UNIVERSITY OF CAPE COAST

ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS IN THE TEMA DEVELOPMENT CORPORATION

BY

RICHARD APPIAH

Dissertation submitted to the Department of Business Studies of the College of Distance Education, University of Cape Coast, in partial fulfillment of the requirement for the award of Master of Business Administration degree in Accounting

OCTOBER 2016

DECLARATION

Candidate's Declaration

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

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

Name: ....

Supervisors' Declaration

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

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

Name: ....

ABSTRACT

The current economic trends have made it important for all institutions; both private and public to maintain effective internal control systems. Internal control has attracted intense debate and attention across industries in accounting and auditing literature over the past decades. The regulatory and institutional framework has improved significantly over the years yet still the Tema Development Corporation (TDC) in particular is faced with lots of challenges. It is against this background that this study was conducted into the effectiveness of the internal control systems of TDC. The main objective of the study is to assess the effectiveness of internal control system at TDC. Related literature was reviewed. The study adopted the explanatory research. The study population was staff of TDC. A sample size of fifty (50) respondents was used for the study.The purposive sampling technique was adopted. Data was collected through interview and questionnaire.The data collected were analysed using Statistical Package for Social Scientist (SPSS) computer software program. Summary of all findings made included: it was revealed from the study that, the control environment at TDC is effective as majority of the respondent agree to that assertion with a few not being sure of the effectiveness of the control environment.In reviewing the risk assessment component of the internal control system at Tema Development Corporation, the study found that, the risk assessment is also effective. The last element of internal control considered by the study was monitoring and this happened to be the most effective in the TDC with most respondents showing that they perceive monitoring to be effective.

ACKNOWLEDGEMENTS

First and foremost, I offer my sincerest gratitude to my supervisor, Mr. Evans FrimpongManso of the College of Distance Education, University of Cape Coast. He has supported me throughout the preparation of this dissertation with his professional expertise, guidance, advice, encouragement and goodwill despite his heavy schedules. I am really very grateful.

I am also grateful to Mr. Wisdom Takumah for his generous contribution to make this work a success.

Finally, I wish to thank my family and friends for their support, especially my wife, Sandra Appiah.

DEDICATION

To my children,Kuuku and Ewurabena

TABLE OF CONTENTS

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

Background to the Study

The concept of internal control has experienced an interesting development. From the early 1900s to about 1936, the purpose of internal control was to protect assets particularly cash, from embezzlement or theft by employees reference. Audits were conducted comprehensively, and the focus was on the detection of fraud and clerical errors. When financial markets began to expand and became the primary source of capital for large public companies, interest in the fairness of the financial statements emerged, and irregularities, were detected and corrected on a timely basis (Tipgos, 2002). Important at this end was the design of procedures and processes as well as segregation of duties. However, in later years, the issue of qualification and training of employees became an important component of adequate or reliable internal control.

Internal controls are systems within a company that design methods and procedures to produce effective operations, establish reliable financial reporting, avoid fraud and maintain compliance with regulations and laws. Internal controls evaluation is meant to help institution review and assess the structure of accountability within the organization. An effective system of internal controls gives assurance regarding the integrity of financial reporting and safeguarding of assets. Fraud can easily be detected through internal controls. Such controls also help accuracy in financial reporting (Asare, 2006).

Financial resource is seen as an imperative resource to many institutions and establishments which must be effectively and efficiently managed to bring about the needed change and results from the activity for which the funds have been made available. It is considered as the lifeblood of any establishment and its availability ensures growth and survival of the establishment as well as the carriage of the mandate of the establishment. However, sometimes this important resource is mismanaged and misappropriated by those put in charge to ensure proper and efficient management of the resources to the detriment of the activity for which the resources have been made available. There have been several instances throughout the world in which financial resources have been mismanaged or misappropriated through fraudulent practices leading to collapse of several onetime flamboyant businesses. Schroy (2010), argued that in the incidents cited, in fact, there was a massive failure of internal controls, suggesting the degree to which major institutions across the globe are mismanaged; and as such proprietary trading was involved and speculative profits created a permissive environment in which executives ignored elementary principles of internal control.

In Ghana, there have been several instances or revelations of ineffective internal controls, especially in the public sector. Thus the Auditor General's report on the public accounts dating back to the time of independence to date; and more specifically between the periods 31st December, 2006-2008 revealed some serious shortcomings which need to be addressed to ensure prudent management of resources. The findings indicate unacquainted payments, unpresented payment vouchers and misappropriation of revenues and other receipts. Others are contract irregularities, poor debt management and huge debt stock. The rest are procurement without entity tender committee approval, illegal payment and/or drawing of salary as well as bank lodgements not reflecting in bank statements; just to cite a few to drive home a point on the need to examine and/or strengthen the internal control systems of the public sector organizations in Ghana. The instances cited clearly show that there are a lot of internal control weaknesses in the public sector in Ghana.

Recently, at the Public Accounts Committee (May 2011) sittings at the Parliament House of Ghana, where the audited accounts of public second cycle institutions were considered, it came to light that an Accountant at Presbyterian Senior High (PRESEC), Legon has embezzled or misappropriated funds belonging to the school as follows: 2005, Two Hundred Thousand Ghana Cedis (GH¢ 200,000.00); 2006:- Sixteen Thousand Ghana Cedis (GH¢16,000.00), and again in the same 2006 another Thirty-Three Thousand Ghana Cedis (GH¢33,000.00). This clearly shows that there is laxity in the management of financial resources in the public sector. Thus the internal control systems are weak and the systems and structures are not operating properly. It is in this vain that mechanisms such as the internal control systems are not only put in place but also strengthen and closely monitored to check and avert the inaccuracies to ensure efficiency and proper utilization of resources for the achievement of performance goals.

Statement of the Problem

Efforts have been made over the years to curtail and/or eliminate the financial improprieties and inaccuracies in the public sector in Ghana. The recent one being the establishment of the Internal Audit Agency through the passage of the Internal Audit Agency Act 2003 (Act 658); which requires all MDAs in Ghana to create Internal Audit Unit in their establishments in order to strengthen internal controls so as to check or avert the inaccuracies in financial management in the public sector. However, in spite of the several interventions over the years and the existence of the Internal Audit Unit in the public sector organizations in Ghana it appears the financial improprieties and inaccuracies continue to persist and this needs to be investigated to find out the reasons accounting for these shortcomings.

It is therefore incumbent upon every establishment, irrespective of its size or sector to ensure effective and efficient utilization of resources allocated to it for ultimate execution of the task and the activities being undertaken in an efficient manner. Arens et al (2006) postulates that internal control system consists of policies and procedures designed to provide management with reasonable assurance that the entity achieves its goals and objectives. As such internal control is deemed to be an important feature in the administration and management of financial resources.

There are various components of internal financial control systems used to develop and evaluate an organisational financial regulatory compliance. These components are control environment, risk assessment, control activities, information and communication and monitoring. They need to work together to form a strong set of methods and procedures the company follows in its operations.

In addition to these internal control system, there are other laws and institutional frameworks and are established to ensure sound financial administration of state and other enterprises. Among these are The 1992 Constitution of the Republic of Ghana, the Criminal Code of 1960 (Act 29), the Financial Administration Act (Act 654), the Public Procurement Act (Act 663), and the Internal Audit Agency Act (Act 658) and other various legal frameworks to enhance the effectiveness and efficiency of internal financial controls and to ensure financial accountability in public sector financial administration in Ghana. In spite of all these, Corruption Perceptions Indices (CPI) suggests a prevalence of corruption in African countries (Transparency International, 2006). Hence, there is apparent risk of senior public officers overriding internal financial controls to achieve their private gains.

Public institutions are guided by rules and control measures to help them achieve their aims and objectives and also to curb corruption. There have been several reported cases of embezzlement of fund and misuse of resources in the public institutions, though these control measures are put in place especially in the ministries, Custom Excise and Preventive Service (CEPS), public educational institutions, just to mention a few (Ghana Business News 2013). A typical example is what happened in Tema port where the state lost millions of cedis through tax evasion. One will even doubt whether public institutions are indeed guided by control measures. It is in light of these happenings that this study is conducted to find out the operations of Tema Development Corporation and to establish whether their internal controls are really checking their operations.

Research objectives

The main objective of the study is to assess the effectiveness of internal control system at Tema Development Corporation. Specifically, the study aims to:

1. reviewthe internal control systems or policies at Tema Development Corporation.
2. examine the extent to which implementations of internal control systems or policies are effective at Tema Development Corporation
3. determinethe extent to which the internal control systems at TDC are consistent with internationally acclaimed standards, example by Committee of Sponsoring Organisations (COSO).

Research Questions

The research seeks answers to the following questions:

1. What are the internal control systems or policies at Tema Development Corporation?
2. How effective are the implementations of the internal control systems at Tema Development Corporation?
3. How consistent are the internal control systems at Tema Development Corporation to international control standards?

Significance of the Study

Resources are scarce, as a result, every organization must ensure that effective and efficient utilization of its resource is achieved, to yield maximum benefits for its employees and the society. In other words, the study is to provide common language, understanding and a practical way for companies to assess and improve their internal control systems. Moreover, the study would assist the management of the institution to strengthen its internal control mechanism if there happens to be some weaknesses. The research findings would also serve as a contribution to knowledge on the benefits of establishing and complying with internal controls in managing financial resources.

