

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

**Assessment of Internal Controls at the Social Security and National Insurance
Trust: A Study of the Kumasi Area Office**

By

Aganya, Gilbert Komla

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the degree**

of

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DECLARATION

I hereby declare that, this submission is my own work towards the Commonwealth Executive Masters In Business Administration (CEMBA) and that, to the best of my knowledge, it contains no material previously published by another person nor material which have been accepted for the award of other degree of the university, except where due acknowledgement have been made in the text.

Aganya, Gilbert Komla

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(PG 3028209)

Student name &ID

Sign

Date

Certified by:

Mr. Kwame Mireku

.....

.....

Supervisor's name

Sign

Date

Certified by :

.....

.....

Head of department

Sign

Date

DEDICATION

This dissertation is dedicated to my family. I will ever remember them for their care and love.



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I am grateful to God Almighty for His grace and mercy and for seeing me through this programme. I would like to express my sincere gratitude to my supervisor Mr. Kwame Mireku, of KNUST School of Business, who took time of his busy schedules to review, criticize and offer valuable contributions to enrich the work. My profound gratitude goes to all others who helped me in completing this project, may God bless you all.



Abstract

Internal control is a major part of managing an organization. Internal control is not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. There is therefore the need to recognize it as an integral part of each system that management uses to regulate and guide its operations rather than as a separate system within an agency. The study thus is an assessment of internal controls at the Social Security and National Insurance Trust to ascertain the level of compliance to known standards. Among the objectives was to examine the nature of control environment to ascertain how it promotes internal control. The study uses the Kumasi area office of SSNIT as a case study. The qualitative method was used. Interviews and questionnaires were instruments used in gathering the needed data. A sample size of 110 respondents was used. The assessment of SSNIT's internal controls was based on a COSO framework. The framework uses defined assessment factors that are rated on a scale to indicate their strength or otherwise. The study found active concern and effort to ensure compliance with standards, laws and regulations. In addition, management showed effort to get the job done right. Effectively, realistic budgets are established and results are actively monitored. However, financial accountability is given low priority. There is the need therefore for management to be responsible for the establishment of internal controls to keep their institutions on course toward its financial goals, to help it achieve its mission, to minimize surprises and risks, and to allow the organization to successfully deal with change.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals and objectives and supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud (COSO, 2006).

Internal control is not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis. There is therefore the need to recognize it as an integral part of each system that management uses to regulate and guide its operations rather than as a separate system within an agency. COSO describes five standards for Internal Control: Control Environment, Risk Assessment, Control Activities, Information and Communications, and Monitoring. These standards define the minimum level of quality acceptable for internal control and provide the basis against which internal control is to be evaluated (COSO, 2009).

The study focuses on the Social Security and National Insurance Trust (SSNIT), which is a statutory public Trust charged under the National Pensions Act 2008 Act 766 with the administration of Ghana's Basic National Social Security Pension Scheme and to cater for the first tier of the contributory three-tier scheme. The Trust is currently the largest non-bank financial institution in the country. The primary responsibility is to

replace part of lost income of Ghanaian workers or their dependants due to Old Age, Invalidity, or loss of life. The Pension Scheme as administered by SSNIT has a registered membership of approximately one million with over 110,000 pensioners who regularly receive their monthly pensions from SSNIT. The annual absolute growth of pensioners is over 7,000 (source: www.ssnit.com).

The above description is an indication of the onerous responsibility of the Social Security and National Insurance Trust. Again considering the Trust's vision of developing into a World-Class Pension Administration Institution, dedicated to the promotion of economic security of the Ghanaian worker through prudent investment mechanisms for the benefit of stakeholders and Ghanaians, the question arises as to the extent of efficiency of its internal control mechanisms. This is what informs the attempt to investigate the internal control system of SSNIT.

