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KUMASI- INSTITUTE OF DISTANCE LEARNING

TOPIC

ASSESSMENT OF INTERNAL CONTROL SYSTEM AT GHANA WATER COMPANY LIMITED

KOFORIDUA BRANCH.

KNUST

By

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CERTIFICATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

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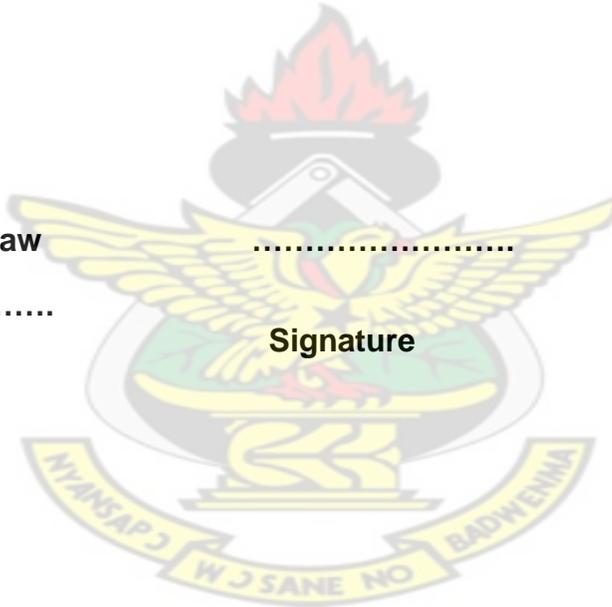
DEDICATION

This work is dedicated to the second batch of students of the common wealth

executive masters in Business administration CEMBA at KNUST.

ABSTRACT

This study exploits the internal control system at GWCL Koforidua branch. The study specifically look at the Types of internal control systems adopted at GWCL, internal control comprising five interrelated components that are necessary for the objectives to be achieved are Control environment, risk assessment, control activities, information and communication, monitoring and perception of staff on the performance of internal control system were also assessed in addition to examining the strategy of promoting the internal control systems. This study was carried with the purpose of promoting internal control systems at GWCL with the aim of helping the company to boost its overall performance. The control systems adopted at the company are Preventive, Detective or Corrective controls but the main dominant type of control employed in the GWCL is the preventive method. Majority of the respondents perceived the internal control system to be poor and the main strategy most workers prefer management to adopt to promote better internal control system is the provision of inputs and infrastructures for the audit section. A major conclusion drawn was that the internal control system was poor because management has not empowered the audit section to assert itself in order to discharge its core mandate as expected. It is being concluded that in order for the audit section to discharge its main mandate of internal control system, it should be resourced and the capacity of the staff enhanced through training.

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CHAPTER ONE

INTRODUCTION

1.1 Background study

This chapter presents the background of research, problem statement, justification, research objectives and questions, scope of study, and organization chapter. It defines the significance of having assessed the control mechanism in GWCL and thus the need for every employee to team up in achieving the purpose of its institution.

Internal control systems in every public sector are to serve a purpose largely to contribute and enhance the Company's ability to meet its objectives and reducing the potential liability from misappropriation, misbehaving and other irregularities.

According to County (2006), internal control is a product of management's governance, that is, its philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization. Oreilly et al (1998), describes internal control as comprising five interrelated components that are necessary for the objectives to be achieved, they are; Control environment, risk assessment, control activities, information and communication, monitoring.

Everyone experiences internal control in their daily business activities as well as in their personal lives. Yet it is a subject that is very often misunderstood, ignored or undervalued. Internal control helps bring order, direction and consistency to our lives and our companies/ organizations.

So, how can a subject of such importance be so unappreciated? This work is intended to explain to GWCL's employees how internal control plays an important part in their daily work activities.

Managers should be able not only to account for funds spent on operation, but also to demonstrate the value of the operations and its accomplishments. An effective system of internal control can give managers the means to provide accountability for their operations, as well as the means to obtain reasonable assurance that the operations they direct meet established goals and objectives. While managers have a significant impact on an organization's system of internal control, every employee of the organization has a responsibility and a role in ensuring that the system is effective in achieving the company's objectives.

The study aims at assessing the staff's perception on performance of internal control systems and evaluation of system controls at GWCL and the types of control systems the staff wish management to adopts so that people would not deliberately defect the system control or override a control activity because of time constraints, or two or more employees can act together in collusion to circumvent control and "beat the system." To avoid these kinds of situations, the company should continually monitor employee's activity and emphasize the value of internal control (Ficher 2005).

1.2 Statement of problem

Every well meaning organization have a policy on internal control systems and this internal control system is very vital in ensuring that standards are met. GWCL Koforidua branch

has established its internal control section within the accounting department to ensure that strict accounting standard and principles are met.

The main problem with the internal control system in GWCL is the poor performance of the internal controls staff. In most of the time the staffs are seen working but the needed inputs to work effectively have not been provided to them. For instance the internal control staffs have not been provided with their own office where they can effectively undertake periodic inspections of all the day books of the accounts.

The internal controls personnel and the accounts personnel are kept in one office making the work of internal control difficult since they do not have their privacy to do their investigative work. The personnel in charge of internal controls are not given the chance to upgrade themselves through workshop and training and study leave are also not granted. These factors have demoralized the internal controls staffs and as such are not able to perform as expected.

This study is aimed at exploring why management have not provided the needed inputs and the skills needed for the effective internal control system even though the audit section and its function have been accepted as part of organogram of the institution. It is hoping that when answers to these questions are found can help improve the internal control system in the company.

1.3 Objectives of the study

The objectives of the study are:

➢ To examine the types of internal control system used by GWCL.

➢ To determine staff perception on the performance of the internal audit section on internal control systems.

➢ To examine the strategies staffs preferred management to adopt in promoting internal control systems.

1.4 Research Questions

The study aims at finding answers to the following questions:

➢ What are the types of internal control systems in GWCL?

➢ What perception do the staffs hold on the performance of the audit section on internal control system?

➢ What strategies do staffs prefer management to adopt in promoting internal control systems?

1.5 Significance of study

The study would be of benefit to Executives of the company, Stake holders, Government, Academic scholars, other utility Companies, Opinion leaders, pressure groups and the general public. This study is considered foremost a contribution to the evolution and growth of knowledge to the above listed groups. It will enlighten other utility service providers to be creative and innovative, develop new ideas that will grow and sustain the financial position of the company.

The study will equips students with much problem solving techniques and managerial skills to organize, coordinate, direct and control business activities expected on internal control systems.

1.6   Scope

This study is limited to operation of the internal control systems within the audit section of the GWCL. The study is also focuses on GWCL Koforidua branch alone.

1.7 Limitation of study

The main problem faced in the study was the fear of the audit staff to divulge information on internal operation in the organization. The staffs were afraid to talk about problems militating against their effectiveness in the unit even though the researcher had assured them management approval of such a study. Another problem encounter was lack of current literature on internal control system in the study area.

