contradicts the assertion of Krishnamurthy and Wright (2010) that strong internal controls should help reduce the risk of illegal or improper acts.

Ways of Strengthening the Role of ACs to enhance Effective Internal Controls

In assessing the effectiveness of internal control systems of MMDAs in the immediately preceding section, this section presented the strategies adopted by ACs in ensuring they that enhance the effectiveness of the internal control systems of MMDAs. It is important to note that 1 – strongly disagree, 2 – disagree, 3 – not sure, 4 – agree, 5 – strongly agree.

As part of measures to strengthen the role of ACs in terms of ensuring the effectiveness of internal controls in MMDAs, it was found that the specific objectives of ACs as well as their duties and responsibilities are clearly spelt to all members to make sure that they perform their roles as expected of them as stipulated in the Audit Service Act, 2000 (Act 584). This measure was deemed as a very important means of enhancing the work of ACs as shown by a mean of 4.83. For a person to review the internal control system of an organization or public entity, it is incumbent on such person to have an in-

depth knowledge about the internal control system of framework. Therefore, it was required of all members of ACs to have some level of knowledge and understanding in the internal control system of MMDAs so that they can better enhance the effectiveness of the system as indicated by a mean of 4.54.

Since ACs rely on the reports of internal auditors and external auditors to carry out their roles, it was required that ACs collaborate with both internal and external auditors while performing their roles of ensuring that the recommendations in audit reports issued by these two groups of auditors are implemented as expected. Hence, it was recommended that ACs develop a good working relationship with internal auditors (mean = 4.52) as well as external auditors (mean = 4.38). In order to ensure that MMDAs comply with the relevant laws and regulations guiding their activities and financial transactions, it was required that ACs conduct periodic assessment of the compliance behaviour of MMDAs (mean = 4.21).

In addition, it was found that there is the need for orientation and training programmes for members of ACs to introduce them to their duties and responsibilities as well as expose them to the importance of ACs in ensuring accountability and effective internal controls in MMDAs. This view was supported by majority of the respondents as shown by a mean of 4.11. Since two members of the top hierarchy of MMDAs – chief executive and coordinating director are members of the AC, it makes it easier to get the cooperation and support of management of MMDAs which is needed to enhance the well-functioning of ACs as indicated by a mean of 3.97.

Table 4: Strengthening the Role of ACs to enhance Effective Internal Controls

Ways of Strengthening the Role of ACs	Mean	SD
Clearly defined duties and responsibilities of AC	4.83	0.87
Ensuring that committee members have knowledge and understanding of the MMDA’s internal control framework	4.54	0.62
Encourage good relations between AC and internal auditors	4.52	0.53
Encourage good relations between AC and external auditors	4.38	0.68
Periodic assessment of compliance with the MMDA’s financial management responsibilities	4.21	0.85
Effective orientation and training for committee members on the duties and responsibilities	4.11	0.85
Co-operation and support from top management of MMDAs	3.97	0.94
Evaluate the risk management strategies of MMDAs to ascertain their effectiveness in mitigating potential risks	3.65	0.17
The AC should focus on audit-related issues only	3.58	0.92
Engaging outside experts on technical matters	3.29	0.18
Matching committee members to specific committee responsibilities based on their expertise and competence	3.21	0.69
Build institutional memory by ensuring the continuity of members of the committee where possible	2.15	0.58
Existence of clearly identified committee reporting structure	2.04	0.73
Provision of adequate compensation packages for committee members	1.05	0.74

Source: Field Survey (2017)

As a means of strengthening the oversight responsibility of ACs in term of enhancing the effectiveness of internal controls, it was suggested by majority of the respondents (mean = 3.65) asserted that as part of their activities, ACs should evaluate the risk management strategies of MMDAs to ascertain their effectiveness in mitigating potential risks that assemblies are exposed to. To avoid the situation where ACs may end up involving themselves with several issues which may be outside of their original mandate, it was suggested that ACs should focus solely on audit related issues as revealed by a mean of 3.58.