1.2 Statement of the problem

Any organisation is primarily concerned with the achievement of its mission. Entities exist for a purpose – the public sector is generally concerned with the delivery of a service and a beneficial outcome in the public interest. Whatever the mission may be, its achievement will face all kinds of risks. The task of management is to identify and respond to these risks in order to maximize the likelihood of achieving the entity's mission. Internal control can help to address these risks; however it can only provide reasonable assurance about the achievement of the mission and the general objectives.

As postulated by Berkowitz (2005), the system of internal control should be embedded in the operations of the company and form part of its culture; be capable of responding quickly to evolving risks to the business arising from factors within the company and to changes in the business environment; and include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken. The thrust of the study therefore is to examine the internal control system of SSNIT as a public institution to ascertain its ability to respond to risk in the face of recent high profile failures of companies such as Enron.

1.3 Objectives of the Study

The objectives of this study are to:

1. Examine the nature of control environment to ascertain how it promotes internal control.
2. To assess SSNIT's risk assessment framework and establish its ability to respond quickly to evolving risks to the business arising from factors within the company.
3. Assess how activities are controlled to help attain the organisation's objectives
4. Appraise the nature of information and communication system and how it is facilitating internal control.
5. Assess the organisation's plans for monitoring of activities.
6. To make recommendations to enhance SSNIT's internal control system.

1.4 Research questions

Following from the proposed objectives of the study, the study will seek answers to the following research questions:

1. What is the nature of control environment of SSNIT, and how does it promote internal control?
2. What is SSNIT's risk assessment framework and how is it able to respond quickly to evolving risks?
3. How are activities controlled to help attain the organisation's objectives?
4. What is the nature of information and communication system and how is it facilitating internal control?
5. What constitute the monitoring activities to ensure that events conform to plans?

1.5 Significance of the Study

This study outlines the need for adequate internal controls in preventing, detecting, and correcting fraud and errors in institutions and strengthens its ability to generally respond to evolving risks to the business arising from factors within the company and to changes in the business environment. The study will consider the limitations of internal controls systems and suggest ways of mitigating the challenges facing the effective implementation and sustainability of internal control systems.

1.6 The Scope and Limitation of the Study

The study uses the Social Security and National Insurance Trust (SSNIT) as a case

study. The study examines SSNIT's internal control systems to identify its compliance to standard control system. The study examines the control environment, risk assessment framework, control activities, information and communications, and monitoring, as components of internal control in our case organisation. This is however limited to the Kumasi Area.

The study has been constrained by the lack of funding to adequately support the study. Access to data has been another challenge. Again, the time span allowed for the researcher to complete the study has not been enough to allow for a comprehensive study of the research area.

1.7 Overview of Research Methodology

The study employs the qualitative approach in the theoretical framework and empirical study in conducting this research. The study uses both primary and secondary sources of data obtained from the case institution. The secondary data uses sources such as relevant books, journal articles and credible web portals. The researcher used questionnaire and interviews as data gathering tools to assist him in gathering his primary data. The study used a sample size of 110 respondents. Analysis of research findings used of the SPSS and Excel.

1.8 Organization of the Study

The study comprises five chapters. Chapter one discusses the background and

objectives for undertaking this study. It also presents the scope, significance and limitations of the study. Chapter Two looks at existing literature related to the study. Chapter Three consists of the methodology of the study. Chapter Four presents the analysis and findings of the study. Analysis of the study compares findings to theories identified during the review of literature. Chapter five summarizes, concludes and offer recommendation for further study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature that guides our study, which examines internal controls at the Social Security and National Insurance Trust (SSNIT). The chapter presents theoretical framework connected to the purpose and research questions. We will consider the theoretical perspectives that are pertinent to our study; and which will guide the analysis and discussion of collected data.

2.2 Control

Control is clearly understood to relate to operational performance, reporting (financial and non-financial) and compliance, and is fully integrated with the organisation's culture, structure and business processes. Kirsch (2002) defines control as a set of mechanisms designed in order to motivate individuals to attain desired objectives. Controls are fundamental to all organizations, and provide a mechanism to align organizational goals and aspirations with employee's capabilities, activities and performance (Scott et al, 2001).