In adequate finding was another problem the researcher was confronted with due to these challenges, the intention of undertaking a comparative service with two utility services on internal control systems could not materialized and as such limited the study to only GWCL.

1.8 Organization Chapter

This study is divided into five main chapters. Chapter one covers the introduction of the study which comprises background of the study, problem statement, objectives of the study, research questions, justification. The chapter two concentrates on review of literature relevant to the study. The research study area and methodology are addressed in chapter three and the results and discussion of the study are highlighted in chapter four. Finally, summary, conclusion and recommendations are outlined in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The work would be reviewing definitions, types of internal control systems, performance assessment, and importance of controls, strategies and the components of internal control systems.

2.1 What is internal control system?

It is the function of interpreting and acting upon instructions or performing required operations when certain specific conditions occur. An effective system of internal control can give managers the means to provide accountability for their programs, as well as the means to obtain reasonable assurance that the programs they direct meet established goals and objectives. Internal controls are much more than a set of procedures we put in place to safeguard assets. Rather, they are the cumulative sum of all the things we do as public servants to identify, monitor and manage risk in our organizations (Colbert 1996). This comprehensive view of risk management is critical to ensuring that Ghanaian citizens receive the level of public integrity, accountability and ethical behavior that they expect and deserve.

2.2   Definitions of internal control system

Internal control system is being defined by Auditing Practices Committee of United Kingdom (APC) as the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the asset and secure as far as possible the complete accuracy of the records.

Okai (1998) also defines internal control system as encompassing all the methods, procedures and arrangement adopted within an organization to ensure as far as practicable the safeguarding of assets, the completeness, accuracy and reliability of the accounting records, and the promotion of operational efficiency and adherence to management policies.

Statement on Auditing Standards (SAS) defines internal control as a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Reliability of financial reporting,- effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Standards for Internal Control in New York State Government by DiNapoli (2007), defined internal control as the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.

This definition establishes that internal control:

Affects every aspect of an organization, all of its people, processes and infrastructure, is a basic element that permeates an organization, not a feature that is added on, incorporates the qualities of good management, is dependent upon people and will succeed or fail

depending on the attention people give to it, is effective when all of the people and the surrounding environment work together, provides a level of comfort regarding the likelihood of achieving organizational objectives; and helps an organization achieve.

2.3   Types of Internal controls

According to County et al (2006) internal controls are also detective, corrective or preventive in nature. Other two dimensions of the internal controls are: Administrative and Accounting controls.

2.3.1 Detective controls

Detective controls are designed to search for and identify errors after they have occurred. They are more expensive than preventive controls, but still essential since they measure the effectiveness of preventive controls and is the only way to effectively control certain types of errors (Jago 2005). Account reviews and reconciliations, observations of payroll distribution, periodic physical inventory counts, passwords, transaction edits and internal auditors are all examples of detective controls.

2.3.2 Corrective controls

Corrective controls are designed to prevent the recurrence of errors. They begin when improper outcomes occur and are detected and keep the "spotlight" on the problem until management can solve the problem or correct the defect. Quality circle teams and budget variance reports are examples of corrective controls.

2.3.3 Preventive controls

Preventive controls are designed to discourage or pre-empt errors or irregularities from occurring. They are more cost-effective than detective controls. Credit checks, job descriptions, required authorization signatures, data entry checks and physical control over assets to prevent their improper use are all examples of preventive controls.

Jago (2005), expressed her opinion that auditors evaluate the effectiveness of an operation's internal controls by first gathering information about how a unit operates, identifying points at which errors or inefficiencies are possible, and identifying system controls designed to prevent or detect such occurrences. Then, they test the application and performance of those controls to assess how well they work.

2.3.6 Administrative control

Administrative control, which include but are not limited to the plan of organization and records that are concerned with the decision processes leading to the Management's authorization of transactions.

2.3.7 Accounting controls

According to Norman et al (2009), Accounting controls comprise the plan of organization , procedures and records that are concerned with safeguarding of assets and the reliability of financial records designed to provide reasonable assurance that the transactions are recorded and executed in accordance with the general and /or specific authorization of the management, recording of transactions to ensure the preparation of financial statements in

conformity with the generally accepted accounting principles and any other criteria applicable to such statements, proper maintenance of assets, Management's authorization of access to assets and accountability for the physical verification of assets.

2.4   Importance of Internal Control System

In the opinion of Boasiako (2009) internal control is extremely important that an organization should have an efficient internal control system. While the overall purpose of internal control is to help an organization achieve its mission, internal control also helps an organization to:

Promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization's mission. Safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud. Promote adherence to laws, regulations, contracts and management directives. Develop and maintain reliable financial and management data, and accurately present that data in timely reports.

The internal control system helps to mitigate the risks that threaten the institution and provides reasonable assurance that it will achieve its objectives in a legal, transparent, economic, efficient and effective way. The Director of the Company should ensure the internal controls to be implemented on the basis of appropriate risk analysis, taking into consideration the specifics of the relevant institution.

The implementation of internal controls is a responsibility of each employee in that institution in accordance with the established working processes and operations, as well as with the job description for each position.

In order to be efficient, the internal controls need to satisfy three basic criteria:

Appropriateness - right control on the right place and in accordance with the assessed risk

Continuity - to function as planned

Cost effectiveness - that is, the costs for the control itself not to be higher than the benefit from that control.

2.5   Components of Internal Control System

The Auditing Practice Committee of United Kingdom (APC) describes the components of internal control system in the auditor's operational standard as the elements that constitute a proper internal control system are;

Organization, segregation of duties, physical, authorization and Approval, arithmetic and Accounting, personnel, supervision, management

Organization should have a plan of their organization, defining and allocating responsibilities and identifying lines of reporting for all aspects of the organization's operation, including the controls (Milichamp 2002). The delegation of authority and responsibility should be clearly specified.

One of the prime means of control is the serration of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking (Jago 2005).

These are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel. These controls assume importance in the case of valuable, portable, exchangeable or desirable

assets. Physical control is one type of internal system, which can easily be identified without having accounting knowledge.

All transactions should required authorization or approval by an appropriate responsibility person (Jack 1996). The limits for these authorizations should be specified.

These controls include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation, control accounts and trail balances, and accounting for documents. The accounting procedures should ensure that all transactions are accurately recorded and summarized under suitable headings for easy assimilation by management.

There should be procedures that ensure personnel have capabilities commensurate with their responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. Qualifications, selection and training as well as the innate personal characteristics of the personnel involved are important features to be considered in setting up any control system (Gupta 2005). Else, it cannot function properly without the right caliber of staff.

Management supervision is considered an important element of the internal control system. No system would work without the appropriate supervision needed. Management controls in the form of regular reporting to a senior official on the progress of work in a department or section ensures direct control over the work in the areas under their control.

