

UNIVERSITY OF CAPE COAST

AN ASSESSMENT OF INTERNAL CONTROLS AND COMPLIANCE IN
PUBLIC HEALTH FACILITIES IN EAST MAMPRUSI MUNICIPALITY: A
CASE OF BAPTIST MEDICAL CENTRE - NALERIGU

BY

KOTIA BUGRI SOLOMON

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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 Signature..... Date:.....

Kotia Bugri Solomon

Supervisor's Declaration

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

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

Mr. Emmanuel Yaw Arhin, CA

ABSTRACT

The study examined the extent of compliance of public hospitals to internal control system using Baptist Medical Centre in East Mamprusi Municipality. Specifically, the study determined the effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability, ensuring compliance of hospitals to applicable laws and regulations in the hospital, and safeguarding resources against losses and misuse. A cross-sectional survey strategy and quantitative methodology was adopted. A structured questionnaire was used as a primary data collection instrument to obtain data from employees of Baptist Medical Centre. Both administrative and non-administrative staff of the hospital were included in the study. Overall, 134 employees participated in the study. Both descriptive and inferential statistics were used to analyse the data. The findings revealed that largely the hospital was in compliance with internal control system. The internal control system in the hospital contributed to ensuring execution of orderly, ethical, economical, efficient and effective operations; fulfillment of accountability obligations; and compliance with laws and regulations in the hospital. However, internal control system did not contribute to safeguarding the resources of the hospital against abuse. The study recommended to management of the hospital to ensure effective implementation of internal control system so as to safeguard the resources of the hospital against abuse.

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DEDICATION

To my beloved wife (Ibrahim Amina Olivia) and daughters (Stephanie
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COSO Internal Control Framework

Relationship between Objectives and Components on internal control

LIST OF ACCRONYMS

BMC	Baptist Medical Centre
CHAG	Christian Health Association of Ghana
COSO	Committee of Sponsoring Organisation
GHS	Ghana Health Service
ICAG	Institute of Chartered Accountants Ghana
MDGs	Millennium Development Goals
NHIF	National Health Insurance Fund
NHIS	National Health Insurance Scheme
PAC	Public Accounts Committee
SD	Standard deviation
SDGs	Sustainable Development Goals,
Z	Z-Statistic

CHAPTER ONE

INTRODUCTION

Promotion of healthcare is at the heart of the global development goals. Three goals of the then Millennium Development Goals (MDGs), MDGs, 4, 5, and 6 as well as the current Sustainable Development Goals, SDGs (Goal 3), are all focused to ensuring universal access to quality healthcare services. Though, provision of effectively, efficiently and equitable health service is one of the difficulties that governments around the world faces. This is because governments are faced with the challenge of financing healthcare due to weak revenue mobilization, poor health policy planning, and revenue leakages through fraud (Osei-Akoto & Adamba, 2011; Aryeteey, 2012). In Ghana, despite efforts such as National Health Insurance Scheme (NHIS) instituted by the government to enhance financing and utilization of healthcare services, challenges such as scarcities of vital drugs, materials, equipment, and poor quality of care exist. Fraudulent claims have led to delays in reimbursement of the National Health Insurance Fund (NHIF) to hospitals leading to inability of the hospitals to operate efficiently. To ensure effectiveness of financial management in the hospital, there is the need for the implementation of effective internal control system to help regulate the activities of the hospitals and to ensure universal access to healthcare in Ghana. This study attempts to analyse the compliance of the hospitals to internal control system in the East Mamprusi Municipality using Baptist Medical Centre in Nalerigu.

Background of the study

Internal control is the total system of control, financial or something else, built up by management in order to carry on the business of the endeavor,

in an efficient and effective way, guarantee adherence to management arrangements, protect the resources and secure as far as possible the completeness and precision of records (Onyefulu & Ofor, 2016). A system is a set of interrelated components that collects, controls, store and spread information and data and give feedback instruments to meet an objective (Asante, 2013).

Agreeing to the Committee of Sponsoring Organisation, COSO (2011), Internal Control is a framework consisting of particular approaches and methods planned to supply management with dependable assurance that the objectives and goals it accepts are critical to the entity will be met. In their view, the reasons to have internal controls is to advance operational adequacy and productivity, give solid financial and administrative data, defend resources and records, energize adherence to prescribed arrangements and compliance with administrative offices. Nonattendance of internal control system frequently results in organizational failure.

Moreover, the Institute of Chartered Accountants in England and Wales (ICAEW, 2009) notes that a company's framework of internal control includes a key part in the management of risks that is critical to the fulfillment of its business goals. A sound system of internal control contributes to shielding the shareholders' investment and the company's resources. Internal control encourages the adequacy and efficiency of operations, helps guarantee the unwavering quality of internal and external reporting and helps compliance with laws and regulations (Mwindi, 2008). Viable financial controls, including the maintenance of proper accounting records, are an critical component of internal control. They help guarantee that the company isn't unnecessarily exposed to

avoidable financial risks which financial data utilized within the business and for distribution is reliable. They moreover contribute to the defending of resources, including the avoidance and detection of extortion. According to Asare (2006), effective internal control system will ensure accuracy of financial reporting thereby helping to detect and prevent fraud.”

According COSO (2011) the role of internal control system is meant to achieve the following general objectives; (1) executing orderly, ethical, economical, efficient and effective operations; (2) fulfilling accountability obligations; (3) complying with applicable laws and regulations; (4) safeguarding resources against loss, misuse and damage. COSO (2011) classified internal control system into five components known as the COSO’s framework including; control environment; risk assessment; control activities, information and communication, and monitoring. This study therefore examines the extent of implementation of internal control system as proposed by the COSO framework by public health facilities in the East Mamprusi Municipality.

Factually, institution of health facility (BMC) in East Mamprusi Municipality was introduced when medical work in Ghana began in 1952 when missionary doctor, Dr. Ed Law, attended the then Gold Coast Baptist conference. He reported to the Nigerian Mission on the medical needs he saw in Ghana. At the Conference, it was revealed that half of the leprosy cases in Ghana were from northern Ghana and there was the need for intervention. No action was taken at that time due to the shortage of personnel. In June of 1955, Dr. Goldie, along with Dr. George Faile came to Ghana to attend the ninth annual session of the Ghana Baptist conference. The conference enthusiastically

received the suggestion that work might be undertaken, and responded by raising £90.00 as a contribution to this work.

The two doctors along with Reverend and Mrs. Doug Cather went north from the Eastern Region. After meeting with various government authorities, it was agreed that Nalerigu, in the Northern Region, was a good site. August 1955 saw the Nigerian Mission voting to assign Dr. George and Mrs. K Faile to Nalerigu. It was in March 1956 that the Failes were transferred to Ghana, just before going on furlough. Negotiations for the land began in late 1955. After approval by government officials and Naa Sheriga Abdulai, Paramount Chief of Mamprugu, a 763-acre site was granted. July 1958 saw the Ghana Baptist Mission meeting in annual session at Nalerigu. On August 2, 1958, the hospital was declared opened with appropriate ceremonies. One of the other major health concerns of the time was the treatment of tuberculosis. August 20, 1958 saw the first baby born at the hospital in Nalerigu and was appropriately named John the Baptist who served as the Chief Accountant of the Hospital (Chief John Tayari) until his retirement in 2018. Baptist Medical Centre is a member of the Christian Health Association of Ghana (CHAG).

The medical work in Nalerigu was an expression of Christ's compassion and love. During this time, the missionaries also saw the need for training leaders to lead the various preaching stations in the area and courses were taught on how to minister and witness as well as sermon preparation and delivery. The expatriate health officers who were posted to the hospital also combined evangelism with their core jobs.

In February 2014 International Mission Board turned over administrative and financial responsibility of the hospital to Ghana Baptist

Convention, even though this decision started as far back 2008 it became materialized in February 2014. The Baptist Medical Centre in Nalerigu, Ghana is a venerable and well-respected Baptist Mission hospital. The hospital is a beacon of light for the gospel in this part of the world. The hospital has a reputation; people come from all around the country and its neighbourhoods to seek treatment.

The vision of the hospital is to become a well-resourced district referral hospital with adequate physical infrastructure, adequate numbers of well-trained human resources, and the needed modern technology, systems and processes to provide quality secondary health care, medical education and research by the year 2020. To achieve its vision of providing quality secondary care, the hospital has to implement effective internal control system to help safeguard the asset of the hospital against abuse and also to ensure sound operation.

Statement of the Problem

Internal control framework is a topical issue taking after global fraudulent financial detailing and accounting outrages in both developed and developing nations (Mattie & Cassidy, 2002). This is because weak or ineffective internal control system has been implicated for the increase in the incidence of misappropriation of government fund, cooking the books and theft (Onyefulu & Ofor, 2016; Udoayang & Uket, 2012). Ineffective internal controls result in ineffective programs and losses (Financial Management Manual, 2005). Therefore, public hospitals like any other organization is expected to have several controls including: controls over procurement; controls over stock issues and distribution of supplies from the stores; controls over salaries and

wages; controls over cash; controls over non-current assets; controls over receivables; controls over the use and running of vehicles; controls in regard to decentralized and self-accounting departments and land over controls. This will ensure sound operation, compliance of rules and regulations, accountability and safeguarding assets of the hospital against abuse and misuse (COSO, 2011).

However, in open division organizations, accountability requests are not as solid. In the case of hospitals, the citizens and benefactors regularly are late in taking action. Because of this, the motivations for successful internal financial control are low and financial irregularities and extortion proceeds to extend (Hardiman, 2006). For example, in Ghana, the issue of financial losses resulting from fraud is widespread in public sector organizations as evidence from the Auditor General Report to Public Accounts Committee (PAC) in Parliament has consistently revealed several serious acts of financial malfeasance. Specific to the Ghana Health Service (GHS), there have been concerns of suspected fraudulent practices associated with the procurement practices. Over invoicing for reimbursement of claims of the National Health Insurance Fund and procurement breaches (Coyle, Bardi & Langley, 2003). These practices, if not controlled can have negative consequences on the operations of hospitals and can lead to failure of the hospitals to provide the needed quality healthcare services. This study therefore raises pertinent issue about the extent of compliance of hospitals to internal control systems. Finding answer to the above concerns is the main focus of this study using Baptist Medical Centre in the East Mamprusi Municipality for the study.

Purpose of the Study

The main purpose of this study is to examine the extent of compliance of public hospitals to internal control system using Baptist Medical Centre in East Mamprusi Municipality.

Research objectives of the study

The study sought to:

- i. determine the effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations in the hospital.
- ii. examine the effectiveness of the internal control system in fulfilling accountability in the hospital.
- iii. ascertain the effectiveness of the internal control system in ensuring compliance of hospitals to applicable laws and regulations in the hospital.
- iv. determine the effectiveness of the internal control system in safeguarding resources against losses and misuse.