Cardinal et al (2004) describe 'control' as consistent, broad, sometimes proactive and fairly pervasive. Control, according to Cardinal et al must be timely, pervasive and anticipatory, and should be the responsibility of everyone in the organisation. Snell (1992) adds that control is basic and likely to be adequate during periods of stability and

for operational routines that relate to a limited set of objectives (largely those for external financial reporting); and in this limited context, might be consistent with the “prudent person” concept. In his estimation, Scott et al (2001) believes that responsibility for internal control rests primarily with line managers although internal audit provides considerable support.

2.3 Forms of Controls

Based on the target of controls, Cardinal et al (2004) suggest three forms of controls:

2.3.1 Input controls

Input controls are aimed at managing resources acquired by firms, which constitutes of resources such as human, financial and material (Cardinal et al, 2004). Input mechanisms involve aligning individuals with interest of firms through selection and training (Snell, 1992).

2.3.2 Behavioural controls

Behavioral control structures the transformation process of work (Snell, 1992). It is usually initiated top down in the form of articulated operating procedure. Behavioral control requires an understanding of business activities to manage tasks that transform inputs into outputs. These controls determine how work gets done in an organization (Cardinal et al, 2004).

2.3.3 Output controls

Controls used to manage products and services outcomes and regulate results of the process are called output controls (Cardinal et al, 2004). Output controls measure the results of the transformation process from input through behavioural to the end result. It encourages subordination discretion by focusing on desired result and not on the process of achieving the result (Snell, 1992).

In his opinion, Scott et al (2001) believes that the scope and dimension of the controls highlights the levels of management where the controls can be placed or specified. The target dimension of the control specifies the stage of business process where a particular control is targeted. Based on the particular business process state (input, behavioral, output) where a control is placed, the role of the control can be defined. Both the dimensions are complimentary and combining them provides a detailed picture of the nature, scope and role of a control and how a control can guide action (Scott et al 2001).

2.4 Internal Control

Internal controls are defined as activities undertaken to increase the likelihood of achieving management objectives in three areas: efficiency and effectiveness of operations, reliability of financial reporting and compliance with laws and regulations (Snell, 1992). Similarly, Scott (1995) considers internal control as a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting,

and compliance with applicable laws and regulations. In his opinion, Snell sees internal control as an integral process that is effected by an entity's management and personnel, and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved: executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability obligations; complying with applicable laws and regulations; and safeguarding resources against loss, misuse and damage.

Green (2007) submits that internal control is a dynamic integral process that is continuously adapting to the changes an organisation is facing. Consequently, management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

Dhillon (2001) believes that internal controls play an important role in information systems security in an organization. Many security breaches have occurred due to lack of proper internal control structure in organizations. Effective internal controls have been suggested to ensure business process integrity, continuity and adequate security governance (Warkentin and Johnston 2006). Lack of effective controls can lead to various issues including security breaches or subversion of controls. Inability to define effective controls therefore leads to security problems (Whitman 2003).

2.5 Sound Internal Control System

Green (2007) states that an internal control system encompasses the policies, processes, tasks, behaviours and other aspects of a company that, taken together:

- a) Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- b) Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;
- c) Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

A company's system of internal control will reflect its control environment which encompasses its organisational structure. The system will include: control activities; information and communications processes; and processes for monitoring the continuing effectiveness of the system of internal control (Green 2007).

Berkowitz (2005) postulates that the system of internal control should be embedded in the operations of the company and form part of its culture; be capable of responding quickly to evolving risks to the business arising from factors within the company and to

changes in the business environment; and include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken. Berkowitz further stresses that a sound system of internal control reduces, but cannot eliminate, the possibility of poor judgment in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances. Green adds that a sound system of internal control provides reasonable, but not absolute, assurance that a company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. Green is quick to point out that a system of internal control cannot, however, provide protection with certainty against a company failing to meet its business objectives or all material errors, losses, fraud, or breaches of laws or regulations.

