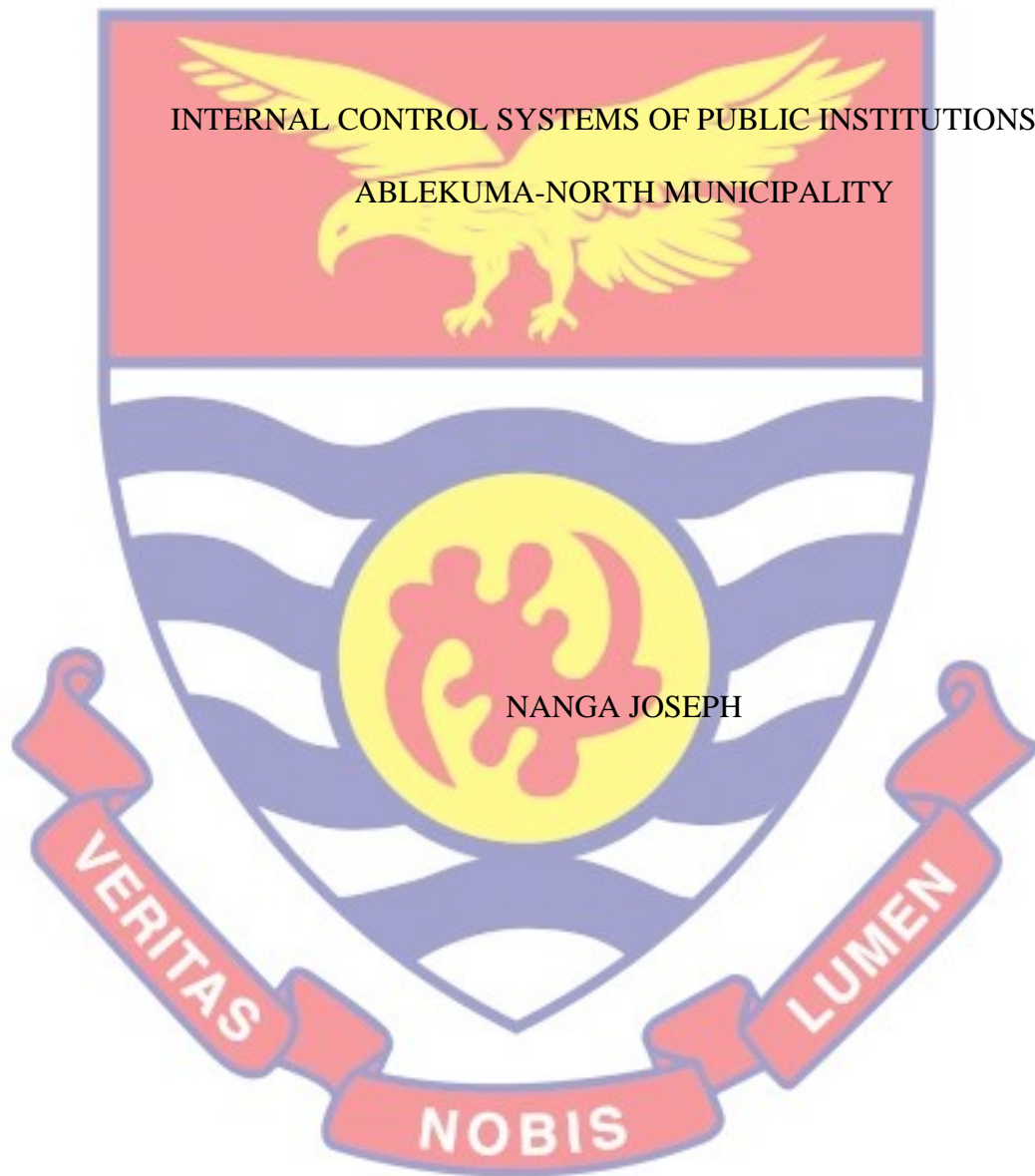


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INTERNAL CONTROL SYSTEMS OF PUBLIC INSTITUTIONS IN
ABLEKUMA-NORTH MUNICIPALITY

BY

NANGA JOSEPH

Dissertation presented to the Department of Accounting at the University of
Cape Coast in partial fulfilment of the requirement for the award of Master of
Business Administration degree in Accounting.

AUGUST 2022

DECLARATION

Candidate's Declaration

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

Candidate's Signature Date

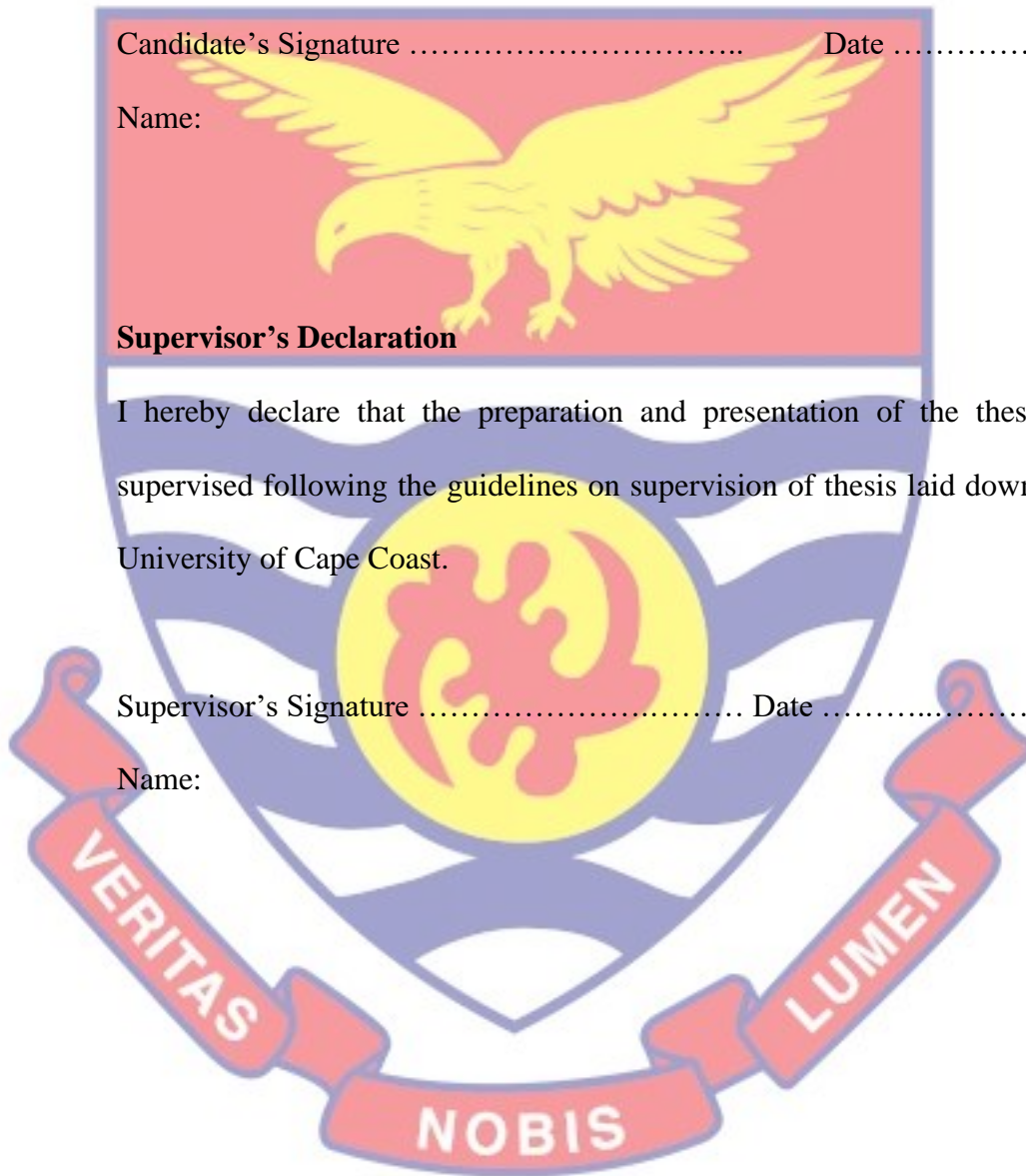
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Supervisor's Declaration

I hereby declare that the preparation and presentation of the thesis were supervised following the guidelines on supervision of thesis laid down by the University of Cape Coast.

Supervisor's Signature Date

Name:



ABSTRACT

The overarching aim of this study was to assess the effectiveness of internal control systems in the Ablekuma-North Municipal Assembly and make recommendations for areas where weaknesses exist. A sample of 30 respondents was drawn using a stratified random sampling technique. The study employed a descriptive and explanatory research design and a quantitative approach to achieving its objectives. The results indicated that internal control systems have been effective as far as the control environment is concerned, except that there were a few concerns regarding ethical issues as most of the respondents disagreed that ethical values are inculcated in all employees in the Assembly. The result also revealed that issues regarding risk assessment, information and communication, control activities bothering on effective separation of duties, safeguard of assets and budgeting, as well as monitoring of internal controls have all been adjudged effective as most of the respondents were in firm agreement with the various indicators of these perspectives. In addition, management has also demonstrated good faith as they help superintend the internal controls in the municipality. The study further indicated that the role of management has significantly impacted the effective implementation of good internal controls. Therefore, it was recommended that the assembly conscientise its staff to be ethically conscious in their dealings as this will enhance their compliance with internal controls.

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The invaluable contribution by Dr Mohammed Zangina to this handwork cannot be overemphasised. I also thank all my friends and family who stood by me throughout this rough but interesting journey. I say Ayekoo! Also, the immense contribution of work colleagues and coursemates to this piece of work cannot go unmentioned, having given me the willpower to see the project through to completion. I also wish to thank the University of Cape Coast for providing a congenial environment for completing this handwork. I say a big thank you to you all.



DEDICATION

To my lovely wife, Rosina Annor Nanga and my children, Jeremiah, John
Mills, and Priscilla.



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CHAPTER ONE

INTRODUCTION

Background to the Study

Organisational finance managers today confront maximising their businesses' wealth via efficient, transparent, and accountable use of financial resources. These difficulties are exacerbated by increased investor expectations for value based on their capital in a company (Lin, 2014). Given that the available resources are limited compared to what companies have, this necessitates efficient and effective use of those resources in creating goods and services that fulfil the demands of consumers, maximising shareholder wealth. As a result of the issues faced by finance managers, firms have been pushed to implement internal controls in order to improve their financial performance (Feng et al., 2014)

The concept of internal control has evolved intriguingly. From the early 1900s to 1936, internal control was utilised to safeguard resources, particularly cash, from theft and embezzlement. Audits were carried out in detail to detect fraud and clerical mistakes. Interest in the fairness of financial statements grew as financial markets expanded and became the principal funding source for large public firms, and anomalies were found and addressed timely (Tipgos, 2002). The creation of procedures and processes and the separation of roles were critical. On the other hand, employee certification and training became a vital part of sufficient or reliable internal control.

Internal financial controls are techniques and processes designed to generate successful operations, provide trustworthy financial reporting, avoid fraud, and comply with rules and laws. Internal financial controls examination

is intended to assist institutions in reviewing and assessing the organisation's responsibility framework. Internal financial well-designed controls provide confidence in the accuracy of financial reporting and asset protection. Internal controls make it simple to detect fraud. Such procedures also aid financial reporting accuracy (Asare, 2006). Organisations use internal financial controls to guarantee the accuracy and dependability of financial data. Because they ensure the accuracy of an organization's financial data and provide stakeholders with a sense of its financial health, internal financial controls are crucial. Profitability can increase when internal controls are effective (Krishnan, 2005). Shareholders in public enterprises are demanding accountability.

On the other hand, accountability demands in public hospitals are not as high. The public sector has implemented more effective internal financial controls as a result of budgetary restraints, despite the fact that donors and taxpayers are frequently hesitant to act in the case of hospitals (Hardimam, 2006). Internal financial controls are recommended by the US Government Accountability Office (GAO) to improve financial reporting in the public sector (George, 2005).

Internal control may be classified into three categories, according to Brynes (1957), as stated by Tiggos (2002): internal controls in the areas of administration, accounting, and inspection. Internal administrative control is the term for managerial procedures and methods intended to increase the effectiveness and efficiency of operations. He explained that internal accounting controls aim to ensure that accounting data is accurate and reliable. Internal checks are financial, statistical, and physical methods that safeguard assets against theft or other irregularities. Given the preceding, it is crucial to

emphasise that internal control occurs in all company areas and is critical for the effective and efficient use of resources.

When it comes to implementing the activities for which funds have been awarded, many institutions and organisations consider financial resources a critical resource that must be used wisely. Every organisation views it as its lifeblood, and its availability ensures that it will continue to exist and fulfil its objectives. However, people in charge of ensuring good and efficient resource management can mismanage and misappropriate this crucial resource to the disadvantage of the activity for which the resources have been made available. Some examples of financial resource mishandling or plundering through fraudulent activities have occurred worldwide, resulting in the downfall of several formerly colourful enterprises. A serious internal control failure was evident in the cited cases, showing that key organisations worldwide are being mishandled, according to Schroy (2010). Directors could ignore basic internal control standards because of private trading and unjustified gains.

It has come to light that the Ghanaian public sector is particularly prone to having weak internal controls. To ensure responsible resource management, the Auditor General's report on the public accounts since the country's independence has revealed multiple fundamental problems that must be corrected. The outcome was unknown payments, unrepresented payment vouchers, income, and other embezzlement receipts. Other issues include contract issues, bad debt management, and large debt stock. The remainder includes naming a few illegal payments and/or salary draws and bank deposits that do not appear on bank statements. These examples highlight the need to examine and/or strengthen Ghana's public sector organisations. The examples

demonstrate that Ghana's public sector has several internal control flaws. In addition to the internal control issues identified in the Auditor General's report, shocking revelations at the "Public Accounts Committee-PAC" (2008) sittings at the Parliament House of Ghana also alleged that a Ministry of Transportation official diverted a withholding tax meant for the Internal Revenue Service into a business account registered in his name for personal use. It was also claimed that the Ministry of Tourism and Diaspora Relations had no internal auditor at the time.

In Ghana's Parliament House, where the Public Accounts Committee met in May 2011 and considered the audited financial statements of public second-cycle institutions, it was recently revealed that an accountant at "Presbyterian Senior High (PRESEC)", Legon embezzled or stole money from the institution: 2006: Sixteen Thousand Ghana Cedis (16,000.00) and Thirty-Three Thousand Ghana Cedis (GH¢ 33,000.00) in the same year. Systems and structures fail due to a lack of effective internal controls. Mechanisms such as internal control systems are put in place, strengthened, and constantly monitored to assure resource efficacy and proper utilisation for fulfilling performance targets.

Decentralisation's 'lifeblood,' as they say, is finance (Appiah-Agyekum, 2013). As a result, the Treadway Commission (1987) advised the establishment of internal control mechanisms to prevent or identify financial fraud (Bridge & Moss, 2003). According to Njeri (2014), a good internal control system allows a company to avoid fraud and mistakes. It improves asset custody, assures management about the accuracy of accounting data, avoids unnecessary suspicion, and aids in the maintenance of dependable and

appropriate accounting records. Due to the shortage of resources necessary to fulfil the goals, local government officials are concerned about managing and controlling restricted resources available at the local level to satisfy developmental ambitions and goals (Mensah, 2012). As a result, the few resources available must be distributed properly, equitably, and responsibly in shifting goals and demands. In Ghana, Metropolitan, Municipal, and District Assemblies (MMDAs) have been entrusted with these limited resources needed under the “Local Government Act” 462 of 1993. As a result, local government officials with the necessary skills and expertise should put these limited resources to good use for the country’s advantage.