Research Questions

- i. What is the extent of effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations in Baptist Medical Centre?
- ii. What is the level of effectiveness of the internal control system in fulfilling accountability in the hospital?
- iii. What is the level of effectiveness of the internal control system in ensuring compliance of hospitals to applicable laws and regulations?

- iv. What is the effectiveness of the internal control system in safeguarding resources against losses, and misuse in the hospital?

Significance of the Study

The findings of the study will, to a large extent, reveal the extent of implementation of internal control system in Baptist Medical Centre in the East Mamprusi Municipality. That is, the study will reveal the extent to which the health facility observes the system of internal controls regarding the control environment, risk assessment, control activities, information and communication, and monitoring & evaluation. This information will be important to management of the facility and the government in their attempt at ensuring effective financial management from the hospital. Secondly, the level of effectiveness of internal control system in the organization will be ascertained. This will provide information regarding the ability of the hospital in (1) executing orderly, ethical, economical, efficient and effective operations; (2) fulfilling accountability obligations; (3) complying with applicable laws and regulations; (4) safeguarding resources against loss, misuse and damage (COSO, 1992). Finally, the findings of this study will add to the existing literature on the internal control system in public sector organisation thereby serving as a reference document for future studies.

Delimitation of the Study

Geographically, this study is delimited to the Baptist Medical Centre in the East Mamprusi Municipality. Baptist Medical Centre was chosen because it helped the researcher to have access to data for the study since the researcher is an employee of the sector. Both management and non-management employees

in the organization were targeted for the study. Contextually, the study is also delimited to the extent of implementation of the COSO (1992) framework of internal control system (control environment, risk assessment, control activities, information and communication, monitoring & evaluation), and the effectiveness of internal control system in (1) executing orderly, ethical, economical, efficient and effective operations; (2) fulfilling accountability obligations; (3) complying with applicable laws and regulations; and (4) safeguarding resources against loss, misuse and damage in the organization. Methodologically, the study adopted a survey quantitative methodology to achieve its purpose. Quantitative methods provide objective findings and will help eliminate biases of the research as found in qualitative methodology.

Limitation of the Study

The adoption of the cross-sectional survey strategy may pose some challenges to the validity and reliability of the research findings. Reliance on management employees of the Hospital for information made it difficult to obtain the needed information in good time. This is because management employees were not available to provide the information needed for this study in good time. Also, some of the target participants were not willing to provide information, especially information concerning accountability and fraud. But to ensure easy data collection, the survey instrument was structured to enable target participants to provide information with ease.

Again, the unwillingness of the target employees of the hospital to provide information for the study made it difficult to gather data with ease. This is because the researcher was obliged to go to hospital a number of times for information. This posed a drain on the finances of the researcher and also

increased the time used for data collection. Both financial and time constraints limited the sample size of the study and hence affected the validity and reliability of the research findings.

Definition of Terms

The main terms considered in this study are; internal control system and effectiveness of internal control system.

Internal control system: The COSO (1992) framework was adopted. Under the COSO framework, internal control framework is broadly characterized as a process, influenced by an entity's board of executives, management, and other staff, designed to supply reasonable affirmation with respect to the achievement of objectives within the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with laws and regulations. Internal control system comprises of five interrelated components: control environment, risk assessment, control activities, information and communication, monitoring.

Effectiveness of Internal control system: Effectiveness of internal control system in this study is defined by the extent of attainment of the objective of internal control system which include executing orderly, ethical, economical, efficient and effective operations, fulfilling accountability, ensuring compliance of the hospitals to applicable laws and regulations, and safeguarding resources against losses and misuse (COSO, 1992).

Organisation of the Study

The study report is systematically organised into five chapters as outlined. Chapter One: chapter one form the introductory chapter which include

sections such as the background of the study, the problem statement, the objectives of the study and the research questions. It further includes the significance of the study, delimitation and limitation, definition of terms and organization of the study. Chapter Two reviews literature on the study area. The chapter reviews important theoretical and empirical literatures on internal control system and its objectives. Chapter Three constitutes the methodology chapter. The chapter will present the research design, the population and sampling technique, the data collection instrument, and the statistical tools used in the data analysis. Chapter Four presents the results and discussions. It presents the data collected from the field and summarizes them via tables. The chapter also discussed the findings of the study relative to the empirical literature. Chapter Five presents the conclusion and recommendations. The chapter summarizes the major findings of the study; the conclusions attained and also make relevant recommendations based on the findings. Suggestions for future studies are also included in this chapter.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews both theoretical and empirical literature on the topic. The theoretical literature looks at the concept of internal control system, component of internal control systems, the framework of internal control system and its objectives, the and its limitations. The empirical literature, however, looks at similar works concerning research topic.

Theoretical Review

The theoretical framework of this study includes theories such the Institutional theory, Agency Theory, Stewardship Theory, Stakeholder Theory, and Accountability Theory.

Institutional Theory

The institutional theory holds that organizations will adopt structures of policies such as internal control system as a result of three types of pressures; coercive pressures come from legal mandates or influence from organizations they are dependent upon; mimetic pressures to copy successful forms arise during high uncertainty and finally, normative pressures to homogeneity come from the like attitudes and approaches of professional groups and associations (Powel & DiMaggio, 2012; DiMaggio & Powell, 1991). This implies that coercive pressure from the Ghana Audit Service will influence the effectiveness of internal control system in public sector organizations. Secondly, the power of mimetic pressure will make hospitals in East Mamprusi Municipality behave similarly to other government hospital in the country in terms of adoption of

effective internal control system. Finally, normative pressures will ensure that internal audit in the selected hospital perform their functions according to their professional standards by ensuring internal control system was working properly.

The Agency Theory

The agency theory defines the principal-agent relationship (Jenson & Meckling, 1976). It stipulates that an agency relationship exist where a party called the principal hires another called the agent to act on his (the principal's) behalf. Thus, the principal in question has some responsibilities he or she is not in the position to perform as a result of time constraint or expertise and hence hires the services of another to perform the task(s) in question.

In an organizational setting, owners or shareholders of an entity are the principal who engage the services of managers for the running of the day to day business of the entity. In government hospitals, the principal is the government and the agents are the management staff of the hospital. Shareholders invest basically for capital appreciation or increase in share price and or for cost of capital gain in the form of dividend. Like the government hospitals, government invests in building and running of the hospital. Therefore, government will like to maximize its interest by ensuring funds provided to the hospitals are put to judicious, hence the need to institute sound internal control system. Thus, the aim of an organization (hospital) is to increase shareholders wealth (government interest). That notwithstanding, managers also have their own interest or goals such as prestige, fat salaries, allowances, bonuses, among others which may be procured through fraud which conflict the long-term objective of the firm. The difference in goals defines the conflict of interest, and hence the agency

problem. This is alluded to or ascribed to separation of ownership from management and information asymmetry (Chrisman, Chua, & Litz, 2004).

Agency theory proposes an intrinsic moral hazard in shareholder-manager relations which brings about agency costs. For example, managers can implement accounting procedures and methods that boost their compensation and reward incentives as against the maximization of shareholder value (Lan & Heracleous, 2010). The formation of an effective internal control system is one of the ways of reducing the incentive problem. This is because an effective internal control system enhances the credibility of financial statements; aids the work of the board, which is charged with safeguarding assets as well as promoting the interests of shareholders (Alchain & Demsetz, 1972; Fama & Jensen, 1983).

Stewardship Theory

This theory opines that management is the steward of the assets of the organization and good governance requires active participation of all members. Management will act primarily as stewards. Stewardship theory is a theory that managers, left on their own, will indeed act as responsible stewards of the assets they control. Thus, there is non-existence of conflict of interest between management and the shareholders of an entity. This theory is an alternative view of agency theory in which managers are assumed to act in their own self-interests at the expense of shareholders. Daily, Dalton and Cannella (2003) asserted that in order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the organization to maximize performance as well as shareholders' profits (government interest). It specifies certain mechanisms which reduces agency loss including tie

executive compensation, levels of benefits and also managers' incentive schemes by rewarding them financially or offering shares that aligns financial interest of executives to motivate them for better performance. This therefore calls for the implementation of effective internal control system to safeguard asset of the hospital against management interest. The importance of internal control mechanisms in dealing with counter work behaviour, specifically employee incentives through fraud, has been investigated and found that effective internal control system is significant in the detection and prevention of fraud of any kind (O'Leary, Iselin & Sharma, 2006).

Stakeholder Theory

Stakeholder theory proposes that the main reason of a business endeavor is to produce as much value as possible for stakeholders (Freeman, 1984). In order to be successful and be sustained over a period of time, senior managers must ensure the interests of customers, suppliers, employees, communities and shareholders aligned and are facing the same direction. Freeman (1984) put forward the argument that managers are not just answerable to shareholders. In addition to shareholders or stakeholder they also need to consider "any group or individual who can affect or is affected by the achievement of the firm's objectives". Therefore, safeguarding the asset of the hospital from abuse through the implementation of effective internal control system will go a long way of ensuring sound operation of the hospitals to the benefit of clients (patients) or the community where the hospitals are located. (Wheeler, Fabig & Boele, 2002) opined that stakeholder theory was derived from a combination of the sociological and organizational disciplines.

Accountability Theory

The effectiveness of financial reporting as a major concern to management solely relies on reliability and accuracy of management financial report. Accountability has been an important topic that has raised concerns when it comes to corporate governance (Frink & Klimoski, 2004). Managers in their own small way may try to come out with a good and a more convincing report on profits or earning based on their own discretion all in the name to uphold the good image of the organization, and to ensure some level of assurance on overseeing the financial reporting quality and reliability. Internal control systems will ensure that the hospital is audited to ensure compliance to lay down procedures for public financial management. The auditing protects the shareholders and investors (Kamau & Waweru, 2013).

Concept of Internal Control System

Numerous researchers have defined internal control in relation to its effects on the various constituencies (stakeholders) of an organization in various ways and at different levels of aggregation. Traditionally, the accounting profession's definition of internal control was focused on financial reporting and compliance aspects of control. However, the definition provided by AICPA in 1949 includes operational, financial reporting and compliance aspects of internal control (Mautz & Winjum, 1981). This definition was amended in 1958 and 1972 successively and then separated these controls into accounting controls and administrative controls. AICPA directs accountants and auditors' attention to traditional accounting controls such as authorization, segregation of duties, cross-checking, in order to minimize litigation risks. This narrows the

focus of control. The reason(s) for restricting accountants and auditors' responsibility to accounting and administrative controls is much of a debate.

According to Cunningham (2004), Internal Control Systems start as internal processes with the positive objective of helping an organization meet its set destinations. Management fundamentally gives oversight action; it sets the entity's targets and has generally duty over the ICS.