2.6 Balancing Risk and Control

Risk is the probability that an event or action will adversely affect the organization. The primary categories of risk are errors, omissions, delay and fraud. Berkowitz (2005) believes that in order to achieve goals and objectives, management needs to effectively balance risks and controls. In his opinion, Green (2007) suggests that control procedures need to be developed so that they decrease risk to a level where management can accept the exposure to that risk. By performing this balancing act "reasonable assurance" can

be attained. As it relates to financial and compliance goals, Berkowitz (2005) points out that being out of balance can cause the following problems:

Excessive Risks	Excessive Controls
Loss of Assets, Donor or Grants	Increased Bureaucracy
Poor Business Decisions	Reduced Productivity
Noncompliance	Increased Complexity
Increased Regulations	Increased Cycle Time
Public Scandals	Increase of No-Value Activities

Table 1 Risk and Control Berkowitz (2005)

In order to achieve a balance between risk and controls, Berkowitz (2005) states that internal controls should be proactive, value-added, cost-effective and address exposure to risk.

2.7 Components of Internal Control

Internal control is designed to provide reasonable assurance that the entity's general objectives are being achieved. Therefore clear objectives are a prerequisite for an effective internal control process. Green (2007) identifies five interrelated components of Internal control (see table 2). These components apply to all aspects of an organisation's operation. The components define a recommended approach for internal control and provide a basis against which internal control can be evaluated.

Components of Internal Control	
1	control environment
2	risk assessment
3	control activities
4	information and communication
5	monitoring

Table 2 **Components of Internal Control (Green 2007)**

2.7.1 The Control Environment

Green (2007) believes that the control environment sets the tone of an organisation, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure, as well as the climate which influences the overall quality of internal control.

2.7.1.1 Elements of the Control Environment

The control environment, in Green's analysis, is also constituted by five elements:

1. the personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control at all times throughout the organisation. This determines their preferences and value judgments, which are translated into standards of behaviour.
2. commitment to competence;
3. the “tone at the top” (i.e. management's philosophy and operating style);
4. organisational structure;
5. human resource policies and practices.

2.7.2 Risk Assessment

Risk assessment is the process of identifying and analysing relevant risks to the achievement of the entity's objectives and determining the appropriate response. Having set clear objectives and established an effective control environment, an assessment of the risks facing the entity as it seeks to achieve its mission and objectives provides the basis for developing an appropriate response to risk. According to Berkowitz (2005) the major strategy for mitigating risk is through internal control activities. Control activities can be preventive and/or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the objectives.

Risk assessment comprises: (1) Risk identification; which must be related to the objectives of the entity; comprehensive; and include risks due to external and internal factors, at both the entity and the activity levels, (2) Risk evaluation; which involves estimating the significance of a risk and assessing the likelihood of the risk occurrence, (3) Assessment of the risk appetite of the organisation and (4) development of responses (Hermanson, 2000)

2.7.3 Control Activities

Control activities and corrective actions should provide value for money. Their cost should not exceed the benefit resulting from them (cost effectiveness). Hermanson (2000) describes control activities as the policies and procedures established to address risks and to achieve the entity's objectives. To be effective, control activities must be appropriate, function consistently according to plan throughout the period, be cost

effective, comprehensive, reasonable, and directly relate to the control objectives (Hermanson 2000).

Hermanson argues that control activities occur throughout the organisation, at all levels and in all functions. They include a range of detective and preventive control activities such as: (1) authorization and approval procedures; (2) segregation of duties; (3) controls over access to resources and records; (4) verifications; (5) reconciliations; (6) reviews of operating performance; (7) reviews of operations, processes and activities; (8) and supervision. Hermanson believes that entities should reach an adequate balance between detective and preventive control activities. Corrective actions are a necessary complement to control activities in order to achieve the objectives.