Statement of the Problem

Over the years, efforts have been undertaken to reduce and/or eradicate financial irregularities and errors in Ghana’s public sector. The most recent was the creation of the “Internal Audit Agency” through the passage of the “Internal Audit Agency Act” 2003 (Act 658), which requires all MDAs in Ghana to establish Internal Audit Units to strengthen internal controls and prevent financial management inaccuracies in the public sector. However, despite various interventions, financial irregularities persist, which must be explored to determine the reasons for these flaws. According to Arens et al. (2006a), an internal control system is a critical financial resource administration and management component.

Despite these control systems, several recorded examples of money theft and abuse of resources in public institutions have been reported, particularly in ministries “Customs Excise and Preventive Service (CEPS)” and public educational institutions. The situation in Tema port, where the state lost millions

of cedis due to tax fraud, is no different (Nkuah, 2013). In February 2012, the Public Accounts Committee (PAC) reported that the Chairmen of the MMDAs' Finance and Administration Committees failed to perform their oversight responsibilities of examining accounts to monitor the activities of the MMDAs' finance department and guarantee proper revenue collection. There have been many inconsistencies in the income collection in the various districts due to the lack of scrutiny (Mensah, 2012).

Furthermore, the Public Accounts Committee revealed that most MMDAs had ineffective internal control mechanisms, resulting in officials spending without proper procedures (Mensah, 2012). As a result, MMDAs' internal control systems in Ghana must be examined regularly to establish their efficacy. Even though there have been several studies evaluating Ghanaian MMDAs' internal control systems, there has been none on the internal controls of the Ablekuma North Municipal Assembly. This research aims to close this gap by evaluating the Ablekuma North Municipal Assembly's internal control system to ascertain its effectiveness.

Purpose of the Study

The objective of the study is to assess the effectiveness of the internal control system at the Ablekuma North Municipal Assembly.

Research Objectives

1. To assess the effectiveness of internal controls in the Ablekuma North Municipal Assembly
2. To assess the effect of management role on the effectiveness of internal controls in the Ablekuma North Municipal Assembly

Research Questions

For the intended investigation, the following research questions have been developed:

1. How effective are internal control systems in the Ablekuma North Municipal Assembly?
2. What is the effect of management role on the effectiveness of internal controls in the Ablekuma North Municipal Assembly?

Significance of the Study

The study findings brought to bear the extent to which Ablekuma North Municipal Assembly is faring as far as the effective implementation of an internal control system is concerned. The study again provided better information on the impact of management roles on the effectiveness of internal controls. This study is useful as its findings are specifically akin to Ablekuma North Municipal Assembly, whose information will help them fashion out better strategies in ensuring better internal control systems, which will consequently inure its benefit in terms of better financial management, thereby helping to achieve effectiveness, efficiency, and economy (value for money). The finding on the impact of management role on effective implementation of internal control is novel as it has not been captured in the extant literature. This could help guide management on their level of supremacy to their stewardship responsibility and accountability.

Delimitation of the Study

The study is delimited to assessing the effectiveness of the five components of internal controls as proposed by COSO (2012), such as control environment, information and communication, control activities, risk

assessment, and monitoring. Furthermore, this research is limited to evaluating the effectiveness of internal control without considering how this affects the Assembly's effectiveness, efficiency, and economy. The study is also delimited to Ablekuma North Municipal Assembly.

Research Limitation

The researcher faced many challenges collecting data from the respondents, as most felt reluctant to respond to the questionnaires. Also, the time factor has put many constraints on the researcher collecting responses from all the respondents. But this notwithstanding, the findings of this study remain relevant as the sample is considerably representative. Also, the study restricts itself to a quantitative approach and, as such, restricts respondents from expressing their views beyond the questionnaire items, which might have shielded some of the concerns regarding the internal controls in the municipality.

Organisation of the Study

The study will be conducted in five chapters. Chapter one will deal with the introduction, background to the study, statement of the problem, the purpose of the study, research questions and hypotheses, the significance of the study, delimitations, and limitations. The second chapter will examine the theoretical framework, conceptual and literature review highlighting research and other writers' perspectives. Chapter three will cover the research methods, including design, population, sampling processes, data collection instrument, validity and reliability of the research instruments, data collection procedures, data processing and analysis, and ethical considerations. The results will be presented in chapter four, and the outcomes will be examined. Chapter five will

focus on the study summary, major findings of the study results, conclusions, recommendations, and suggestions for inquiry.



CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter delved into relevant literature, including conceptual, theoretical, and empirical reviews. The conceptual review bothered on reviewing the concept of internal control, whereas the theoretical review section explored the contingency theory as the empirical review focused on reviewing relevant literature on internal control systems.

Conceptual Review

Internal controls defined

One of the key duties of internal auditing is the evaluation of internal controls. The “Committee of Sponsoring Organizations of the Treadway Commission (COSO)” Implementing an internal control system that gives reasonable confidence that the company’s efficiency, productivity, and financial reporting accuracy goals will be met falls on a company’s board of directors and other individuals (COSO, 1992). “Internal Control” over “Financial Reporting” — Guidance for “Small Public Companies” is an organisational strategy that offers for-profit and nonprofit organisations a standard, acknowledged, and advised reference point to evaluate the quality of their internal financial controls (COSO, 2006).

Because a company’s objectives, internal structure, and operating environment are dynamic, so are the threats it faces. A thorough and continuing assessment of the types and scopes of risks the organisation is exposed to is, therefore, necessary for an effective internal control system. Since company success depends partly on taking calculated risks, internal control’s goal is to

assist in managing and controlling risk effectively rather than completely eradicate it (Doyle, 2006).

Effectiveness and efficiency of internal control

An organisation's goals can only be achieved with the most efficient and effective use of its resources, which is why internal controls are necessary.

Furthermore, most public-sector control methods appear to be ineffective and inefficient. As a result, most public sector firms in Ghana have widely acknowledged internal control flaws, resulting in financial resource theft, mismanagement, and misrepresentation. The "Internal Audit Agency Act" 2003 (Act 658) mandates an internal audit unit to enhance and assure accuracy while minimising inaccuracies to ensure the efficacy and efficiency of internal controls in Ghana's public sector organisations. Furthermore, effective and efficient internal control goes far beyond the goal of ensuring the accuracy of financial reports and includes the efficient achievement of operational objectives as well as the assurance of compliance with laws, regulations, policies, and contractual obligations, according to COSO (1992); and cited by Chambers (2009). However, it does not guarantee that all business objectives will be met. Furthermore, they contended that better internal controls need not be more expensive because, aside from lowering the cost of avoidable losses and business failures, structuring business operations to maximise control is frequently not more expensive. Internal controls enable an organisation to engage in more lucrative activities that would be too dangerous for a competitor without them, which is why they are necessary.

Design of internal controls

Management normally designs and develops the institution's plans, policies, and processes in partnership with the board of directors. Management is tasked with overseeing the internal control mechanisms in the organisation, as required by Ghanaian law and regulations regulating public sector enterprises. Therefore, creating an internal control system is a management duty to guarantee successful operation and resource preservation. Management's primary responsibilities include evaluating the efficiency and effectiveness of internal controls and protecting the company's assets. Furthermore, an internal control system must be built to prevent, identify, and prevent fraud and mistakes in accounting transactions to ensure resource usage efficiency.

According to corporate governance rules, directors are responsible for implementing internal controls, and the CEO and CFO must testify that the internal controls were developed to achieve the entity's various purposes, as Leitch (2003) described. In addition, it is critical to disclose any significant changes in internal controls or other developments that could significantly impact (Leitch, 2003). In other words, management must assess information about how substantial transactions are presented, authorised, documented, analysed, and reported as part of design assessments to identify points in the transaction flow where discrepancies due to error or forgery may occur, according to Arens et al. (2006e). Because of this, management must determine whether current controls are effective and efficient in protecting the accounting system against internal control weaknesses or failures. Five design features must be included in any internal control system under the COSO framework.

Ricchute (2001d) states that transactions must be recorded quickly in accounting periods, and monetary amounts must be adopted to generate exact and trustworthy accounting data. Consequently, As a result, the Auditor General's regular reports of internal control problems in Ghana's public sector organisations persist, despite the fact that most control mechanisms appear to be ineffective and/or do not represent the true activities of the entities.

Internal control system and the public sector

As previously said, internal control systems are crucial to an organisation's efforts to fulfil its mission and targets. Unlike the commercial sector, the public sector comprises non-profit organisations dedicated to meeting the public's social needs, such as education, health, and welfare. As a result, no action or activity can be undertaken unreasonably without violating the standards and guidelines outlined in this section. However, it might be argued that these rules and regulations have been flouted with impunity on multiple occasions, necessitating an examination of the operational effectiveness of these public sector Ghana organisations to devise new means of maintaining workable internal control systems.

Furthermore, the "Internal Audit Agency Act" of 2003 (Act 658) mandates that every public entity, including "Ministries, Department Agencies (MDAs)", and "Metropolitan, Municipal, and District Assemblies (MMDAs)", identify and/or avoid inaccuracies, mismanagement, misappropriations, and false statements, as well as fraud and errors, they must have a well-established and operational internal audit unit as part of their operations. Despite this necessity, the crisis persists and has become a societal canker afflicting Ghana's public sector (Public Accounts Committee of Parliament, 2008).

Theoretical Review

This study is premised on contingency theory. This is explained below.

Contingency theory

This theory focuses mostly on behavioural concerns and aspects of an organisation to explain how variables like technology, culture, and the forces of both the internal and external environment impact an organisation's functioning and design (Woods, 2009). According to the theory, there is no single type of organisation structure that is suitable for all firms and organisations (Skaiffe, 2013), but the level of effectiveness is determined by technology, relative sizes, changes in the environment, and the characteristics of the organisation. The theory explains the relationship between the efficacy of internal control systems and organisational performance considering changing circumstances. In other words, the use and kind of internal control systems are determined by the situations and circumstances in which these controls are effective (Fisher, 1998).

This theory is critical for understanding the link between internal control components and performance, particularly the efficiency and reliability of financial reporting systems. According to Cadez and Guilding (2008), Internal auditors specialising in internal auditing will see a significant increase in the efficacy of their operations due to the internal controls in place. The theory is significant because it describes how the top businesses may improve their internal controls for better results.

Empirical Review

This section explores the extant literature on internal control issues in private and public sectors, with public sector studies dominating across different countries, with Ghanaian studies dominating.

Jones (2008) compared mediaeval and modern Britain's internal control, accountability, and corporate governance. Using a contemporary referential framework, he looked into mediaeval internal controls at the royal exchequer in the eleventh century and other mediaeval institutions (monitoring and control procedures, risk analysis, information and communication, and control environment). He established that most of today's internal controls existed in mediaeval England. The key aspects of mediaeval internal control were stewardship and personal accountability. The new acknowledgement of increased individual accountability harkens back to mediaeval thinking.

Mawanda (2008) also investigated the relationship between internal control frameworks and financial performance in Ugandan higher education institutions. The Uganda Martyrs University Case. The "internal control" structures of Liquidity, accountability and trustworthy reporting were used to evaluate financial performance. Survey, correlation, and case study were employed as research designs. Primary data were obtained through questionnaires and conferences, while secondary data was reviewed from publicly available documents and financial information. The Statistical Package for Social Scientists was employed to examine the data. An important connection between internal control and financial success was found by the investigation. In order to enable all stakeholders to access and use authorised

information spontaneously, the researcher advocated competence profiling in internal audit, information system creation, and management.

Amudo and Inanga (2009) also conducted research in Uganda to assess the internal control mechanisms that the African Development Bank Group's regional member countries implement to manage public sector projects that the Bank sponsors. In Uganda, the bank's public sector portfolio includes 14 projects. Eleven project data were received and analysed. Because three projects were not completely operational to build appropriate internal control systems, they were removed. The study's six key components are a regulated environment, risk assessment, control activities, information and communication, monitoring, and information technology. According to the research findings, internal control systems were lacking in many projects studied. It was for this reason that the command-and-control systems were rendered inoperable.

Wee Goh (2009) looked at audit committees, boards of directors, and the remedy of major flaws in internal control in 208 companies. He evaluated the audit committee's efficacy based on its independence, financial knowledge, size, meeting frequency, board's independence, and the CEO and chair posts (CEO duality). He also looked at other factors, such as the severity, profitability, and complexity of the firm's operations, that may influence how quickly a company responds to significant faults. He discovered that the proportion of audit committee members with financial expertise is related to how quickly a company addresses significant issues. Second, companies with larger audit committees are more likely to address major flaws quickly. Thirdly, a more

independent board is less vulnerable to management's improper influence and more likely to handle serious issues.

Barra (2010) evaluated the effect of sanctions and other internal controls on employees' tendency to commit fraud, utilising an analytical method and focused on control operations and monitoring. Managerial and non-managerial personnel were polled for information. The findings revealed that controlling actions and separating roles raise the cost of fraud. In a work environment with divided responsibilities, committing fraud must outweigh the cost. Furthermore, it was discovered that while segregation of duties provides a "low-cost" fraud deterrent for non-managerial personnel, maximal fines are the "lowest-cost" fraud disincentives for managerial employees. The findings indicate that preventive controls are effective. Detective controls are necessary for control actions such as segregation of roles.

In Kenya and Oduol (2011) investigated the ethical concerns of secondary school leaders. 40 participants were interviewed over three months in the former Nyanza province using a case study research methodology. The respondents, who represented stakeholders impacted by leaders' decisions and included school administrators, "board members", "heads of sections", "school bursars", and "parents", were chosen through a purposeful sample process. The study uncovered baffling moral precepts and contradictory meanings, such as some district school auditors asking for bribes rather than offering guidance on the process of school accounting and financial management. Due to their prior involvement in embezzlement and fraud cases, certain school board members, for instance, requested special treatment in commodities tenders, which included their impartiality in ensuring effective financial management.

Using a case study of Ghana Post Organisation Limited, Ofori (2011) determined that the level of effectiveness in the company was satisfactory in his research on the efficacy of internal controls in the public sector. This conclusion was reached through purposive and convenience sampling and the distribution of questions and interviews. His findings suggest that internal controls exist in the organisation, but it is unclear how successful they are. This is a concern since the sheer existence of internal controls does not determine how far they can influence a company's financial management.

Njui (2012) wanted to know how effective internal control and audit are in improving good governance in Kenya's public sector. According to the research, internal control greatly impacts corporate governance in government departments. Risk management, compliance, and consultancy had the least influence. The data was collected via questionnaires, and the study followed a descriptive research approach. The data was analysed using SPSS tools and a multiple regression model. However, it only looks at the public sector in Kenya, whereas the current study is focused on Ghana, specifically municipal assemblies.