Finally, the study would serve as a guideline for entities on how to formulate, develop, implement, monitor and evaluate effective and efficient internal control systems to ensure attainment of their objectives. It will serve as a contribution of knowledge to help future researchers on the same topic.

Scope of the Study

There are many public institutions in the country but the researcher chooses Tema Development Corporation because of proximity and time constraint. The Tema Development Corporation lie 2.5 km north of the Accra-Tema motorway. It is a vast area encompassing 460 acres of panoramic landscape with beautiful contours. The community is bordered on the south by the Accra-Tema motorway, on the north by road networks leading to the TettehQuarshie - Mamfe dual carriage way, on the west by East Legon residential area and on the east by the Tematownship. On looking the community northwards are the beautiful ridges of Akwapim, thinly enveloped by distant clouds. As is typical of TDC serviced lands, the area is well planned to include schools, churches, commercial and other institutional sites including a police station. The community is 10 minutes and 5 minutes via the motorway to Accra and Tema respectively.

Limitations of Data Collection

Some of the respondents considered the exercise as a waste of time and for that matter were not prepared to spend a few minutes of the precious time to answer the questions. The researcher was also handicapped in getting approval for some background information about the institution. It took quite a while to get the approval and a further delay caused by the department in charge of the information was also worth mentioning. It was also with difficulty and a lot of effort in getting back the questionnaire that was given to the staff. The average TDC worker is always busy and excuses such as “I am busy were some of the comment from the respondents.

The research was limited by financial constraints taking cognizance of the extent of the scope of the study and period of investigation. The research among other things was confronted with the situation whereby officers were reluctant to give out information. Another area of limitation to this study came from the inability of respondents to complete and submit questionnaire on time for data to be analyzed.

Organisation of the Study

Every research must appropriately be organised to allow readers to follow the sequence of the study. This research work is divided into five chapters. Accordingly, chapter one of the study encompasses the background of the study, statement of the problem, the objectives of the study, research questions, significance, scope, limitation, and organization of the study. The chapter two reviews existing related literature regarding internal controls to obtain detail knowledge on the topic. This chapter gives detailed of the definitions of internal control, importance of internal control, composition of internal control and the limitations of internal control systems.

The chapter three provides the methods and procedures employed in the study to achieve the research objectives. It includes the research design, the population, sample and sampling procedures, data collection, presentation and analysis procedures. In other words, the chapter three provides the road map used by the researcher to conduct the research. Chapter four presents the analysis of data and discussions of the results. Finally, chapter five focuses on summary, conclusions and recommendations of the findings of the study. Conclusion is a section which attempts to give possible interpretations of the findings made in this research. Based on the findings and conclusion of the study, various recommendations were made to the management of Tema Development Corporation.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Evaluation of internal controls is an essential part of the structure and operations of any organization. The larger and more complex the organization and its activities, the more care must be given to the design of the internal controls systems. But control systems are effective only if they are installed, maintained, and used by competent, dedicated managers (Krishnan, 2005).

Internal Controls Defined

Evaluating internal controls is one of internal auditing primary responsibilities. In 1992, The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defined internal control as a process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objective in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations: Internal Control—Integrated Framework (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992).

This organizational approach provides both profit and non-profit organisation with a common, accepted, and recommended reference point to assess the quality of its internal financial controls: Internal Control over Financial Reporting — Guidance for Small Public Companies ((COSO), 2006). A company’s objectives, its internal organization and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed. Since profits are, in part, the reward for successful risk-taking in business, the purpose of internal control is to help manage and control risk appropriately rather than to eliminate it (Doyle, 2006).

Internal financial controls are used by organisations to make sure financial information is accurate and valid. The existences of internal financial controls are important because they protect the integrity of an organisation's financial information and allow stakeholders a measure of financial health. Strong internal controls can also increase the profitability of a company (Krishnan, 2005). Public corporations have shareholders demanding accountability. However, in public hospitals accountability demands are not as strong. In the case of hospitals, the taxpayers and donors typically are late in taking action, but because of funding questions, the incentives for and number of effective internal financial controls in the public sector continues to increase (Hardimam, 2006).

Elements of Internal Control

Brynes (1957), as quoted by Tipgos (2002), suggested three classifications or components of internal control: internal administration control, internal accounting control, and internal check. Internal administration control is concerned with managerial policies and procedures designed to promote operational efficiency and effectiveness. He further accentuated that internal accounting control refers to those controls that seek the accuracy and reliability of accounting data. Internal checks are those accounting procedures, statistical, and physical that safeguard assets against defalcations or other irregularities. In view of the above, it can be emphasised that internal control exists in all sections of an organization and it was important for effective and efficient use of resources.

Internal financial controls systems comprise of five interrelated components. These components are used to develop an internal control system and are also the means for evaluating it. These components work together to form a strong set of methods and procedures that organisations follow in its operations (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992).

Control Environment

The control environment is the component of internal controls. It includes factors such as integrity, ethical values, competence of the workers and the management's philosophy in the organization. It is the component that provides the foundation needed for the other components to build on in internal financial controls systems (The Committee of Sponsoring Organisations of the Treadway Commission (COSO, 2005).

Risk Assessment

According to (The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2004) risk assessment is that component which is used for identifying risks in the system. For risk assessment to be effective, preventative measures are put into place by establishing clear objectives. This component identifies and analyzes possible risks internally and externally. This component manages risk by developing precise procedures to achieve consistent objectives within the organization. Risk assessment always takes change into consideration within the objectives set forth.

Control Activities

Control activities include policies, procedures and practices developed to increase risk management strategies. Specific control activities include separation of duties, verifications, reconciliations and physical security of assets. These policies are designed to ensure that management directives are fulfilled (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992). Again, COSO, 1992 observed that due to the wide range of control activities and the volume and nature of the evaluation procedures, evaluation of the third component of internal control system, namely control activities, is limited only to the qualitative evaluation.

Information and Communications

Information must be identified, captured and communicated timely and effectively and is achieved through this internal control component. This component is designed to allow employees the ability to carry out their responsibilities in the best manner possible. Information must be communicated externally as well to all parties involved in the company. Information that is communicated in this fashion allows control activities and employee responsibilities to be more effective (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992).

Monitoring

Monitoring includes assessing the performance of internal control components, ensuring they are operating effectively. This component includes allowing managers clear responsibility guidelines so that they are able to effectively do their jobs. It also includes performing evaluations through audits and other independent parties, ensuring that the company is handling the operations of the business correctly (Committee of Sponsoring Organizations of the Treadway Commission (COSO, 1992).

Importance of Internal Controls

Research found effective and efficient internal controls as a result of independent audit committee characteristics of size, of meeting frequency and financial expertise to serve (Bedard, 2004). For public corporations finds the association between independent audit committee and internal controls problems (Krishnan, 2005). She compares 128 public corporations who changed auditors and had reported internal controls deficiencies from 1994-2000 with those firms who did not change auditors and had no internal financial controls deficiencies.

Commercials entities which have effective and efficient internal controls have characteristics like independent audit committee, increase committee size and financial expertise, positively influence financial reporting and reduce the likelihood of misstatement or restatement (Abbott, 2004; Krishnan, 2005). Generally, public hospitals committees function, composition, and effectiveness differ from audit committees of public corporations. Corporate independent audit committee seem to influence corporate internal controls COSO, 1992; Krishnan, 2005; New State Attorney General, 2005; SEC, 2003. The model audit committee charter identifies specific duties related to internal financial controls and financial reporting. Most corporate committees take their role on internal financial controls seriously (DeZoort, 1997) and engage in the examination of internal financial controls (Krishnan, 2005).

Current AICPA standards require the external auditor communicate to the audit committee about significant deficiencies in the entity‘s internal financial controls (American Institute of Certified Public Accountants (AICPA), 2006) whether government funded or not. In some non-profit hospitals, (Pridgen, 2007) found internal financial controls to be less effective than corporate internal financial controls, especially if not government funded. Business corporations consider all types of control including those of operational or compliance nature as well as internal controls. The systems of internal controls have an essential role to play in ensuring that a business is well run and its strategic objectives achieved. By increasing quality of internal controls of corporations obtain a significantly lower cost of debt financing (Anderson, 2004). Other studies in public corporations find that improved internal financial controls related to improved quality financial reporting outcomes (Agrawal, 2005). Internal controls have great impact on corporations.

Internal control over financial reporting has long been recognized as an important feature of a company (Kinney, 2000). However, prior to Sarbanes-Oxley, standards in place were very limited in scope. The sole statutory regulation of internal control over all SEC registrants was the Foreign Corrupt Practices Act (FCPA) of 1977 and the only required public disclosure of significant internal control deficiencies for all SEC firms, when disclosing a change in auditors (Geiger, 2002; Krishnan, 2005). Internal control is a major focus of recent regulatory changes under Sarbanes-Oxley.

However, empirical research on the evaluation of internal financial controls quality prior to Sarbanes-Oxley is extremely limited. The most direct evidence is provided by (Krishnan, 2005). She examines 128 internal control deficiencies (including significant deficiencies that are not classified as material weaknesses) reported from 1994–2000 in firms that changed auditors. Her focus is on the association between audit committee quality and internal control quality, which she finds to be positively related. However, her sample is limited to firms that changed auditors (Doyle, 2006).