2.7.3.1 Information Technology Control Activities

Green (2007) submits that information systems imply specific types of control activities. Therefore, in his opinion, information technology controls consist of two broad groupings:

General Controls

General controls are the structure, policies and procedures that apply to all or a large segment of an entity's information systems and help ensure their proper operation. They create the environment in which application systems and controls operate. The major categories of general controls are (1) entity-wide security program planning and

management, (2) access controls, (3) controls on the development, maintenance and change of the application software, (4) system software controls, (5) segregation of duties, and (6) service continuity (Green, 2007).

Application Controls

Application controls are the structure, policies, and procedures that apply to separate, individual application systems, and are directly related to individual computerized applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems. General and application controls are interrelated and both are needed to help ensure complete and accurate information processing. Because information technology changes rapidly, the associated controls must evolve constantly to remain effective (Green, 2007).

2.7.4 Information and Communication

Effective information and communication is vital for an entity to run and control its operations. Entity management needs access to relevant, complete, reliable, correct and timely communication related to internal as well as external events. Information is needed throughout the entity to achieve its objectives. Information and communication are essential to realising all internal control objectives.

2.7.4.1 Information

A precondition for reliable and relevant information is the prompt recording and proper

classification of transactions and events. Pertinent information should be identified, captured and communicated in a form and timeframe that enables staff to carry out their internal control and other responsibilities (timely communication to the right people). Information systems produce reports that contain operational, financial and non-financial and compliance-related information and that make it possible to run and control the operation. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to enable decision-making and reporting. Management's ability to make appropriate decisions is affected by the quality of information which implies that the information should be appropriate, timely, current, accurate and accessible (Hermanson, 2000).

2.7.4.2 Communication

Effective communication should flow down, across, and up the organisation, throughout all components and the entire structure. All personnel should receive a clear message from top management that control responsibilities should be taken seriously. They should understand their own role in the internal control system, as well as how their individual activities relate to the work of others. There also needs to be effective communication with external parties (Green, 2007).

2.7.5 Monitoring

Since internal control is a dynamic process that has to be adapted continuously to the risks and changes an organisation faces, monitoring of the internal control system is

necessary to help ensure that internal control remains tuned to the changed objectives, environment, resources and risks. Internal control systems should be monitored to assess the quality of the system's performance over time. Monitoring is accomplished through routine activities, separate evaluations or a combination of both. Monitoring should ensure that audit findings and recommendations are promptly resolved. COSO's Monitoring Guidance builds on two fundamental principles originally established in COSO's 2006 Guidance – ongoing monitoring and separate evaluation (COSO, 2006)

2.7.5.1 Ongoing monitoring

Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems (COSO, 2006).

2.7.5.2 Separate evaluations

The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Specific separate evaluations cover the evaluation of the effectiveness of the internal control system and ensure that internal control achieves the desired results based on predefined methods and procedures. Internal control deficiencies should be reported to the

appropriate level of management (COSO, 2006). COSO's monitoring guidance further suggests that these principles are best achieved through monitoring that is based on three broad elements:

1. Establishing a foundation for monitoring, including (a) a proper tone at the top; (b) an effective organizational structure that assigns monitoring roles to people with appropriate capabilities, objectivity and authority; and (c) a starting point or "baseline" of known effective internal control from which ongoing monitoring and separate evaluations can be implemented;
2. Designing and executing monitoring procedures focused on persuasive information about the operation of key controls that address meaningful risks to organizational objectives; and
3. Assessing and reporting results, which includes evaluating the severity of any identified deficiencies and reporting the monitoring results to the appropriate personnel and the board for timely action and follow-up if needed.

2.8 Breadth of Monitoring Processes

Organizations may select from a wide variety of monitoring procedures, including but not limited to: periodic evaluation and testing of controls by internal audit, continuous monitoring programs built into information systems, analysis and follow-up on operating reports or metrics that might identify anomalies indicative of a control failure,

supervisory reviews of controls, such as reconciliation reviews as a normal part of processing, self-assessments by boards and management regarding the effectiveness of their oversight functions, audit committee inquiries of internal and external auditors, and Quality assurance reviews of the internal audit department (COSO, 2006).