Olumbe (2012) performed research in Kenyan commercial banks to determine the relationship between internal controls and corporate governance. The researcher surveyed all 45 commercial banks in Kenya. Most banks have considered the many factors used to evaluate internal controls and corporate governance. This was proven by the methods employed to acquire the data, which showed that the respondents concurred that their banks had established strong corporate governance and a system of internal controls and that there is a relationship between the two.

Mangoensetono (2012) looked into how the control environment affects preventing fraud. Four Dutch companies volunteered to participate, and their information was gathered using a qualitative study design. Information was gathered through a meeting and a survey. Two questionnaires were developed: one for the administration asking about the establishment of integrity and ethical values, their method of governance, the presence of the board of directors, as well as their involvement and structure, and another for the staff asking about their opinions of management's well-reasoned actions, policies, and procedures.

According to Mangoensetono's research, ethical behaviours can reduce fraud. Further findings revealed a correlation between leadership style and creating an ethical climate and a link between the board of directors' engagement in authority and supervision and fraud prevention. A whistleblower policy only benefits when management takes disciplinary action on reported cases.

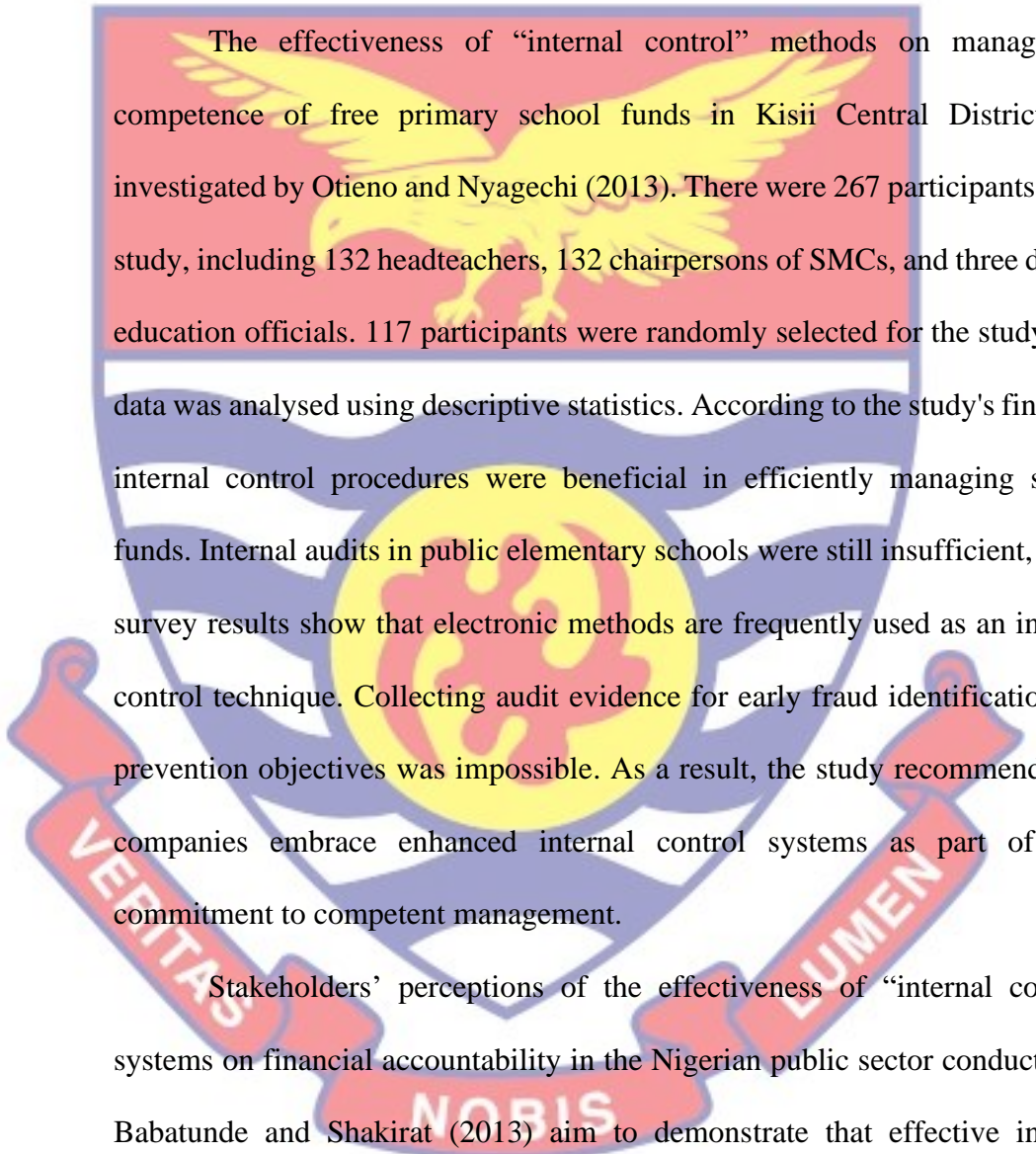
Mangoensetono disclosed that greater fraud was demonstrated to occur in organisations where management did not punish all fraudsters equally. It was established that many employees would be deterred from reporting made-up incidents if no countermeasures were implemented, particularly given that higher-level employees had committed fraud. Compared to the other organisations, greater fraud occurred at one business whose management and employees had less mutual trust and open communication. As a result, the study shows that putting the proper character at the top can considerably reduce deception.

In Gucha District Public Secondary Schools, Osiri (2012) also examined the factors contributing to financial theft and embezzlement. Purposive cross-sectional sampling was used to pick participants from five boarding schools, 37-day schools, 42 school principals, 42 department heads, 42 board of governors chairpersons, and 337 teachers for this descriptive survey. According to the findings, the financial process at most schools in the Gucha district is haphazard. Teachers were not included in the budgeting process, and their perspectives on priority areas were not solicited. The deputy principal chaired the budget committee, which included other HODs who were not active. Tendering was done by the principal and/or his/her friends; the tender committee did not vet the process. Tender panel members were simply rubber stamps. Two or more initiatives were started simultaneously because of inadequate forecasting.

The principal's project could conflict with a school project, causing certain projects to be put on hold. There was no separation of tasks in some institutions, and the typewriter or storekeeper also served as the accounts clerk. To prevent the loss of school property, most schools lacked qualified storekeepers. Under the guise of an emergency, several transactions were carried out without prior clearance. The principal was some schools' authorising officers, accounting officers, and purchasing officers.

Furthermore, the Board of Management did not meet regularly to discuss financial concerns at some public secondary schools but only when the principal requested it. As a result, the principal was in charge of practically all-cash transactions, and the BOM was only a rubber stamp. Some members of the BOM are dissatisfied with their duties, which has allowed the principals to misallocate funds. Mwachiro (2013) wanted to know how internal controls

affect revenue collection in Kenya. Approaches that are both qualitative and quantitative. Using questionnaires, primary data were collected from a sample of 38 individuals. Monitoring, information and communication, control measures, risk assessment, and financial performance are all favourably correlated.



The effectiveness of “internal control” methods on management competence of free primary school funds in Kisii Central District was investigated by Otieno and Nyagechi (2013). There were 267 participants in the study, including 132 headteachers, 132 chairpersons of SMCs, and three district education officials. 117 participants were randomly selected for the study. The data was analysed using descriptive statistics. According to the study's findings, internal control procedures were beneficial in efficiently managing school funds. Internal audits in public elementary schools were still insufficient, as the survey results show that electronic methods are frequently used as an internal control technique. Collecting audit evidence for early fraud identification and prevention objectives was impossible. As a result, the study recommends that companies embrace enhanced internal control systems as part of their commitment to competent management.

Stakeholders’ perceptions of the effectiveness of “internal control” systems on financial accountability in the Nigerian public sector conducted by Babatunde and Shakirat (2013) aim to demonstrate that effective internal control systems play a critical role in ensuring financial accountability, particularly in the Nigerian public sector. The findings show that internal control systems considerably influence respondents’ perceptions of financial

accountability and that the imposition of a penalty for moral conduct violations has an impact on internal control compliance.

Organisational desired results that are measurable development changes are organised using elements of a Monitoring and Evaluation (M&E) system like result Frameworks or log frames. The result frameworks guide the creation of the M&E plan, and both must be in sync (Otley & Van der Stede, as cited in Kimani, 2014). Data collection functions and approaches are included in an M&E plan designed to collect data on the set indications (Hancock, 2009). The M&E plan is used to methodically organise the gathering of specific data to be evaluated and identify project stakeholders' roles and duties (Hancock, 2009). It makes certain that pertinent progress and performance data is regularly gathered, processed, and analysed to enable in-the-moment, evidence-based decision-making; the various procedures and methods for monitoring (such as consistent input and output gathering of information and review, participatory monitoring, process monitoring); and assessment (including impact evaluation and thematic, surveys, and economic analysis of efficiency) (Otley & Van der Stede, as cited in Kimani, 2014).

In Turkana County, Transparency International Kenya (2014) analysed corruption issues in the education system. The major goal of the research was to identify potential sources of resource waste and provide remedies for them. 16 schools from “Turkana Central”, “Loima”, and “Turkana West” were chosen randomly. In order to gain a quick comprehension, judgements, and practises as recounted by respondents in elementary schools, qualitative approaches were used in the evaluation. In-depth interviews, focus groups, and proxies were employed to gather qualitative information. Because they are in control of

procurement rather than overseeing it, School Management Committees have a conflict of interest regarding procurement, according to the study's conclusions. Some colleges went to great lengths to safeguard their resources. Some schools, however, failed to protect valuable assets such as land. Although some schools have labelled textbooks, little has been done with other assets like furniture.

There were flaws in financial management, putting educational resources at risk of being lost. The inquiry also uncovered issues with the choice and capability of school administration committees to perform their duties. Schools' principals had to escort education officers, despite their lack of funds, when they visited schools to supervise elections. Because the enablement was provided illegally, this was determined to constitute a deception risk. Rather than relying on activity-based budgets, most schools relied on annual budgets.

Parents had made monetary and in-kind donations, frequently not fully acknowledged and accounted for. Due to a lack of capacity, the school audit did not cover all schools. This significant risk resulted in continuous financial fraud because not all criminals were identified. Consequently, an endorsement was given to ensure principals were taught basic monetary administration, particularly those who had just been promoted. To secure and ensure acknowledgement and monitoring of any money contributed, parents' awareness should be raised, and the auditing process should be strengthened to ensure that it is carried out objectively, regularly, and continuously.

Munene (2013) looked into the financial performance of Kenya's technical training institutes and the impact of internal controls. Surveys, correlations, and case study research designs were all used by the researcher. He was searching for responses from the finance officers, heads of departments,

members of the management committee, and staff members of 37 technical training institutions in Kenya. Questionnaires and a study of available papers and records were used to obtain information. The Statistical Package for Social Scientists evaluated the data, with conclusions extracted from the Package's tables and figures. Even though the internal audit department has only sometimes published studies that address system flaws, the study claims that the department is inefficient, understaffed, and does not execute regular audit operations or make frequent reports.

It was also shown that roles are clearly defined, system issues are addressed, and the institutions have a capacity-building training programme. In addition, the survey noted a lack of information exchange and inadequate security procedures to protect the assets of Kenya's Technical Training Institutions. Student fees do not cover costs, and none of the fees due to Kenya's Technical Training Institutions have been collected; it was also mentioned that there is not enough revenue to meet projected duties as and when they arise. He asserts that internal audit department proficiency profiling should be based on the tasks that Kenyan technical training institutions anticipate the internal audit department to do and the number of workers needed to complete them. It also suggests that organisations create and manage knowledge/information systems that enable all members to access and use official data freely. A strategy for increasing the generation of additional money for Kenya's Technical Training Institutions should be developed. The study concludes that internal control systems are effective, although having some weaknesses, and that there is a strong relationship between internal control systems and the financial performance of Kenyan Technical Training Institutions.

The implications of financial budgeting on the management of public secondary schools in Uriri Sub-County were investigated by Otieno (2014). They employed a survey study design. Data was gathered using questionnaires and interview guides. The project's piloting used four schools from outside the research area to ensure that the data collection equipment was reliable. Three experts from Rongo University College's Subdivision of Educational Leadership and Policy Studies verified the tools' face validity, and the supervisors' advice improved the instruments' impressions before they were used for data collection. Descriptive statistics in frequency counts and percentages were used to assess quantitative data. SPSS application was employed to analyse the data. Due to a lack of teamwork and financial skills, the findings revealed a problem with coordination among the members, resulting in incorrect and irregular budgeting. As a result, they advised that the Board of Management members participate in regular financial training and budgeting to increase budgeting quality and efficiency and address the growing economic concerns.

Widyaningsih (2015) examined how internal control structures affected basic schools' financial accountability in Bandung, Indonesia. On a total of 168 respondents, convenience selection was employed. The effect of internal control on financial liability was investigated utilising path analysis. The results show that the control environment, risk assessment, activity, information and communication, and supervision all have an impact on financial accountability.

Abdi (2015) looked at the impact of internal control activities on financial performance in Mogadishu's private banks. The demographic profiles of the respondents comprised age, gender, education, and work experience. The

primary objectives were to assess the effectiveness of internal control systems in Mogadishu private banks and to study their financial performance. The 33 target populations in Mogadishu included accountants, finance directors, chief cashiers, internal auditors, and managers of private banks. The descriptive approach was taken. It employed a questionnaire as a study tool. According to the findings, most of Mogadishu's private banks have enough cash to accomplish their goals. There was also a clear division of responsibilities. According to the conclusions of this study, Internal auditors performed their tasks quickly, efficiently, and independently.

Eniola and Akinselure (2016) evaluated the influence of internal controls on Nigerian manufacturing firms' financial performance. They utilised a descriptive survey design. It was based on a non-probabilistic sampling technique of 150 businesses. A systematic questionnaire was used to obtain the information. Data analysis was done using multiple regression on the statistical package SPSS. They discovered that internal controls had a significant negative association with organisational fraud and that effective controls help enhance financial performance. The research, on the other hand, focused on financial performance. This study, however, concentrated on the private sector in a separate jurisdiction.

Agyapon (2017) investigated the Ghana Post Company's control environment to ensure segregation of roles, proper information and communication between employees and management, and monitoring of management policies. Individuals from all of the company's departments were included in the sample size of 36. Auditing and Finance, Human Resource, Mail and Parcels, and Financial Services are the departments. The work established

had ongoing weaknesses in public sector organisations' internal control systems, making it fertile ground for fraudulent activity. It was determined that the culprits suffered no major consequences for their actions, deterring others from engaging in similar deception. The study suggests that auditors be permitted to execute their duties and that the audit manuals of public-sector organisations be reviewed regularly. These suggestions include segregation of roles, effective communication between management and staff, and monitoring to guarantee the entity can achieve its goals. According to the findings, internal controls exist at Ghana Post Company Limited, but they are ineffective, making it simpler for people to perpetrate fraud.