Under the Committee on Sponsoring Organization (COSO, 2011), Internal Control-Integrated Framework, a widely-used framework in the United States, defines broadly 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: effectiveness and efficiency of operations; reliability of financial reporting; compliance with laws and regulations; and safeguarding asset against abuse. The COSO definition relates to the aggregate control system of the organization, which is composed of many individual control procedures.

The COSO framework may be relevant to larger organizations, but inappropriate for small ones due to costs and operational complexity (Amudo & Inanga, 2009). Amudo and Inanga (2009) also note that COSO framework did not recognize and capture the delicate balance between formal and informal controls in smaller organizations. Furthermore, how can small companies' internal controls be effective when only few of the components recommended by COSO are present and yet the controls could still be effective? COSO did not address this question.

IT is crucial to an internal control framework. Today, organizations use IT for initiation, authorization, recording and processing of transactions. IT

ensures effectiveness of internal controls. However, COSO's failure to recognize IT as a control component motivated other bodies to design and develop frameworks to remedy the omission. One such framework is the Control Objectives for Information and Related Technology (COBIT, 2007).

In 2001, the International Organisation of Supreme Auditing Institutions (INTOSAI, 2001) decided to update the 1992 INTOSAI guidelines on internal control standards to take into account all relevant and recent evolutions in internal control and to incorporate the concept of the COSO report titled Internal Control – Integrated Framework in the INTOSAI document. By incorporating the COSO model in the guidelines, the Committee not only aims at updating the concept of internal control, but also attempts to contribute to a common understanding of internal control among SAIs. According to INTOSAI (2001) internal control is an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved:

1. executing orderly, ethical, economical, efficient and effective operations;
2. fulfilling accountability obligations;
3. complying with applicable laws and regulations;
4. Safeguarding resources against loss, misuse and damage.

Internal controls therefore consist of all the measures taken by the organization for the purpose of; protecting its resources against waste, fraud and inefficiency; ensuring accuracy and reliability of accounting and operating data; ensuring compliance with the policies of the organization; evaluating the level

of performance in all organizational units of the organization, (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

Components of Internal Control Systems

Internal control system in associations comprises of five interrelated components; control environment, control activities, risk assessment, information and communication and monitoring (INTOSAI, 2004). However, the COSO Framework of Internal Control recommends the ICS to comprise two substantive components; control environment and control activities (Thuy, 2007). Figure1 presents the COSO Internal Control Framework.



Figure 1: COSO Internal Control Framework

Source: Mbeba (2007).

Control environment

Control Environment (CE) is the reasoning, fashion and steady attitude, as well as the competence, moral values, keenness and assurance of the individuals of the organization (DiNapoli, 2007). The CE is further affected by the organization's structure and accountability relationships. Control

Environment (CE) is the attitude and actions of Council and Management regarding the significance of control within the LG (DiNapoli, 2007). Control Environment provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to INTOSAI (2001), the control environment is the foundation of the ICS and sets the tone of an organisation, influencing the control consciousness of its staff. This is the overall organisation attitudes, values, and philosophy of senior political and management executives and the culture throughout the organisation relating to the timeliness, integrity, and accuracy of financial reporting (Thuy, 2007).

The control environment provides the discipline and structure as well as the climate which influences the overall quality of the Internal Control Systems. Elements of the control environment are; the personal and professional integrity and ethical values of management and staff, appropriate culture in the organisation, attitude towards internal control throughout the organisation; commitment to competence; the “tone at the top” (i.e. management’s philosophy and operating style); a good organisational structure (an independent Internal Audit function and segregation of duties), set up proper authorisation limits; and human resource policies and practices (Kaplan, 2008; Thuy, 2007; INTOSAI, 2004).

Risk assessment

A risk assessment is a thorough look at your workplace to identify those things, situations, processes, etc. that may cause harm, particularly to people. (DiNapoli, 2007, INTOSAI, 2004). It involves risk identification; risk evaluation (estimating the Impact of a risk; assessing the likelihood of the risk occurrence); assessment of the risk appetite of the organisation; and

development of responses. Risk assessment should be performed and should identify; controllable risks (risks on which Internal Control procedures can be established) and uncontrollable risks (risks that are caused by the external environment that the entity operated in).

According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organisation. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analysing altered conditions and opportunities and risks (risk assessment cycle) and modifying internal control to address changing risk. VFM analysis needs to pay attention to total risks, which is sensitive to the choice of service delivery mechanism (Heald, 2003).

Control activities

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007); Sarbanes-Oxley Act (SOX, 2002); Control Activities are comprised of policies, procedures, and systems relating to the reliability of financial reporting. They include authorizations and approvals, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems (Laura, 2002). The elements of Control Activities include; policies regarding reconciling bank statements with cheques issued, procedures governing the counting and valuation of inventory, the procurement and disposal systems, and codes of conduct to guide employee behaviour (Kaplan, 2008; Thuy, 2007, SOX, 2002). Control activities can be

preventive and/or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organisations objectives hence realizing Value for Money.

Information and communication

Information ought to be communicated to all partners such as administration, board, line services, workers, etc. who require it within the frame and inside a time outline that makes a difference them to carry out their obligations (DiNapoli, 2007; INTOSAI, 2004). Information should be appropriate, timely, current, accurate and accessible as such reliable and relevant therefore transactions should be promptly recorded and proper classified (INTOSAI, 2004). The feedback from this communication helps management and council to evaluate how well the systems of internal control are working (DiNapoli, 2007). Information and Communication (IC) are essential to realising the LG internal control objectives i.e. Value for Money. If all personnel understand their own role in the ICS and they as well know how their individual activities relate to the work of others, a clear message received from top management that control responsibilities, will be taken seriously (DiNapoli, 2007).

Monitoring

Observing is the method that evaluates the quality of the system's execution over time, which incorporates on-going observing exercises, isolated assessments or a combination of the two (INTOSAI, 2004; DiNapoli, 2007). Management should focus monitoring efforts on internal controls and the achievement of the organization's mission. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, risk

tolerance levels and their own responsibilities (DiNapoli, 2007). Monitoring is the review of an organization's activities and transactions i.e. the ICS to assess the quality of performance over time and to determine whether controls are effective (DiNapoli, 2007). Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity it involves actions against irregular, unethical, uneconomical, inefficient and ineffective Internal Control Systems (DiNapoli, 2007; INTOSAI, 2004). According to the LG Financial and Accounting Regulations (2007); Council, DEC, standing committees and management are supposed to monitor and review the performance of their respective sectors. Monitoring involves separate evaluations which cover the evaluation of the effectiveness of the ICS in achieving set objectives and any deficiencies should be reported to the DEC for Council's action (INTOSAI, 2004).

Concurring to Kaplan (2008), disappointment to screen hazard accurately might lead to budgetary collapse of an association. The Inner Review work is frequently the key screen of the ICS, they look at the controls and control framework, distinguish where controls have fizzled so that these disappointments can be corrected additionally make suggestions to administration for modern and made strides frameworks.

Objectives of Internal Control

According to INTOSAI (2001), the objectives of internal control system are for:

Executing orderly, ethical, economical, efficient and effective operations

The entity's operations ought to be deliberate, moral, conservative, effective and viable. They need to be steady with the organization's mission.

“Orderly” implies in a well composed way or deliberate. Moral relates to ethical standards. Common desires are that open hirelings ought to serve the open intrigued with decency and oversee open assets appropriately. Citizens ought to get fair-minded treatment on the premise of lawfulness and equity. *Economical* means not wasteful or extravagant. It means getting the right amount of resources, of the right quality, delivered at the right time and place, at the lowest cost. *Efficient* refers to the relationship between the resources used and the outputs produced to achieve the objectives. It means the minimum resource inputs to achieve a given quantity and quality of output, or a maximum output with a given quantity and quality of resource inputs. *Effective* refers to the accomplishment of objectives or to the extent to which the outcomes of an activity match the objective or the intended effects of that activity (INTOSAI, 2001).

Fulfilling accountability obligations

Accountability is the process whereby public service organizations and individuals within them are held responsible for their decisions and actions, including their stewardship of public funds, fairness, and all aspects of performance. This will be realized by developing, maintaining and making available reliable and relevant financial and non-financial information and by means of a fair disclosure of that information in timely reports to internal as well as external stakeholders. Non-financial information may relate to the economy, efficiency and effectiveness of policies and operations (performance information), and to internal control and its effectiveness (INTOSAI, 2001).

Complying with laws and regulations

Organizations are required to take after numerous laws and controls. In open organizations laws and controls order the collection and investing of open cash and the way of working. Cases incorporate the Budget Act, universal settlements, laws on appropriate organization, Act, bookkeeping law/standards, natural security and gracious rights law, pay charge controls and anti-fraud and debasement acts (INTOSAI, 2001).

Safeguarding resources

In spite of the fact that the fourth common objective can be seen as a subcategory of the primary one (deliberate, moral, temperate, productive and compelling operations), the significance of defending assets within the open division should be pushed. This is due to the fact that resources in the public sector generally embody public money and their use in the public interest generally requires special care.

Other resources such as information, source documents and accounting records are the key to achieving transparency and accountability of government operations, and should be preserved. However, they are also in danger of being stolen, misused or destroyed. Safeguarding certain resources and records has even become increasingly important since the arrival of computer systems. Sensitive information stored on computer media can be destroyed or copied, distributed and abused, if care is not taken to protect it (INTOSAI, 2001).

Relationship Between Components on Internal Control System and Objectives

Concurring to INTOSAI (2001), there's a coordinate relationship between the common targets, which speak to what an entity endeavors to attain, and the internal control components, which speak to what is required to attain the common goals. The relationship is depicted in a three-dimensional matrix, in the shape of a cube. The four general objectives – *accountability* (and reporting), *compliance* (with laws and regulations), (orderly, ethical, economical, efficient and effective) *operations* and *safeguarding resources* – are represented by the vertical columns, the five components are represented by horizontal rows, and the organization or entity and its departments are depicted by the third dimension of the matrix (Figure 2).

Each component push “cuts across” and applies to all four common targets. For example, financial and non-financial data generated from internal and external sources, which belong to the information and communication component, are needed to manage operations, report and fulfill accountability purposes, and comply with applicable laws. Similarly, looking at the general objectives, all five components are related to each objective. Taking one objective, such as effectiveness and efficiency of operations, it is clear that all five components are applicable and important to its achievement.