Moreover, majority of the respondents as indicated by a mean of 3.29 expressed the view that where members of ACs have limited or lack knowledge in technical issues contained in audit recommendations, they should seek the services of expertise in the respective technical areas. Most often, apart from the member of the finance and administration sub-committee of the assembly and the external representative with experience in accounting or auditing, the rest of the members of ACs are not selected based on their accounting and finance expertise. This implies that there are ACs with majority of the members not having any knowledge and expertise in accounting and finance or auditing. Therefore, as indicated by a mean of 3.21, there was the need to match the selection and responsibilities of members of ACs with their expertise and competence in the specific issues raised in the audit reports.

On other hand, majority of the respondents disagreed with the assertion that as a means of ensuring that ACs effectively perform their role of strengthening internal controls of MMDAs, ACs should build institutional

memories over time so that future members can learn from the experiences of past members. This was indicated by a low mean of 2.15. Since the channel of communication and the structure of reporting of ACs has been clearly defined by the Audit Service Act, majority of the respondents (mean = 2.01) did not believe there is a problem of reporting which needed to be addressed. It must be emphasized that apart from the external representative with accounting or auditing expertise, the remaining four members of the AC in every MMDA are officers of the assembly who are already on government payroll. Therefore, the assertion that the absence of adequate compensation packages for members of ACs affect their effectiveness in discharging their roles may be far from as right as indicated by a lowest mean of 1.05.

The work of ACs revolves around the strengthening of internal controls of MMDAs to enhance their effective functioning. To make ACs effective in performing their oversight role of strengthening internal controls, it was suggested that ACs should have clear-cut roles spelt out to each member of the committee so that members will be well informed as to what exactly their responsibilities are. This is consistent with the suggestion of Walton (2014) that members of audit committees should have understanding of the objectives and current significant issues facing the organization; an understanding of the organization's structure including key relationships with external partner organizations; an understanding of any relevant legislation or other rules governing the operation of the organization; in the case of local government. The need for committee members to have knowledge and understanding of the MMDA's internal control framework was also emphasized by the study. The results are consistent with that of Chien et al.

(2010) who found a significant relationship between the roles played by audit committees and internal control quality.

Moreover, there is a growing interest in the activities of ACs because a well-functioning AC ensures quality financial reporting and internal control by MMDAs as reported by Defond and Jiambalvo (1991). Therefore, to function effectively, members of ACs were required to have knowledge in not only the internal control framework of the assembly but should have some level of knowledge and expertise in accounting and auditing since financial expertise remains a critical competency of audit committees as indicated by Cohen et al (2014). This emphasizes the need for members of ACs to have some level of knowledge in accounting, finance, and auditing as suggested by the results of the study because their functions have a significant effect on the financial reporting of MMDAs as reported by Chelimo and Kariuki (2013). Again, the findings support the position of Zhang, Zhou and Zhou (2007) that organizations are more likely to be identified with internal control weaknesses if their audit committees have less financial expertise or, more specifically, have less accounting financial expertise and non-accounting financial expertise.

Chapter Summary

The chapter presented the results of the study. In summary, the study found that ACs are essential for ensuring that MMDAs follow audit recommendations and conform to pertinent Ghanaian laws and regulations governing assembly activities. Again, the study found that budgeting and budgetary controls, compliance with pertinent procedures, laws, and regulations governing their operations, the adequacy of accounting and

financial reporting policies, and the financial management strategies of MMDAs were among the major components of the MMDAs' internal control



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The important results of the research are summarised in this chapter, and then the conclusions made from the findings are presented in the next section. The report also includes the suggestions made by the researcher for further measures that should be implemented in order to enhance the existing procedures.

Summary of Findings

This study aimed to assess the function of Audit Committees (ACs) in increasing internal control in Brong Ahafo Region MMDAs. The purpose of the study was to explore the function of ACs, assess the efficacy of the internal control systems of MMDAs, and identify strategies to strengthen the role of ACs in boosting the effectiveness of internal controls in MMDAs in the Brong Ahafo Region. The study consisted of a survey guided by a quantitative research methodology. From a population consisting of members of all 27 MMDAs in the Brong Ahafo Region, 100 AC members from 20 randomly selected MMDAs were surveyed through questionnaire to obtain data. While the MMDAs were selected at random, respondents who were members of ACs were selected using a technique known as purposive sampling.