Internal control systems of four (4) government departments in Accra's central business area were investigated by Yao (2017). An important aspect of internal control was the Internal Audit Unit's commitment to accurate financial reporting and its position as an agent of good governance and accountability. Structured questionnaires were supplied to 100 responders from the administrative department, finance, internal audit, human resources, and other departments. The six aspects of the COSO internal control framework created in 2002 assessed the internal control system. To evaluate the research hypothesis, secondary data was taken from the Auditor General's report on public accounts and analysed using SPSS and STATA to assess the link between the dependent and independent variables. The statistical tools used were regression and correlation. According to the study, internal control systems and effective public sector financial management have substantial correlations. In order to ensure certainty and transparency, the report suggested an independent private audit of all government accounts to augment the efforts of the

government-appointed Auditor General. To ensure due diligence and recognise exceptional performance, departments and ministries must practise inter-departmental monitoring.

Using a mixed study design technique, Abdulai (2018) evaluated the efficacy of Ghana's internal control system in selected Assemblies in the Northern Region. The study enlisted 57 core employees from one District Assembly, one Municipal Assembly, and one Metropolitan Assembly. According to the report, Ghana's public sector internal control systems were discovered. In addition, the efficacy of internal control mechanisms in the three assemblies was described as mediocre. The implementation of internal controls within the Assemblies has faced challenges, including a lack of financial resources, excessive political interference in the enforcement of internal control rules, bosses who do not care about enforcing internal control rules in their respective departments or units, and employees who do not understand the importance of "internal controls". "Internal control" implementation and enforcement in the public sector should be given adequate financial resources, a comprehensive policy framework and guidelines should be developed, and regular capacity-building programmes should be organised for junior, senior, and management levels, all in order to ensure an all-inclusive internal control implementation strategy at all levels.

Ayagre (2018) looked into Ghana's three revenue agencies merging on the combined organisation's internal control system. The study's data comes from surveys provided to senior revenue agency officers who joined before the merger and were knowledgeable about the organization's internal controls before and after the unification. The replies were assessed on a five-point scale,

from strong disagreement to strong agreement. The analysis found that merging the three organisations had no substantial influence on the three internal control systems. However, the risk assessment component was severely influenced by the combination. The analysis indicated that the merger had a detrimental effect on the internal control system of the combined company. The results of this study suggest that an internal audit be brought in to monitor internal controls before, during, and after mergers and notify the proper authorities of any major faults.

Kong (2018) looks into risk management techniques in Ghanaian government agencies. We advocated for various strategies to decrease risk in public organisations using the popular COSO framework developed by the “Committee of Sponsoring Organisations” of the “Treadway Commission”. Internal control factors include a controlled atmosphere, a commitment to ethics, role separation, review, and information and communication. These are the explanatory factors used in multivariate data analysis to establish the data set’s dimensionality and potential outcomes. The exploratory inquiry used a quantitative approach to use the survey method and a structured equation model. It was found that, due to globalisation and increased operational scale, it is essentially impossible for management, with the aid of auditors and those in charge of governance, to validate all public sector policies and procedures to ensure strict compliance with internal control principles, thereby minimising risk’s negative effects.

However, alternative sustainability necessitates excellent financial reporting, compliance, adherence to ethical ideals, and consistency in pursuing strategic and operational goals based on strong corporate governance. On the

other hand, risk implications should be ingrained in the minds of public employees as part of an organisational culture that complements existing internal control tools and approaches.

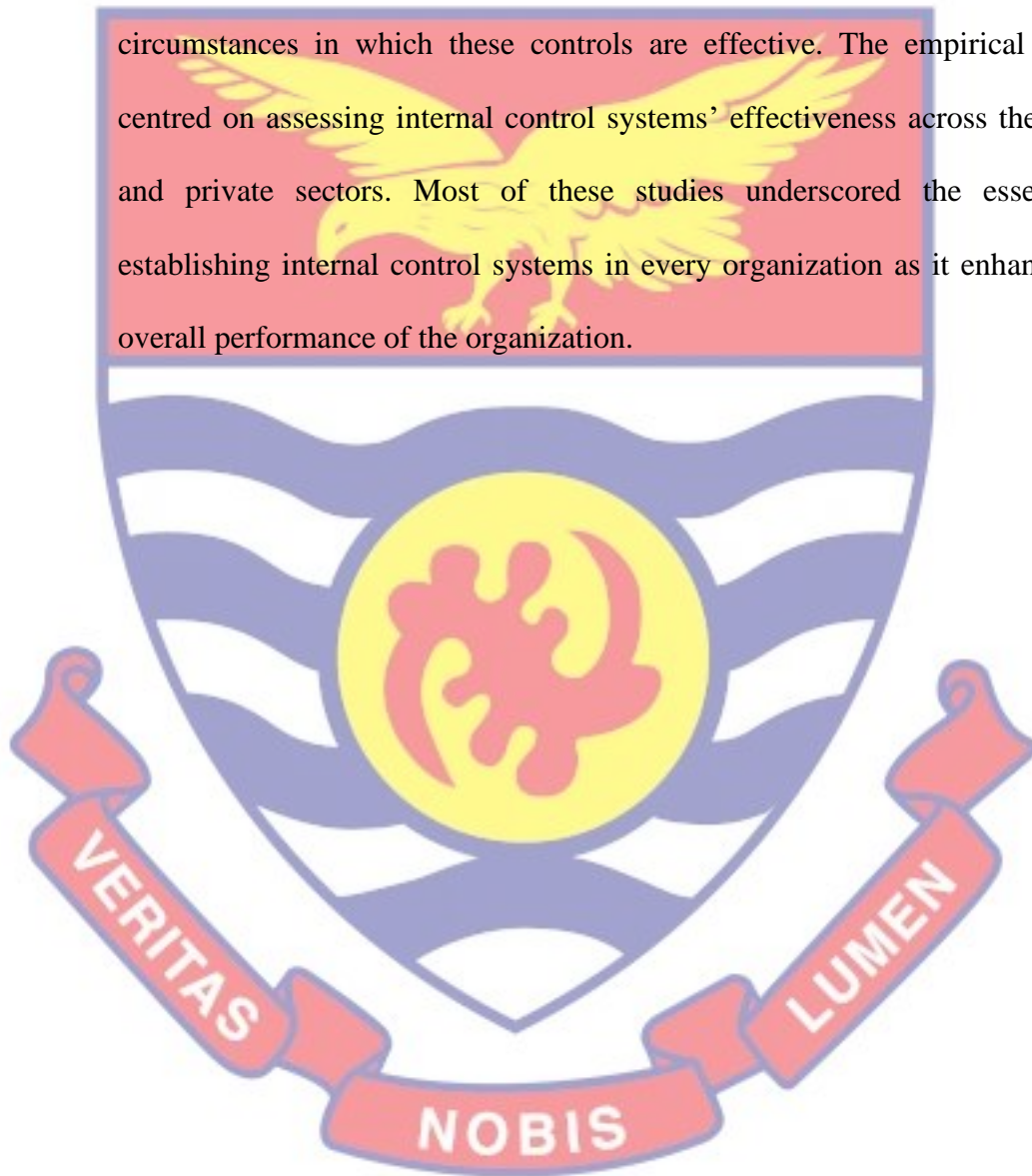
Owusu-Ansah (2019) evaluates the efficacy of the MMDA's internal control systems. To sample data, the study used convenience and purposive sampling methods. It was revealed that the Adenta Municipal Assembly has an internal control mechanism that effectively achieves the Assembly's goals. The study advised that the government engage more individuals in the unit who are members of professional organisations like the ICA Ghana, ACCA, and CIMA. This report's internal control difficulties can be alleviated thanks to their professional expertise and in-depth field study.

Lartey et al. (2022) examined the quality of internal control in Ghana's public sector. A survey was prepared and disseminated to public sector personnel and managers to examine whether ongoing controls are consistent with solid public policy. According to the research, public managers require high-quality information and communication technologies to enhance their control mechanisms. Furthermore, risk assessment and the control environment substantially impact internal controls, whereas monitoring and control activities have a minor influence. Coordination and implementation of control rules require effective internal communication.

Chapter Summary

The chapter reviewed the concept of internal control in the conceptual review section, the contingency theory in the theoretical review section, and relevant extant literature across different jurisdictions in the empirical review section. The definition of internal control, effectiveness and efficiency, design,

internal control system, and public sector were all examined when the idea of internal control was reviewed. The contingency hypothesis describes the connection between organisational performance in light of shifting conditions and the effectiveness of internal control mechanisms. In other words, the use and kind of internal control systems are determined by the situations and circumstances in which these controls are effective. The empirical review centred on assessing internal control systems' effectiveness across the public and private sectors. Most of these studies underscored the essence of establishing internal control systems in every organization as it enhances the overall performance of the organization.



CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter helps to provide the research design, research approach, population, sample size and sampling technique, data and data collection techniques, an instrument for data collection and data analysis techniques employed to achieve the research objectives.

Research Design

For Yin (2018), a research design is a template that ideally connects research questions with data collected and examined. A research design can also be defined as “procedures for collecting, analyzing, interpreting and reporting data in research studies” (Creswell, 2007, p.58). It is the general strategy for linking conceptual research issues with relevant (and doable) actual research. In other words, the study design establishes the process for gathering the necessary data, the techniques used to do so, and how all of this will help answer the research question (Grey, 2014). The three types of study designs are exploratory, descriptive, and explanatory, as stated by Robson (2002). Since each design has a different ultimate goal, his classification system is based on the goal of the area of research. Therefore, research design can be termed a sequential blueprint on how planned research is to be carried out, operationalising elements to be measured and how the results from the empirical test will be interpreted.

Explanatory and descriptive research designs were used in the study. Per McCombes (2019) published opinion; descriptive research aims to define a targeted population, condition, or phenomenon commutatively, accurately, and

chronologically. This design mainly emphasises answering questions about what, when, where, and how with no emphasis on why an identified phenomenon exists. The goal of a descriptive survey, according to Creswell (2009), is to collect information in order to test theories or provide answers to inquiries regarding the current situation of the study's subject.

A study that aims to explain and account for the descriptive data is known as an explanatory study. Explanatory studies aim to answer “why” and “how” questions, whereas descriptive studies may explore “what” questions (Grey, 2014). It expands on descriptive and exploratory research to pinpoint the true causes of a phenomenon. The explanatory study seeks out causes and motivations and offers data that can be used to confirm or deny an explanation or prediction. It is carried out to identify and document connections between various components of the phenomenon under investigation.

These designs are suitable as the study sought to describe how effective the internal controls are and explain the extent to which the management role impacts the effectiveness of internal controls.

Research Approach

The study adopts a quantitative approach to analysing the collected data. This approach is grounded on positivism philosophy. Collins (2010) argued that positivism is reliably grounded on measurable counts resulting in statistical analyses. It is well acknowledged that positivism as a research philosophy concurs with the empiricist advocate that knowledge emanates from human exploration.

According to Collins (2010), adopting a positivist approach to a study eliminates and restricts any external human interference during the study and sets the researcher as an independent entity. This signifies that to make the audience of a study understand that the researcher is independent of the population, a positivist philosophised study can ascertain and analyse answered questionnaires from participants he has no relationship with, business, or any form of dealing formal or informal. Under such circumstances, the author is only mandated and interested in the first-hand information from the respondents for accurate judgement and conclusions. In conjunction with the above exposition, it was adjudged that the deductive approach to data analysis and conclusion is the general rule of the positivism philosophy (Crowther & Lancaster, 2015).

This study is premised on the positivist philosophy since the researcher will objectively use questionnaires to gather information from Ablekuma North Municipal Assembly staff to make meaningful conclusions and inferences without giving room for external or internal human manipulation. Further, the research employed the positivist approach since statistical tools were employed to analyse the collected data to achieve the research objectives.

Population

Sekaran and Bougie (2016) adjudicate that population for a study implies the total number of audiences or elements within a research case study jurisdiction where the researcher prefers to generalise based on sample statistics. Mugenda and Mugenda (2003) opined that a population is an entire group of individuals, events, or elements who possess an interesting characteristic; however, to another proponent, a study's interested population is the number of

respondents in the entire environment of interest to the researcher (Kothari, 2004). Therefore, this study's population refers to all Ablekuma North Municipal Assembly staff. For this study, the population comprise all the administrative staff of the Assembly, including staff from the budget department, finance department, audit department and administration, totalling

33.

Study Area

The Ablekuma North Municipal Assembly was created by legislative instrument 2308 in March 2018. Previously it was part of the Accra Metropolitan Assembly as one of the 8 Sub metros. The Ablekuma North Municipal Assembly (AbNMA) was carved out of the Accra Metropolitan Assembly (AMA) as one of the 38 newly created District Assemblies in 2018 by a Legislative Instrument (L.I.) 2308, 2018. The Assembly was inaugurated on March 15, 2018. The Municipal capital is Kwashieman, but the office is located at Darkuman Kokompe, a highly urbanized mixed community with residential and commercial functions. The capital has proximity to Accra, the national capital and has a functional relationship with other key urban centres. Accra is connected to it by two major highways, which also have national and international significance. The Municipality is an urban environment dominated by a built environment and human ecology with minimal natural ecology. The municipality is highly urbanized. The municipality comprises fourteen (14) Electoral Areas: Odorkor, Darkuman West, Darkuman East, Awoshie, Otaten, Kwashieman, Sakaman, Nyamekye, Amoanaa, Been-To, Kwashiebu, Tsuimami, Akweibu and Tweneboa. It has contiguous settlements with no boundaries between localities as an urban municipality. This makes it difficult

to ordinarily delineate the main communities making up the Municipality. However, the main communities that make up the municipality include; Odorkor, Darkuman, Awoshie, Otaten, Sakaman and Kwashieman.

Sampling Procedures

The individual elements selected from the entire population to represent the population for data collection are referred to as the samples (Babbie, 2010). According to Flick (2013), a sample is drawn from a larger population. Sample refers to any group or a sub-group of the total population. As per the account of Flick (2013), representative respondents selected from a research population from which data would be collected for analysis have termed the sample. A sampling technique is a strategy for selecting a sample for a study. There are two basic categories of sampling procedures: probabilistic and non-probabilistic. The sampling procedure may affect the population's composition and features, the study's goals, and other factors.

According to Barreiro and Albandoz (2001), stratified sampling is a sampling technique that chooses a population sample based on the size of the subpopulations to have the population be uniformly represented by proportional elements from each stratus. Therefore, it is concluded that stratified sampling is a technique that selects samples by initially sequestrating the entire population into separate categories, technically termed strata, and selecting elements based on the weight of each stratus in the population.

Therefore, this study employed a stratified random sampling technique to draw participants for data collection. The stratified sampling technique was chosen premised on the nature of the population. The sample size of this study was 30 respondents. This number is based on Taro Yamane's sampling size

determination formula $(\frac{N}{1+N(\epsilon)^2})$. This sample was collected using stratified random sampling, considering the four departments in question represented by the Ablekuma North Municipal Assembly. The sample's distribution is indicated in the table below:

Table 1: Distribution Schedule of Sample

Department	Number of Respondents Selected
Budget Department	9
Finance Department	7
Audit Department	8
Administration	6

Source: Field Survey (2022)

Data Collection Instruments

The researcher collected primary data using a structured, closed-ended 5-point Likert scale questionnaire. The questionnaire was developed using the internal control framework developed by COSO, 1992. The questionnaire was split into three sections (Sections A, B & C). Section A bothers on the demographic data of the respondents. Section B focuses on assessing the effectiveness of internal control systems based on the five components of the internal control framework by COSO (1992), such as “control environment”, “control activities”, “risk assessment”, “information and communication”, and “monitoring of activities”. Finally, section C seeks to assess the role of management in enhancing the effectiveness of internal control.