To provide evidence on the pervasiveness of material weakness disclosures prior to Sarbanes-Oxley (Doyle, 2006) search all the EDGAR database for the three years prior to Section 302 (from August 1, 1999 to August 1, 2002) using the keywords ―material weakness‖ and ―material weaknesses. They identify 61 distinct disclosures of material weaknesses. Of these 61 disclosures, 40 are listed changes in and Disagreements with Accountants on Accounting and Financial Disclosure, and pertain to a change in auditor, the mandatory disclosure requirement discussed above. Among the 21 voluntary disclosures noted, six were disclosed in conjunction with a restatement of the financial statements, four with the disclosure of theft or fraud, and two were identified and disclosed by new senior management. Clearly there has been a marked increase in the disclosure of material weaknesses following the passage of Sarbanes-Oxley, opening the door to many new studies in this area.

Benefits of Internal Controls

Under the current operations of business in general, the importance of the internal control can be divided into the following (Rittenberg, 2005):

1. Detecting error and fraudulence. Through the enhanced structure of internal control, which includes the establishment and improvement of control environment, according system and control program, the possibility of error and fraudulence can be diminished to the minimum level.
2. Decreasing illegal conduct. The regulations a business entity needs to comply with can be subtle and complicated. If a reckless conduct leads to results of law breaking, it might not only damage the public image of the entity (reputation risk) but also carries the risk of difficulties of operation due to time consuming law suits and indemnities. The establishment and enhancement of internal control helps in decreasing illegal conducts.
3. Improving the competitiveness of the business entity. A well-built –in and efficient internal control system contributes to the success of a business entity. In the highly competitive market, a well-managed internal control system guards the business entity from failure. The small scale of internal control inside the business entity improves employee‘s understanding of company goals and objectives and builds up the concepts of internal control; employees tend to carry out more exactly on the company policies and programs thus the operating efficiency can be improved as a whole. Good control means that risks are identified and dealt with effectively.
4. Improving the quality of data. Strong internal control processes should lead to more efficient operation and improve the quality of data management, directors and shareholders can rely on to make decisions.

5. Helping to create the business infrastructure. Many new businesses fail because they do not build a control infrastructure to match the business visions of their founders.
6. Decreasing auditors 'fees. Effective internal control system allows auditors to rely on it and by reducing the auditing time and effort, the fee can be decreased.

Limitations of Internal Controls

A foundation concept underlying the definition of financial control is that a financial control structure provides only reasonable assurance that agency objectives will be achieved. Limitations are inherent in all financial control systems. These results from poor judgement in decision-making, human error, management's ability to override controls, collusion to circumvent control, and consideration of costs and benefits relative to financial control. No matter how financial control operates, some events and conditions are beyond management's control (Lannoye, 1999). No system of controls can be an absolute guarantee against the risk of wrongdoing or honest error. Any system that attempted to reach that goal, especially in a complex organization, would impose costs far out of proportion to the risks and create rigidities for the organization. Thus the proper goal of the control system should be to provide ―reasonable assurance 'that improprieties will not occur or that if they occur, they will be revealed and will be reported to the appropriate authorities. With this in mind, managers should be aware of certain risks involved in building and maintaining management control systems (Pridgen, 2007).

Design flaws

It has been stressed that management control systems must be designed for the specific organization, operations, and environment in which they will function, after careful consideration of the risks involved in that particular situation. Managers are sometimes tempted to shortcut the design process, such as by adopting the control systems designed for another organization. This can be dangerous. A flawed design may leave the impression of safety but may overlook important risks in one part of an operation while creating unnecessary inefficiencies in another.

Poor Implementation

The best-designed system will achieve its goal only if it is implemented properly. Managers and supervisors at all levels must be vigilant to assure that everyone complies with applicable control procedures. Even more importantly, the required procedures must be ones that workers will be comfortable using at all times, and which they will not be tempted to ignore when the procedures become inconvenient or in times of pressure and stress. Meeting this criterion is one of the key considerations in the design of effective control systems. Managers should also plan ahead for alternative arrangements that might need to be put in place in the event an emergency requires bypassing the regular procedures.

Poor Response to Reported Anomalies

Control systems are designed to call attention to events that depart from normal expectations. For the systems to remain effective, it is essential that supervisors and managers respond properly to such alerts. The triggering event should be investigated promptly to determine if an irregularity was involved. If so, corrective action should be initiated. Failure to respond effectively to reports of anomalies will quickly undermine the effectiveness of the control system. This should also be a factor in the design of control systems. Care should be taken to avoid making the systems so sensitive that they yield frequent ―false alarms ‘. If this happens too frequently, valid alarms might be ignored (Pridgen, 2007).

Collusion

Any system of controls can be defeated if a sufficient number of dishonest key individuals conspire to subvert them and are able to falsify the relevant documents. A sufficiently complex set of controls can make it difficult to assemble the needed number of conspirators, but at a potentially great cost in organizational inefficiency. Conspiracies of this sort usually come to light when they are observed (and reported) by someone who is not a party to the conspiracy, or when there is a falling out among the conspirators. They may also be detected during a routine audit if substantial amounts of funds are involved or if the conspirators are not sufficiently careful in falsifying the documents.

Wrongdoing by top managers

Management controls are designed to help control the organization on behalf of its management, not to control the top managers themselves. The managers can easily circumvent the control systems, bypassing the controls directly or instructing or authorizing others to do so. There are many examples of dishonest top managers evading the control systems to commit various forms of fraud and abuse. In a large organization, however, such activities are usually noticed by subordinates. Thus, the best protection against wrongdoing by top managers may be an environment of openness, in which workers are encouraged to report evidence of irregularities, confident that they will not be punished for being disloyal to their superiors. Such openness in an organization becomes part of the control environment. Management controls are an essential part of the structure and operations of any organization. The larger and more complex the organization and its activities, the more care must be given to the design of the control systems. But control systems are effective only if they are installed, maintained, and used by competent, dedicated managers. Systems can support such managers, but they cannot substitute for them.

Personnel errors or mistakes

The financial control system is only as effective as personnel who implement and perform the control. For example, employee may misunderstand instructions and make error of judgement. Employees may also make mistakes because of personal carelessness, distraction or fatigue. The auditor should carefully consider the quality of the entity‘s personnel when evaluating financial control (Williams, 2000).

Judgement

Effective financial control may be limited by the realities of human judgement. Decisions are often made within a limited time frame, without the benefit of complete information, and under time pressures of conducting agency business. These judgement decisions may affect achievement of objectives, with or without good financial control. Financial control may become ineffective when management fails to minimise the occurrence of errors for example misunderstanding instructions, carelessness, distraction, fatigue or mistakes (Lannoye, 1999).

Control Procedures

Controls procedures are those procedures established to achieve the entity's specific objectives. These objectives in financial context include the proper authorization, the correct period of the safeguarding of assets and ensuring the existence of asset recorded. They include particular procedures to prevent, detect and correct errors. According to Statement of Auditing Standards 300, (1997) the operation and internal controls ensure the completeness and accuracy of the financial records. The following are some of the specific controls: Approval and control of documents; Control over computerized applications and the information technology environment; Checking the arithmetical accuracy of the records; The maintenance of control accounts and trial balances; Reconciliations; Comparing the results of cash, security and inventory with accounting records; Comparison with external source of information; Comparison of results with budget; and Limiting direct physical access to assets and records.

In practice, process control systems can be characterized (Institute of Internal Auditors, 2008) as one or more of the following forms:

1. Discrete – Found in many manufacturing, motion and packaging applications. Robotic assembly, such as that found in automotive production, can be characterized as discrete process control. Most discrete manufacturing involves the production of discrete pieces of product, such as metal stamping.

2. Batch – Some applications require that specific quantities of raw materials be combined in specific ways for particular durations to produce an intermediate or end result. One example is the production of adhesives and glues, which normally require the mixing of raw materials in a heated vessel for a period of time to form a quantity of end product. Other important examples are the production of food, beverages and medicine. Batch processes are generally used to produce a relatively low to intermediate quantity of product per year (a few pounds to millions of pounds).
3. Continuous – Often, a physical system is represented through variables that are smooth and uninterrupted in time. The control of the water temperature in a heating jacket, for example, is an example of continuous process control. Some important continuous processes are the production of fuels, chemicals and plastics. Continuous processes in manufacturing are used to produce very large quantities of product per year (millions to billions of pounds).

Reliability of Financial Reporting

The term reliability, as used with financial reporting objectives, involves the preparation of financial statements that are fairly presented in conformity with the applicable financial reporting framework such as generally accepted accounting principles (GAAP); used by management (COSO, 1992; IIA, 2006; AICPA, 2009; Ratcliffe&Landes, 2009). Therefore, a system of internal control over financial reporting includes the design and implementation of those policies and procedures deemed necessary by management to provide reasonable assurance that the entity's financial statements are fairly presented in accordance with the basis of accounting chosen by management (COSO 1992; Ratcliffe&Landes 2009). According to them, controls are those specific policies and procedures designed and implemented to prevent or detect and correct misstatements that, if not prevented or corrected, would cause the financial statements not to be fairly presented. Ratcliffe and Landes (2009); postulates that fair presentation refers to among other things the following:

1. The accounting principles selected and applied have general acceptance.
2. The accounting principles are appropriate in the circumstances. The financial statements are informative of matters that may affect their use, understanding, and interpretation.
3. The information presented is classified and summarized in a reasonable manner (i.e. it is neither too detailed nor too condensed).
4. The financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows within a range of acceptable limits (i.e. limits that are reasonable and practical to attain in financial statements). As such the critical assessment of assertions in the financial statements prepared by management is an efficient measure of internal control systems but not an end in itself.