The following is a summary of respondents' perspectives on issues pertaining to their duties as members of ACs, the effectiveness of MMDAs' internal controls, and the measures required to improve the effectiveness of ACs in enhancing MMDAs' internal controls:

The study found that ACs are essential for ensuring that MMDAs follow audit recommendations and conform to pertinent Ghanaian laws and regulations governing assembly activities. As part of their responsibilities to ensure sound financial management and reporting practises, ACs were found to review the appropriateness of accounting policies and assumptions used by MMDAs, as well as financial statements, to ensure compliance with applicable accounting standards and the public sector accounting reporting framework. In terms of risk management and fraud prevention, ACs were asked to evaluate the potential risks connected with MMDAs and provide their thoughts on how these risks may be addressed. As part of their duty, ACs were also supposed to monitor the implementation of Auditor General and Public Accounts Committee recommendations.

To measure the efficiency of MMDAs' internal controls, the study examined the primary components of the MMDAs' internal control systems and the degree to which they have been implemented throughout time. Budgeting and budgetary controls, compliance with pertinent procedures, laws, and regulations governing their operations, the adequacy of accounting and financial reporting policies, and the financial management strategies of MMDAs were among the major components of the MMDAs' internal control systems that were determined to be effective, thereby strengthening the overall internal control system.

A well operating AC has undeniable effects on the MMDA's internal control system. The effectiveness of ACs has a substantial impact on the quality of MMDAs' financial reporting and internal control structures. To ensure the efficacy of ACs in enhancing the internal controls of MMDAs, it

was advised that members of ACs should have their objectives, tasks, and responsibilities clearly stated prior to the start of their terms. It was determined that the work of ACs was significantly dependant on accounting and financial concerns; hence, it was suggested that AC members be recruited based on their knowledge and expertise in accounting and finance.

In addition, it was advised that all members of the AC should have a good grasp of the internal control structure of MMDAs, as a lack of understanding of the system and how it operates will make it extremely challenging to discover and plug loopholes and enhance the system. Given that ACs deal with audit reports from both internal and external auditors, it has been argued that a positive relationship between ACs and auditors is required to encourage collaboration and cooperation. A periodic review of conformity with applicable rules and regulations governing the operations of MMDAs was advised as a wise measure to ensure that all assembly actions adhere to established processes and legislation. While it was proposed that ACs should focus solely on audit-related issues, it was also emphasised that ACs should consider assessing the risk management strategies of MMDAs in order to help mitigate the risks faced by MMDAs.

Conclusions

The study indicated that it is impossible to exaggerate the significance of ACs in assuring the effectiveness of MMDAs' internal controls. The findings appeared to substantiate the crucial function of ACs in guaranteeing the quality of MMDAs' financial reporting and internal controls. The formation of a committee charged with ensuring that audit and Public Accounts Committee recommendations are completely implemented by

MMDAs has emerged as a crucial measure for strengthening the accountability and efficiency of MMDA operations. This indicates that MMDAs must strengthen their ACs and provide them with the required resources to fulfil their functions successfully, so contributing to the improvement of their internal control systems.