2.6 Proper Functioning of Control System

According to DiNapoli (2007), the strength of the system of internal control is dependent on people's attitude toward internal control and their attention to it. Executive management

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needs to set the organization's "tone" regarding internal control. If executive management does not establish strong, clearly stated support for internal control, the organization as a whole will most likely not practice good internal control. Similarly, if individuals responsible for control activities are not attentive to their duties, the system of internal control will not be effective. People can also deliberately defeat the system of internal control. For example, a manager can override a control activity because of time constraints, or two or more employees can act together in collusion to circumvent control and "beat the system." To avoid these kinds of situations, the organization should continually monitor employee activity and emphasize the value of internal control (Ficher 2005).

While everyone in an organization has responsibility for ensuring the system of internal control is effective, the greatest amount of responsibility rests with the managers of the organization.

Management has a role in making sure that the individuals performing the work have the skills and capacity to do so, and, to provide employees with appropriate supervision, monitoring, and training to reasonably assure that the organization has the capability to carry out its work. The organization's top executive, as the lead manager, has the ultimate responsibility for coordinating, directing, and controlling the affairs.

2.7 Internal Control Process

According to Oreilly et al (1998), A sufficient understanding (AU section319) describes internal control as comprising five interrelated components that are necessary for the objectives to be achieved: Control environment, risk assessment, control activities, information and communication, monitoring.

2.7.1   Control Environment

Control environment is the attitude toward internal control and control consciousness established and maintained by the management and employees of an organization. It is a product of management's governance, that is, its philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization (County 2006). The control environment is further affected by the organization's structure and accountability relationships.

The control environment has a pervasive influence on the decisions and activities of an organization, and provides the foundation for the overall system of internal control. If this foundation is not strong, if the control environment is not positive, the overall system of internal control will not be as effective as it should be.

The following describes how management is responsible for creating a positive control environment, and how employees are responsible for helping to maintain this environment. Governance is the influence on an organization exercised by the executive body or the chief executive which/who governs it. The executive body may be a board of directors, board of trustees, council, legislature or similar entity. The chief executive may be the president, chancellor, commissioner, chief judge or an individual elected or appointed as the highest ranking person in the organization.

Their governance responsibilities are usually founded in a constitution, charter, laws, by-laws, regulations and other similar documents. The leadership, actions and tone established and practiced by the governing body/executive can have a profound impact on how the employees of the organization perform their responsibilities, which in turn affects the achievement of the organization's mission.

Among the critical areas influenced by the governing body/executive are: approving and monitoring the organization's mission and strategic plan, establishing, practicing, and monitoring the organization's values and ethical code, overseeing the decisions and actions of senior managers, establishing high-level policy and organization structure, ensuring and providing accountability to stakeholders, establishing the overall management style, philosophy and "tone", and directing management oversight of key business processes.

2.7.1.1 Ethical Values and Integrity

New York internal control Task Force report (2006) stated that ethical value and integrity are key elements contributing to a good control environment.

Ethical values are the standards of behavior that form the framework for employee conduct. Ethical values guide employees when they make decisions. Management addresses the issue of ethical values when it encourages, commitment to honesty and fairness, recognition of and adherence to laws and policies, respect for the organization, leadership by example, commitment to excellence, respect for authority, respect for employees' rights; and conformance with professional standards.

People in an organization have personal and professional integrity when they adhere to ethical values. While it is management's responsibility to establish and communicate the ethical values of the organization, it is everyone's responsibility to demonstrate integrity. Management encourages integrity by: establishing and publishing a code of conduct, complying with the organization's ethical values and code of conduct, rewarding employee commitment to the organization's ethical values, establishing methods for reporting ethical violations; and consistently enforcing disciplinary practices for all ethical violations.

2.7.1.2 Management Operating Style and Philosophy

Wamer (2006) expresses that the operating stile and philosophy reflects management's basic beliefs regarding how the people and activities of an organization should be managed. There are many styles and philosophies. Although none are inherently right or wrong, some may be more effective than others in helping a particular organization accomplish its mission (DiNapoli 2007). Management should practice the most effective style and philosophy for the organization, making sure that they reflect the ethical values of the organization, and positively affect staff morale. Management should practice and clearly communicate and demonstrate these beliefs to staff and periodically evaluate whether the style and philosophy are effective and are practiced consistently.

Management's philosophy and style can be demonstrated in such areas as: management's approach to recognizing and responding to risks (both internal and external); acceptance of regulatory control imposed by others; management's attitude toward internal and external reporting; the use of aggressive or conservative accounting principles; the attitude of management toward information technology and accounting functions; and management's support for and responsiveness to internal and external audits and evaluations.

Competence is a characteristic of people who have the skill, knowledge and ability to perform tasks. Management's responsibility for ensuring the competency of its employees should begin with establishing appropriate human resource policies and practices that reflect a commitment to:

Establishing levels of knowledge and skill required for every position, verifying the qualifications of job candidates, hiring and promoting only those with the required

knowledge and skills, and establishing training programs that help employees increase their knowledge and skills.

Management should also ensure that employees have what they need to perform their jobs, such as equipment, software and policy and procedure manuals as well as the tools and support they need to perform their tasks.

Morale is the attitude people have about their work, as exhibited by their confidence, discipline and willingness to perform tasks. Management should recognize the importance of good morale in an effective control environment. People's attitude about their jobs, work environment and organization affects how well they do their jobs. Management should monitor the level of staff morale to ensure employees are committed to helping the organization accomplish its mission.

Management should also take actions to maintain high morale. Such actions should provide staff with a sense such as their opinions and contributions are welcomed, valued and recognized, the organization is willing to help improve their level of competency, there is opportunity for continuous improvement, they have a stake in the mission, goals and objectives of the organization, the organization's appraisal and reward systems are fair and consistent; and the lines of communication are open.

2.7.1.3 Supportive Attitude

In the opinion of Bishop (1991) supportive attitude is a disposition that encourages desired outcomes. Since internal control provides management with reasonable assurance that the organization's mission is being accomplished, management should have a supportive attitude toward internal control that permeates the organization. Executive management

should set a tone that emphasizes the importance of internal control. Such a tone is characterized by:

Minimal and guarded use of control overrides, support for conducting control self-assessments and internal and external audits, responsiveness to issues raised as the result of the evaluations and audits, and ongoing education to ensure everyone understands the system of internal control and their role in it

2.8 Risk Assessment

2.8.1 Determine Goals and Objectives

According to Gordon et al (2005) the central theme of internal control is to identify risks to the achievement of an organization's objectives and to do what is necessary to manage those risks. Thus, setting goals and objectives is a precondition to internal controls.

At the highest levels, goals and objectives should be presented in a strategic plan that includes a mission statement and broadly defined strategic initiatives. At the department level, goals and objectives should support the organization's strategic plan. Goals and objectives are classified as Operations objectives, financial reporting objectives and Compliance objectives

Operations objectives are objectives that pertain to the achievement of the basic mission(s) of a department and the effectiveness and efficiency of its operations, including performance standards and safeguarding resources against loss.

Financial reporting objectives are objectives that pertain to the preparation of reliable financial reports, including the prevention of fraudulent public financial reporting.

Compliance objectives are objectives that pertain to adherence to applicable laws and regulations.

A clear set of goals and objectives is fundamental to the success of a department.