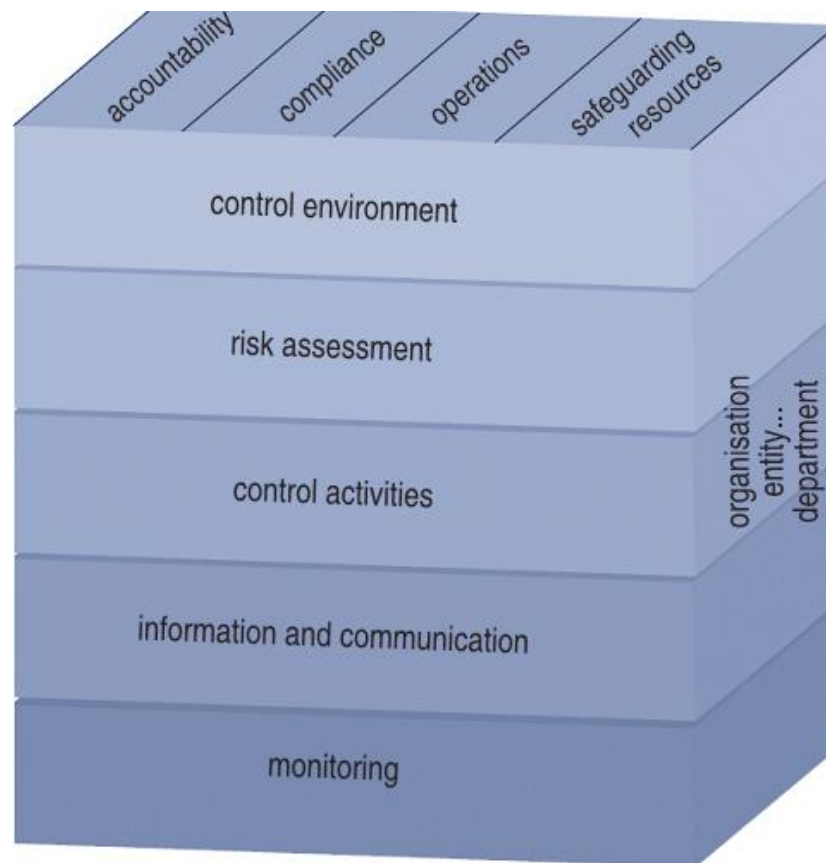


Figure 2: Relationship between Objectives and Components on internal control

Source: INTOSAI (2001)

Internal control is not only relevant to an entire organization but also to an individual department. This relationship is depicted by the third dimension, which represents entire organisations, entities and departments. Thus, one can focus on any of the matrix's cells. While the internal control framework is relevant and applicable to all organisations, the manner in which management applies it will vary widely with the nature of the entity and depends on a number of entity-specific factors. These factors include the organizational structure, risk profile, operating environment, size, complexity, activities and degree of regulation, among others. As it considers the entity's specific situation, management will make a series of choices regarding the complexity

of processes and methodologies deployed to apply the internal control framework components to (INTOSAI, 2001). The study adopts this conceptual framework relating components of internal control system to each of the objectives as specified (INTOSAI, 2001).

Empirical Review

Ofori (2011) decided the viability of internal controls: a perception or reality taking evidence of Ghana Post Company Limited in Ashanti region. The study adopted the explanatory research design since the study was a case study type. The study population was staff of Ghana Postal Company Ltd. A sample size of fifty respondents was used for the study. The purposive sampling technique was adopted. Data was collected through interview and questionnaire. It was revealed from the study that, the control environment at Ghana Postal service in Ashanti Region is very effective as majority of the respondents agree to that assertion with a few not being sure of the effectiveness of Control environment. In reviewing the risk assessment component of the internal control system at Ghana Post, the study found that, the risk assessment is also effective. Again, the empirical evidence from the study indicated that, majority of the respondents agree to the assertion that there is an effective control activity functioning at Ghana Post. With regard to assessing the information and communication system of internal control, there was evident from the studies that, about many of the respondents are satisfied with that construct and therefore perceive it to be effective.

Akinyomi (2012) examined the cases of fraud and its prevention in the Nigerian banking sector. Data used for this study were obtained from primary source, through the administration of questionnaire to two hundred (200) staff

members of ten (10) commercial banks in Lagos. The respondents were selected using purposive non-probability sampling technique. Responses to rating-scale questions were tested for significance using t-test. The findings revealed that greed is a foremost cause of fraud, as greater part of the staff considered their remuneration as sufficient. It was also observed that banks' staff got involved at all stages of fraud, including: initiation, execution and concealment. Moreover, computer fraud accounted for the majority of the fraud perpetrated in the bank. Meanwhile, among the consequences of fraud, loss of revenue and loss of customers' confidence top the list. One of the recommendations included establishment of adequate internal control system.

Mawanda (2008) investigated and established the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The research was conducted using both quantitative and qualitative approaches. Data was collected using Questionnaires and Interview guide as well as review of available documents and records targeting basically Deans, Associate Deans, Heads of Departments, Management Committee members and Finance and Accounts staff as respondents from a population of 270 Uganda Martyrs University staff. Data was analyzed using the Statistical Package for Social Scientists where conclusions were drawn from tables, figures from the Package.

The study found that administration of the institution is committed to the control frameworks, effectively partakes in observing and supervision of the

exercises of the College, all the exercises of the Institution's exercises are started by the best level administration, the inner review office isn't effective, is understaffed, does not conduct standard review exercises and does not deliver normal review reports in spite of the fact that the few reports created by the inner review department address shortcomings within the framework. It was further revealed that there is a clear separation of roles, weaknesses in the system are addressed, and there is a training program for capacity building in the institution. However, the study also found out that there is lack of information sharing and inadequate security measures to safeguard the assets of the University. It was also noted that there isn't enough cash to meet intended University goals, that the fees charged to students are not appropriate to cover costs, that all fees meant to be remitted to the University are not collected. It was however, revealed that all revenues and expenditures are properly classified, and that assets of the University have generally increased. The study established a significant relationship between internal control system and financial performance.

The importance of internal control mechanisms in dealing with counter work behaviour, specifically employee fraud, has been investigated in other related researches such as (O'Leary's, Iselin & Sharma, 2007). The study found that effective internal control system is significant in the detection and prevention of fraud of any kind. The study also found whenever top management firmly supports internal control; internal perpetrators and fraud were less likely to occur. This finding corroborated another study that found that access to various control mechanisms alone does curb losses due to fraud (Holtfreter, 2004).

Similarly, the impact of organisational environment on employee fraud has been consistently determined in previous studies. Employee theft has been found to be influenced by organization's work climate and employee's attitudes toward honesty (Greenberg, 2002). It has also been determined that organisational variables might be more likely to influence deviance directed at harming organisations (Robinson & Bennett, 1995). Rae and Subramaniam (2008) found that the quality of internal control procedures has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. The authors suggest that strategies relating to employee fraud need to focus on organisational factors such as work environment, internal control activities, and training.

Chapter Summary

This chapter reviewed the theories underpinning this study. This includes the agency theory, stewardship theory, stakeholder theory and accountability theory. Literature on the subject matter was reviewed under the empirical review.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter presents the methodology used to achieve the purpose of the study. This chapter presents the research design; the target population, and the sampling procedure including the sample size and sampling technique. The chapter further presents the data collection instrument used to gather data and data collection procedure. Finally, the chapter describes how the data collected was analyzed.

Research Design

A research design is a plan or blueprint of how the researcher intends conducting research (Mouton, 2001). This study has adopted a cross-sectional survey strategy and quantitative methodology to achieve its purpose. Patel and Davidson (1991) state that quantitative research methods are methods for analyzing numeric information in the statistical form whereas qualitative research methods are the one used for analyzing information other than figures (i.e. words). A quantitative methodology was adopted because quantitative approach, which is founded on positive philosophical ideology, helps provides objective research findings since the respondents are the ones who provide the data in the form of figures or numbers; therefore, researcher's opinion does not have any impact on findings (Quinn, 2010). Also, the choice of a survey for the research design was because the survey “provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population” (Creswell, 2009).

According to the purpose of the study, the study is both descriptive and explanatory. Descriptive research is a scientific method that focuses on observing and describing the behaviour of a subject without influencing it in any way (Creswell, 2009). The study is descriptive because it seeks to describe the extent of implementation of internal control system, and also to describe the extent of attainment of the objective of internal control system so as to assess its effectiveness. The study is also explanatory since it sought to establish the relationship between internal control system and the objectives of internal control system in terms of (1) executing orderly, ethical, economical, efficient and effective operations; (2) fulfilling accountability obligations; (3) complying with applicable laws and regulations; and (4) safeguarding resources against loss, misuse and damage in the organization.

On a timescale; the study is also cross-sectional since it focused on the phenomena of internal control system and its objectives at a specific period of time as opposed to longitudinal research which focuses on the phenomena at successive time period (Saunders, Lewis, & Thornhill, 2012).

Population

Malhotra (2007) define population as the aggregate of all the elements, sharing some common set of characteristics that comprises the universe for the purpose of the research problem. The target population of this study includes employees of Baptist Medical Centre in the East Mamprusi Municipality only. The study targeted both management and non-management staff of the organization. The participants were selected from various units of the hospitals. The Baptist Medical Centre is located at the East Mamprusi district in the northern region of Ghana. 103 miles northeast of Tamale, 68 miles southeast of

Bolgatanga in the Upper East Region, and 37 miles approximately from the Togo boarder. It serves a large area of the Northern, Upper East Regions and patients come from Togo and Burkina Faso as well. Currently, it is a 123-bed facility with a separate 70 bed T.B village and a Standard Public Health Department which oversees the Nalerigu sub-district. The record of the hospital revealed that overall, there were 193 employees (BMC Report, 2018).

Sampling Procedure

With regard to the sampling technique used, a non-probability sampling technique will be adopted. Convenience sampling techniques was adopted because only employees of selected hospital who were present at the time of the study and demonstrate willingness to participate in the study were considered.

Sample Size

To determine the sample size for the study, Yamane (1967) formula was adopted:

$$n = \frac{N}{1 + Ne^2}$$

In this formula, “*n*” represents the sample size to be calculated, while “*N*” is the relevant population (total number of target employees). The value of “*e*” (standard error) depends on the required confidence level set by the researcher. If the confidence level is 95 percent, then the “*e*” value would be 0.05. In this study 95% confidence level was adopted. Therefore, knowing the total number of target employees, the sample size was estimated. The record of the hospital revealed that overall, there were 193 employees (BMC Report, 2018). Using the population size of 193, the minimum sample size was estimated as follows:

$$n = \frac{N}{1 + Ne^2} = \frac{193}{1 + 193(0.05)^2} = \frac{193}{1.4825} \approx 130$$

Table 1: Sample size determination

	N	percent	Estimated sample size	Actual sample size
Administrator	4	2.2	3	3
Accountant/Account officer	14	7.5	10	10
Doctor	6	3.0	4	4
Nurse	135	70.1	91	94
Pharmacist	7	3.7	5	5
Lab Technician	3	1.5	2	2
Others	24	11.9	15	16
Total	193	100.0	130	134

Source: Authors (2019)

In this study a total of 134 employees of the hospital took part in the study. Therefore, the actual sample size used in the study is 134.