2.9 Types of Internal Control Systems

Preventive control: This focus on deterring problems before they arise by ensuring frauds and errors do not occur in the organization. Measures to ensure this include hiring highly qualified accounting personnel; segregating employees' duties and finally ensuring effectively control of physical access to assets.

2.9.1 Detective control

This type of internal control system is made to discover problems as soon as they arise. This is because not all frauds and errors can be prevented. Measures include duplicate copies of transactions, recasting, preparation of reconciliation statements, monthly trial balance, etc.

2.9.2 Corrective control

This type of internal control system remedies control problems (threats) that have been discovered. This includes procedures taken to identify the cause of problems, correct resulting errors and modify systems so that future problems are minimized. Measures to achieve this include maintaining back-up copies of transactions and master files,

adhering to procedures for correcting data entry errors.

2.10 Roles and Responsibilities

Everyone in an organisation has some responsibility for internal control:

Managers are directly responsible for all activities of an organisation, including designing, implementing, supervising proper functioning of, maintaining and documenting the internal control system. Their responsibilities vary depending on their function in the organisation and the organisation's characteristics (Green, 2007).

Internal auditors examine and contribute to the ongoing effectiveness of the internal control system through their evaluations and recommendations and therefore play a significant role in effective internal control. However they do not have management's primary responsibility for designing, implementing, maintaining and documenting internal control (Green, 2007).

Staff members contribute to internal control as well. Internal control is an explicit or implicit part of everyone's duties. All staff members play a role in effecting control and should be responsible for reporting problems of operations, non-compliance with the code of conduct, or violations of policy (Green, 2007).

External parties also play an important role in the internal control process. They may

contribute to achieving the organisation's objectives, or may provide information useful to effect internal control. However, they are not responsible for the design, implementation, proper functioning, maintenance or documentation of the organisation's internal control system (Green, 2007).

Supreme Audit Institutions (SAIs) encourage and support the establishment of effective internal control in the government. The assessment of internal control is essential to the SAI's compliance, financial and performance audits. They communicate their findings and recommendations to interested stakeholders (Green, 2007).

External auditors audit certain government organisations in some countries. They and their professional bodies should provide advice and recommendations on internal control (Green, 2007).

Legislators and regulators establish rules and directives regarding internal control. They should contribute to a common understanding of internal control. Other parties interact with the organisation (beneficiaries, suppliers, etc.) and provide information regarding achievement of its objectives (Green, 2007).

2.11 Benefits of an Effective Internal Control System

Green (2007) stated that there is now widespread recognition that effective internal controls directly impacts business performance in a number of areas and more

businesses are investing more in internal controls. According to Berkowitz (2005) managers implement internal controls to ensure that programmes operate effectively and efficiently, financial reporting on these programmes is reliable, and agency employees and those acting on behalf of the agency carry out these programmes in compliance with all laws and regulations.

Internal controls are necessary for an entity to achieve its performance and profitability targets, and prevent loss of resources. It helps to ensure the reliability of financial reports, the entity's compliance with laws and regulations and avoid damaged to its reputation or other consequences. Internal control is not only essential to maintaining the accounting and financial records of an organization, it is essential to manage an entity. For that reason everyone from the external auditors to management to the board of directors to stockholders or large public companies to government has an interest in internal controls.. Snell (1992) submits other benefits of internal control (see table 3).

Benefits of Internal Control	
1	Assist employees in their stewardship role
2	Provides guidance for existence of basic and consistent business controls
3	Defines our responsibilities for managing them
4	Tool to identify and assess operating controls, financial reporting and regulatory compliance

Table 3 source: (Snell, 1992)

2.12 Limitations on Internal Control Effectiveness

Internal control cannot by itself ensure the achievement of the general objectives defined earlier. In the word of Green, an effective internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management about the achievement of an entity's objectives or its survival. It can give management information about the entity's progress, or lack of it, toward achievement of the objectives. But internal control cannot change an inherently poor manager into a good one. Moreover, shifts in government policy or programs, demographic or economic conditions are typically beyond management's control and may require managers to re-design controls or adjust the level of acceptable risk.