Specifically, a department or work unit should have a mission statement, written goals and objectives for the department as a whole, and written goals and objectives for each significant activity in the department. Furthermore, goals and objectives should be expressed in terms that allow meaningful performance measurements. There are certain activities which are significant to all departments: budgeting, purchasing goods and services, hiring employees, evaluating employees, accounting for vacation/sick leave, and safeguarding property and equipment. Thus, all departments should have appropriate goals and objectives, policies and procedures, and internal controls for these activities.

2.8.2 Identify Risks after Determining Goals

Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting, and compliance goals and objectives. This, in turn, forms a basis for determining how those risks should be managed (Quattrone et al 2009).

To properly manage their operations, managers need to determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of management's responsibilities and enables management to act proactively in reducing unwanted surprises. Failure to consciously manage these risks can result in a lack of confidence that operation, financial and compliance goals will be achieved.

2.9 Control Activities

Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks (Eastman 2006).

In the same way that managers are primarily responsible for identifying the financial and compliance risks for their operations, they also have line responsibility for designing, implementing and monitoring their internal control system.

2.9.1 Preventive and Detective Controls.

Controls can be either preventive or detective. The intent of these controls is different. Preventive controls attempt to deter or prevent undesirable events from occurring. They are proactive controls that help to prevent a loss (Susan 2005). Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets.

Detective controls, on the other hand, attempt to detect undesirable acts. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, variance analyses, reconciliations, physical inventories, and audits.

Both types of controls are essential to an effective internal control system. From a quality standpoint, preventive controls are essential because they are proactive and emphasize quality. However, detective controls play a critical role providing evidence that the preventive controls are functioning and preventing losses.

Control activities include approvals, authorizations, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems.

2.9.2 Approvals, Authorizations, and Verifications (Preventive).

Management authorizes employees to perform certain activities and to execute certain transactions within limited parameters (Macintosh 2009). In addition, management specifies those activities or transactions that need supervisory approval before they are performed or executed by employees. A supervisor's approval (manual or electronic) implies that he or she has verified and validated that the activity or transaction conforms to established policies and procedures.

2.9.3 Reconciliations (Detective).

In the book of Harold (2004) an employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary. Checks written and receipts from customers are examples. A company's main ledger account which contains a record of the transactions such as checks written, cash in hand balance and receipts from customers, etc. that involve its checking account. Bank also creates a record of the company's checking account when it processes the company's checks, deposits, service charges, and other items. Soon after each month ends the bank usually mails a bank statement to the company. The bank statement lists the activity in the bank account during the recent month as well as the balance in the bank account.

When the company receives its bank statement, the company should verify that the amounts on the bank statement are consistent or compatible with the amounts in the company's Cash account in its general ledger and vice versa. This process of confirming the amounts is referred to as bank reconciliation. The benefit of reconciling the bank statement knows that the amount of Cash reported by the company (company's books) is consistent with the amount of cash shown in the bank's records.

2.9.4 Reviews of Performance (Detective).

Management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up.

2.9.5 Security of Assets (Preventive and Detective).

Access to equipment, inventories, securities, cash and other assets is restricted; assets are periodically counted and compared to amounts shown on control records.

2.9.6 Segregation of Duties (Preventive).

According to Financial Accounting Standard Board (FASB), duties are segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions (accounting), and handling the related asset (custody) are divided. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

Specific examples of segregation of duties are:

The person who requisitions the purchase of goods or services should not be the person who approves the purchase. The person who approves the purchase of goods or services should not be the person who reconciles the monthly financial reports. The person who approves the purchase of goods or services should not be able to obtain custody of checks. The person who maintains and reconciles the accounting records should not be able to obtain custody of checks. The person who opens the mail and prepares a listing of checks received should not be the person who makes the deposit. The person who opens the mail and prepares a listing of checks received should not be the person who maintains the accounts receivable records.

2.9.7 Controls over Information Systems (Preventive and Detective).

According to Control Objectives for Information and Related Technology (COBIT)

Controls over information systems are grouped into two broad categories-general controls and application controls. General controls commonly include controls over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance. Application controls such as computer matching and edit checks are programmed steps within application software; they are designed to help ensure the completeness and accuracy of transaction processing, authorization, and validity. General controls are needed to support the functioning of application controls; both are needed to ensure complete and accurate information processing.

Control activities must be implemented thoughtfully, conscientiously, and consistently; a procedure will not be useful if performed mechanically without a sharp continuing focus on

conditions to which the policy is directed. Further, it is essential that unusual conditions identified as a result of performing control activities be investigated and appropriate corrective action be taken.

2.10 Information and communication

Information and communication are essential to effecting control; information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization (Mcdonnel 1998). Reliable and relevant information from both internal and external sources must be identified, captured, processed, and communicated to the people who need it in a form and timeframe that are useful. Information systems produce reports, containing operational, financial, and compliance-related information that makes it possible to run and control an organization. Information and communication systems can be formal or informal. Formal information and communication systems which range from sophisticated computer technology to simple staff meetings-should provide input and feedback data relative to operations, financial reporting, and compliance objectives; such systems are vital to an organization's success. Just the same, informal conversations with faculty, students, customers, suppliers, regulators, and employees often provide some of the most critical information needed to identify risks and opportunities.

2.11 Monitoring

Robins et al (2006) argued that monitoring is the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits.

According to Bowen (1996), monitoring refers to the assessment of the quality of internal control. Monitoring activities provide information about potential and actual breakdowns in a control system that could make it difficult for an organization to accomplish its goals. Informal monitoring activities might include management's checking with subordinates to see if objectives are being met. A more formal monitoring activity would be an assessment of the internal control system by the organization's internal auditors.

The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is adequately designed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed (DiNapoli 2007). Internal control is effective if management and interested stakeholders have reasonable assurance that:

They understand the extent to which operations objectives are being achieved. Published financial statements are being prepared reliably. Applicable laws and regulations are being compiled. While internal control is a process, its effectiveness is an assessment of the condition of the process at one or more points in time.

Just as control activities help to ensure that actions to manage risks are carried out, monitoring helps to ensure that control activities and other planned actions to effect internal

control are carried out properly and in a timely manner and that the end result is effective internal control.

Ongoing monitoring activities include various management and supervisory activities that evaluate and improve the design, execution, and effectiveness of internal control. Separate evaluations, on the other hand, such as self-assessments and internal audits, are periodic evaluations of internal control components resulting in a formal report on internal control. Department employees perform self-assessments; internal auditors who provide an independent appraisal of internal control perform internal audits.

Management's role in the internal control system is critical to its effectiveness. Managers, like auditors, do not have to look at every single piece of information to determine that the controls are functioning and should focus their monitoring activities in high-risk areas. The use of spot checks of transactions or basic sampling techniques can provide a reasonable level of confidence that the controls are functioning as intended.

2.12 Limitations of Internal Control.

The design and implementation of internal control is subject to certain limitations and can only provide reasonable – not absolute – assurance to management no matter how well it is being designed (Douglas et al 2006).