However, internal control over financial reporting according to Lander (2004) is a process designed by the supervisory section of an entity's principal executives and principal financial officers and implemented by the entity's board of directors, management and the personnel to provide reasonable assurance for reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. It is therefore essential to note that there are clear rules and procedures to comply with in the preparation of financial statements of an entity so as to meet acceptable standards. As such for financial statements to be reliable there must be effective internal controls over financial reporting as regards recording of transactions, responsibility, approval and authority for the preparation of the entity's financial statements.

Besides, according to Ghana National Auditing Standards, section 8; an accounting system supplemented by effective internal controls can provide management with reasonable assurance that assets are safeguarded from unauthorized use or disposition and those financial records are reliable to permit the presentation of good financial information. In the same vain, Miliichamp (2000) put forward the following key measures to be adhered to by an entity to ensure effective and reliable financial reporting:

1. An appropriate and integrated system of accounts and records;
2. Financial supervision and control by management including budgetary control;
3. Management accounting reports and interim accounts safeguarding;
4. Instituting training and allocating specific duties to staff, which are capable of fulfilling their responsibilities and deliver quality.

Therefore, it is essential that organizations establish an effective and efficient internal control system in order to achieve the goals of good financial reporting. However, to ensure effective and efficient financial reports, management must make sure that accounting standards and procedures are complied with in the recording of transactions, as well as preparation and presentation of financial statements in accordance with specified standards.

Effectiveness and Efficiency of Internal Control

Controls within an entity are effort meant to ensure effective and efficient use of resources to maximize the goals of the entity. Besides, control measures in most public sector organizations seem not to be effective and efficient. As such widely reported internal control weaknesses exist in most public sector organizations in Ghana, hence resulting in misuse, mismanagement, misstatement and misappropriation of financial resources allocated to them. However, to ensure effectiveness and efficiency of internal controls in public sector organizations in Ghana call for the establishment of an internal audit unit within every public sector organization in Ghana by the passage of the Internal Audit Agency Act 2003 (Act 658); to strengthen and ensure accuracy as well as reduce the inaccuracies. Besides, according to COSO (1992); and cited by Chambers (2009), effective and efficient internal control gives reasonable assurance, though not a guarantee, that all business objectives will be achieved; it extends much beyond the aim of ensuring that financial reports are reliable, and includes the efficient achievement of operational objectives and ensuring that laws, regulations, policies, and contractual obligations are complied with. They further argued that more effective and efficient internal control does not necessarily cost more; aside from reducing costly risks of avoidable losses and business failures, it is often no costlier to organize business activities in a manner that optimize control, and as such better internal controls would enable an entity to engage safely in more profitable activities that would be too risky for a competitor without those controls.

COSO (1992), and cited by Chambers (2011); point out that there are certain general hallmarks that ensure effective and efficient system of internal control that controls:

1. Are designed to meet objectives which are clear;
2. Have regards to competitive issues;
3. Enable and ensure that performance is measured;
4. Result in unsatisfactory performance being rectified;
5. Ensure that activities are completed in a timely manner;
6. Are cost effective;
7. Are placed as early in the process as is practical, so that thereafter there is no control;
8. Are "preventive" rather than merely "permissive";
9. Have no more movements, or steps than are necessary.

In the opinion of COSO, although similar requirements exist in many countries, the principal driver for implementing effective and efficient internal controls system should be the enlightened self-interest of the entity. Therefore, there are a host of essential key elements that must be viewed to be functioning effectively and efficiently before internal control system in any public sector organization in Ghana can attain its stated goals and objectives.

Design of Internal Controls

The designed and development of any entity's strategies, policies and procedures are normally done by management in conjunction with the board of directors of the entity. As required by law and regulations governing the public sector organizations in Ghana, management is entrusted with the responsibility to oversee the internal control systems in the organization. Therefore, the design of internal control system is a management responsibility so as to ensure effective operation and protection of resources allocated to the entity. Management as a body also has the utmost responsibility to test and assess the effectiveness and efficiency of the internal controls as well as safeguarding the assets of the entity. Besides, to ensure efficiency in the utilization of resources, internal control system must be designed in such a manner to prevent, detect fraud and error in the recording of transactions in the accounting records.

According to the Sarbanes – Oxley Act (2002), as cited by Leitch (2003); corporate governance regulations requested that directors are responsible for “designing” internal controls; and that the CEO and CFO must certify, among other things, that they have designed the internal controls to achieve various objectives of the entity. There is also a need to be able to report on any significant changes to internal controls or other factors that could significantly affect internal controls (Leitch 2003). In other words, Arens et al (2006e) state that as part of design assessments, management must evaluate information about how significant transactions are initiated, authorized, recorded, processed and reported to identify points in the flow of transactions where material misstatements due to error or fraud could occur. As such, management must determine whether existing controls are effective and efficient so as to safeguard against any internal control weaknesses or lapses in the accounting system. However, the COSO internal control integrated framework outlines five essential components of design characteristics which must be present in any internal control system:

1. The control environment: Values and culture, tone at the top; policies, organizational structure.
2. Risk Assessment: Identification, measurement and responses to threats.
3. Control Activities: Procedures followed for a control purpose.
4. Information and communication: Reliability, timeliness, clarity, usefulness.
5. Monitoring: Review of internal control arrangements.

Consequently, Ricchute (2001); states that to obtain accurate and reliable accounting data, transactions must be recorded promptly in the accounting periods and in dollar amounts actually executed, and classified properly in subsidiary and control accounts, exhibited and facilitated by the design. Besides, the argument continues that those control measures in most public sector organizations in Ghana appear not to be working and/or reflect the true operations of the entities, hence the internal control weaknesses frequently reported in the Auditor General's report has become an annual ritual.

Internal Control System and the Public Sector

As stated earlier, internal control system forms an integral component of an entity's efforts to attaining its goals and objectives. The public sector unlike the private sector consist of non-profit making organizations aimed at providing and satisfying the social needs – education, health, welfare, etc. of the populace. In that vein, the activities of the public officials are curtailed by laws and regulations; thus no action can be taken and/or no activity carried out in an absurd manner without recourse to the rules and regulations. It can however be contended that, on several occasions these laws and regulations are flouted with impunity; hence the need to examine the operational efficiency of these public sector entities in Ghana so as to design innovative ways of ensuring workable internal control structures.

Besides, the Internal Audit Agency Act 2003 (Act 658) requires that every public establishment such as Ministries, Department Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs) have an established and workable Internal Audit Unit to constitute part of their operations; so as to check and/or avert the inaccuracies, mismanagement, misappropriations and the misstatements as well as to prevent fraud and errors from occurring; to ensure effective and efficient use of resources allocated for their core functions. But in spite of this requirement the situation seems to persist and has become something like a social canker bedevilling the public sector in Ghana (Public Accounts Committee of Parliament, 2008).

Roles and Responsibilities in Internal Controls

According to the COSO Integrated Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. It further stated that all personnel should be responsible for communicating upward problems in operations, non- compliance with code of conduct, or other policy violations or illegal actions. Besides, in the words of COSO (1992), each major entity in corporate governance has a particular role to play as follows:

***Management**:* It is asserted that the Chief Executive Officer (CEO) – the top manager, of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the CEO sets the “tone at the top” that affects integrity and ethics and other factors of a positive control environment. In the opinion of COSO, the CEO fulfils this duty in providing leadership and direction to senior managers and reviewing the way they are controlling the business or the entity as a whole. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the Unit’s functions.

Board of Directors:COSO (1992) asserted that management is accountable to the board of directors (BOD), which provides governance, guidance and oversight. It further argued that effective board members are objective, capable and inquisitive; and have knowledge of the entity’s activities and environment and commit the time necessary to fulfil their responsibilities.

In COSO’s view management may be in a position to override and ignore or stifle communications from subordinates enabling a dishonest management which intentionally misrepresent results to cover its tract. It asserted that, a strong, active BOD particularly when coupled with effective upward communication channels and capable financial, legal and internal audit functions are often best able to identify and correct such a problem.

Auditors:To COSO, both internal and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. From the above discussion, it is established clearly that everyone within the organization has a role to play in ensuring effective and efficient internal controls in order to achieve the optimal objective of the entity.

Limitations of Internal Controls

According to COSO (1992) and cited in INTOSAI (2001); an internal control system, no matter how well conceived, designed and operated, can provide only reasonable – not absolute – assurance to management and the board regarding achievement of an entity's objectives. They postulate that the likelihood of achievement is affected by limitations. These include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the collusion of two or more people and also management has the ability to override the system.