Data Collection Procedure

The hospital management of Baptist Medical Centre was served with an introductory letter to seek their consent. The validated and pre-tested questionnaires were distributed to the target respondents personally by the researcher for the questionnaires to be self-administered by the target employees. The employees were given ample time of about 3 weeks to provide their response to the questionnaires. The completed questionnaires were collected back from the participants through personal contact for editing, sorting and analysis.

Data Collection Instruments

A survey questionnaire was used to gather data for the study. The questionnaire was organized into three sections: The first section assessed the demographic profile of the respondents including gender, age, educational background, position held, and tenure of work in hospital.

The next section determined the extent of implementation of the practice of internal control systems in the organization. Items in this section included components of internal control system; control environment, risk assessment, control activities, information and communication and monitoring as established by the COSO Framework (2011) . The items will be responded to on a Five-point Likert Scale (Likert, 1932) scale: 1= “Strongly Disagree”; 2= “Disagree”; 3 = “Neutral”; 4= “Agree”; 5= “Strongly agree”.

The third section will measure the effectiveness of the organization. Items of this scale were measured on a Five-point Likert Scale: 1=“Strongly disagree”; 2=“disagree”; 3=“Neutral”; 4=“agree”; 5=“strongly agree”. Items included ability of the organization to; executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability obligations; complying with applicable laws and regulations; and safeguarding resources against loss, misuse and damage (COSO, 2011).

Data Processing and Analysis

Both descriptive and inferential statistical tools were considered in the data analysis. Descriptive statistics such as frequency distribution was used to present the demographic profile of the respondents. Also, measures such as mean and standard deviation were used to represent the extent of

implementation of internal control system, and effectiveness of the hospital internal control systems.

Also, inferential statistics such as correlation and regression method were used to establish the relationship between the various component of internal control system and effectiveness of the hospital internal control system. Data analysis was done using the Statistical Product for Service Solutions (SPSS, Version 22).

Validity and Reliability

The validity is defined as the extent to which the measuring instrument measures what it is supposed to measure (Saunders *et al.*, 2012). To ensure validity of the research instrument, the questionnaire was given to research experts in Internal Control System for review in terms of its content and construct. To further ensure validity of the instrument, 10 samples of the questionnaires were pre-tested. Pre-testing refers to a procedure that involves a trial run with a group of respondents to iron out fundamental problems in the survey design (Zikmund & Babin, 2007). Any inconsistencies in the questionnaire were corrected before fully scale data collection. Cronbach's alpha coefficient was used to measure the reliability of the items (Chronbach, 1951). The coefficient varies from zero for no reliability to one for maximum reliability. If the value of this coefficient is 0.70 and above, the scales are judged to be reliable (Sousa, Galante & Figueiredo, 2006). Therefore, Cronbach's alpha coefficient of at least 0.70 was considered acceptable in this study. The value was reported for all the components of internal control system and the objectives of internal control system as shown in Table 2

Table 2: Results of Reliability Analysis

Construct	Number of items	Cronbach alpha coefficient
Control environment	8	0.773
Risk assessment	5	0.853
Control activities	8	0.856
Information and communication	4	0.850
Monitoring and evaluation	5	0.828
Executing efficient and effective operations	6	0.840
Fulfilling accountability obligations	7	0.872
Compliance with applicable laws and regulations	4	0.825
Safeguarding resources against abuse	5	0.838

Source: Field data, 2019

Chapter Summary

The chapter presented the methodology adopted to achieve the purpose of the study. It described the research design adopted as well as the target used in the study and the way they were sampled. The chapter further provided the sources of the data and a description of the data collection instrument used. The procedure for data collection was outlined and how the analysis was done indicated.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter provides the data presentation, analysis and discussion of the results obtained from the field of study. It starts by presenting the findings on the demographic profile of the respondents. The next sections presents the findings on the effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations in Baptist Medical Centre in the East Mamprusi Municipality, the effectiveness of the internal control system in fulfilling accountability in the public hospital, effectiveness of the internal control system in ensuring compliance of the hospital to applicable laws and regulations, and the effectiveness of the internal control system in safeguarding resources against losses and misuse. The chapter ends by presenting the discussion, finding of the study and summary of the chapter.

Descriptive Statistics

This section presents the demographic characteristics of the respondents who were employees of Baptist Medical Centre. The profile of the respondents included; gender, age, educational background, position held, and tenure of work. Overall, 134 employees of the hospital participated in the study.

Gender distribution of respondents

Regarding the gender distribution of the 134 respondents sampled for the study, majority, 64.2% (n=86) were males and the remaining, 35.8% (n=48) were female respondents. These findings imply that the information regarding

the compliance of Baptist Medical Centre to internal control system was obtained from both male and female respondents. This distribution is represented in Table 3.

Table 3: Gender Distribution

Category	Frequency	Percent
Male	86	64.2
Female	48	35.8
Total	134	100.0

Source: Kotia, 2019

Age distribution

With regard to the age distribution of the respondents as shown in Table 4, 3.0% (n=4) of the respondents were less than 20years of age and 54.5% (n=73) representing the majority were within the age group of 20-29 years. Also, while 33.6% (n=45) of the respondents were within the age group of 30-39years, 3.7% (n=5) were within 40-49years and the remaining 5.2% (n=7) were 50 years and above. This age distribution implies that the information regarding the compliance of Baptist Medical Centre to internal control system was obtained from employees of various age groups.

Table 4: Age distribution

Category	Frequency	Percent
Less than 20 years	4	3.0
20-29 years	73	54.5
30-39 years	45	33.6
40-49 years	5	3.7
50 years and above	7	5.2
Total	134	100.0

Source: Kotia, 2019

Educational qualification

With reference to the educational qualification of the respondents in Table 5, large majority, 12.7% (n=17) had SHS/O-Level/A-level academic qualification and 60.4% (n=81) representing majority of the respondents had Diploma qualification. Also, whereas 20.9% (n=28) had Bachelor Degree qualification only 6.0% (n=8) had master’s degree. Overall, all the respondents had Diploma level education and above. The implication is that the information regarding the compliance of the hospital to internal control system was obtained from employees with diverse educational background.

Table 5: Educational qualification of respondents

Category	Frequency	Percent
SHS/O-Level/A-level	17	12.7
Diploma	81	60.4
Bachelor Degree	28	20.9
Masters or higher	8	6.0
Total	134	100.0

Source: Kotia, 2019

Role played by respondents

Pertaining to the role performed by the participants sampled in the study as presented in Table 6, 21.6% (n=29) were administrative staff of the hospital and the remaining constituting the majority, 78.4% (n=105) were non-administrative staff of the hospital.

Table 6: Role Performed

Category	Frequency	Percent
Administrative staff	29	21.6
Non-administrative staff	105	78.4
Total	134	100.0

Source: Field data, 2019

This means that the issue of compliance of the hospital to internal control system was responded by employees both administrative and non-administrative staff of the hospital.

Years of experience

The duration of work can help determine the respondents' knowledge of the practices of internal control system in the hospital. This distribution is shown in Table 7.

Table 7: Years of experience

Category	Frequency	Percent
1-5yrs	80	59.7
6-10yrs	32	23.9
11-15yrs	10	7.5
16yrs and above	12	9.0
Total	134	100.0

Source: Field data, 2019

Regarding the duration of work of the respondents, majority, 59.7% (n=80) had been working in the hospital for 1-5years. Also, while 23.9% (n=32) of the respondents indicated that they have been working in the hospital for 6-10 years, 7.5% (n=10) noted that they have been working in the selected hospital

for 11-15years. Finally, only 9.0% (n=12) have worked in the hospital for 16years and above. The finding implies that information regarding compliance of the hospital to internal control system was responded by employees with diverse working experience in the hospital.

Compliance of Baptist Medical Centre to Internal Control System

This section determines the level of compliance of Baptist Medical Centre to internal control system. Implementation of the internal control system in the hospital was measured using a Five-Point Likert Scale. The Five components of the Internal Control System as prescribed by COSO Framework (2011) was used including control environment, risk assessment, control activities, information and communication, and monitoring and evaluation. Therefore, descriptive statistics such as mean and standard deviations were used to present the findings. Component of internal control system with means value significantly greater than 3.0 (population mean) at 5% significance level indicates that the hospital complied with or implemented that aspect of the internal control system. One-sample z-test was conducted at 5% alpha to determine whether or not means value are greater than 3.0. One sample-z test was used as opposed to one-sample t-test because the sample size (193) is greater than 30. The finding for this objective is summarized in Table 8.

Table 8 : Extent of Implementation of Internal Control System in Hospital

	Number	Mean	Stdev	z-statistic	p-value
Control environment	84	3.83	0.56	13.310	0.000*
Risk assessment	128	3.44	0.78	6.364	0.000*
Control activities	123	3.92	0.66	15.461	0.000*
Information and communication	99	3.59	0.82	7.132	0.000*
Monitoring and evaluation	121	3.87	0.67	14.255	0.000*
Overall	84	3.73	0.51	10.83	0.000*

Source: Field Data, 2019

The outcome of the one-sampled z-test revealed that, largely, internal control system was implemented in hospital (M=3.73, SD=0.51, z=10.83, p<0.05) since p<0.05. The component of internal control system implemented in the organization involved the control environment (M=3.83, SD=0.56, z=13.310, p<0.05), risk assessment (M=3.44, SD=0.78, z=6.364, p<.05), control activities (M=3.92, SD=0.66, z=15.461, p<0.05), information and communication (M=3.59, SD=0.82, z=7.132, p<0.05), and monitoring and evaluation (M=3.87, SD=0.67, z=14.255, p<0.05). The implication is that the hospital complied with all components of internal control system. Therefore, it can be concluded that largely, the hospital complied with internal control system.

The Control Environment Component of Internal Control System

The control environment aspect of internal control system was largely implemented in the hospital (M=3.83, SD=0.56, z=13.310, p<0.05). This means the participants agreed to the assertions that employees with high personal and professional integrity as well as the ethical values are put in place to handle

resources in the organization; the hospital has clear objectives and these have been communicated so as to provide effective direction to employees on risk assessment and control issues; management of the hospital lead the fight against resource misappropriation by example (tone at the top); the staff of the hospital are competent and knowledgeable; the hospital has put in place separation of powers/checks and balances in its outfit; the organization has effective human resource management practices (training, compensation, etc.); the hospital has sound codes of conduct; and that the hospital has an effective control environment to safeguard assets against abuse.

Risk Assessment Component of Internal Control System

Largely the risk assessment component of internal control system was implemented in the hospital ($M=3.44$, $SD=0.78$, $z=6.364$, $p<.05$). This means that the respondents agreed to the assertions that; as part of the implementation of internal control system, the hospital periodically identifies both external and internal factors which could cause financial fraud (Risk identification), the hospital assesses the likelihood of the fraud risk occurrence (Risk assessment), the hospital estimates the impact of the likely impact of fraud risk (risk evaluation), the hospital deploys its fraud risk management policy to mitigate the effect of the frauds (risk mitigation), and that overall, fraud risk management practices in the hospital was very effective in the detection and prevention of fraud.