Internal control can be influenced by outside factors that affect an organization's ability to meet its mandates and objectives. In the performance of the control procedures, errors can result from misunderstanding instructions, mistakes of judgment, carelessness, or other personal factors.

Among the limitations of internal control are: 1) Human error (i.e., errors in judgment, negligence, misunderstanding, fatigue,

distraction, collusion, abuse or override); 2) Shifts in government policies or programs; 3) resource constraints; 4) Organizational changes; and (5) management attitude.

In an organization where controls are weak or non-existence, a number of problems can result, such as: reduced quality of services or product, unauthorized transactions, inaccurate or incomplete information, untimely report, assets is not safeguarded, misappropriation of funds.

2.13 Strategic Planning

Strategic plans are the courses of action that will enable an organization to achieve its objectives and goals (DiNapoli 2007) Planning should begin at the top levels of management with a strategic plan that focuses on the long-range direction of the organization. The strategic planning process should include establishing the organization's broad organizational objectives and developing the strategies that should be followed to achieve them. Based on the direction provided by the organization's strategic plan, management should develop plans for each major organizational division with a long-range focus specific to that division. The division plans guide managers in developing shorter-range operational plans for each of the major functions performed within their respective divisions. Objectives, Goal, Operational plans are products of the planning process and are necessary for coordinating efforts within an organization

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter first gives a brief description of the study area, followed by research design, sources of data, sampling procedures, instrument for data collection and method of data analysis and questionnaire formulation and administration.

3.1 Description of the study area

Ghana Water and Sewerage Corporation (GWSC) was duly established in 1965 under an Act of Parliament (act 310) as a legal public utility entity with the following objectives:

The provision, distribution, conservation and supply of water in Ghana for public, domestic and industrial purposes, and The establishment, operation and control of sewerage system for such purposes.

The corporation had the power under the general authority of the Ministry of Works and Housing to plan, construct and operate water supply and sewerage schemes and to collect rates and charges for the water and sewerage services provided. The GWSC as a statutory corporation, remained in operation from 1966 until 1st July,1999 when it was converted into a Limited Liability Company known as Ghana Water Company Limited (GWCL) under Act 461, as amended under Statutory corporation L1. 1648.

The conversion in to GWCL resulted in the separation of the water supply from the sanitation. It is a part of Ghana's Enhanced Structural Adjustment Policy (1999) in collaboration with the IMF and the World Bank.

The vision of the GWCL is to become a reputable utility provider, valued by its customers and playing a key role in the economic development of the nation. The mission is to be committed to abstraction, treatment, transmission, storage and distribution of potable water to urban communities for public, domestic, commercial and industrial purposes and at levels of service appropriate to the needs of each consumer. The core activities of the company include: sustainable operation and maintenance of water systems, extension and improvement to exiting systems, construction of new supply systems and the provision of proportional support equipment.

The Koforidua (New Juaben Municipality) falls within the Eastern Region of Ghana. The municipality covers an estimated area of 110 square kilometers constituting 0.57 % of the total land area of the Eastern Region. The municipality has 48 electoral areas. It has an annual rainfall ranging from 50 – 120 inches and 20 – 32 Celsius mean annual temperatures.

The municipality shares boundaries with East-Akim Municipality to the north east, Akwapim North District to the east and south and Suhum Kraboa Coaltar District to the west. Koforidua City (New Juaben) is made up of several towns and neighborhoods, including Effiduase, Asokore, Oyoko, Suhyen, Dansuagya, Betom, Srodae, among the lot.

A predominant natural feature in Koforidua is the 'Obuo Tabri' Mountain, which is considered sacred. Nearby is Akosombo Dam which holds Lake Volta, the world's largest man-made lake. Waterfalls in the area such as Akan Falls and Boti Falls and the Umbrella Rock attract tourists to the region.

Koforidua was founded in 1875 by refugees from Ashanti. It was served by a station on the Ghana Railway network. Koforidua is one of the country's oldest cocoa-producing centers. With the completion in 1923 of the Accra-Kumasi railway, it became an important road and rail junction. As cocoa production has moved westward to areas of virgin soil, Koforidua has become increasingly dependent upon its commercial and administrative functions. The town has only small-medium scale industries today. Industrial activities include the production of alcoholic and non-alcoholic beverages, textiles, crafts, soap, carpentry and joinery, traditional medicine, pottery and ceramics.

3.2 Research Design

Cross sectional descriptive study employing quantitative method of data collection was employed for this study.

3.3 Study Population

The study unit was the combination of the audit section, Customer Service Directorate (CSD), Accounts and the Administrative staffs of GWCL. Both senior and junior staffs were used for the study.

3.4 Sources of Data

Both the primary and secondary sources of data were used for the study. The primary source used was through the use of questionnaires. The questionnaires were both closed ended questions and open ended questions. The use of the open ended questions gave the respondents the opportunity to freely express themselves on the issue of the study while the use of closed ended questions restricted the respondents to the questions given.

The secondary source used was through the use of Text books, articles in newspapers, popular magazines, journals and publications, research papers, websites, policy framework, and reports on internal control systems. Secondary sources are accounts of events which were created well after the event occurred. They are based on primary sources they are usually studies which analyze, evaluate, interpret, or criticize primary sources.

3.5 Sampling and sample Procedures

Stratified sampling method was used for this study. In a stratified sample the sampling frame is divided into non-overlapping groups or strata, for instance, customer service directorate (CSD), accounts, internal audit, administrative, production, and quality and procurement department at GWCL in the Koforidua branch were considered as strata from which proportionate number of each stratum were drawn until the intended sample size of 65 was reach.

3.6 Sample Size Determination

Even though, raltary1957 have indicated that a sample size of one third (1/3) is adequate when a homogenous units are being study. This study used two-third (2/3) of the total population as sample size of the study. This was done with the aim of increasing the precision in the data collection process.

The total population of GWCL in the New Juaben Municipality is 97 and therefore 2/3 of 97 are 65 therefore the sample size for the study was 65.

3.7 Instruments for Data Collection

The main instrument for this study was the questionnaire. This was because the study was quantitative in nature. The main issues the questionnaire boarded on were types of internal control systems adopted at GWCL, staff perception on the performance of the audit section on internal control systems and the strategies staffs prefer management to adopt in promoting internal control systems.

The questions used were both the closed ended and open ended, the blend of these type of questions help enrich the quality of responses received.