Recommendations

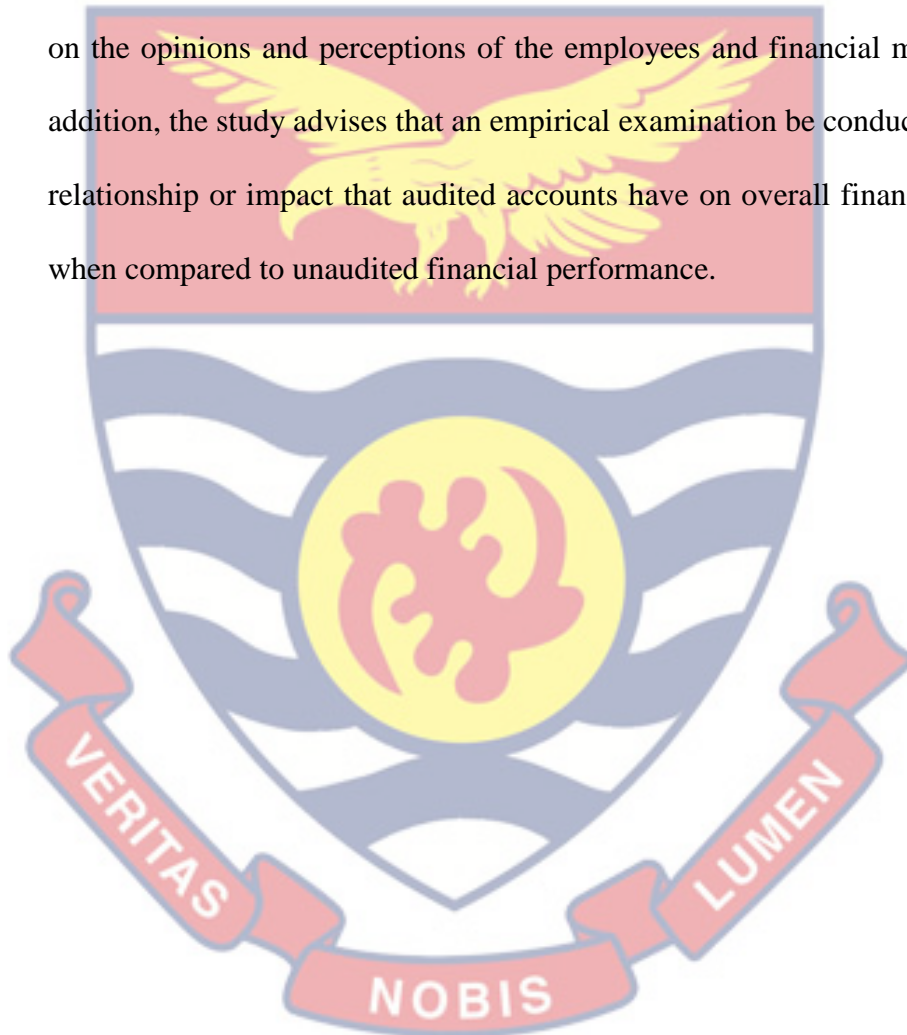
The researcher makes the following recommendations based on the study's findings regarding the role of ACs in ensuring effective internal controls in MMDAs:

1. Since ACs are primarily concerned with auditing and financial-related concerns, the level of knowledge and skill of those appointed to the AIRCs should be considered when selecting members for the AIRCs.
2. In order to improve the functioning of ACs, the central government should give them with the necessary financial and logistical support. This would prevent ACs from becoming unduly reliant on the support of MMDAs, so damaging their ability to function independently.
3. However, the efforts of ACs to prevent fraud and theft of funds by management of multi-million-dollar development agencies have not been very fruitful. The recommendation is that ACs be given sufficient authority to investigate allegations of financial mismanagement involving the administration of multilateral development banks.
4. MMDAs' risk management methods were reviewed by ACs, and the results revealed that the role of ACs in managing the risks encountered by the assemblies did not appear to be very effective. The ACs should therefore strengthen their oversight responsibilities by reviewing the

risk management methods of MMDAs, which is advocated by this report.

Suggestions for Further Studies

The purpose of this study was to examine the role of the audit committee, as well as its efficacy and potential for improvement. The role of internal control in this study was more conceptual in nature, and it was based on the opinions and perceptions of the employees and financial managers. In addition, the study advises that an empirical examination be conducted into the relationship or impact that audited accounts have on overall financial success when compared to unaudited financial performance.