Control Activities Component of Internal Control System

Baptist Medical Centre largely undertakes control activities in the organization as part of the implementation of internal control system ($M=3.92$, $SD=0.66$, $z=15.461$, $p<0.05$). This implies that the participants agreed to the

assertions that the hospital has put in place authorization and approval procedures for resource utilization, the hospital ensures that resources utilized are properly recorded, the hospital verifies and reconciles claims of resource application (verifications and reconciliations), the hospital conducts review of operations, processes and activities to check fraud, the organization reviews its operational performance periodically, the hospital supervises its operations and activities (Supervision), the hospital has put systems in place to ensure that duties are rotated periodically, and that the activities of the hospital are effectively controlled to detect and prevent fraud.

Information and Communication Component of Internal Control System

The hospital ensures that there is information flow and effective communication in the organization as part of the implementation of internal control system ($M=3.59$, $SD=0.82$, $z=7.132$, $p<0.05$). This implies that the respondents agreed to the assertions that the hospital has put in place effective reporting procedures to communicating a balanced accounts of the organization's financial position, the hospital makes available information about the operations of each department/unit within its jurisdiction, the hospital communicates information within and between departments (two-way communication), and that the information and communication practices in the hospital is effective in reporting the occurrence of fraud.

Monitoring and Evaluation Component of Internal Control System

The hospital, largely, undertakes control activities in the organization as part of the implementation of internal control system ($M=3.87$, $SD=0.67$, $z=14.255$, $p<0.05$). This implies that the respondents agreed to the assertions that the hospital monitors ongoing operating activities, the hospital make

separate evaluations of ongoing operating projects, and the hospital audits its accounts to ensure compliance, the hospital reviews its internal control systems to ensure that they are working effectively, and that the hospital undertakes follow-up to ensure that appropriate change in response to changes made in implementation of the control systems are strictly ahead to.

Effectiveness of internal control system in Baptist Medical Centre

This section determines the level of effectiveness of internal control system in the hospital. Effectiveness of internal control system was measured in respect of the four objective of the Internal Control System as prescribed by COSO Framework (1992) including executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability obligations; complying with applicable laws and regulations; and safeguarding resources against loss, misuse and damage, using a Five-Point Likert Scale. Again, descriptive statistics such as mean and standard deviations were used to present the findings. Items with means value significantly greater than 3.0 (Test value or population) indicates that the hospital was effective in respect to that objective of internal control system. Again, one-sample z-test was conducted at 5% alpha to determine whether or not means values are greater than 3.0. The finding for this objective is summarized in Table 9.

Table 9: Effectiveness of internal control system in the Hospital

	Number	Mean	Stdev	z-statistic	p-value
Executing efficient and effective operations	114	3.80	0.72	11.894	0.000*
Fulfillment accountability obligations	114	3.46	0.73	6.706	0.000*
Compliance with laws and regulations	121	3.64	0.78	9.017	0.000*
Safeguarding resources	121	3.67	0.73	10.048	0.000*
Overall	100	3.65	0.62	10.545	0.000*

Field data, 2019

The outcome of the one-sample z-test revealed that overall Baptist Medical Centre was found to be effective in the implementation of internal control system ($M=3.65$, $SD=0.62$, $z=10.545$, $p<0.05$) since $p<0.05$. The hospital was effective in the implementation of internal control system in terms of execution of orderly, ethical, economical, efficient and effective operations ($M=3.80$, $SD=0.72$, $z=11.894$, $p<0.05$), fulfillment of accountability obligations ($M=3.46$, $SD=0.73$, $z=6.706$, $p<0.05$), compliance with laws and regulations ($M=3.64$, $SD=0.78$, $z=9.017$, $p<0.05$), and safeguarding resources ($M=3.67$, $SD=0.73$, $z=10.048$, $p<0.05$).

Execution of Orderly, Ethical, Economical, Efficient and Effective

Operations

The hospital, largely, was effective in the implementation of control activities in the organization as reflected in the execution of orderly, ethical, economical, efficient and effective operations ($M=3.46$, $SD=0.73$, $z=6.706$, $p<0.05$). This implies that the respondents agreed to the assertions that the operation of the hospital was well organized, the organization serves the public

interest with fairness, the hospital manages public resources properly, the hospital is economical in the management of public resources, the hospital maximizes the use of public resources to achieve its desired objectives, and that the hospital is effective in accomplishing its objectives.

Fulfillment of Accountability Obligations

The hospital was also effective in the implementation of control activities in the organization as reflected in their fulfillment of accountability obligations ($M=3.46$, $SD=0.73$, $z=6.706$, $p<0.05$). This implies that the respondents agreed to the assertions that the hospital accounts for its decisions and actions, the hospital accounts for its use of public funds, the hospital accounts for performance, the hospital makes available reliable and relevant financial information, the hospital makes available reliable and relevant non-financial information, the hospital fairly discloses information in timely reports to internal stakeholders, and that the hospital fairly discloses information in timely reports to external stakeholders.

Compliance with Laws and Regulations

The hospital was again effective in the implementation of control activities in the organization as reflected in their compliance with laws and regulations ($M=3.64$, $SD=0.78$, $z=9.017$, $p<0.05$). This implies that the respondents agreed to the assertions that the organization follows laws and regulations on resource utilization, the hospital prepares a comprehensive budget for its resources, the hospital complies with the public procurement law, and that the hospital complies with the financial administration laws.

Safeguarding Resources against Abuse

Finally, the hospital was effective in the implementation of control activities in the organization as reflected in the extent to which the organization safeguard resources against abuse ($M=3.67$, $SD=0.73$, $z=10.048$, $p=0.000$). This implies that the respondents agreed to the assertions that documents and accounting records are kept safe to avoid been altered, backups are provided for sensitive information, the hospital safeguards it resources avoid abuse, the hospital has been able to detect fraud of any form, and that the hospital has been able prevent fraud any form.

Relationship between Internal Control System and Organizational Effectiveness

This determines the relationship between internal control system and organisational effectiveness of internal control in Baptist Medical Centre. To achieve this, correlational analysis was done to examine the relationship between components of internal control system and the extent to which the organization attained the objective of internal control systems. The resulting correlation matrix is presented in Table 10.

Table 10: Results of Correlation Matrix

	Executing efficient and effective operations	Fulfillment of accountability obligations	Compliance with laws and regulations	Safeguarding resources
Control environment	.465**	.512**	.443**	.447**
Risk assessment	.587**	.662**	.597**	.637**
Control activities	.592**	.624**	.596**	.581**
Information and communication	.564**	.688**	.591**	.624**
Monitoring and evaluation	.716**	.670**	.623**	.641**

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

Source: Field data, 2019

The output of the correlational analysis showed that component of internal control system such as control environment had significant positive correlations with the ability of the hospital to execute efficient and effective operations ($r=0.465$, $p<0.010$), fulfill accountability obligations ($r=.512$, $p<0.010$), to comply with laws and regulations ($r=0.443$, $p<0.010$), and ability of the hospital to safeguarding resources against abuse ($r=0.447$, $p<0.010$).

Similarly, the ability of the hospital under risk assessment had positive and significant correlations with the ability of the hospital to execute efficient and effective operations ($r=0.587$, $p<0.010$), fulfill accountability obligations ($r=0.662$, $p<0.010$), to comply with laws and regulations ($r=0.597$, $p<0.010$), and ability of the hospital to safeguarding resources against abuse ($r=0.637$, $p<0.010$).

Control activities component of internal control system had positive and significant correlations with the ability of the hospital to execute efficient and effective operations ($r=0.592$, $p<0.010$), fulfill accountability obligations

($r=0.624$, $p<0.010$), to comply with laws and regulations ($r=0.596$, $p<0.010$), and ability of the hospital to safeguarding resources against abuse ($r=0.581$, $p<0.010$).

Information and communication component of internal control system control environment had significant positive correlation with the ability of the hospital to execute efficient and effective operations ($r=0.564$, $p<0.010$), fulfill accountability obligations ($r=0.688$, $p<0.010$), to comply with laws and regulations ($r=0.591$, $p<0.010$), and ability of the hospital to safeguarding resources against abuse ($r=0.624$, $p<0.010$).

Finally, Monitoring and evaluation component of internal control system control environment had significant positive correlations with the ability of the hospital to execute efficient and effective operations ($r=0.716$, $p<0.010$), fulfill accountability obligations ($r=0.670$, $p<0.010$), to comply with laws and regulations ($r=0.623$, $p<0.010$), and ability of the hospital to safeguarding resources against abuse ($r=0.641$, $p<0.010$).

Effectiveness of Internal Control System in Ensuring Sound Operations

The first objective of the study is to determine the effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations in Baptist Medical Centre. To achieve this objective, regression analysis was performed using multiple linear regression method to relate all components of internal control system to effectiveness of the hospital in executing orderly, ethical, economical, efficient and effective operations.

Table 11: Results of regression analysis

Model	Unstandardized		Standardized	t-state	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.877	.545		1.608	.114
Control environment	.040	.162	.034	.248	.805
Risk assessment	.254	.115	.325	2.218	.031*
Control activities	-.198	.155	-.192	-1.280	.207
Information and communication	-.021	.114	-.026	-.182	.856
Monitoring and evaluation	.709	.141	.637	5.046	.000*

a. Dependent Variable: Sound operation

**Statistically significant at 5% alpha level, F=10.70692 (p=0.000)*, R-square=52.2%*

The finding shows that of all the the components of intenal control system implemented in the hospital only the risk assessment and monitoring and evaluation components had significant positive effect on the ability of the hospital to execute orderly, ethical, economical, efficient and effective operations in the hospital ($p < 0.05$) while the other components such as control environment, control activities, and information and communication components did not have significant positive effect on the ability of the hospital to execute orderly, ethical, economical, efficient and effective operations ($p > 0.05$).

The risk assessment had significant positive effect on effectiveness in fraud detection and prevention ($\beta = -.254, p < 0.05$). The implication is that if the extent of implemenation of the risk assessment aspect of internal control system is improved, it would lead to significant improvement in the effectiveness of the hospital to execute orderly, ethical, economical, efficient and effective operations.

Also, the monitoring and evaluation element of internal control system had significant positive effect on the ability of the hospital to execute orderly, ethical, economical, efficient and effective operations ($\beta = .709$, $p < 0.05$). This means that if the extent of implementation of the monitoring and evaluation element of internal control system is improved, it would lead to significant increase in effectiveness of the hospital in executing orderly, ethical, economical, efficient and effective operations.

The coefficient of determination of the above regression model was found to be ($R^2 = 52.2\%$). The implication is that, internal control system explained 52.2% of the effectiveness of the hospital in executing orderly, ethical, economical, efficient and effective operations. The remaining proportion 47.8% of effectiveness of the hospital in executing orderly, ethical, economical, efficient and effective operations was accounted for by other factors not included in the study.