Instrument reliability

From the enlightenment invoked by Yin (2018), instrument reliability is the tool's ability to produce consistent and repeated findings of a study. Instrument reliability was ensured using a test-retest procedure; thus, collecting the main data was preceded by the test's piloting to ensure that the instruments

used yielded consistent and reliable results. Ten administrative employees tested the instrument at the Effutu Municipal Assembly to ensure its reliability. Piloting the instrument was conducted at Effutu Municipal Assembly since it has characteristics of the administrative staff at the Ablekuma North Municipal Assembly. The purpose of the piloting was explained to the heads of the department and the staff themselves. After explaining the purpose of the piloting to them, the researcher will distribute the draft copies of the questionnaire to them. Cronbach's Alpha was also calculated to evaluate the reliability of the questionnaires. The reason for adopting these tests is to ascertain the instrument's internal consistency (Cortina, 1993).

Instrument validity

Instrument validity involves structuring a study's questions to measure exactly what the questionnaire intends to measure (Kumar, 2014). This study employed face and content validity to assess the instrument's validity.

Face validity

Face validity refers to specialists and/or potential participants evaluating an instrument's look. It determines the instrument's readability, clarity, and ease of use. Per Ary et al. (2010), the face validity shows that the underlying tool is very convincing upon visual checks and can help elicit the required information. This validity dimension holds that the questionnaire is up to the expected extent to which an instrument for measuring such construct should have.

Content validity

Biddix (2017) defines content validity as the suitability of a data collection instrument's content. This means that content validity examines whether the questions accurately measure the information a researcher seeks. It

entails selecting representative questions from each unit's sections and comparing them to the anticipated outcomes. Based on the literature review, the questionnaire items were created. The items were designed to gather as many comments as possible to meet the study questions and hypotheses. The supervisors in charge also evaluated the substance of the instruments.

Validity and Reliability

The study took steps to guarantee an accurate definition of measuring items, expert scale review, and scale pre-testing to assure the instrument's content validity. These adhere to the McDaniel and Gates guidelines (1996). Validity and reliability are important factors to consider while assessing a certain instrument. Cronbach's Alpha value gauges an instrument's degree of dependability (Saunders & Lewis, 2012). In order to verify the instrument's dependability, Cronbach's alpha coefficient for variables is produced, as suggested by Pallant (2016).

Additionally, according to Pallant (ibid), credible scales have a Cronbach's alpha coefficient of 0.70 or above. However, studies such as Boohene, Agyapong and Asomaning (2012) support a coefficient of 0.5. The reliability of the instrument was evaluated using the pre-test results. Table 2 displays the outcome.

Table 2: Reliability test using Cronbach’s Alpha

Category	No. of Items	Cronbachs’ Alpha
Control Environment	8	0.764
Risk Assessment	7	0.745
Information and Communication	8	0.734
Control Activities	35	0.804
Monitoring	7	0.794

Source: Field Survey (2022)

Data Collection Procedures

According to Oliver (2010), as ethically as applicable, an official communicate must be sent to the head of institutions within which participants work to obtain official authority before seeking the concern of the participants themselves to engage in a study by responding to questions contained in a questionnaire. Based on the above advocacy, an introductory letter was obtained from the Head of Department of Accounting of the University of Cape Coast to initiate the data collection process. The letter was then sent to the Municipal Chief Executive (MCE) to enable the researcher to get the needed assistance and cooperation from the staff. In each case, the purpose of the study was explained to the respondents, assuring them of anonymity and confidentiality and encouraging them to respond freely and as honestly as possible. The respondents were given enough time to respond to the questions, after which they were asked to submit the instruments.

The researcher undertook the data collection exercise, which lasted for a month, starting from January 10, 2022, to February 10, 2022. Many challenges characterised this period as the respondents were reluctant to respond to the

questionnaires, causing the researcher to spend a lot of money placing numerous phone calls and frequenting the offices.

Data Processing and Analysis

Data on the demographic and internal controls were collected, collated and edited using Microsoft Excel. After that, the Statistical Package for Social Sciences (SPSS Version 20) was used to compile and analyse the data. Data validation procedures and double-check work were undertaken to minimise errors in data entry.

The distribution of the respondents' years of experience and level of education over a category of staff was carried out using a cross-tabulation table.

The same analysis was done on the distribution of the respondents' gender over the departments in the Ablekuma North Municipal Assembly. Also, objective 1 of the study sought to assess internal control systems' effectiveness using frequency distribution tables. This analysis was done since the researcher was primarily interested in describing the effectiveness of internal control systems in the assembly. Again, objective two, centring on the effect of management role on the effectiveness of internal control systems, was achieved using Ordinary Least Square (OLS) Regression analysis.

Ethical Considerations

Considering the ethics issue, the study questions were preceded by an ethical statement that includes protecting personal data and the confidential treatment of various responses. Again, each participant remains anonymous as names, emails, and other contact details will not be recorded. The researcher adhered to all international acceptable ethical procedures and practices, including specific procedures such as laid down ethical procedures to guide

thesis writing at the University of Cape Coast. They include avoiding plagiarism and divulging recorded sensitive information regarding questionnaire responses. The researcher spoke with each eligible participant one-on-one, extended an invitation to join, and described the study's objectives (Ngaya, 2016).

By following Oliver's (2010) guidelines, participants were made aware that their involvement is entirely voluntary and that they are free to withdraw at any time, with or without notice, and their work will not be harmed. Again, respondents will be reassured that their answers were handled with the strictest confidentiality and that their identities were kept secret. Before gathering data from them, written informed consent was taken from all respondents (Al-Ghabeesh & Qattom, 2019). The researcher declares that no participants would be subjected to duress to respond to any questionnaire they feel insecure about answering. The study would ensure that the two cardinal issues regarding ethical research, thus, beneficence and non-maleficence, would be considered throughout the study. Again, all the five ethical research principles advocated by (Smith, 2003) were featured. Ensuring these acceptable research principles serve ethical and practical principles, as failure to incorporate this may lead to the study being criticised.

Chapter Summary

The descriptive study design and quantitative research methodology based on the positivist research paradigm were covered in this chapter. This chapter elicited primary data from the Ablekuma North Municipal Assembly staff on issues bothering internal controls using closed-ended questionnaires. The validity of the questionnaire was assessed using both face validity and

content validity, whereas the reliability was tested using the test and retest approach and Cronbach's Alpha. A stratified random sampling technique was used to draw 30 administrative staff across four departments, namely budget, finance, audit and administration, from the Ablekuma North Municipal Assembly. The study thoroughly encompassed the five ethical principles—

minimizing the risk of harm, gaining informed permission, guaranteeing anonymity and safeguarding confidentiality, avoiding dishonest practises, and demonstrating the right to withdraw—under the heading of ethics (Smith, 2003).



CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study aimed to assess the effectiveness of internal control systems in the Ablekuma-North Municipal Assembly. In achieving this purpose, structured and closed-ended questionnaires were administered to a sample of 30 administrative staff drawn from the Ablekuma North Municipal Assembly using stratified random sampling. Descriptive and explanatory research designs, as well as a quantitative research approach, were employed in achieving the purpose of the study. The reliability of data collected was assessed using Cronbach Alpha, whereas the validity of the data was assessed using content and face validity tests. Both descriptive and inferential statistics were employed to analyse the data.

Demographic Information

Demographic information of the respondents was measured descriptively with frequency and percentage because these statistical tools are appropriate given the nature of the variables measured. The findings are shown in Table 3.

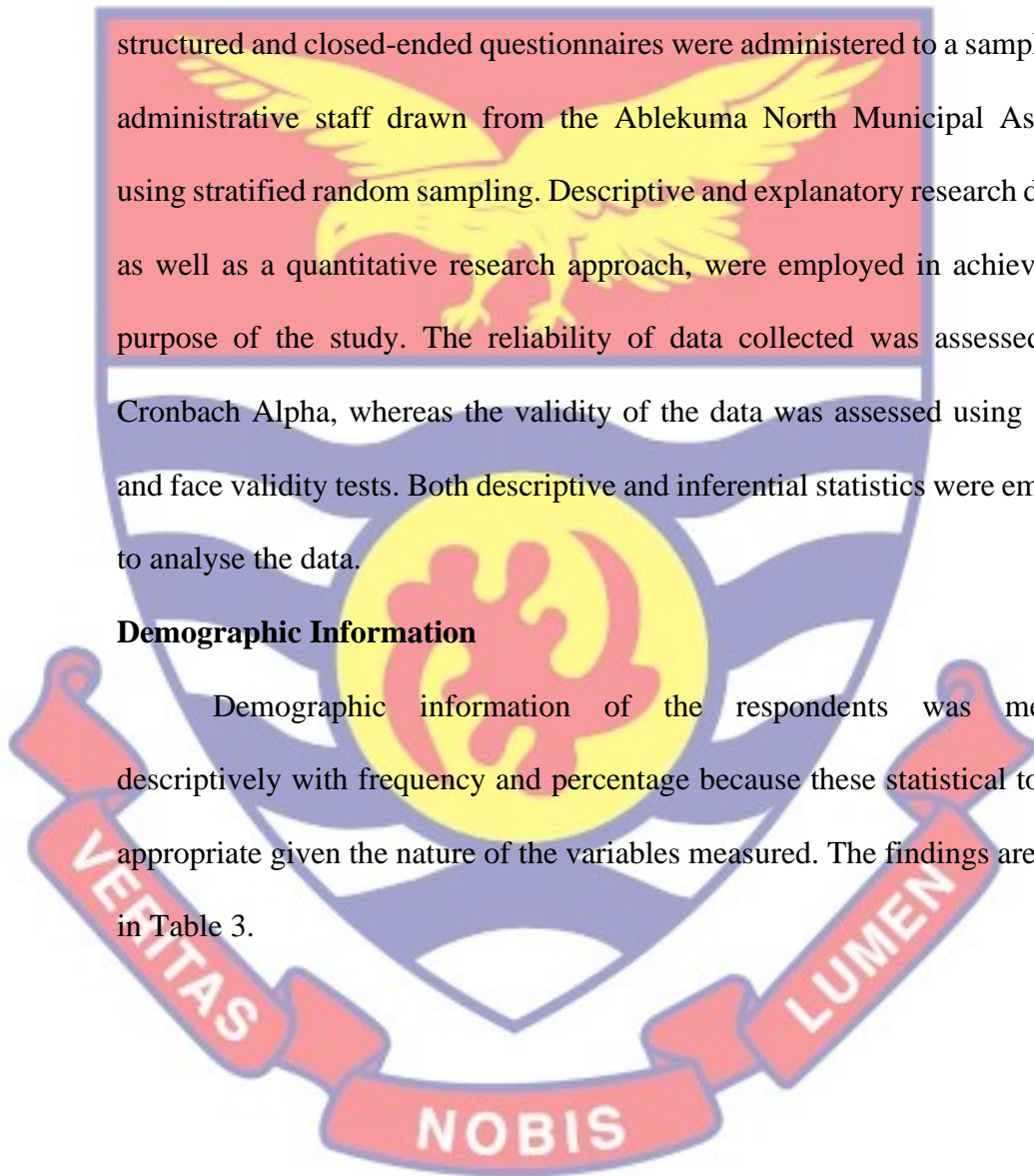


Table 3: Demographic characteristics of Respondents

Variable	Options	Frequency	Percentage
Sex	Male	15	50.0%
	Female	15	50.0%
Level of Education	HND	7	23.3%
	First Degree	14	46.7%
	Second Degree	9	30.0%
Years of experience	Below 1 year	12	40.0%
	1-5 years	13	43.3%
	6-10 years	3	10.0%
	11-15years	1	3.3%
	16-20years	1	3.3%
Total		30	100.0%

Source: Field survey (2022)

It can be observed from Table 3 that out of the 30 respondents drawn, both males and females had an equal representation of 15. It can be noted that the finance department saw the highest representation of males, whereas the budget department and administration saw the lowest representation of males. Per the sexual distribution of this study, it can be inferred that the workforce structure within the municipality is fairly-distributed. This connotes the idea that, generally, a fair deal of distribution over the period. Also, Administration and Budget departments saw a higher female representation.

The educational qualification shows that all the workers have had formal education experience, with most respondents having a degree as their current highest educational certification (46.7%). 30.0% of the respondents had their second-degree certification. It also indicated that most junior staff respondents were HND holders, while most senior staff categories were first-degree holders.

However, most of the occupants of the senior member category were second-degree holders.

Moreso, Table 3 also indicated that out of the 30 respondents drawn, 12 were drawn from the 'below 1-year' category, among which 3 were drawn from the junior staff category, 5 from the senior staff category, and 4 from the senior member category. Also, out of 13 respondents sampled from the '1-5 years' category, 3 were drawn from the junior staff category, 5 from the senior staff category and 5 from the senior member category. Those staff with working experience above 10 years find themselves in either senior staff or senior member category.

The Findings of the Main Study Objectives

Based on the two main research goals of this study, results and analysis are presented in this part. The analysis of the research goals using descriptive statistics. According to the study's stated objectives, the results and analysis are in chronological order.

Research question one: Internal Control Systems of Public Institutions in Ablekuma-North Municipality

The first research question sought to assess the effectiveness of internal controls in the Ablekuma North Municipal Assembly. Respondents in this study were given the choice of eight statements that each represented an aspect of the effectiveness of internal controls. The Likert scale of 1–5 was used to measure the variable in this study. 1= “Strongly Disagree”, 2 =“Disagree”, 3 =“Neutral”, 4 =“Agree”, and 5 “Strongly Agree”. This was to show the extent to which these systems existed in the municipality. Table 4 indicates the result.

Table 4: Effectiveness of Control Environment

	SD	D	N	A	SA
All the activities in the assembly are guided by the core value of integrity	6	8	3	4	9
Ethical Values are Inculcated in all Employees in the Assembly	10	17	2	1	3
All employees in my organization are competent in carrying out their duties	3	4	4	19	3
Skilled staff help in administering the internal controls in my organization	1	3	1	9	16
The top-level management readily avail resources for strengthening internal controls in my organization	0	0	0	23	7
Every penny of the money received has been counted. Receipts accompany payment vouchers.	1	4	0	18	7
Every penny of the money received has been counted. Receipts accompany payment vouchers.	1	0	0	6	23
It is not possible to make any payments without valid proof of identification (s)	1	2	2	14	11

Source: Field survey (2022)

As far as integrity is concerned, the control environment of the Ablekuma-North Municipal Assembly has been shaky, as out of the 30 responses, 14 responses were found to have disagreed with this position. At the same time, only 13 responded in the affirmative, as 3 were unsure about the organisation's position. The assembly is struggling with ethical requirements as

most of the responses were geared towards the disagreement end of the scale as 27 out of the 30 responses disagree with the claim that ethical values are inculcated in all employees. Regarding the competence of the staff in carrying out their duties, most of the respondents responded in the affirmative, as 23 of them agreed with this claim. This indicates that the assembly has more qualified and capable staff in performing the various duties in the establishment. This is shown in table 4.