Another limiting factor is that the design of an internal control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their cost. Furthermore, whether an organization achieves operation and strategic objectives may depend on factors outside the enterprise, such as competition or technological innovation which may either facilitate or inhibit activities of the organization. These factors in their view are outside the scope of internal control; therefore, effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives, but cannot guarantee their achievements. Besides, organizational changes and management attitude can also have a profound impact on the effectiveness of internal control and the personnel operating the system. As such management needs to continually review and update controls, communicate changes to personnel, and set example by adhering to those controls.

More so, there is no such thing as a perfect control; and staff size limitations may obstruct efforts to properly segregate duties, which may require the implementation of compensating controls to ensure that objectives are achieved. Thus, limitations inherent in any system are the element of human error, misunderstanding, and fatigue and stress (COSO 1992; INTOSAI, 2001).

Control Environment

This sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control. The control environment reflects the board of directors' and management's commitment to internal control. It provides discipline and structure to the control system. Elements of the control environment include the organization structure of the institution, management's philosophy and operating style, the integrity, ethics, and competence of personnel, the external influences that effect the organization's operations and risk management practices, the attention and direction provided by the board of directors and its committees and the effectiveness of human resources policies and procedures. (Administrator of National Banks, Comptroller's Hand Book 2001). Hevesi (2005) however considers the Control environment to be the attitude toward internal control and control consciousness established and maintained by the management and employees of an organization. It is a product of management's governance that is its philosophy, Style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization. The control environment encompasses the attitudes and actions regarding control.

This environment sets the organizational tone, influences control consciousness, and provides and foundation for an effective system of internal control. The control environment also provides the discipline and structure for achieving the primary objectives of internal control. (Lannoye, 1999). Flowing from the above the board of directors should show concern for integrity and ethical values. There must be a code of conduct and/or ethics policy and this must be adequately communicated to all levels of organization. Also there must be a structure appropriate, which is not dominated by one or a few individuals and an effective oversight by the board of directors or audit committee. Management also needs to put a mechanism in place to regularly educate and communicate to management and employee the importance on internal controls, and to raise their level of understanding of controls.

Risk Assessment

This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. According to Lannoye (1999) this component of internal control highlights the importance of management carefully identifying and evaluating factors that can preclude it from achieving its mission. Risk assessment is a systematic process for integrating professional judgment about probable adverse conditions and events, and assessing the likelihood of possible losses (financial and non-financial) resulting from their occurrence. The second internal control standard addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent agency goals and objectives have been set, the agency needs to identify the risks that could impede the efficient and effective achievement of those objectives at the entity level and the activity level. Internal control should provide for an assessment of the risks the agency faces from both internal and external sources. Once risks have been identified, they should be analysed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Risk Identification

Management should perform a comprehensive analysis of identifiable risk, including all risks associated with department-wide and activity level objective (derived from the organization's mission). The activities analysed should include those that support both financial and non-financial objectives. Management must consider the significant interactions with external organizations as well as those internal to their organization at both the department-wide and activity levels. Several means of risk identification can be used, including; management planning conferences, strategic planning, periodic reviews of factors effecting department's activities, changing needs or expectations of agency officials or the public and natural catastrophes. (Lannoye, 1999).

Risk Analysis

After identifying department-wide and activity level risk, management should perform a risk analysis. The methodology may vary since risks are difficult to quantify; however, the process generally includes the following:

1. Estimating risk significance
2. Assessing likelihood/frequency of occurrence
3. Considering how to manage risk

Risk with little significance and low probability of occurrence may require special attention. After assessing the significance and likelihood of risk, management must determine how to control it. Approaches may differ among agencies, but they must be designed to maintain risk within levels deemed appropriate by management, considering the concepts of reasonable assurance and cost-benefit. Once implemented, the approach should be continually monitored for effectiveness. (Lannoye, 1996).

Managing Risk During Change

When change occurs in an organization it often affects the control activities that were designed to prevent or reduce risk. In order to properly manage risk, management should monitor any change to ensure that each risk continues to be managed as change occurs. Management should inform employees responsible for managing the organization's most critical risks about any proposed changes that may affect their ability to manage those risks. Managers should continually monitor the factors that can affect the risks they have already identified as well as other factor that could create new risks. (Walker 1999).

Information and Communication

According to the fourth internal control standard, for an agency to run and control its operations, it must have relevant, reliable information, both financial and non-financial, relating to external as well as internal events. That information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities (Steihoff 2001). Information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization. Reliable and relevant information from both internal and external sources must be identified, captured, processed, and communicated to the people who need it in a form and timeframe that are useful.

According to the comptroller's Handbook (2001), accounting, information, and communication systems capture and impart pertinent and timely information in a form that enables the board, management, and employees to carry out their responsibilities. Accounting systems are the methods and records that identify, assemble, analyse, classify, record, and report on transaction. Information and communication systems enable all personnel to understand their roles in the control system, how their roles relate to others, and their accountability. The entity must be able to prepare accurate and timely financial report including interim reports. The board of directors and management must ensure that they receive accurate and timely information to allow them to fulfil their responsibilities. Management must also provide written job descriptions and reference manuals that describe the duties of personnel.

Control Activities

The policies and procedures that help ensure management directives are carried out. According to the Administrator of National Banks, (2001), control activities are the policies, procedures, and practices established to help ensure that an organization's personnel carry out board and management directives at every business level through the organization. These activities help ensure that the board and management act to control risks that could prevent an organization from attaining its objectives. The New York State Comptroller (1999) defined control activities as tools – both manual and automated – that help identify, prevent or reduce the risks that can impede accomplishment of the organization's objectives. Management should establish control activities that are effective and efficient. According to Walker (1999) control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. He provided the following as example of control activities:

1. Top level reviews of actual performance,
2. Reviews by management at the functional or activity level,
3. Management of human capital,
4. Controls over information processing,
5. Physical control over vulnerable assets,

6. Establishment and review of performance measures and indicators,
7. Segregation of duties,
8. Proper execution of transaction and events,
9. Accurate and timely recording of transactions and events,
10. Access restrictions to and accountability for resources and records, and
11. Appropriate documentation of transactions

Monitoring

Monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of intern control such as self-assessments, peer reviews, and internal audits. The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is adequately designed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed. Springer (2004). Periodic evaluations of internal control are made and personnel, in carrying out their regular duties, obtain evidence as to whether the system of internal control continues to function. Management should implement internal control recommendations made by internal and independent auditors, corrects known deficiencies on a timely basis, and responds appropriately to reports and recommendations regulators. There must also an internal audit function that management uses to assist in their monitoring activities. In Ghana Health service there is the internal audit and monitoring units that carries out the functions of monitoring internal controls.

Internal Control Evaluation

Di Napoli (1999) defined evaluation as the process management uses to assess whether an organization's operations are effective in achieving its mission. The purposes of evaluation are to provide management with a reasonable assurance that; the organization's systems of internal control are functioning effectively; and they can identify both risks to the organization and opportunities for improvement.

According to Louwers (2002) the five components of internal control are considered to be the criteria for evaluating a financial reporting control and the bases for the auditors' assessment a control risks in term of;

1. Understanding a client's financial reporting controls and documenting that understanding,
2. Preliminarily assessing the control risk, and
3. Testing the controls, reassessing control risk, and using that assessment to plan the remainder of the audit work.

Effectiveness of Internal Control

A judgment as to whether an entity's internal control is effective is based on considering the extent to which the components are present and operating effectively. Effective functioning of all the components provides reasonable assurance as to achievement of one or more of the three categories of objectives. Internal control may be judged effective for each of the three categories of internal control objectives if the board of directors and management have reasonable assurance that they understand the extent to which they entity's operations objectives are being achieved, published financial statements are being prepared reliably, and applicable laws and regulations are being complies with. Effectiveness of internal control depends on the presence of all the components of internal control working together. No two entities are likely to have the same internal control system.

Nevertheless, even though entities may not respond to similar risks in the same way, the basic components contributing to an entity's being in control need to be satisfied. For the financial reporting objective there is a more detailed criterion, namely, the material weakness concept. A material weakness is defined as follows: A condition in which the design or operation of one or more components of internal control does not reduce to a relatively low level the risk that errors or irregularities in amount that would be material to the financial statements may occur and not be detected and corrected within a timely period by employees the normal course of performing their assigned duties.

Understand and Document the Client's Internal Control

A major goal on audits is to be efficient. This means performing the work in minimum time and with minimum cost while still doing high-quality work to obtain sufficient, competent avoidance. The allocation of work times between control-evaluation and year-end audit work is a lost-benefit trade-off. Generally, the more auditors know about good controls, the less substantive test year-end work they need to do. However, auditors do not necessarily need to determine the actual quality of a company's internal control. They only need to know enough to plan the other work. They can obtain only a minimum understanding of a client's control, assess a high control risk, and perform extensive substantive balance-audit work.

Obtaining and Understanding

This gives auditors an overall acquaintance with the control environment and management's risk assessment, the flow of transactions through the accounting system, and the design of the client's activities. After the audit team gains an understanding of the control environment of the accounting system. Auditors obtain an understanding of internal controls from several sources of information. Minimum requirements for a good control oriented accounting system include a chart of accounts and some written detritions and instructions about measuring and classifying transactions.

Document the Internal Control Understanding

Working papers documentation of a decision to assess risk can consist only of a memorandum of that fact. However, for future reference in next year's audit, the memorandum should contain an explanation of the effectiveness-related or efficiency-related reasons.