Again, Snell suggests that an effective system of internal control reduces the probability of not achieving the objectives. However, there will always be the risk that internal control will be poorly designed or fail to operate as intended. Because internal control depends on the human factor, it is subject to flaws in design, errors of judgment or interpretation, misunderstanding, carelessness, fatigue, distraction, collusion, or abuse.

Another limiting factor, according to Berkowitz (2005) is that the design of an internal control system faces resource constraints. The benefits of controls must consequently be considered in relation to their costs. Maintaining an internal control system that eliminates the risk of loss is not realistic and would probably cost more than is warranted by the benefit derived. In determining whether a particular control should be

established, the likelihood of the risk occurring and the potential effect on the entity are considered along with the related costs of establishing a new control. Organisational changes and management attitude can have a profound impact on the effectiveness of internal control and the personnel operating the system. Thus, management needs to continually review and update controls, communicate changes to personnel, and set an example by adhering to those controls (Green, 2007).



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The objective of this chapter is to describe and discuss the research methodology that is used for research; it outlines research strategy, approach, and sampling. It also defines the respondents and statistical techniques that were used, and provides a frame work for the collection and analysis of data.

3.2 Research Approach

Two approaches can be adopted when conducting a study. These are the quantitative and qualitative approaches. The qualitative methods focus on understanding, interpretation, observation in natural setting and closeness to data. The quantitative method consists of the systematic empirical studies which involve quantifying through the assistance of mathematics and statistics (Bryman and Bell, 2007). For our purpose, the study adopts the qualitative approach based on its effectiveness in helping to understand the factors under study, and its suitability for the purposes of addressing the research questions.

3.3 Research Strategy

The study uses the case study as a research strategy. The case study is one of several research strategies including experiment, surveys, action research, grounded theory, ethnography, and archival research. The survey was chosen because of its suitability for

the current study. A case study is a way to explore an empirical subject by following a set of pre-specified activities and procedures (Saunders et al. 2007).

3.4 Sources of Data

The study uses both primary and secondary sources of data. Data sources comprised.

3.4.1 Primary Data

Primary data is original data collected by the researcher for the research problem at hand. The study uses Primary data collected through the use of the questionnaire and interviews. The interview method was considered necessary because according to Yin (2003), interviews are the most important sources of case study information, mainly due to the fact that they can provide exact answers to the research questions.

3.4.2 Secondary Data

The study uses the following as secondary sources: journals, magazines, books, documentation, thesis, and the Internet. Bryman and Bell (2007) describe secondary data as information collected previously for other purposes and is not case-specific; however, it can be relevant to the studied problem. Secondary data also raises the validity and reliability of the study.

3.5 Study Population

The study considers the entire staff of SSNIT in the Kumasi area as the population of

the study. This comprises both junior and senior staff members in all departments.

3.5.1 Sampling method

Convenience sampling was used in selecting the sample. This required the researcher selecting his respondents on the basis of convenience. Selection however guarded against bias.

3.5.2 Sample Size

The study uses a sample size of 110 respondents. These were chosen from all departments of the institution.

3.6 Data Collection Instruments

The study uses questionnaire and interviews as data collection instruments. The questionnaire uses both structured and unstructured questions. The purpose was to assist the researcher gather the needed information to successfully complete the study and ensure validity. The questionnaire was structured to obtain information that addressed the research question. Interview was also conducted to ascertain other information not captured by the questionnaire.

3.7 Analysis of Empirical Material

The study analyses data and findings with the help of the SPSS and excel. Open-ended qualitative responses were analyzed through data reduction, display, conclusion

creation, and triangulation to identify trends (Berkowitz, 1997). This was to present empirical findings and addresses the study's objectives.