Also, internal controls are administered by highly skilled staff, culminating in better internal controls in the municipal assembly. This is evident in table 4 as most of the responses agreed that skilled staff help administer internal controls. The study also revealed that management at the assembly ensures enough resources to enhance the implementation of internal controls as they concern themselves with regular staff training in the internal control section of the organisation. The responses in table 4 also indicated that all cash received is duly accounted for. This is certainly a function of effective internal control systems. Most respondents believed that no payments are made without supporting papers such as receipts, notes, and payment vouchers, in line with previous reports.

Table 5: Effectiveness of Risk Assessment

	SD	D	N	A	SA
There is a properly functioning internal audit department in my organization with a considerable size, qualification, experience, objectivity, a duty of care and independence	1	3	0	11	15
There is a fully functioning risk management department in my organization	4	0	1	10	15
The risk management department works closely with the audit department	0	0	0	13	17
All inherent risks are carefully identified in my organization	2	1	1	18	8
The identified risks are carefully evaluated by competent staff	0	1	0	25	4
The responses to the evaluated risks are timely	0	0	0	19	11
There is a clear stated risk tolerance level in my organization	1	1	0	21	7

Source: Field survey (2022)

Internal control depends on an efficient internal audit to function, as they must ensure that the checks and balances are in place. Due to this, the assembly has a properly functioning internal audit department with a considerable size, qualifications, long years of experience, high level of objectivity, due care and independence according to the ICAG professional code of ethics. The study also indicated that the assembly has a fully functioning risk management department that ensures that various risks such as management risk, financial risk, and others are identified and mitigated as much as possible.

Out of the 30 responses collected, 13 and 17 agreed and strongly agreed that the risk management department works together with the audit department.

This move is critical as synergy between these essential departments will result in effective internal controls as both put the organisation on its toes to ensure value for money. Undoubtedly, 86.7 percent of the respondents agreed that risks that come with the assembly are identified and dealt with so as not to impact the assembly's performance as far as mobilization and utilization of revenue are

concerned. As risks are identified, competent staff can evaluate the risk regarding its impact on the assembly's performance, as 96.6 percent of the responses were on the same wavelength with this claim. As competent as the staff are, they can offer quick feedback on the risk evaluation for onward action towards mitigating or avoiding those risks, as confirmed by all the respondents in table 5.

Every organisation must set standards against which to measure its performance. In the same vein, in a quest to ensure effective risk management, there is the need to set risk tolerance levels against which the various levels of risk will be measured. This will help ensure that red flags are easily identified and dealt with accordingly. This practice is true with Ablekuma-North Municipal Assembly, as about 93.3% of the participants agreed that there is a clear stated risk tolerance level in the establishment.

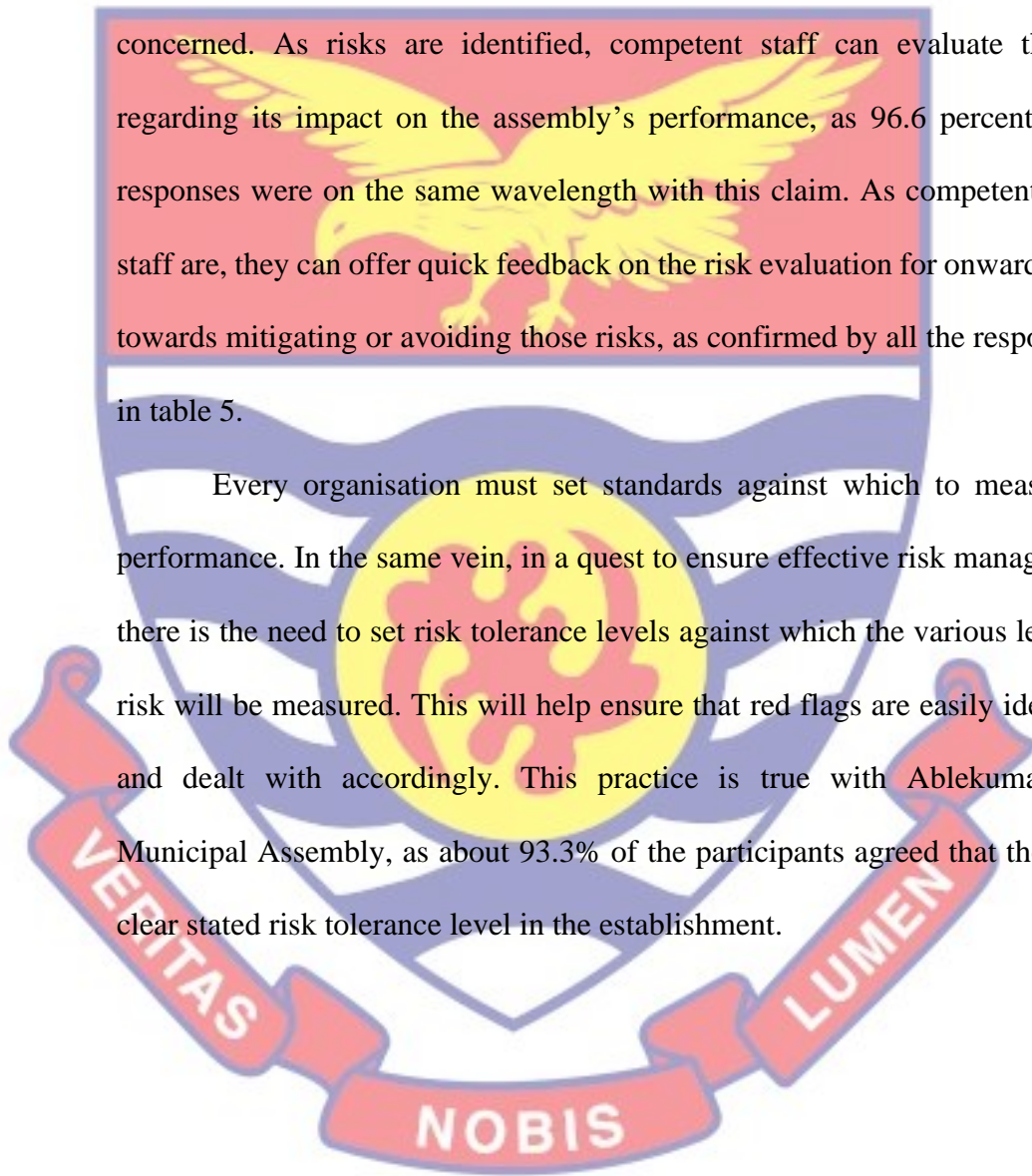


Table 6: Effectiveness of Information and Communication

	SD	D	N	A	SA
There is a timely flow of information within all sections of my organization	2	1	0	19	8
All pertinent financial information is captured by financial systems in my organization	0	1	0	25	4
Regular feedback is provided to employees by management in all the sections of my organization	1	1	0	20	8
The systems capture both financial and non-financial information in my organization	1	1	0	19	9
The channels of communication in my organization are appropriate	1	1	0	18	10
Staff are encouraged to report suspected misuse of financial resources	1	1	0	20	8
Management informs the personnel when new internal control rules or procedures are implemented.	2	2	0	18	8
Any change in personnel permitted to conduct bank transactions is promptly communicated to the organization's bankers.	0	1	5	9	15

Source: Field survey (2022)

Without effective communication, we are stranded. In the same vein, there is a need for effective communication within the organisation for internal controls to be effective. The staff confirmed a smooth flow of information within all establishment sections. This phenomenon could help enhance authority-responsibility relationships and a proper chain of command. As a result of adopting and implementing the Ghana Integrated Financial Management Information System (GIFMIS), all relevant financial information

is duly captured to aid informed decision-making at the assembly level. This practice works in this establishment, as about 96.6 percent agreed. Out of the 30 respondents, 1 representing 3.3% strongly disagreed, and 1 representing 3.3% disagreed. However, 28 respondents, representing 93.4 percent of the sampled staff, agreed that there is regular feedback from management in all establishment sectors.

The result also indicated that the system captured financial and non-financial information; as revealed in table 6 above, 93.3 percent of the respondents accepted this claim. As indicated earlier, table 6 also confirmed that communication channels in the organisation are appropriate, as 93.3 percent of the responses indicated so. As measures to strengthen internal control, most respondents agreed that staff is encouraged to report suspected misuse of financial resources. This could enhance checks and balances in the establishment. Results also indicate that about 86.7% of the respondents agreed that management communicates new internal control policies or procedures to staff members. This could be helpful to the organisation as the workers can abide by these controls to achieve the needed result.

One of the critical issues to enhance internal controls is the issue of authorization for a bank transaction, as this could be a loophole for infractions if not handled well. According to Table 6, roughly 80% of respondents agree that any change in staff licenced to execute bank transactions is swiftly communicated to the assembly's bankers.

Table 7: Ensuring Segregation of Duties

	SD	D	N	A	SA
Roles in this organisation are separated.	0	0	0	15	15
Some of the employees' work is to check on that of others	2	4	2	10	12
Implementing the accounting and financial management system is training for the staff.	0	0	0	14	16
Without the permission of senior employees, it is difficult for one employee to gain access to all important information.	1	1	1	14	3
There is full compliance with the required charts of accounts	0	0	0	14	16
Controls are in place to prevent spending more money than has been authorised.	1	2	0	11	16
The organization has clear administration for handling financial management	1	0	1	11	17
There is a proper department for allocating duties in the company	0	2	2	13	13
The department heads strictly monitor the staff's operations.	1	0	0	24	5
The internal auditor approves all payments before being approved by the director.	2	0	0	22	6
One person only signs the department's account.	1	0	0	20	9
There is a proper authorization for every transaction	1	2	0	21	6

Source: Field survey (2022)

Every entity needs to engage in a proper organisation in that roles are clearly defined, and staff is assigned based on specialization and experience. This practice reduces power concentration; everybody knows the roles to play once this exists. Most respondents accepted a clear division of roles in the organisation, as seen in Table 7. As checks and balances are essential tools for ensuring effective management in any organisation, Ablekuma-North Municipal Assembly is no exception as they ensure that some of the employees' work is to check on that of others. This is confirmed in Table 7, as 73.3% of the participants agreed. Because the accounting and financial management system need highly technical competence, all of the respondents in the sample agreed that workers must be taught to apply it.

Because of the efficacy of the establishment's internal controls, without the permission of senior employees or a boss, one employee cannot have access to all valuable information, as confirmed in table 7, as about 90 percent of the respondents agreed to this claim. As a covered entity, the assembly fully complies with the required charts of accounts as there was a unanimous agreement from the respondents to this assertion, as shown in Table 7 above. The assembly is also in the best position to enact strict measures to guarantee that controls are in place to prevent spending in excess of the budgeted amount. There is proper budget implementation management in the assembly, as about 90 percent of the participants agreed with this claim. About 93.4 percent of the respondents agreed that the assembly has a clear administration for handling financial management as there is competent staff to perform such a duty.

The organisation is a key function in management as it defines the establishment's various roles and assigns them to a competent workforce to

enhance specialisation and higher productivity. This practice is well-taken cognizance of by Ablekum-North Municipal Assembly as there is a proper department for allocating duties to staff. As supervision is a critical tool in ensuring that workers are up and doing with their assigned roles, enhancing quality and productivity, every organisation must have this practice in place to achieve the needed results. As a result, the Ablekuma-North Municipal Assembly guarantees that staff operations are closely monitored by their department leaders.

To achieve effective financial management, it is necessary to ensure that transactions are authorised by other officers different from the one undertaking the transaction, as it will bring objectivity. Being on the wavelength of this assumption, after the internal auditor has approved all payments, the director in the assembly authorises them. About 96 percent of the participants for control purposes agreed that the organization's account has only one signatory. This will make the officer responsible for this more responsible and accountable. According to the respondents, this signatory is the Principal Spending Officer (PSO). As noted earlier, table 7 again confirms a proper authorisation for every transaction. This is validated by 90 percent of the sampled respondents. These findings concomitate with Abdi (2015), who discovered a clear separation of duties in the private banks in Mogadishu, as elaborated in the literature review.

Table 8: Safeguard of Assets

	SD	D	N	A	SA
The organization has an asset plan	1	3	2	11	13
The organization’s assets are effectively managed	0	2	2	12	14
There is proper monitoring of the assets	2	0	0	17	11
The organization keeps proper records of the assets	0	0	0	14	16
The organization has its logo embossed on all assets	0	0	0	15	15
There is the right personnel who safeguard the company’s assets	0	1	1	16	12
There is proper care for the assets in the organisation	1	1	0	11	17
There is adequate control of the physical assets of the organisation	0	1	0	12	17
The access to the assets is with proper authorisation	0	2	0	14	14
Procedures are in place to ensure that asset additions, disposals, and transfers are accountable.	0	2	1	18	9

Source: Field survey (2022)

A proper asset plan is in place in the Ablekuma-North Municipal Assembly, as confirmed by 80 percent of the sampled respondents. The assembly’s assets are effectively managed, as confirmed by 86.7 percent of the sampled respondents. This, of course, will help safeguard the property of the

state. There are officers assigned to monitor the assets in the organisation, as confirmed by 93.4 percent of the sampled respondents. The assembly has an asset register that helps keep proper records of the assets available, which helps keep track of the quantity of assets in the assembly as confirmed by all the responses collected. The assembly's assets are embossed with its logo to easily identify the available assets, as confirmed by all the responses in table 8.

There is also competent and honest personnel who ensure the safeguard and integrity of the organisation's assets, as confirmed by 77.7 percent of the respondents. There are additional safeguards in place to protect the assets' integrity, confirmed by 93.4 percent of the responses collected. The assembly has proper control measures to protect the organization's physical assets as it will help save resources for the state. Table 8 confirmed this position. The assembly officers are authorised by authorising officers before access is granted to the assets, as confirmed by 93.4 of the responses collected agreed with this position as contained in table 8. To safeguard the assets of the assembly, there is the need to ensure that addition, disposals, and transfers of the accounts are duly accounted for to ascertain the exact quantity of the assets. This is why Ablekuma-North Municipality has proper procedures to ensure that these objectives are achieved as validated by 90 percent of the responses.