Therefore, risk assessment, and monitoring and evaluation components of internal control system are the main predictors of the effectiveness of the hospital to execute orderly, ethical, economical, efficient and effective operations.

Effectiveness of Internal Control System in Fulfilling Accountability

Obligation

The second objective of the study was to examine the effectiveness of the internal control system in fulfilling accountability in Baptist Medical Centre. The finding of this objective is presented in Table 12.

Table 12: Results of Regression Analysis

Model	Unstandardized		Standardized	t-stat	Sig.
	Coefficients				
	B	Std. Error	Beta		
(Constant)	-.033	.564		-.059	.953
Control environment	-.008	.162	-.006	-.049	.961
Risk assessment	.120	.123	.141	.974	.334
Control activities	.130	.162	.115	.801	.427
Information and communication	.259	.120	.295	2.161	.035*
Monitoring and evaluation	.427	.153	.343	2.797	.007*

a. Dependent Variable: Ensuring accountability obligations

Statistically significant at 5% alpha level, $F=11.872$ ($p=0.00$), $R\text{-square}=52.8\%$

The coefficient of determination of the above regression model was found to be ($Rsq = 52.8\%$). The implication is that, internal control system contributed to explaining 52.8% of the the effectiveness of the hospital in fulfilling accountability obligation. The remaining proportion 47.2% of the effectiveness of the hospital in fulfilling accountability was explained by other factors not included in the study.

The finding in Table 12 revealed that of all the components of intenal control system implemented in the hospital only the information and communication as well as the monitoring and evaluation components had significant positive effects on effectiveness of the hospital in fulfilling accountability obligation ($p<0.05$). Contrary, the other components such as control environment, risk assessment, and control activities did not have significant effects on the effectiveness of the hospital in fulfilling accountability ($p>0.05$).

The information and communication element of internal control system had significant positive effect on the effectiveness of the hospital in fulfilling accountability ($\beta=0.259$, $p<0.05$). This means that if the extent of implementation of the information and communication element of internal control system is improved, it would lead to significant improvement in the effectiveness of the hospital in fulfilling accountability.

Finally the monitoring and evaluation element of internal control system had significant effect on the effectiveness of the hospital in fulfilling accountability ($\beta=0.427$, $p>0.05$). This means that if the extent of implementation of the monitoring and evaluation element of internal control system is improved, it would lead to phenomenal increase in the effectiveness of the hospital in fulfilling accountability.

Therefore, information and communication and monitoring and evaluation components of internal control system are the main predictors of the effectiveness of the hospital in fulfilling accountability.

Internal Control System and Compliance to Applicable Laws and Regulations

To ascertain the effectiveness of the internal control system in ensuring compliance of hospital to applicable laws and regulations. The finding of the regression analysis is presented in Table 13.

The coefficient of determination of the above regression model was found to be ($R^2 = 36.2\%$). The implication is that, internal control system contributed to explaining 36.2% of the effectiveness of the hospital to comply with applicable laws and regulations.

Table 13: Results of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t-stat	Sig.
	B	Std. Error	Beta		
(Constant)	1.836	.670		2.740	.008
Control environment	-.172	.181	-.144	-.952	.346
Risk assessment	.264	.139	.322	1.901	.063
Control activities	-.097	.198	-.084	-.489	.627
Information and communication	.301	.140	.357	2.156	.036*
Monitoring and evaluation	.237	.167	.198	1.414	.163

a. Dependent Variable: Compliance to laws and regulations

Statistically significant at 5% alpha level, $F=6.004$ ($p=0.00$), $R\text{-square}=36.2\%$

The finding in Table 13 revealed that of all the the components of internal control system implemented in the hospital only the information and communication component has significant positive effect on effectiveness of the hospital to comply with applicable laws and regulations ($p<0.05$). On the other hand, the other components such as control environment, risk assessment, control activities and monitoring and evaluation did not have significant positive effect on effectiveness of the hospital to comply with applicable laws and regulations ($p>0.05$). Therefore, if the extent of implementation of the information and communication element of internal control system is improved, it would lead to significant improvement in the effectiveness of the hospital to comply with applicable laws and regulations.

It can be concluded that the information and communication component of internal control system is the main predictor of the effectiveness of the hospital to comply with applicable laws and regulations.

Internal Control System and Safeguarding Resources against Losses and Misuse

The fourth objective is to determine the effectiveness of the internal control system in safeguarding resources against losses and misuse in Baptist Medical Centre. The finding of the regression analysis is presented in Table 14.

Table 14: Results of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t-stat	Sig.
	B	Std. Error			
(Constant)	1.369	.572		2.394	.020
Control environment	-.066	.162	-.061	-.409	.684
Risk assessment	.159	.124	.212	1.284	.205
Control activities	.047	.167	.047	.280	.781
Information and communication	.175	.125	.227	1.402	.167
Monitoring and evaluation	.305	.163	.284	1.869	.067

a. Dependent Variable: Safeguarding resources against abuse

Statistically significant at 5% alpha level, $F=5.852$ ($p=0.00$), $R\text{-square}=36.0\%$

The finding in Table 14 again portray that of all the components of internal control system implemented in the hospital no component had significant effect on the effectiveness of the hospital to safeguard resources against abuse ($p>0.05$). The implication is that internal control system does not explain the effectiveness of the hospital to safeguard resources against abuse. Therefore, internal control system is not a predictor of the effectiveness of the hospital to safeguard resources against abuse.

Chapter Summary

With regard to the compliance of the hospital to internal control system, the finding revealed that Baptist Medical Centre largely adopted the COSO (2011) framework of internal control system including control environment,

risk assessemnt, control activities, information and communication, and monitoring and evaluation. The findings of this is consistent with Adebisi (2017) who studied the compliance of hospitals to internal control system and found that internal control system was instituted in Mother and Child Hospital, Oke-Aro, Akure, Nigeria.

Regarding the effectiveness of internal control system in executing orderly, ethical, economical, efficient and effective operations in Baptist Medical Centre, the study found that risk assessment and monitoring and evaluation components had significant positive effect on the ability of the hospital to execute orderly, ethical, economical, efficient and effective operations in the hospital. The other components such as the control environment, control activities, and information and communication components did not have significant positive effect on the ability of the hospital to execute orderly, ethical, economical, efficient and effective operations. Therefore internal control system predicted positively, ability of the hospital to execute orderly, ethical, economical, efficient and effective operations. The finding of this study is consistent with that of Tunji (2013) study which showed the importance of effective internal control system by correlating effective internal control system to business operational issues. The finding showed that effective implementation of internal control system results in efficient and effectiveness of organizational operations.

With respect to the effectiveness of the internal control system in fulfilling accountability obligations in Baptist Medical Centre, the study found that only information and communication as well as the monitoring and evaluation components had significant positive effects on effectiveness of the

hospital in fulfilling accountability. Contrary, the other components such as control environment, risk assessment, and control activities did not have significant effects on the effectiveness of the hospital in fulfilling accountability. Mawanda (2008) investigated and established the relationship between internal control systems and financial performance. Internal controls were looked at from the perspective of control environment, internal audit and control activities whereas financial performance focused on liquidity, accountability and reporting as the measures of financial performance. The study found that internal control system leads to accountability and reporting. The finding of this study to some extent is consistent with Mawanda (2008) since some components of internal control system have significant positive effect on the effectiveness of the hospital to fulfill accountability obligations.

The effectiveness of the internal control system in ensuring compliance of the hospital to applicable laws and regulations, the finding revealed that the information and communication component had significant positive effect on the effectiveness of the hospital to comply with applicable laws and regulations. The implication is that internal control system significantly ensures effectiveness of the hospital to comply with applicable laws and regulations. According to the INTOSAI (2001), effective implementation of internal control system requires organisations to follow laws and regulations. The finding of this study is consistent with INTOSAI (2001) since internal control system, specifically information and communication, was found to have significant positive influence on the effectiveness of the hospital to comply with applicable laws and regulations.

With respect to the effectiveness of the internal control system in safeguarding resources against losses and misuse in Baptist Medical Centre, the study found that no component of internal control system implemented in the hospital (control environment, risk assessment, control activities and information and communication, and monitoring and evaluation) had significant effect on the effectiveness of the hospital to safeguard resources against abuse. Therefore, internal control system did not predict the effectiveness of the hospital to safeguard resources against abuse. The finding of this study is consistent with (Beasley, 1996; Dechow et al., 1996) who found compliance of organisations to internal control system and the existence fraud thereby portraying the inability of organisations to safeguard resources against abuse despite the existence of internal control system.

The finding of this study, however, is inconsistent with that of Ofori (2011) who determined the effectiveness of internal controls in Ghana Post and found that, the risk assessment is effective in fraud detection and prevention. Fraud detection and prevention helps in safeguarding resources against abuse. Therefore, the level of implementation of the risk assessment component of internal control system was inadequate of safeguarding resources against abuse by detecting and preventing fraud. Also, the importance of internal control mechanisms in dealing with counter work behaviour, specifically employee fraud, has been investigated in another related research such as (O'Leary's *et al.*, 2006). Rae and Subramaniam (2008) also found that the quality of internal control procedures has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. However, the finding of this study did not confirm the observation made by O'Leary's *et al.* (2006)

and Rae and Subramaniam, (2008) since internal control system did not contribute to safeguarding assets of the hospital against abuse by detecting and preventing fraud.

The impact of organizational environment on employee fraud has also been consistently determined in previous studies. Employee theft has been found to be influenced by organization's work climate and employee's attitudes toward honesty (Greenberg, 2002). Also, Abiola (2013) in examining the effect of internal control system on fraud detection found that there is a strong relationship between internal control system and fraud detection. The finding of this study contradicts that of Greenberg (2002) and Abiola (2013) since internal control system and more specifically the control environment did not have significant correlations with the ability of the organization to safeguard assets against abuse through fraud detection and prevention.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of the major finding of the study, the conclusion attained and makes relevant recommendation based on the finding of the study. The chapter ends by making suggestions for future research.

Summary of Findings

The purpose of the study was to examine the extent of compliance of public hospitals to internal control system using Baptist Medical Centre in East Mamprusi Municipality. Specifically, the study determined the effectiveness of the internal control system in executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability, ensuring compliance of hospitals to applicable laws and regulations in the hospital, and safeguarding resources against losses and misuse.

A cross-sectional survey strategy and quantitative methodology was adopted. A structured questionnaire was used as a primary data collection instrument to obtain data from employees of Baptist Medical Centre. Both administrative and non-administrative staff of the hospital was included in the study. Overall, 134 employees participated in the study. Both descriptive and inferential statistics were used to analysis the data.