3.8 Method of Data Presentation and Analysis

The data collected was first summary and presented by means of Table and chart. A key table used was the frequency distribution table. The data presented were analyzed through percentages.
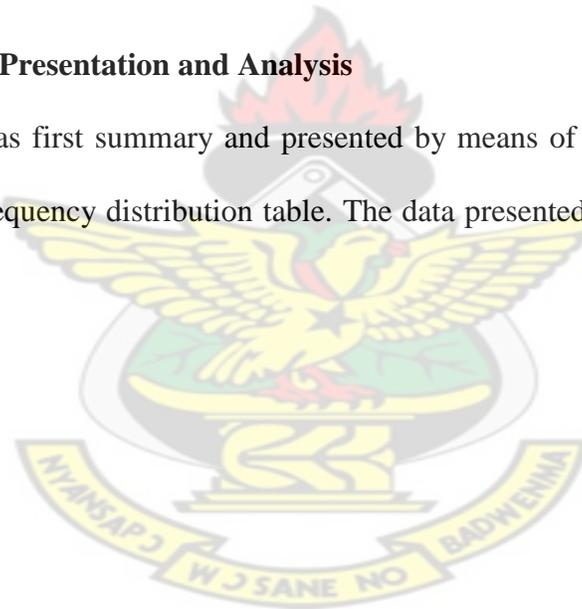
CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0   Introduction

The social demographic characteristic respondents were first analyzed after which the main objectives of the study were also considered. These were types of internal control system, staff perception on the performance of the internal audit section on internal control system.

4.1 Social Demographic Characteristic

The social demographic characteristics used in this study were sex, Age, Level of Education, Level of income and Years of experience.

4.1.1 Sex of Respondents

Out of respondents 30.77% were female while 69.23% were male. This study shows that there are more male in GWCL than female due to the fact that one of the main technical functions is to inspect and maintains pipe lines and these are mainly assign to male in the company. The details are presented in Table 4.1 below.

Table 4.1 Sex of Respondents

Respondents	Frequency	Percentage (%)
Female	20	30.77
Male	45	69.23
Total	**65**	**100.00**

Source: field survey 2011

4.1.2 Age of Respondents

The study found that majority of the respondents (41.54%) is in the age bracket of 30-39years. This was follow by those aged between 20-29 years and they constituted 23.08%. This signifies that the workers at GWCL are very youthful. The details are presented in Table 4.2.

Table 4.2 Ages of Respondents

Age	Frequency	Percentage (%)
20-29	15	23.08
30-39	27	41.54
40-49	10	15.38
50-59	8	12.31
60+	5	7.69
Total	**65**	**100.00**

Source: Field Survey 2011

4.1.3 Level of Education

The analyses revealed that majority of the workers (38.46%) have up to technical/Vocational/Commercial level of education which was also found that most workers (20) have up to secondary level of education with a small number of (15.39) having Tertiary level of education. The details are presented in Table 4.3

Table 4.3 Level of Education

Level of Education	Frequency	Percentage (%)
Primary	4	4.15
Middle school/JSS	6	9.23
Secondary /SHS	20	30.77
Vocational/Commercial	25	38.46
Tertiary	10	15.39
Total	**65**	**100.00**

Source: Field Survey 2011

4.1.4 Income Level of Respondents

It was found that majority of the respondents (46.15%) earns a monthly income of between GH¢ 300-500 while only 7.69% earned a monthly salary of more than GH¢ 900. This signified that salaries at GWCL in Koforidua branch are generally low.

The details are presented in Table 4.4.

Table 4.4 Income Level of Respondents

Income	Frequency	Percentage (%)
100.00-300.00	6	9.23
300.01-500.00	30	46.15
500.01-700.00	16	24.62
700.01-900.00	8	12.31
Greater than 900	5	7.69
Total	**65**	**100.00**

Source: Field Survey 2011

4.1.5 Years of Experience

The study found that majority of the respondents (38.46%) has served the company between 11-15 years while only (4. 62%) have served between 1-5 years. This signifies that even though salaries levels are low, labour turnover are also low at GWCL and it would be interesting to note how management are able to retain its workers despite the low salary. The details are presented in Table 4.5.

Table 4.5 Years of Experience

Years	Frequency	Percentage (%)
1 – 5	3	4.62
6 – 10	6	9.23
11 – 15	25	38.46
16 – 20	16	24.62
21 – 25	10	15.39
26 & above	5	7.69
Total	**65**	**100**

Source: field survey 2011

4.2 Internal Control System

The types of internal control systems adopted at GWCL Koforidua branch were determined and the responses are presented in Table 4.6.

From Table 4.6, it was found that the main internal control system at GWCL Koforidua branch was the preventive type. As high as 72.31% of respondents were of the view that the audit section's main task is to prevent and subvert all shady accounting deals, malfeasances, irregularities and misappropriation.

It was found that the internal control audit teams do this preventive task by making sure that all workers especially the accounts section keeps to strict accounting standard and principles. The study further found that with internal audit team present they are able to raise quarries on all accounts and transactions that do not comply with the set standard.

In so doing a lot of financial irregularities, omission and commission which were done by accounts officers especially advertently or inadvertently are scrutinize for correction to be made. It was found that had it not being the present of internal control systems most omission and commission would not be identified on time and the harm coursed could have been enormous because accounts are audited only twice a year by the internal auditors even to make sure that accounting standard are kept.

Another category of respondents constituting 23.08% indicated that the main internal control system kept at GWCL Koforidua branch was the detective type. These respondents indicated that the main task of internal control team in the company is to detect all the fraudulent acts committed and presented in the financial report of the company.

It was found that the internal audit do this by constant checking on the receipts as against payment made to verify whether the right amount were paid and to determine if there were any balances and how the balances were kept.

The study found that one of the detective strategy adopted was the verification of receipts numbers to check whether receipts issued are authentic in order to detect any malfeasance coursed by staff. The study further found that the internal control system team uses the bank reconciliation system to detect any misappropriation of funds. This is done by reconciling bank statement with receipts against accounting entries made.

A small number of respondents constituting 15.39% indicated that the internal controls section uses the corrective measures of internal control system. It was found that it was the duty of the control systems to make sure that structures for internal control systems are in place. It was also identified that once the structures have been established, it is used as a

measure to correct malpractices of the financial application so that there would be transparency in all the financial transactions engaged in the company.

The study further found that at the end of every month, major books of operations are requested for verification after which queries are raised on any mismatch that are found and expecting that individual officers who have been queried would explain why the anomaly or justify why the action is taken. When it is found that the mismatch is by an error then internal audit recommend to management that a corrective measures should be taken in order to strengthen the controls.

A small percentage of respondents (4.62) indicated that they do not know the type of controls adopted in the company and neither do they know the function of the internal audit section. It was found that these categories of respondents were all junior staffs that had very low level of education and did not know much about the company which they are working.

From the above it can be concluded that the main type of internal control system adopted is the preventive system which emphasis the need to put standard accounting structures in place in order to prevent financial malfeasance in the company.

Table 4.6 Types of Internal control systems in GWCL

Types	Frequency	Percentage (%)
Detective Control	15	23.08
Preventive Control	47	72.31
Corrective Control	10	15.39
Do not know	3	4.62
Total	**65**	**100.00**

Source: Field Survey 2011

4.3 Perception on performance of internal control systems

There was the need to determine how workers perceived the performance of the internal control system in the company. The details are in Table 4.7.