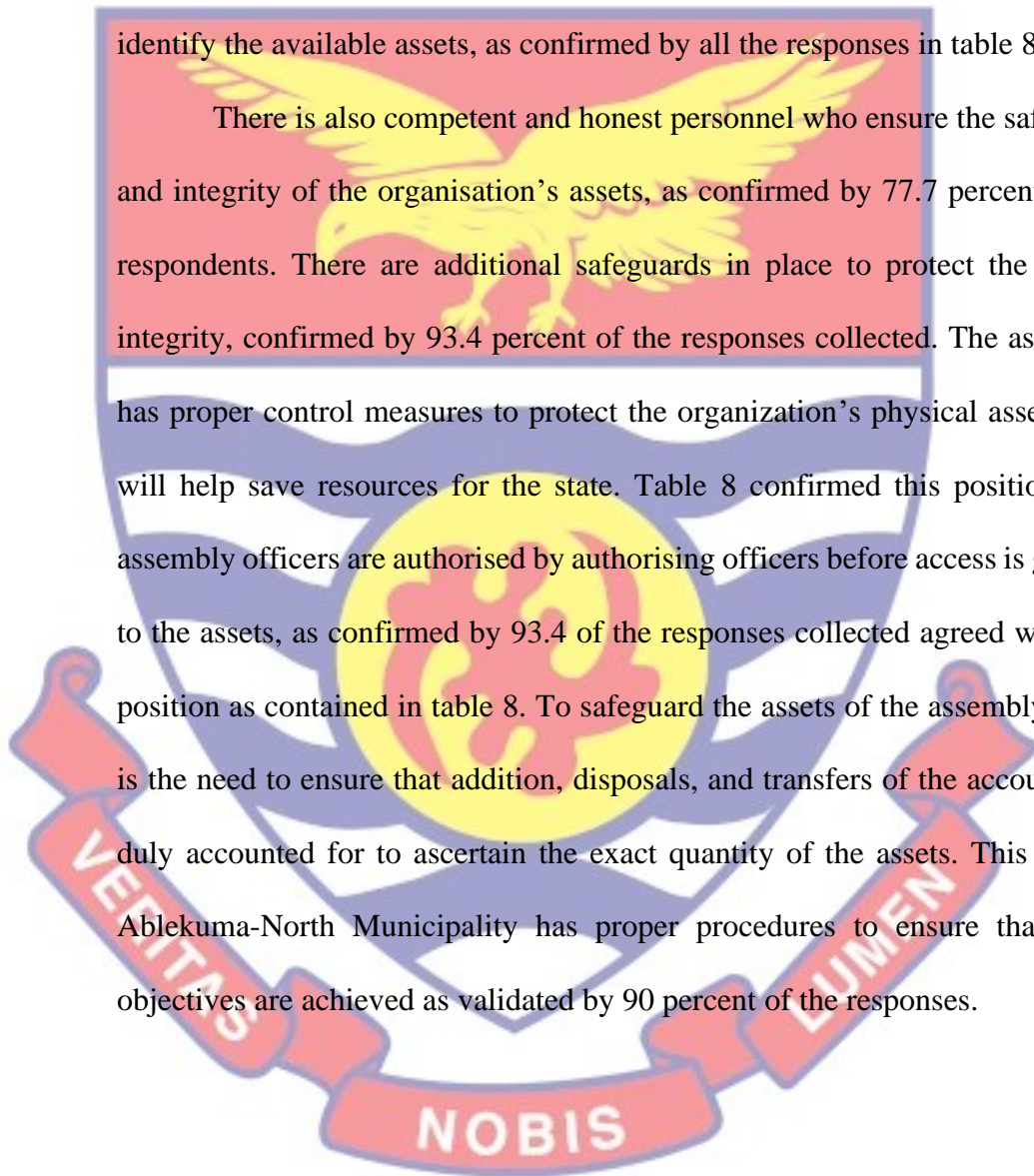


Table 9: Budgeting

	SD	D	N	A	SA
The budgeting policies and procedures are in place	0	2	0	11	17
The budgeting process and procedures are formulated	2	1	0	17	10
The finances of the organization are spent in accordance with the budget framework	1	0	0	12	17
The organization executes the budget in line with planned activities	1	0	0	19	10
There is proper monitoring of the budget execution	1	3	0	15	11
The organization has a budget committee for proper budgeting	0	0	0	10	20
There is an audit department for evaluating the worth of budget	0	2	0	9	19
Proper budgeting has led to proper financial accountability of funds	1	2	0	15	12
The management exercise transparency in executing the budgets	0	1	0	20	9
The budget is executed without a budget deficit	1	1	0	15	13

Source: Field survey (2022)

A budget is a critical tool for implementing a strategic plan for the assembly and ensuring accountability in the public sector. The assembly has proper budgeting policies and procedures, as confirmed by 93.4 of the responses collected. Due to competent and highly experienced personnel, better budgeting processes and procedures are formulated. This is validated in table 9, as 90 percent of the responses were gathered. A great deal of supremacy is given to the budget of the assembly as all expenditures are made within the tenets of the budget, as confirmed by 96.7 percent of the responses gathered. As established earlier, the assembly executes the budget in line with planned activities, as 96.6 percent of the responses claimed.

Monitoring budget implementation is critical to a successful budget implementation as it will keep officers on track regarding expenditure decisions. This is confirmed in Table 9 as 86.7 percent of responses agreed that there are proper measures to monitor the budget. There is a fully functioning budget committee that superintends the preparation of a budget. They engage in research and other activities to ensure that relevant line items are duly justified and cognisance of the assembly's economic conditions and critical needs. All the responses agreed that the budget committee exists in the assembly, as shown in Table 9. The audit department of every organisation puts measures in place to put spending officers on guard. In line with this, 93.3 percent of the respondents confirmed an audit department for evaluating the budget's worth.

As part of the study, respondents were assessed on their knowledge of the essence of proper budgeting. They agreed that proper budgeting has led to proper financial accountability of funds. This is evident in table 9, as 90 of the responses agreed. All management activities executing the budgeting are

transparent to the public for accountability. About 97 percent of the responses agreed with this claim, as in table 9. As a result of the proper measures from the formulation and execution of the budget, 93.3 percent of the respondents agreed that the assembly’s budget is executed without deficit, as shown in Table 9.

Table 10: Effectiveness of Monitoring

	SD	D	N	A	SA
Periodically, the internal audit staff tests the controls to see if they are operating flawlessly.	1	3	2	11	13
Some of the employee’s work is to check on that of others	0	2	2	12	14
The management undertakes corrective action to address weaknesses	2	0	0	17	11
The effectiveness of internal control systems is monitored regularly	0	0	0	14	16
Monitoring of the internal control systems is done by competent staff	0	0	0	15	15
Monitoring of internal control safeguards the security of the system	0	1	1	16	12
Reports for improvement are generated at the end of the monitoring process	1	1	0	11	17

Source: Field survey (2022)

Monitoring has preeminence over evaluation as monitoring entails observing and measuring the process against the set standards and signalling if variances exist in performance. Similarly, the assembly guarantees that the internal audit department regularly tests the controls to ensure they function properly. The assembly has assigned monitoring to certain categories of officers to check other officers’ activities. The responses confirmed this, as about 68 percent agreed with this assertion. As done in any well-coordinated and goal-

oriented organisation, the assembly's management undertakes corrective action to address weaknesses in the internal controls. This is confirmed by 86.6 percent of the responses gathered in Table 10 above.

As evidenced by 86.7 percent of the responses in Table 10, the assembly guarantees that the efficiency of internal control mechanisms is constantly checked. Also, as established earlier, competent staff in the assembly monitors the internal control systems, as confirmed by 90 percent of the responses collected. As part of the study, respondents were tested on their knowledge of the essence of monitoring internal control, and they agreed that monitoring of internal controls safeguards the security of the system. This is validated by 90 percent of the responses collected in Table 10 above. Also, 96.6 percent of the respondents agreed that reports for improvement are generated at the end of the monitoring process, as in Table 10 above.

Research objective two: Internal Control Systems of Public Institutions in Ablekuma-North Municipality

The second research goal was to determine how the Ablekuma North Municipal Assembly's management position affected the efficiency of internal controls. Respondents in this study were allowed to choose from five statements that illustrated various management-related tasks. Using a Likert scale of 1 to 5, with 1 denoting "Strongly Disagree," 2 denoting "Disagree," 3 denoting "Neutral," 4 denoting "Agree," and 5 denoting "Strongly Agree," this study evaluated the independent variable management role. This was done to demonstrate how prevalent managerial roles were in the municipality. The outcomes underwent transformation and regression against internal control mechanisms. A Pearson's correlation was conducted

in accordance with the research’s goal to assess the statistical significance of the strength of a linear relationship between the role of management and internal control systems. Table 11 indicates the result.

Table 11: Management Role

	SD	D	N	A	SA
Management can make payments without supporting documents	14	10	0	6	0
The internal audit unit certifies all management demands.	0	5	0	16	9
Sometimes, management will utilise their positions to complete tasks according to the established norms.	2	18	4	5	1
The organisation forbids management from violating controls.	6	3	0	16	5
Management sometimes uses the organization resources for their interests	6	17	0	7	0

Source: Field survey (2022)

Since there are proper internal controls put in place by management, management is also resolved in ensuring proper implementation of the same. Therefore, this is affirmed by most respondents, as in table 11, that management does not make payments without supporting documents. It was also confirmed by 83.3 percent of the respondents, as contained in table 11, that the internal audit unit certifies all management demands. There was also a high level of disagreement among 66.7 percent of the respondents, as in table 11, stating that management uses their positions to get work performed according to established

procedures. As shown in Table 11, 70 percent of respondents acknowledged that the institution prevents management from overriding controls. According to Table 11, 76.7 percent of the participants dispute that management occasionally utilises the organization’s resources for personal gain.

The Pearson correlation coefficient was run to establish the relationship

between the role of management and internal control systems at the municipality. The table below gives the results.

Table 12: Correlation between a management role and internal control systems

Management Role	Pearson	1	.580**
	Correlation		
	Sig. (2-tailed)		.000
	N	30	30
Internal Controls Systems	Pearson	.580**	1
	Correlation		
	Sig. (2-tailed)	.000	
	N	30	30

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

Source: Field survey (2022)

Table 12 reveals the R-Correlation Coefficient’s value (Pearson Correlation Co-efficient). The table’s value of Pearson correlations, shown in the table, reveals that the correlation coefficient is 0.644, demonstrating that management role and internal control systems have a positive correlation. R stands for the Pearson Correlation Coefficient. Internal control systems and management roles are significantly correlated, as shown by the

R-value of 0.580. Cohen (1992) suggests using the following guidelines to gauge the magnitude of the correlation coefficient: “ $r=.10$ to $.29$ or $r=-.10$ to $-.29$ small, $r=.30$ to $.49$ or $r=-.30$ to $-.49$ medium, and $r=.50$ to 1.0 or $r=-.50$ to -1.0 big”.

Table 13: Model Summary of management role influence on internal control systems

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.580	.350	.475	.405

a. Predictors: (Constant), management role

b. Dependent Variable: internal control systems

Source: Field survey (2022)

Table 13 shows $R = 0.580$, which indicates that the management role and control environment are highly correlated. It again shows an R-square of 0.350 , which implies that 35 percent of the changes in the effectiveness of the control environment variable of internal control can be accounted for by changes in a management role. The model is, therefore, fit for predicting the dependent variable. It has also been revealed from table 13 above that the management role has a statistically significant and positive effect on the effectiveness of the control environment. A unit change in the management role could lead to a 54 percent change in the effectiveness of the control environment, as the table shows $B=0.54$ with a p-value of 0.0200 , which is less than 5%.

The model can therefore be represented as follows:

$$CE = 3.46 + 0.54MR, \quad \text{where } CE = \text{Control Environment and } MR = \text{Management Role}$$

As shown in table 13, the model is fit for predicting the dependent variable since about 41 percent of changes that will occur in the monitoring

indicator of internal control can be accounted for by the management role. Management role is critical as far as the effect of monitoring is concerned as it has a significant and positive ($B=0.655$, $P\text{-value}=0.001$) effect on monitoring. This model can be summarized in the regression equation below;

$$MON = 3.726 + 0.655MR, \quad \text{where } MON = \text{Monitoring, } MR = \text{Management Role.}$$

Again, there is a high correlation between Management Role and Control Activities ($R=0.567$). Also, about 32 percent ($R\text{-square}=0.322$) of the changes in the effectiveness of control activities can be explained by changes in Management Role.

Management role is critical as far as the effectiveness of control activities indicator of internal control is concerned as it has a significant and positive ($B=0.601$, $P\text{-value}=0.000$) effect on monitoring. This model can be summarized in the regression equation below;

$$CA = 2.787 + 0.601MR, \quad \text{where } CE = \text{Control Environment, } MR = \text{Management Role.}$$

Again, there is a high correlation between Management Role and Control Activities ($R=0.753$). Also, about 57 percent ($R\text{-square}=0.567$) of the changes in the effectiveness of control activities can be explained by changes in Management Roles. It has also been revealed from table 13 above that the management role has a statistically significant and positive effect on the

effectiveness of the control environment. A unit change in the management role could lead to a 54 percent change in the effectiveness of Information and Communication, as the table shows $B=0.538$ with a p-value of 0.0216, less than 5%. The model can therefore be represented as follows:

$IC = 3.46 + 0.54MR$, where IC= Information and Communication, MR =Management Role

As shown in table 13, the model is fit for predicting the dependent variable since about 47 percent of changes in the effectiveness of the Information and Communication indicator of internal control can be accounted for by the management role. It has also been revealed from table 13 above that the management role has a statistically significant and positive effect on the effectiveness of Risk Assessment. A unit change in the management role could lead to a 54 percent change in the effectiveness of Information and Communication, as the table shows $B=0.538$ with a p-value of 0.039, which is less than 5%. The model can therefore be represented as follows:

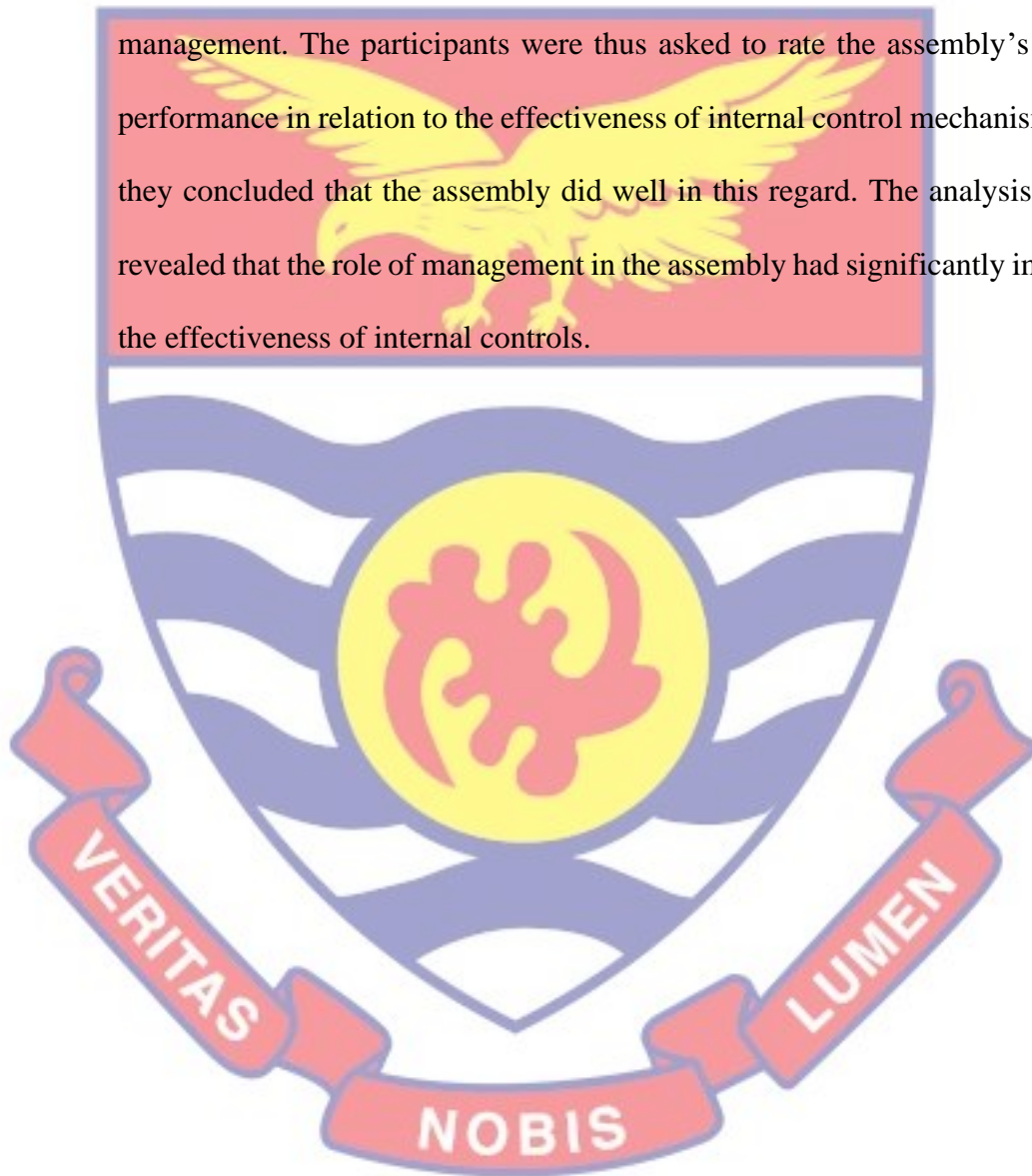
$RA = 3.46 + 0.54MR$, where RA= Risk Assessment, MR =Management Role

Chapter Summary

This chapter was dedicated to analysing and discussing the study's findings on assessing the effectiveness of internal control systems in the Ablekuma-North Municipal Assembly. The study preliminarily assessed the demographics of the responses. It is imperative to conduct a complete analysis of the effectiveness of internal controls using various analytical techniques, taking into account the control environment, "control activities", "risk assessment", "information and communication", and "monitoring". The

analysis further assessed role management's effect on internal controls' effectiveness.