Working paper documentation is required and should include records showing the audit team's understanding of the control. This can be summarized in the form of questionnaires, narratives and flowcharts.

Internal Control Questionnaires. The most efficient means of gathering evidence about the control structure is to conduct a formal interview with knowledgeable managers, using the checklist type of internal control questionnaire. The questionnaire is organized under headings that identify the control environment questions and the questions related to each of the seven control objectives. All questionnaires are not organized like this, so auditors need to know the general transaction control objectives in order to know whether the questionnaire is complete. Internal control questionnaires are designed to help the audit team obtain evidence about the control environment and about the accounting and control activities that are considered good error checking routines. Answers to the questions, however should not be taken as final and definitive evidence about how well control actually functions.

Do native descriptions. One way to tailor these inequity procedures to a particular company is to write a narrative description of each important control subsystem. Such a narrative would simply describe all the environmental elements, the accounting system, and the control activities. The narrative description may efficient in audits of very small businesses.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter presents the method that was followed in conducting the research. It deals with the research design, study population, sample and sampling procedures, the procedures followed in the data collection, data presentation and data analysis.

Research Design

The study looked into the effectiveness of internal control systems at Tema Development Corporation (TDC). The descriptive research method was employed in the study. This was because the study attempts to give a clear picture of how effective the control systems were in the institution. The researcher chose the descriptive research because it helps to describe the actual condition of a situation at a particular point in time. Trochim (2006) espoused that descriptive research is a method that describes data and characteristics concerning the population or the phenomena under study. Again, the descriptive research methods also have the advantage of producing objective results.

Study population

Population of a study is the elements or people to be studied and from whom data will be obtained. Again, it was the entire group of persons that have the characteristics that interest the researcher. The population for the study included all the administrative staff at TDC. The TDC staff population is 250. Staff at TDC can be categorized into senior members, senior staff and junior staff. Aside these categorisations, the staff can also be grouped into technical and administrative staff. As the study aims at evaluating the effectiveness of internal controls, the researcher assumed that the information sought could be obtained from the administrative staff.

Sample and Sampling Procedure

It was the intention of the study to use the entire population which was the administrative staff at Tema Development Corporation. However, due to limited time frame and financial constraint, 50 staff was selected as the sample. Sampling is simply the selection of a part of a group with the view of obtaining information about the population. Being an evaluative study, the information needed could be obtained from those who were involved in monitoring and enforcing controls at Tema Development Corporation. Accordingly, the finance, internal audit, procurement and stores departments will be considered for the study.

The way the sample was chosen was known as sample procedure. The researcher adopted the purposive sampling and accidental sampling technique in the conduct of the study. The purposive sampling method was used for the expert departments (audit, finance, procurement and stores) because they were the key departments responsible for monitoring and enforcing controls, and have the information sought by the study. In purposive sampling, the selection of the sample was based on judgment of the study such that those selected are the key individuals who can give the information required for the study.

Data Source

The study used both primary data and secondary sources to gather information from respondents. Primary data were collected from direct interview and administering of questionnaires while secondary sources of data were collected by reviewing existing texts written by different writers on internal controls, magazines and internet sources.

Data Collection Instrument

The methods used for the collection of primary data would be structured questionnaires. This is so, because the questionnaire method was said to be stable and had a uniform measure without variation. Again, answers to questions on the questionnaire enabled the study to find answers to research problems and also to achieve the objectives of the study. The study used both opened-ended and closed-ended sets of questions. The study used the opened-ended questions because the researcher wanted to allow the respondents to freely bring out their views and closed-ended because he wanted to guide respondents with their responses. The study administered the questionnaires to the expert respondents personally.

Data Processing and Analysis

The main purpose of collecting data in a study was to find solution(s) to research problems. Raw form of data does not make much meaning, hence the need for analysis. Analysis of data allowed the study to assess and evaluate findings to arrive at some valid, meaningful and relevant conclusions. The retrieved questionnaires would be critically read through to check for consistency in responses. The questionnaires will then be coded so that similar responses were coded as one to aid easy analysis. Statistical Package for Social Sciences (SPSS 2015 edition) was used to analyse and present the data.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter deals with the presentation, analysis and discussion of results collected from staff at Tema Development Corporation. Bell (2004) reiterated that regardless of the means used to collect data, the raw data collected serve little or no purpose unless analyzed and interpreted. The study used tables and figures to illustrate and support findings.

Result and Discussions

Demographic Data of Respondents

Table 1. *Sex of Respondents*

Sex	Frequency	Percentage (%)	Cumulative percentage (%)
Male	32	64	64
Female	18	36	100
Total	50	100	100

Source: Field Survey, 2016

Table 1 represents gender distribution of the employee in the selected organization who participated in the study. Majority of the respondents (64%) were males, as compared to only (36%) females. This contributed in espousing a fair view of how different sexes assessed the control systems at Tema Development Corporation.

Level of Education of Respondents

Table 2 shows that, 60 percent of the respondents (majority) were first degree holders as compared to 10 percent of the expert respondents who had professional certificates. Also, 20 percent of the respondents interviewed, were second degree holders, while 10 percent were diploma holders. This helped to get accurate responses because almost all the respondents were learned and had fair ideas on the research topic.

Table 2:*Level of Education of Respondents*

Education	Frequency	Percentage (%)	Cumulative Percentage (%)
H.N.D	5	10	10
1ST Degree	30	60	70
2nd Degree	10	20	90
Professional	5	10	100
Total	50	100	100

Source: Field Survey, 2016

Length of Service with the Institution

Table 3 shows that, out of 50 respondents, 54 percent (majority) of the respondents had worked at Tema Development Corporation for a range of 1-5 years, as compared to 28 percent of the respondents who had worked at Tema Development Corporation between 6-10 years. However, none of the respondents had worked at Tema Development Corporation for less than a year and more than 16 years. This indicated that respondents had fair idea of the control system at Tema Development Corporation since almost all the respondents had worked for more than one year.

Table 3:*Length of Service with the Institution*

Years	Frequency	Percentage (%)	Cumulative Percentage (%)
Below 1yr	0	0	0
1-5 yrs	27	54	54
6-10 yrs	14	28	82
11-15 yrs	9	18	100
16-20 yrs	0	0	
Above 20yrs	0	0	
Total	50	100	100

Source: Field Survey, 2016

Supervision of Staff by Heads of Department

Table 4 shows that, out of 50 of respondents, 60 percent of the respondents (majority) agreed that staff activities were strictly supervised by their heads of department, as compared to only 6 percent who strongly disagreed that staff activities were strictly supervised by their heads of departments. On the other hand, 26 percent of the respondents strongly agreed that staff activities were strictly supervised by their heads of department, while 8 percent of the respondents disagreed that staff activities were strictly supervised by their heads of department. This was an indication that, staff activities were strictly supervised by their heads of department at Tema Development Corporation.

Table 4: *Supervision of Staff by Heads of Department*

Frequency	Percent (%)	Cumulative Percent (%)

Strongly Agree	13	26	26
Agree	30	60	86
Strongly Disagree	3	6	92
Disagree	4	8	100
Total	50	100	

Source: Field Survey, 2016

Embossment of Logo on all Assets

Table 5 shows that, 56.8 percent of the respondents (majority) strongly disagreed that Tema Development Corporation had its logo embossed on all assets, as compared to 11.4 percent of the respondent who disagreed that Tema Development Corporation had its logo embossed on all assets. On the other hand, 18.2 percent of the respondents agreed that Tema Development Corporation had its logo embossed on all assets, while 13.6 percent of the respondents strongly agreed that Tema Development Corporation had its logo embossed on all assets. Moreover, 18 out of the 27 respondents interviewed confirmed that Tema Development Corporation had not embossed its logo on every asset. This indicated that, Tema Development Corporation had not embossed its logo on every asset.

Table 5:*Embossment of Logo on all Assets*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	7	13.6	13.6
Agree	9	18.2	31.8
Strongly Disagree	26	56.8	88.6
Disagree	8	11.4	100.0
Total	50	100.0	

Source: Field Survey, 2016

Authorization of Payments by the Head

Table 6 shows that, 45.5 percent of the respondents (majority) agreed that the Head authorized all payments after approval by the internal auditor, as compared to 4.5 percent of the respondents who strongly disagreed that the Head authorized all payments after approval by the internal auditor. On the other hand, 29.5 percent of the respondents strongly agreed that the Head authorized all payments after approval by the internal auditor, while 20.5 percent of the respondents disagreed that the Head authorized all payments after approval by the internal auditor. This indicated that all payments were authorized by the Head after approval by internal auditor.

	Frequency	Percent (%)	Cumulative Percent (%)

Strongly Agree	13	29.5	29.5
Agree	20	45.5	75.0
Strongly Disagree	2	4.5	79.5
Disagree	9	20.5	100.0
Total	44	100.0	

Table 6:*Authorization of Payments by the Head*

Source: Field Survey, 2016

Adequate Segregation of Staff Duties

Table7 shows that, 65.9 percent of the respondents (majority) agreed that the duties of staff were adequately segregated, as compared to 6.8 percent of the respondents who disagreed that duties of staff were adequately segregated. On the other hand, 18.2 percent of the respondents strongly agreed that duties of staff were adequately segregated, while 9.1 percent of the respondents strongly disagreed that duties of staff were adequately segregated.