Table 4.7 Perception on the performance of internal control systems

Perception	Frequency	Percentage (%)
Excellent	0	00.00
Very Good	2	3.08
Good	4	6.15
Fair	32	49.23
Poor	27	41.54
Total	**65**	**100.00**

From Table 4.7, it was found that none of the respondents indicated that performance of the Audit section in internal control system were excellent. It was found that as at now the internal audit section have still not detached itself from the accounts department to work as an autonomous department. Due to this the accounts department normally influences certain decisions the audit section raised. This attitude most respondents think is bad and because of that the audit section is not working as expected of them.

A small number of respondents constituting 3.08% indicated that the audit section has been very good in maintaining the controls in the company. The study found that the audit section has been able to develop the structure needed to prevent, detect, or correct anomaly that are normally occurred during the recording of the financial transactions in the company. It was found that had it not being the existence of the audit section which normally raises queries on any anomaly found in their periodic review of records of strict standards of keeping major books of accounts will be difficult to keep since the internal audit with its internal control system serves as checks on all the financial operation of the company.

The study found that 6.15% of the respondents noted the performance of internal audit in maintaining the controls to be good. These categories were of the view that the internal audit has been able to prevent as well as bringing its sanity into the financial operation of the company. It was found that it has consistently been able to check on all bank reconciliation as well as the authenticity of all cheque issued and received in order to prevent or subvert any fraudulent deal being plan.

The study further found that the performance of audit team in terms of internal control system is good because they are able to raise a number of queries that are associated with anomalies for affected schedule officers to answer such queries. In addition to this they have been consistent in recommending remedial action to management on strategies of reducing anomalies in the financial records.

Majority of respondents (49.23%) were of the view that the performance of the audit team in terms of internal control systems was fair. This is because even though they have a lot of challenges working against their effective operations such as having to work under accounts section and not being independent to have been able to discharge their core mandate of setting the structures for effective internal control systems.

The study further found that had it not being the problem of inadequate staffing and logistic the internal audit would have performed very well. It is therefore being recommended that if management expects to have improved services for internal controls then all inputs needed should be provided in order to enhance their performance.

The study found that as high as (41.54%) indicated that the performance of the audit section in terms of maintaining controls was poor. Reasons for this were that the audit section has not been able to assert itself as an independent department whose main duty is to direct and maintain internal controls in the company.

It was found that most often recommendation to management based on queries made from the review of reports are set aside. It was also found that accounts department still controls the audit department which gives them expressions that the internal audit will not and

cannot raise queries on serious financial malfeasance that might emanate from the accounts department since they are all considered as one department.

From the above it can be concluded that majority of respondents perceived the performance of internal audit in maintaining internal controls at GWCL Koforidua branch to be poor. It is therefore being recommended that they need to assert themselves as independent quality unit charge with its core mandate to prevent, detect, or correct all anomalies that might arise with respect to financial operations in the company.

4.4 Strategy of promoting internal control systems

In order to improve internal control systems in GWCL the respondents were asked to determine the strategy they will wish management to adopt in order to promote a better internal control systems in the company. The details are found in Table 4.8.

Table 4.8 Strategy of promoting internal control systems

Strategy	Frequency	Percentage (%)
Management Attitude	5	7.69
Segregation of Duty	10	15.39
Provision of input on Infrastructure	30	46.15
Empowerment	20	30.77
Total	**65**	**100.00**

Source: Field Survey 2011

From Table 4.8 it was found that 46.15% were of the view that in order to improve the performance of audit section in maintaining the controls, management needs to provide all the inputs needed for smooth operation. For instance a separation of office should be allocated to house the audit personnel. In addition to this, computers and any other inputs needed for the operation should be provided to help store, retrieve and locate any anomalies they might find in reviewing financial report and operation of the various departments.

The study further found that until the needed inputs, especially the separation of office is provided and the office is resourced no meaning of internal controls can be expected from such section. Another group of respondents constituting (30.77%) indicated that if management wants the audit section to perform better then the first step management need to take is to empower the department by resourcing it with professional who can work to maintain the professional requirement.

In addition to this it was found that staff needs to undergo frequent training in order to build their capacities to be able to discharge their core mandate. The training can neither be internal or external. And in all, this budgetary allocations need to be made in order to execute such training program.

The study further found that the staffs can be empowered by given them the full backing of management support to call for books from any departments at any time for their inspection in order to be able to prevent, detect or correct the anomalies on time.

Without management support and backing this role cannot be achieved since the people committed errors that compromises an internal quality, will always be hesitant to submit the required financial statement for verification.

A small percentage of respondents (15.39%) were of the view that if the management want the audit section to function effectively then management should indirectly detach the audit section from the accounts and treat each departments with as autonomous entities with different heads and reporting schedule so that the audit section can work independently from the accounts section.

It was also found that when the audit section is separated from accounts section, it would cleared the doubt that the audit section cannot raise queries on any major practices found in the accounts department since most workers think that at the moment the audit and accounts department are one and can collude.

A small percentage of respondent constituting (7.69%) were of the view that when management also change its look worm attitude towards the audit section and accept report and queries from audit section for their consideration, it can help boost the morale of the audit staff in maintaining internal controls in the company.

It is therefore being recommended that management should open-up and integrate the audit section as one of the functional department whose report and recommendations should not be down played in order to maintain quality of service in the company.

From the above it can be concluded that staff of GWCL expects management to adopt one of strategies to promote internal control systems in the company. Key among these was the

provision of inputs needed for smooth operation in the audit department as well as the

improvement of the audit staff to undertake internal control's activities in the company.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This study exploits the internal control system in GWCL Koforidua branch. The study specifically look at the Types of internal control systems adopted at GWCL, perception of staff on the performance of internal control system were also assessed in addition to examining the strategy of promoting the internal control systems.

This study was carried with the purpose of promoting internal control systems at GWCL with the aim of helping the company to boost its overall performance.

The stratified sampling method was used to select 65 respondents proportionately from the six (6) functional departments in the company. The main sources of data for the study were the primary sources which involve the use of questionnaires and the secondary data sources which involve the use of Books, Journals and report on internal control systems.

5.2 Conclusion

The following conclusions were drawn in line with the finding below;

It is being concluded that there were more male staffs than female at GWCL Koforidua branch. Staffs with Ages between 30-39 years were most dominant in the study area. Majority of staffs have up to Technical and vocational level of education. Income levels are generally low among workers of GWCL with majority between GH¢ 300-500 per month.

Majority of the workers have served the company for 11-15 years signifying that they are very experience in the work schedule.

The main type of internal control system employed at GWCL is the preventive method. A small number of respondents that perceived the internal control system adopted to be very good while majority perceived it to be poor. Majority indicated that internal control systems are poor simply because the audit section has not asserted itself as an independent unit.

The main strategies the staff wish management to adopt in order to promote a good internal control system is to provide all the inputs and infrastructure needed for effective internal control systems. Majority of the respondents wish that management empowers the audit section by recruiting highly qualify professionals as well as organizing periodic training for the staff.

From the above it can be concluded that the main internal control system adopted was the preventive type which seeks to ensure that fraudulent practices are prevented before its occurrence. It can also be concluded that majority of respondents perceived internal control systems at GWCL to be poorly discharged due to the fact that the section is still under accounts department and it is yet to assert itself as independent and autonomous entity in the company.