The results indicated a good outlook of the Ablekuma-North Municipal Assembly regarding the effectiveness of the internal control systems. The result also revealed that the assembly prohibits irresponsible behaviour from management. The participants were thus asked to rate the assembly's overall performance in relation to the effectiveness of internal control mechanisms, and they concluded that the assembly did well in this regard. The analysis further revealed that the role of management in the assembly had significantly impacted the effectiveness of internal controls.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

Introduction

The overarching aim of this study was to explore the effectiveness of internal control systems in the Ablekuma-North Municipal Assembly and make recommendations for areas where weaknesses exist. The specific objectives to achieve this aim were to (1) assess the effectiveness of internal controls in the Ablekuma-North Municipal Assembly and (2) determine the effect of the role of management on the effectiveness of internal controls. This study sought to answer the following questions: (1) What is the effectiveness of the internal controls in the Ablekuma-North Municipal Assembly? (2) What is the effect of the management role on the effectiveness of internal controls in the Ablekuma-North Municipal Assembly?

A sample of 30 staff was drawn from across four (4) departments such as budget, finance, audit and administration. Again, this sample was stratified into junior staff, senior staff and senior members from varying educational levels such as HND, first degree and second degree. Those staff holding first-degree form a greater portion of the sample as HND holders were the least represented. The primary data was gathered using a closed-ended and structured questionnaire. Descriptive and Explanatory research designs and quantitative approaches were employed in answering the research questions. Descriptive statistics, including frequency distribution and cross-tabulations, were used to achieve objective 1, whereas Ordinary Least Square (OLS) Regression analysis was conducted to achieve objective 2.

Summary of Key Findings

Except for a few ethical issues, the results suggested that internal control systems, as far as the control environment is concerned, have been effective. Most respondents disagreed that ethical values are inculcated in all employees in the assembly. Additionally, the outcome indicated that challenges with risk assessment, knowledge, and communication, control activities bothering on effective separation of duties, safeguard of assets and budgeting, as well as monitoring of internal controls have all been adjudged effective as most of the respondents were in firm agreement with the various indicators of these perspectives. In addition, management has also demonstrated good fate as they help superintend the internal controls in the municipality. The results further indicated that the role of management has been essential in effectively implementing good internal control as the regression analysis showed that it has a significant effect on the effectiveness of internal controls.

Conclusions

Based on the findings, it was concluded that Ablekuma-North Municipal Assembly has been very effective in the establishment and proper implementation of internal control systems as all the five components of internal controls such as “control environment”, “risk assessment”, “information and communication”, “control activities”, and “culture of monitoring” have been said to be sound.

Their asset management, the culture of separation of duties, and budgeting as far as control activities are concerned have been superb as they put in stringent measures to ensure this achievement.

It can also be said that the role of management or superiors in ensuring the effectiveness of internal controls is very critical as they have the power and authority to effect changes in the systems as far as the administration is concerned. This was evident as participants were asked to assess the extent to which management overrides internal controls in the municipal assembly. They

believed that management does not use its position to override the controls but rather helps champion and strengthen the internal controls in the municipality.

Recommendations

Two suggestions have been made in light of the observations and conclusions reached in the sections before: recommendations for action and recommendations for further research, as presented below.

Recommendation for action

It is recommended that Ablekuma-North Municipal Assembly's management conscientize its staff to show that ethical values are inculcated in all employees. Other municipal assemblies in Ghana should also endeavour to emulate the Ablekuma-North Municipal Assembly by ensuring that their internal controls are effective as it will yield so many results as far as public accountability on effectiveness, efficiency, and economy are concerned. It is also recommended for private and public organisations to make certain that management employees are active participants in the internal control system's implementation.

Suggestions for Further Research

It is recommended that further studies delve more into internal controls, focusing on assessing the effectiveness of internal controls on public

accountability as far as value for money is concerned, touching on effectiveness, efficiency, and economy.

Further studies should also endeavour to assess the moderating role of management on the effectiveness of internal controls on public accountability using inferential design, as this will give a more scientific view on the subject.

More research is needed to determine the impact of management's religious orientation on the effectiveness of internal controls in government organisations. Further research should examine this topic by examining how human factors influence the efficiency of internal controls in organisations.



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APPENDICES

APPENDIX

QUESTIONNAIRE FOR STAFF AT ABLEKUMA NORTH

MUNICIPAL ASSEMBLY

This questionnaire is purposely designed to obtain information on the topic “Assessing the effectiveness of internal control systems in public institutions - A case study of Ablekuma-North Municipal Assembly”. This dissertation is part of the requirement for the award of **Master of 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 OF 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? (a) Budget [] (b) Finance []
(c) Audit (d) Administration [] (e) Information [] (f) NCCE [] (g) MIS []
(h) Social Welfare [] (i) Environmental Health [] (j) NADMO [] (k) Works [] (l) Human Resource [] (m) Records
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 ABLEKUMA NORTH

MUNICIPAL ASSEMBLY

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

The scale is 1 to 5 where 1=strongly Disagree; 2=Disagree; 3=Neutral;

4=Agree,5 =Strongly Agree

S/N	CONTROL ENVIRONMENT	1	2	3	4	5
6	All the activities in the assembly are guided by the core value of integrity					
7	Ethical values are inculcated in all employees in the assembly					
8	All employees in my organisation are competent in carrying out their duties					
9	Skilled staff help in administering the internal controls in my organisation					
10	The top-level management readily avail resources for strengthening internal controls in my organisation					
11	All cash received are accounted for					
12	Payment vouchers are supported with receipts					
13	No payments are made without supporting document(s)					

S/N	RISK ASSESSMENT	1	2	3	4	5
14	There is a properly functioning internal audit department in my organisation with a considerable size, qualification, experience, objectivity, a duty of care, and independence					
15	There is a fully functioning risk management department in my organisation					
16	The risk management department works closely with the audit department					
17	All inherent risks are carefully identified in my organisation					
18	The identified risks are carefully evaluated by competent staff					
19	The responses to the evaluated risks are timely					
20	There is a clear stated risk tolerance level in my organisation					



S/N	INFORMATION AND COMMUNICATION	1	2	3	4	5
21	There is timely flow of information within all sections of my organisation					
22	All pertinent financial information is captured by financial systems in my organisation					
23	Regular feedback is provided to employees by management in all the sections in my organisation					
24	Both financial and non-financial information are captured by the systems in my organisation					
25	The channels of communication in my organisation are appropriate					
26	Staff are encouraged to report suspected misuse of financial resources					
27	Management communicates to staff members of new internal control policies or procedures introduced					
28	The organisation bankers are quickly notified of any change of staff that is authorized to perform bank transactions					

CONTROL ACTIVITIES¹

S/N	ENSURING SEGREGATION OF DUTIES	1	2	3	4	5
29	There is clear separation of roles in this Company.					
30	Some of the employee's work is to check on that of others.					
31	The management undertakes corrective action to address weaknesses					
32	Staff are trained to implement the accounting and financial management system					

The control activities comprise ensuring segregation of duties, safeguarding of assets, and budgeting

33	It is impossible for one staff to have access to all valuable information without the consent of senior staff.					
34	There is a fully compliance with the required Charts of Accounts					
35	There are controls in place to exclude incurring expenditure in excess of the allocated funds					
36	The Company has clear administration for handling financial management					
37	There is a proper department for allocating duties in the Company					
38	Staff activities are strictly supervised by their Heads of Department					
39	The director authorizes all payments after approval by the internal auditor					
40	There is only one signatory to the department's account					
41	There is proper authorization for every transaction					

SAFEGUARD OF ASSETS

42	The company has an asset plan					
43	The company assets are effectively managed					
44	There is proper monitoring of the assets					
45	The company keeps proper records of the assets					
46	All assets of the company have the organization's logo.					

47	There is the right personnel who safeguard the company's assets					
48	There is proper care for the assets in the Company					
49	There is adequate control of the physical assets of the company					
50	The access to the assets is with proper authorization					
51	There is an adequate measure of the asset base in the company					
52	Procedures are in place to guarantee that asset increases, sales, and transfers are recorded.					

	BUDGETING					
53	The budgeting policies and procedures are in place					
54	The budgeting process and procedures are clearly formulated					
55	The budgeting process and procedures are followed					
56	The finances of the organisation are spent in accordance with the budget framework					
57	The organisation executes the budget in line with planned activities					
58	There is proper monitoring of the budget execution					
59	The organisation has a budget committee for proper budgeting					

60	There is an audit department for evaluating the worth of budget					
61	Proper budgeting has led to proper financial accountability of funds					
62	The management exercise transparency in executing the budgets					
63	The budget is executed without budget deficits					

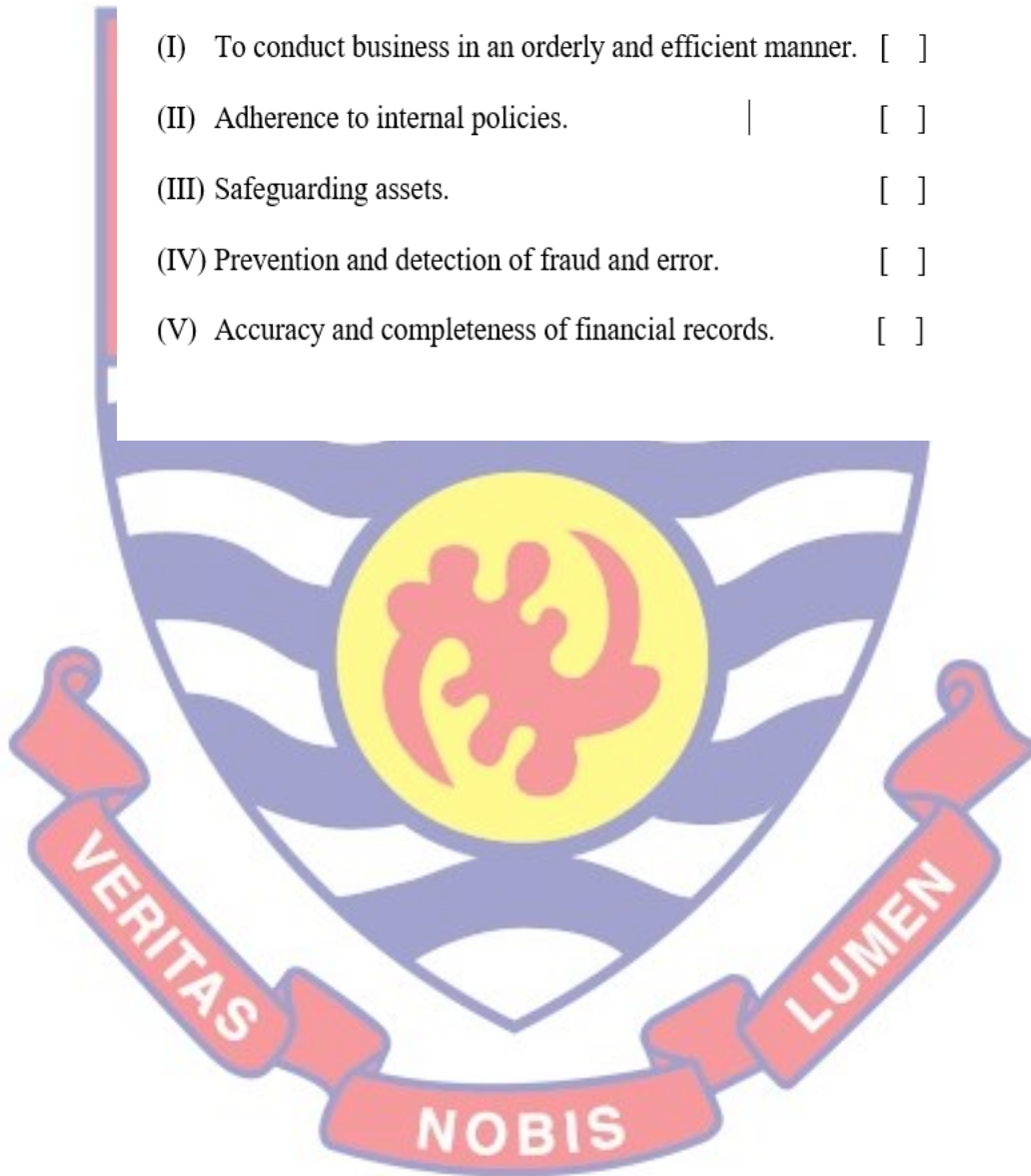
S/N	MONITORING	1	2	3	4	5
64	Periodically, the internal audit staff tests the controls to see if they are operating flawlessly.					
65	Some of the employee's work is to check on that of others.					
66	The management undertakes corrective action to address weaknesses					
67	The effectiveness of internal control systems is monitored regularly					
68	Monitoring of the internal control systems is done by competent staff					
69	Monitoring of internal control safeguards the security of the system					
70	Reports for improvement are generated at the end of the monitoring process					

71 How do you assess the control systems at the organisation?

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

72 The control systems at the organisation 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. []



SECTION C

MANAGEMENT OVERRIDING INTERNAL CONTROLS

S/N	STATEMENT	1	2	3	4	5
73	Management can make payments without supporting documents.					
74	All management requests are certified by the internal audit unit.					
75	Management sometimes use their positions to get work done without following the laid down rules					
76	The institution prohibits the overriding of controls by management.					
77	Management sometimes uses the organisation resources for their personal interests					
78	Management sometimes use their positions to get work done without following the laid down rules.					
79	The institution prohibits the overriding of controls by management.					

THANK YOU

NOBIS