Table 7:*Adequate Segregation of Staff Duties*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	8	18.2	18.2
Agree	29	65.9	84.1
Strongly Disagree	4	9.1	93.2
Disagree	3	6.8	100.0
Total	44	100.0	

Source: Field Survey, 2016

Signatory to the Department's Account

Table 8 shows that, 68.2 percent of the respondents (majority) strongly disagreed that there was only one signatory to a department's account, as compared to only 2.3 percent of the respondent who strongly agreed that there was only one signatory to a department's account. On the other hand, 18.2 percent of the respondents disagreed that there was only one signatory to a department's account, while 6.8 percent of the respondents agreed that there was only one signatory to a department's account. However, 4.5 percent of the respondents did not give any response. This indicated that, more than one person was signatory to a department's account at Tema Development Corporation.

Table 8:*Signatory to the Department's Account*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	1	2.3	2.3
Agree	3	6.8	9.1
Strongly Disagree	30	68.2	77.3
Disagree	8	18.2	95.5
No response	2	4.5	100.0
Total	44	100.0	

Source: Field Survey, 2016

Employees Awareness of the Internal Control Systems at Tema Development Corporation

From Table 9 below, 70 percent of the respondents (majority) strongly agreed that Tema Development Corporation had an internal audit department, as compared to 30 percent of the respondents who also agreed that TemaDevelopment Corporation had an internal audit department. However, none of the respondents strongly disagreed or disagreed that Tema Development Corporation had an internal audit department. This indicated that, Tema Development Corporation has an internal audit department to ensure smooth operation of all control activities.

Table 9:*Employees Awareness of the Internal Control Systems at Tema Development Corporation*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	30	68.1	68.2
Agree	14	31.8	31.8
Strongly Disagree	0	0.0	100.0
Disagree	0	0.0	100.0
Total	44	100.0	

Source: Field Survey, 2016

No Payments Made Without Supporting Document

Table 10below shows that, 50.0 percent of the respondents agreed that no payments were made without supporting document, as compared to only 6.8 percent of the respondents who disagreed that no payments were made without supporting document. On the other hand, 34.1 percent of the respondents strongly agreed that no payments were made without supporting document, while 9.1 percent of the respondent strongly disagreed that no payments were made without supporting document. This indicated that, all payments were supported with documents at Tema Development Corporation.

Table 10:*No Payments Made Without Supporting Documents*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	15	34.1	34.1
Agree	22	50.0	84.1
Strongly Disagree	4	9.1	93.2
Disagree	3	6.8	100.0
Total	44	100.0	

Source: Field Survey, 2016

Proper Authorization for Every Transaction.

Table 11below shows that, 36.4 percent of the respondents agreed that there was proper authorization for every transaction, as compared to 13.6 percent of the respondents who strongly disagreed that there was proper authorization for every transaction. On the other hand, 27.3 percent of the respondents strongly agreed that there was proper authorization for every transaction, while 22.7 percent of the respondents disagreed that there was proper authorization for every transaction. This indicated that, there was proper authorization for every transaction at Tema Development Corporation.

Table 11:*Proper Authorization for Every Transaction*.

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	12	27.3	27.3
Agree	16	36.4	63.7
Strongly Disagree	6	13.6	77.3
Disagree	10	22.7	100.0
Total	44	100.0	

Source: Field Survey, 2016

Assessments of Control Systems

Table 12below shows that, 45.4 percent of the respondents (majority) indicated that the control systems at Tema Development Corporation were quite effective, as compared to only 11.4 percent of the respondents who indicated that the control systems at Tema Development Corporation were very poor. Moreover, most of the respondents interviewed stressed that the control systems at Tema Development Corporation were quite effective

Table 12:*Assessments of Control Systems*

	Frequency	Percent (%)	Cumulative Percent (%)
Very Effective	8	18.2	18.2
Quite Effective	20	45.4	63.6
Very Poor	5	11.4	75.0
Quite Poor	11	25.0	100.0
Total	44	100.0	

Source: Field Survey, 2016

Financial Records Prepared On Consistent Basis to Meet International Accounting Standards.

From Table 13below, 52.3 percent of the respondents agreed that financial records were prepared on regular basis to meet international accounting standards, as compared to only 9.1 percent of the respondents who strongly disagreed that financial records were prepared on regular basis to meet international accounting standards. On the other hand, 27.2 percent of the respondents disagreed that financial records were prepared on regular basis to meet international accounting standards, while 9.1 percent of the respondents strongly disagreed that financial records were prepared on regular basis to meet international accounting standards. This indicated that, financial records were prepared on regular basis to meet international accounting standards at Tema Development Corporation. This finding supports one of the objectives of the Sarbanes-Oxley Act (2002), that Finance Officers must ensure that their annual and quarterly reports were accurate and not misleading.

Table 13: *Financial Records Prepared On Consistent Basis to Meet International Accounting Standards.*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	5	11.4	11.4
Agree	23	52.3	63.7
Strongly Disagree	4	9.1	72.8
Disagree	12	27.2	100.0
Total	44	100.0	

Source: Field Survey, 2016

The Independency and Objectivity of the Audit Department

Table 14 below shows that, 36.4 percent of the respondent agreed that the internal audit department was independent and objective in the conduct of its duties, as compared to 13.6 percent of the respondents who strongly disagreed that the internal audit department was independent and objective in the conduct of its duties. On the other hand, 13 representing 29.5 percent of the respondents disagreed that the internal audit department was independent and objective in the conduct of its duties, while 9 representing 20.5 percent of the respondents strongly agreed that the internal audit department was independent and objective in the conduct of its duties. This indicates that, the internal audit department was being influenced; hence its independence and objectivity were questionable.

Table 14:*The Independency and Objectivity of the Audit Department*

	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	9	20.5	20.5
Agree	16	36.4	56.9
Strongly Disagree	6	13.6	70.5
Disagree	13	29.5	100.0
Total	44	100.0	

Source: Field Survey, 2016

PeriodicReviewofControlActivitiesBy Management

From table 15 below, 20 (majority) representing 45.4 percent of the respondents disagreed that management periodically reviewed the control activities to ensure they were working to perfection, while 4 (minority) representing 9.1 percent of the respondents strongly agreed that management periodically reviewed the control activities to ensure they were working to perfection. On the other hand, 11 representing 25.0 percent of the respondents strongly disagreed that that management periodically reviewed the control activities to ensure they were working to perfection, while 9 representing 20.5 percent of the respondents agreed that management periodically reviewed the control activities to ensure they were working to perfection. This indicates that, management did not review the control activities periodically to ensure they were working to perfection.

Table 15:*Periodic Review ofControlActivitiesby Management*

Periodic review of Control Activities	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	4	9.1	9.1
Agree	9	20.5	29.6
Strongly Disagree	11	25.0	54.6
Disagree	20	45.4	100.0
Total	44	100.0	

Source: Field Survey, 2016

Existence of Effective Control Environment to Address Control Activities

From Table 16 below, 14 (majority) representing 31.8 percent of the respondents agreed that there was effective control environment to address control activities, while 10 (minority) representing 22.7 percent of the respondents strongly agreed that there was effective control environment to address control activities. On the other hand, 11 representing 25.0 percent of the respondents disagreed that there was effective control environment to address control activities, while 9 representing 20.5 percent of the respondents strongly disagreed that there was effective control environment to address control activities. This is an indication that, there was effective control environment to address control activities at Tema Development Corporation.

Table 16:*Existence of Effective Control Environment to Address Control Activities*

Existence of Control Environment	Frequency	Percent (%)	Cumulative Percent (%)
Strongly Agree	10	22.7	22.7
Agree	14	31.8	54.5
Strongly Disagree	9	20.5	75.0
Disagree	11	25.0	100.0
Total	44	100.0	

Source: Field Survey, 2016

Conclusion

The chapter presented and discussed the findings from the study based on the methodology employed in the chapter three. The study used descriptive analysis to evaluate the factors that influence the choice of internal controls and challenges faced by TDC in implementing internal controls.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

A catalogue summarizing the findings and observations made in the study are detailed out in this chapter. The chapter also provides conclusions and recommendations in relation to the research objective.

Summary

First, the findings of the research revealed that the internal control systems or policies that exist in the Tema Development Corporation include strict supervision by heads of departments, authorization by the Head and inadequate segregation of staff duties. Moreover, the findings also revealed that one person cannot sign for the department's account, all cash received are accounted for, and all payments are supported with receipts. However, the findings revealed that there are no procedures to account for assets additions, disposals and transfers and the institution's logo is not embossed on all assets. The majority of the respondents indicated the existence of control policies in the institution. This is to guide employees to help achieve the aims and objectives of the Tema Development Corporation.

Also, the findings of the research revealed that, employees are aware of the fact that the Tema Development Corporation has an internal audit department and that employees are comfortable with the control systems in the Tema Development Corporation. Again, the study revealed that employees have sufficient knowledge of control procedures applicable to their duties. However, the findings revealed that employees did not see internal control system to be an on-going process and also management does not communicate to staff members of new control policies introduced.