Lastly, it is being concluded that majority of the staff would wish management to provide all the needed inputs for the audit section and in addition to empower them to perform as expected of them.

5.3 Recommendation

Based on findings and conclusion drawn it can be concluded that;

❖ Management should separate the audit section from the accounts department so that the audit section can be empowered to grow into a fully fledge department in order to discharge its core mandate expected of them.

❖ Management should provide all the needed inputs and infrastructures as well as to build the capacities of the audit staff in order to help discharge their duty as expected.

❖ Equal premium should be placed on the preventive, detective, or corrective control systems so that over reliance of the preventive strategy of the internal control system can be reduced.

❖ The generally low income of staff should be worked on so that workers would feel motivated to give off their best.
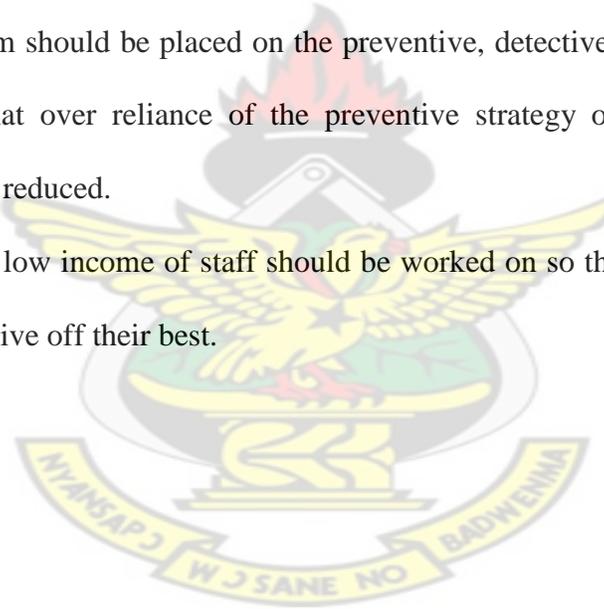
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APPENDICES

Appendix 1: Demographic Characteristic

1. Sex

☐Male   ☐Female

2. Age Group

☐ 20 – 29   ☐ 30 – 39

☐40 – 49   ☐50 – 59

☐60+

3 Level of Education

☐Primary   ☐JSS/Middle School

☐Secondary/SHS   ☐Vocational/Commercial/Technical

☐Tertiary

4 Income Levels of Respondents

☐100.00-300.00   ☐300.01-500.00

☐500.01-700.00   ☐70.01-900.00

☐Greater than 900.00

5. Work Experience

☐1- 5   ☐6 – 10   ☐11 – 15

☐16- 20   ☐21- 25   ☐26 & above

Appendix 2: Perception and performance evaluation on controls

6. Has management established and/or maintained an adequate internal controls structure and procedure for financial reporting?

☐Agree ☐Disagree ☐Do not know

7. How often are your internal controls being monitored?

☐Quarterly ☐Half yearly

☐Yearly ☐Non of about

8. What are the types of internal control systems in GWCL?

…………………………………………………………………..

9. In your opinion how do you perceived the performance of internal control system in the company?

☐Excellent ☐Very Good

☐Fair ☐Poor

10. What strategies would you want management to adopt?

☐Segregation of duty

☐Management attitude

☐State your opinion……………………………………………………………

11. What necessitates an impromptu strengthening of internal controls?

☐When controls are deficiencies and ineffective.

☐When it is being override and circumvented

☐State your opinion…………………………………………………………

12. What are the effects of controls at GWCL?

It streamlines the financial recording procedures and prevents errors.

It increases production, quality, and revenue collection and reduce waste.

State your reasons…………………………………………………………..

13. What other benefits are derived from internal controls compliance?

It eliminates errors, wastages and other irregularities

It safeguards assets

It detects and prevents other malpractices

It wastes people's time

14. How often do you reconcile your accounts?

Monthly   Quarterly

Yearly   None of this
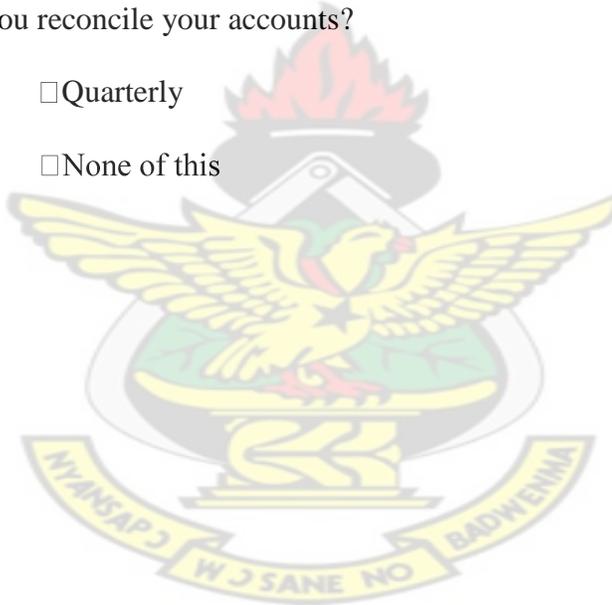
Appendix 3: Interview Questions

(A) Internal control system:

1. Why do you institute internal control system?

2. What makes controls deficiencies and ineffective?

3. How can the internal control system be strengthened?

4. Can negligence, carelessness, error of judgments and mismanagement affect the internal control system?

5. What makes internal controls detective, preventive or corrective?

6. Why internal controls are being abuse or override?

7. How true it is that internal controls are practices that protect and safeguard Assets?

8. Can the internal controls be preventive, detective or corrective?

9. Are the internal controls designed to prevent the recurrence of errors?

10. Is it designed to search for and identify errors and irregularities?

11. How is mistake of judgment, carelessness, and negligence affect controls?

(B) Staff perception on controls

1. How would you rate internal control deficiencies in GWCL?

2. In your opinion how human error on financial records and judgment can affects performance of the internal controls?

3. Without segregation of duty what would be the level of fraud commitment?

4. Can the internal controls ensure consistent performance at a required level of quality?

5. How true it is that the existence of internal controls, access is restricted to those with authority to handle them in the company?

6. Can internal control system always check completeness and authorization of transactions?

7. Can the systems measure the effectiveness of preventive, detective or corrective controls?

(C) Books of Account and Receipt:

1. What books of accounts do the company keeps?

2. How do these books help in maintaining controls in the company?

3. What accounting principles and conversion is being used?

4. How these principles do enhances operations and monthly reconciliation?

5. Why is the issuance of receipts necessary?

6. Why segregation of duty is very important especially in terms of record keeping?

7. How often do you bank the collection? And if not banked, what happens to the officer-in-charge?

8. Do you think that your books of accounts are enough to secure the system from any eventualities?

9. Is there a prohibition against petty cash disbursements over a specified amount?

10. Is a voucher used for all petty cash disbursements?

11. Is the voucher pre-numbered?

12. Do all petty cash disbursements require original receipts for reimbursement?

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