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APPENDICES

APPENDIX A

QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

The purpose of this questionnaire is to solicit your views on the “Role of Audit Committees (ACs) in enhancing internal control in MMDAs in the Brong Ahafo Region”. You are informed that this exercise is the data collection phase of my dissertation for the degree of Master of Business Administration (Accounting) at the University of Cape Coast. Therefore, you are assured that the responses you provide will be used for academic purposes only. I hereby seek your consent and cooperation to participate in this exercise.

Please tick \checkmark where required and state briefly where necessary.

Section A: Demographic Characteristics of Respondents

1. Please indicate your gender

Male Female

2. Please indicate your age group

Below 30 years 30 – 39 40– 49

50– 59 60 and above

3. Please indicate your membership status on the AC

MMDA Chief Executive Presiding Member

MMDA Coordinating Director External Representative

Member of Finance and Administration Sub-Committee of MMDA

4. Please indicate your highest educational qualification

Diploma/HND Bachelor’s Degree

Postgraduate Degree Professional Qualification

5. Please indicate depth of your knowledge in accounting and finance

Strong accounting and finance background

In-depth knowledge accounting and finance

Some level of knowledge in accounting and finance

No knowledge in accounting and finance

Section B: The Role of Audit Committees

6. Please indicate your response as to whether or not the following statements are duties and responsibilities of Audit Committees of MMDAs.

Duties and Responsibilities of ACs	Yes	Not Sure	No
Financial Management and Reporting			
Review the appropriateness of accounting policies adopted			
Review the appropriateness of significant assumptions seeking to justify revenue and expenditure estimates			
Review the financial statements for compliance with prescribed accounting and other requirements.			
Exercise skepticism by questioning and seeking full and adequate explanations for any unusual transactions			
Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management			
Risk Management and Prevention of Fraud			
Review the risk management framework for identifying, monitoring and managing significant risks including fraud			
Liaise with management to ensure there is a common understanding of the key risk factors			
Assess and contribute to the audit planning processes			

relating to the risks and threats to MMDA			
Review effectiveness of MMDA's processes for identifying and escalating risks particularly strategic risks			
Internal Control			
Establishment of internal control system			
Monitor the performance of internal audit against its annual internal audit plans and strategic plans			
Review and advise on strategic and annual internal audit plans			
Monitor the implementation of agreed audit recommendations			
Review the budget, staffing and skills of the internal audit unit			
Review and approve the internal audit plan, its scope and progress, and any significant changes to it			
Review significant findings and recommendations of internal audit and the response to them by management			
Review the findings and recommendations of external audit and the response to them by management			
Compliance with Laws, Regulations and Ethical Standards			
Ensure the implementation of the recommendations in all audit reports of the MMDA.			
Follow-up Auditor-General and Public Accounts Committee's recommendations			
Follow-up recommendations in internal audit reports			
Review the effectiveness of the system for monitoring the MMDA's compliance with relevant laws, regulations and government policies.			
Review the findings of any examinations by regulatory agencies, and any auditor observations.			

Section C: Effectiveness of Internal Control System of MMDAs

7. Please indicate your views on the level of effectiveness of the internal controls of your MMDA. Please rank your responses using: 1 – very effective, 2 – effective, 3 – somehow effective, 4 – not very effective, 5 – not effective.