Furthermore, the study revealed that payments are supported with documents, proper authorization and adequate segregation of the staff duties. However, the findings also shown that, the internal audit department lacks testing of the control policies for perfection and also their bankers are not notified of any change of staff assigned to banking duties. Again, the study revealed that, the control systems, or policies of the Tema Development Corporation are quite effective and are mainly directed towards prevention and detection of fraud and error. Furthermore, the findings revealed the following departments to be weak in internal controls; lack of physical counting by the audit department, no proper documentation and adequate logistics at the finance department.

In addition, the study discovered that management issues payment with supporting documents, management requests are certified by the internal audit unit and that the Tema Development Corporation even prohibits overriding of control activities by management. On the other hand, the findings indicated that management in the institution are task oriented who would not always follow the laid down rules to get work done, and also use the Tema Development Corporation's resources for their personal interests.

The last but not least, the study revealed that the Tema Development Corporation has an independent audit committee and that financial records are also prepared on consistent basis to meet international accounting standard. However, the study shown that the internal audit department is not independent and objective in its duties and the organizational structure in the

Tema Development Corporation fails to clearly show lines of authority. The study has shown that the management does not review the control activities to ensure perfection and that strong control environment exists to address control activities. Therefore, the institution's control systems have a benchmark which is the international acclaimed standards.

Conclusions

Based on the findings, the following conclusions can be made. Firstly, the results of this study identified that the internal control systems that exist in Tema Development Corporation include strict supervision, adequate segregation of duties, and proper authorization. Moreover, the resultsaddedthat one person cannot sign for the department account, all cash received are accounted for and all payments are supported with receipts. However, the findings also identified that, not all assets have the Tema Development Corporation's logo and there are no procedures to account for assets additions, transfers and disposals. From these findings, it can be concluded that Tema Development Corporation has well designed control systems to guide its operations.

Secondly, the findings indicated that employees are comfortable with the control policies in the Tema Development Corporation and that they have sufficient knowledge of control procedures applicable to their duties. However, the findings also identified that, management fails to inform the staff of new control policies introduced. Hence the employees would find it difficult to implement the control policies when they are not aware or informed of the very control policies they are to work with.

Thirdly, the findings of this research identified that the audit department lacks physical counting and does not test the control activities for perfection. Also, the study identified that institution's bankers are not notified of any change of staff that is authorized to perform bank transactions. In the whole, the findings identified the internal control systems or policies in the institution to be quite effective and are directed mainly towards the prevention and detection of fraud and error. Therefore in order for management to achieve its aims and objective the control activities established must be effectively implemented.

Also, the results indicated that management is task oriented who sometimes use their positions to get work done without following the laid down rules and also uses the Tema Development Corporation resources for their personal interests. This research supports one of the objectives of the Sarbanes-Oxley Act (2002) that managements do not override internal control.

Finally, the findings of the research related the control systems or policies to international standard. As a result, the findings identified that the Tema Development Corporation has an independent audit committee, but the findings further showed that, the internal audit department is not independent and objective, ineffective organizational structure and failure by management to review the control activities, but the study concludes that internal control systems to an extent are effective in the institution.

Recommendations

Even thoughefficient internal control can be expensive, the cost involved would offset the benefits to be received from it such as protection of assets and prevention of errors. The following are the recommendation for the management of Tema Development Corporation.

The Tema Development Corporation should have a system which indicates the location of every asset at a particular point in time. In the same way, when an asset is transferred from one department to another, the system must indicate where the asset is from and where it is going to. When assets are disposed-off, they should be properly cancelled out and backed with receipts.

Furthermore, once control policies are implemented, they must be tested from time to time to check whether they are achieving their intended purpose. Therefore, management must compare the expected results of the control policies with the actual results. By investigating the reasons for non–performance, management would be placed in a better position to effect timely changes in strategies and plans, or take appropriate actions.

The resources of the Tema Development Corporation are intended for a specific purpose, perhaps for the achievement of the aims and objectives of the institution. When management uses the resources of the Tema Development Corporation for their personal interest, it means depriving the institution from achieving its objectives. Hence there must be behavioral and ethical standards that discourage management from engaging in acts that lead to dishonesty, unethical and illegal behaviors. To be effective, these standards must be effectively communicated through appropriate means, including official policies, codes of conduct and by setting examples.

Since the internal auditor is appointed by management and for that matter forms part of management team, his duties would be influence by management. However, the Tema Development Corporation council should ensure a strong audit committee to check the activities of the internal audit department. Again, since the Tema Development Corporation is a government institution, the Audit Report Implementation Committee set by the government should be up and doing.

Lastly, Tema Development Corporation should computerize most of its manual operations especially at the finance department. This would involve the acquisition of computers and various software's that would complement and facilitate a smooth delivery of services to their service users.

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APPENDIXI

University of Cape Coast

College of Distance Education

Department of Business Studies

QUESTIONNAIRE FOR STAFF AT TEMA DEVELOPMENT CORPORATION

This questionnaire is purposely designed to obtain information on the topic “Assessment of effectiveness of internal control systems in the Tema Development Corporation". This dissertation is part of the requirement for the award of Master in Business Administration. I would appreciate if you could provide candid response to the items in the questionnaire. Confidentiality in respect of whatever information you give is fully assured. Thanks for your co-operation.

SECTION A
PERSONAL DATA ON RESPONDENT

Please tick [√]

*1. Sex of respondent: (a) Male [ ] (b) Female [ ]

*2. Category of Staff :(a) Junior Staff [ ] (b) Senior Staff [ ] (c) Senior Member [ ]

*3. Level of education: (a) HND [ ] (b) First Degree [ ] (c) Second Degree [ ]
(d) Others, please Specify--

*4. Which department do you work with? --

*5. How long have you worked with the institution?
(a)Below 1 year [ ] (b) 1-5years [ ] (c) 6-10 years [ ] (d) 11-15 years [ ]
(e) 16-20 [ ] (f) Above 20years [ ]

SECTION B

INTERNAL CONTROL SYSTEMS AT TEMA DEVELOPMENT CORPORATION

Please indicate your level of agreement or disagreement with each of the statements below:

The scale is 1 to 4 where 1=strongly Agree; 2=Agree; 3=strongly Disagree; 4=Disagree

S/N	STATEMENT	Strongly Agree	Agree	Strongly Disagree	Disagree
		1	2	3	4
*Q6	Staff activities are strictly supervised by their Heads of Department.				
*Q7	The organization has its logo embossed on all assets.				
Q8	The director authorizes all payments after approval by the internal auditor.				
*Q9	Duties of staff are adequately segregated.				
Q10	There is only one signatory to the department's account.				
Q11	Payment vouchers are supported with receipts.				
Q12	There are procedures in place to ensure that assets additions, disposals and transfers are accounted for.				
Q13	All cash received are accounted for.				

SECTION C

EMPLOYEES AWARENESS OF INTERNAL CONTROL SYSTEMS

S/N	STATEMENT	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
*Q14	The organization has an internal audit department/unit.				
Q15	Internal control system is an ongoing process with no time specification.				
Q16	The employees are comfortable with the internal control systems.				
*Q17	Employees have sufficient knowledge of control procedures applicable to their duties.				
*Q18	Management communicates to staff members of new internal control policies or procedures introduced.				

SECTION D

EFFECTIVE IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

S/N	STATEMENT	Strongly Agree	Agree	Strongly Disagree	Disagree
		1	2	3	4
Q19	No payments are made without supporting document(s).				
Q20	There is proper authorization for every transaction.				
Q21	The internal audit department tests the controls from time to time to ascertain if they are working to perfection.				
*Q22	There is adequate segregation of staff duties.				
Q23	The organization bankers are quickly notified of any change of staff that is authorized to perform bank transactions.				

*Q24. How do you assess the control systems at the organization?

(a) Very effective [ ]   (b) Quite effective [ ]   (c) Very poor [ ]

(d) Quite poor [ ]

Q 25. The control systems at the organization are directed towards which of the following?

(I) To conduct business in an orderly and efficient manner. [ ]

(II) Adherence to internal policies. [ ]

(III) Safeguarding assets. [ ]

(IV) Prevention and detection of fraud and error. [ ]

(V) Accuracy and completeness of financial records. [ ]

Q26. Which department of the institution is weak in control and why?

Q27. How do you think the above weaknesses can be rectified?

-- -

SECTION E

MANAGEMENT OVERRIDING THE INTERNAL CONTROLS

S/N	STATEMENT	Strongly Agree	Agree	Strongly Disagree	Disagree
		1	2	3	4
Q28	Management can make payments without supporting documents.				
Q29	All management requests are certified by the internal audit unit.				
*Q30	Management sometimes use their positions to get work done without following the laid down rules.				
*Q31	The institution prohibits the overriding of controls by management.				
*Q32	Management sometimes uses the organization resources for their personal interests.				

SECTION F

INTERNAL CONTROLS CONSISTENT TO INTERNATIONALSTANDARDS.

S/N	STATEMENT	Strongly Agree	Agree	Strongly Disagree	Disagree
		1	2	3	4
Q33	The organization has an independent audit committee to which the internal audit department reports.				
Q34	Financial records are prepared on consistent basis to meet the international accounting standard.				
*Q35	The internal audit department is independent and objective in the conduct of its duties.				
*Q36	There is effective organizational structure that shows lines of authorities.				
Q37	Management periodically reviews the control activities to ensure whether they are working to perfection.				
Q38	There is effective control environment to address control activities.				