With regard to the compliance of the hospital to internal control system in the hospital, the study found that largely internal control system including; control environment, risk assessment, control activities, information and communication; and monitoring; were implemented/ practiced in the hospital.

Pertaining to the effectiveness of internal control system in executing orderly, ethical, economical, efficient and effective operations in Baptist Medical Centre, the study found that internal control system through risk assessment and monitoring and evaluation components had significant positive effect on the effectiveness of the hospital to execute orderly, ethical, economical, efficient and effective operations.

With respect to the effectiveness of the internal control system in fulfilling accountability in Baptist Medical Centre, the study found that internal control system through information and communication and monitoring and evaluation had significant positive effect on effectiveness of the hospital in fulfilling accountability obligations.

Regarding the effectiveness of the internal control system in ensuring compliance of the hospital to applicable laws and regulations, the findings revealed that internal control system through information and communication had significant positive effect on the effectiveness of the hospital to comply with applicable laws and regulations.

With respect to the effectiveness of the internal control system in safeguarding resources against losses and misuse in Baptist Medical Centre, the study found that internal control system had no significance on the effectiveness of the hospital to safeguard resources against abuse.

Conclusions

Based on the findings of the study, it can be concluded largely that, Baptist Medical Centre is in compliance with the implementation of internal control system in the form of control environment, risk assessment, control activities, information and communication; and monitoring and evaluation as

specified by the COSO (2011) framework. The internal control system in the hospital contributes to ensuring execution of orderly, ethical, economical, efficient and effective operations; fulfillment of accountability obligations; and compliance with laws and regulations in the hospital. However, internal control system does not contribute to safeguarding the resources of the hospital against abuse.

Recommendations

Based on the findings of the study, the following recommendations are deemed appropriated by the researcher.

Largely, internal control system was found to be implemented by the hospital. The study recommends for the continuous compliance of the hospital to internal control system to ensure organizational effectiveness. To ensure execution of orderly, ethical, economical, efficient and effective operations in the hospital, the study recommends to management to ensure improvement upon the implementation of internal control system by enhancing the risk assessment and monitoring and evaluation components of internal control system. By risk assesement, the management of the hospital are urged to frequently identify both external and internal factors which could cause financial fraud in the hospital (risk identification), estimate the likelihood of the fraud risk occurrence (risk assessment), estimate the impact or the likely impact of fraud risk (risk evaluation), and deploy the fraud risk management policy to mitigate the effect of the fraud (risk mitigation).

To ensure effectiveness of the hospital in fulfilling accountability obligation, the researcher admonishes management of the hospital to implement internal control system by ensuring information flow and effective

communication. Also, the hospital is urged to intensify its monitoring and evaluation functions. On information and communication, the hospital has to put in place effective reporting procedures to communicating a balanced accounts of the organization's financial position. The hospital can also make available information about its operations to each department/unit within its jurisdiction and ensure effective communication of information within and between departments (two-way communication). The information and communication practices in the hospital should include reporting system for fraudulent activities in the organisation.

On monitoring and evaluation, the hospital is also urged to ensure frequent monitoring and evaluation of ongoing operating activities. The hospital must make separate evaluations of ongoing operating projects and audit its accounts on regular and timely basis to ensure compliance. The hospital should review its internal control systems to ensure that they are working effectively to ensure soundness of operation and compliance of the hospital to appropriated laws and regulations. The organization should also double their effort at complying with laws and regulations of financial administration laws in the country. Again, there should be improvement in the ability of the hospital to safeguard resources against embezzlement.

Suggestions for Future Research

Future studies should expand the scope of the study to cover many more public hospitals in Ghana to make the finding more dependable. Future studies can consider examining the effectiveness of internal control system in detection and prevention of fraud in public sector organizations. The method used (questionnaire) in this research to collect the data is very common. Other

methods could have been used for this research study, e.g in-depth interview and focused group discussions/discussion forum etc.

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APPENDIX: SURVEY QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

**TOPIC: An Assessment of Internal Controls and Compliance In Public
Health Facilities In East Mamprusi Municipality. as case of Baptist
Medical Centre**

Dear Sir/Madam,

The researcher of the above topic is a post-graduate student of the University of Cape Coast (UCC). This questionnaire is meant to achieve the aforementioned topic, and successful completion of which will lead to the award of Business Administration (MBA) Degree in Accounting. The researcher therefore would be glad if respondents could be as frank as possible. The researcher assures respondents of conceal the identify of all persons who provided information for the study and that information provided will be used for academic purpose only.

SECTION A: Demographic Profile of Respondents

1. Gender distribution of respondent

A. Male [] B. Female []

2. Age distribution of respondent as at last birthday

A. Less than 20yrs [] B. 20-29 yrs [] C. 30-39yrs [] D. 40-49yrs

E. 50yrs and above []

3. Educational level of Respondent

A. SHS/O-Level/A-level [] B. Diploma [] C. Degree []

D. Masters []

4. How long have you been working in the organisation? (Years of experience)

A. 1-5yrs [] B. 6-10yrs [] C. 11-15yrs [] D. 16yrs and above []

5). Position held by respondent in the hospital

A. Management staff []

B. Non-management staff []

6) Role played in the organization

A. Administrator [] B. Accountant [] C. Doctor [] D. Nurses []

E. Others (specify).....

SECTION B: Extent of implementation of Internal Control System

This section measures the perception of employees of your organization about the extent of implementation of Internal Control System (ICS) in the organization. Please rank the following items which influence the extent of implementation of ICS by choosing a number from 1 to 5 on the scale.

1= Strongly disagree

2=Disagree,

3=Neutral

4=Agree

5= Strongly agree

		Choose only one number				
A	The Control environment	Strongly Disagree	Disagree,	Neutral	Agree	Strongly agree
1	Employees with high personal and professional integrity as well as the ethical values are put in place to handle resources in the hospital	1	2	3	4	5
2	The hospital has clear objectives and these have been communicated so as to provide	1	2	3	4	5

	effective direction to employees on risk assessment and control issues.					
3	Management of the organization lead the fight against resource misappropriation by example (<i>tone at the top</i>)	1	2	3	4	5
4	The staff of the hospital are competent and knowledgeable	1	2	3	4	5
5	The hospital has put in place separation of powers/checks and balances in its outfit	1	2	3	4	5
6	The hospital has effective human resource management practices (training, compensation, etc)	1	2	3	4	5
7	The hospital has sound codes of conduct	1	2	3	4	5
8	The hospital has an effective control environment to safeguard assets against abuse	1	2	3	4	5
B	Risk assessment	Strongly	Disagree,	Neutral	Agree	Strongly
1	The hospital periodically identifies both external and internal factors which could cause financial fraud (<i>Risk identification</i>)	1	2	3	4	5
2	The hospital assesses the likelihood of the fraud risk occurrence (<i>Risk assessment</i>)	1	2	3	4	5
3	The hospital estimates the impact of the likely impact of fraud risk (<i>risk evaluation</i>)	1	2	3	4	5
4	The hospital deploys its fraud risk management policy to mitigate the effect of the frauds (<i>risk mitigation</i>)	1	2	3	4	5
5	Overall, fraud risk management practices in the hospital is very effective in the detection and prevention of fraud	1	2	3	4	5
C.	Control Activities					

1	The hospital has put in place authorization and approval procedures for resource utilization	1	2	3	4	5
2	The hospital ensures that resources utilized are properly recorded	1	2	3	4	5
3	The hospital verifies and reconciles claims of resource application (Verifications and Reconciliations)	1	2	3	4	5
4	The hospital conducts review of operations, processes and activities to check fraud	1	2	3	4	5
5	The organization reviews its operational performance periodically	1	2	3	4	5
6	The hospital supervises its operations and activities (Supervision)	1	2	3	4	5
7	The hospital has put system in place to ensure that duties are rotated periodically	1	2	3	4	5
8	The activities of the hospital are effectively controlled to detect and prevent fraud	1	2	3	4	5
D	Information and Communication					
1	The hospital has put in place effective reporting procedures to communicating a balanced accounts of the organization's financial position	1	2	3	4	5
2	The hospital makes available information about the operations of each department/unit within its jurisdiction	1	2	3	4	5
3	The hospital communicates information within and between departments (two-way communication)	1	2	3	4	5
4	The information and communication practices in the hospital is effective in reporting the occurrence of fraud	1	2	3	4	5

E	Monitoring and Evaluation	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The hospital monitors ongoing operating activities	1	2	3	4	5
2	The hospital make separate evaluations of ongoing operating projects	1	2	3	4	5
3	The hospital audits its accounts to ensure compliance	1	2	3	4	5
4	The hospital reviews its internal control systems to ensure that they are working effectively	1	2	3	4	5
5	The hospital undertakes follow-up to ensure that appropriate change in response to changes made in implementation of the control systems are strictly ahead to.	1	2	3	4	5

SECTION C: Effectiveness of internal control system

This section intends to assess the effectiveness of internal control system in your organization. Please respond using the following scale.

1= Strongly disagree

2=Disagree,

3=Neutral

4=Agree

5= Strongly agree

		Choose only one number				
		Strongly disagree	Disagree,	Neutral	Agree	Strongly
Executing orderly, ethical, economical, efficient and effective operations						
1	The operation of the hospital is well organized	1	2	3	4	5

2	The hospital serves the public interest with fairness	1	2	3	4	5
3	The hospital ns manages public resources properly	1	2	3	4	5
4	The hospital is economical in the management of resources	1	2	3	4	5
5	The hospital maximizes the use of public resources to achieve the its desired objectives	1	2	3	4	5
6	The organization is effective in accomplishing its objectives	1	2	3	4	5
Fulfilling accountability obligations						
1	The hospital accounts for its decisions and actions,	1	2	3	4	5
2	The hospital accounts for its use of funds,	1	2	3	4	5
3	The organization accounts for performance.	1	2	3	4	5
4	The hospital makes available reliable and relevant financial information	1	2	3	4	5
5	The hospital makes available reliable and relevant non- financial information	1	2	3	4	5
6	The hospital fairly discloses information in timely reports to internal stakeholders	1	2	3	4	5
7	The hospital fairly discloses information in timely reports to external stakeholders	1	2	3	4	5
Complying with laws and regulations						
1	The hospital follows laws and regulations on resource utilization	1	2	3	4	5
2	The hospital prepares a comprehensive budget for its resources	1	2	3	4	5

3	The hospital complies with the public procurement law	1	2	3	4	5
4	The hospital complies with the Public Financial Management laws	1	2	3	4	5
Safeguarding Resources						
1	Documents and accounting records are kept save avoid been altered	1	2	3	4	5
2	Backups are provided for sensitive information	1	2	3	4	5
3	The hospital safeguards it resources avoid abuse	1	2	3	4	5
4	The hospital has been able to detect fraud of any form	1	2	3	4	5
5	The hospital has been able prevent fraud any form	1	2	3	4	5

Thank you