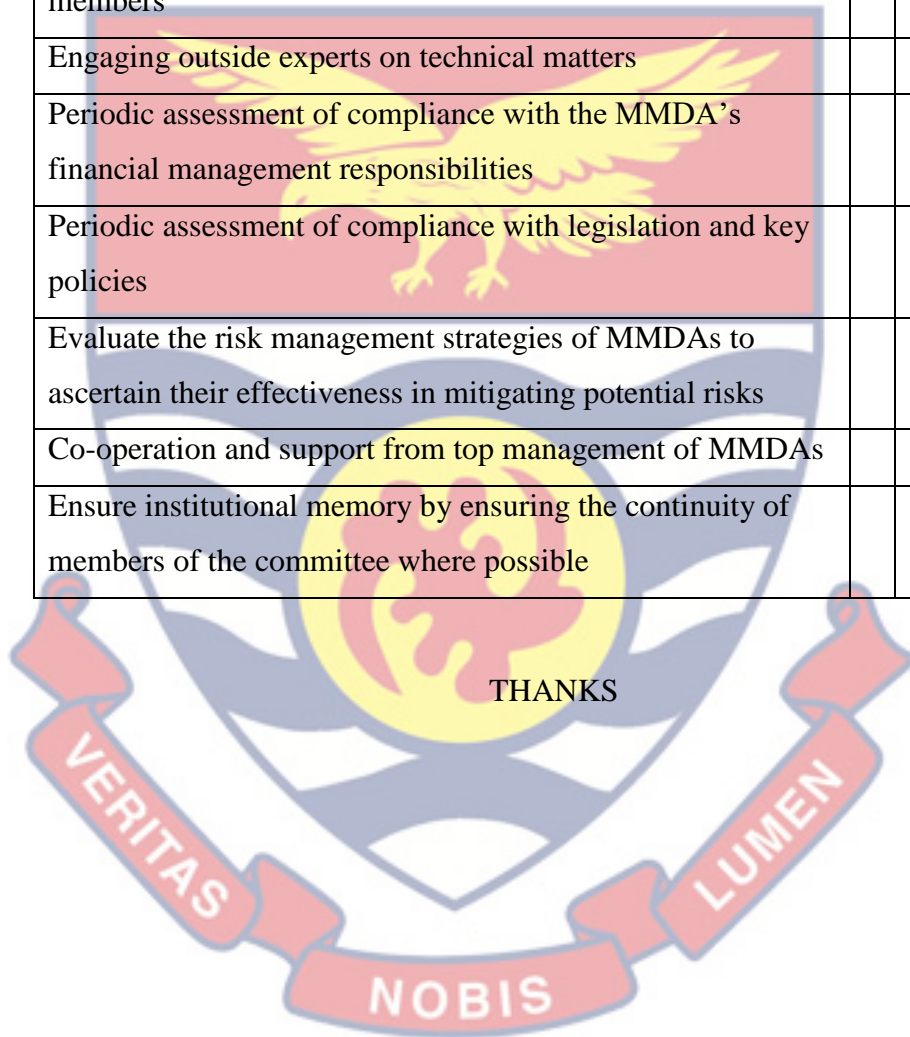
Effectiveness of Internal Control System	1	2	3	4	5
Budgeting and budgetary controls					
Appropriateness of accounting and financial reporting policies					
Financial management strategies					
Compliance with laws, regulations and ethical standards					
Risk management strategies					
Measures for preventing, controlling and detecting fraud					

Section D. Strategies for enhancing the internal control system MMDAs

8. To what extent do you agree or disagree with the following statements as strategies for enhancing the internal control system of MMDAs? Please rank your responses using: 1 – Strongly Agree, 2 – Agree, 3 – Not Sure, 4 – Disagree, 5 – Strongly Disagree

Strategies for Enhancing Internal Control of MMDAs	1	2	3	4	5
Ensuring that committee members have knowledge and understanding of the MMDA's internal control framework					
Clearly defined duties and responsibilities of AC					
Matching committee members to specific Committee Responsibilities based on their expertise and competence					
Existence of clearly identified committee reporting structure					
Effective orientation and training for committee members on the duties and responsibilities					
The AC should focus on audit-related issues only					

Encourage good relations between AC and external auditors					
Encourage good relations between AC and internal auditors					
Adopt innovative methods to follow up on corrective action plans					
Each Audit Committee Requires an Annual Plan					
Committee Should Perform a Self-Evaluation					
Provision of adequate compensation packages for committee members					
Engaging outside experts on technical matters					
Periodic assessment of compliance with the MMDA's financial management responsibilities					
Periodic assessment of compliance with legislation and key policies					
Evaluate the risk management strategies of MMDAs to ascertain their effectiveness in mitigating potential risks					
Co-operation and support from top management of MMDAs					
Ensure institutional memory by ensuring the continuity of members of the committee where possible					



THANKS