3.8 Organisational Profile

The Social Security and National Insurance Trust (SSNIT) is a statutory public Trust charged with the administration of Ghana's National Pension Scheme. The Trust is currently the biggest non-bank financial institution in the country. Its primary responsibility is to replace part of lost income due to Old Age, Invalidity and payment of Survivors' benefits to deceased dependants. The Pension Scheme administered by SSNIT has a registered active membership of over One million and over 100, 000 pensioners who collect their monthly pension from SSNIT.

What It Does

The Social Security and National Insurance Trust (SSNIT) is governed by the National Pensions Act 2008, (Act 766) which has a contributory 3-tier Pension Scheme with SSNIT operating the Mandatory first-tier scheme. The contribution rates are: Employers - 13% of workers basic salary, Workers - 5.5% of workers basic salary, giving a total of 18.5%. Of this 13.5% is remitted to Mandatory first tier managed by SSNIT and 5% to the Mandatory second tier privately managed occupational scheme.

Core Functions of the Trust:

- Be responsible for the general administration of the Social Security Scheme and any regulations under it.
- Provide income protection for the contributors under specified contingencies, e.g. Superannuation Pension, Invalidity Pension and Survivor's Lump sum, and such other contingencies as may be specified by Law.
- Be responsible for the management of the fund and
- Carry out any other activities incidental to the realisation of its objectives.

How the Trust Works

The core business activities are decentralized with most of the functions carried out in 48 Branches, monitored by seven (7) Area Offices and supervised by the Operations Co-ordinator. The Management of the fund is at the Head Office.

Financing

The scheme is self-financing through the contributions of members and returns on the investments of the funds. The contribution rate is 18.5% (worker - 5.5%, employer 13.0%) of the earnings of a member.

Affiliation

The Trust has been in Social Security Business since 1965. In 1998 it won the "Good Corporate Citizen Award". It is a member of the International Social Security

Association (ISSA) which is affiliated to the International Labour Organisation (ILO).

The Trust is the first Social Security Organisation to go Pension in Africa South of the Sahara.

KNUST



CHAPTER FOUR

DATA PRESENTATION AND DISCUSSIONS

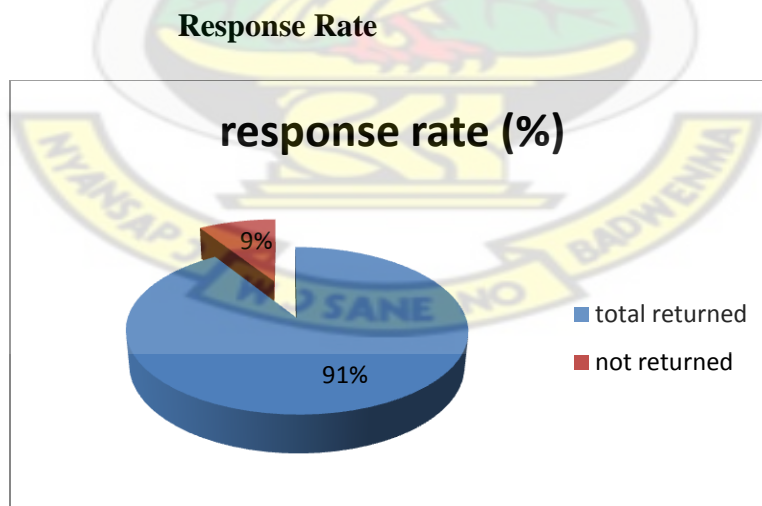
4.1 Introduction

This chapter presents and discusses the findings of the study. The chapter analyses the findings and creates a link to the theoretical perspectives reviewed as part of the literature.

4.2 Sample and Response Rate

The study uses one hundred and ten (110) respondents as the sample size. Respondents were made of staff from all departments, sections and units of the Kumasi Area of the Social Security and National Insurance Trust. Of the one hundred and ten (110) distributed questionnaires, one hundred (100) were returned, implying an approximately 91% response rate (see fig 4.1).

Fig 4.1



Source: field data (2011)

4.3 Descriptive Characteristics

The study uses graphs in presenting and analyzing data. This facilitates the interpretation of data collected. Findings are then interpreted and discussed in the context of our objectives and research questions.

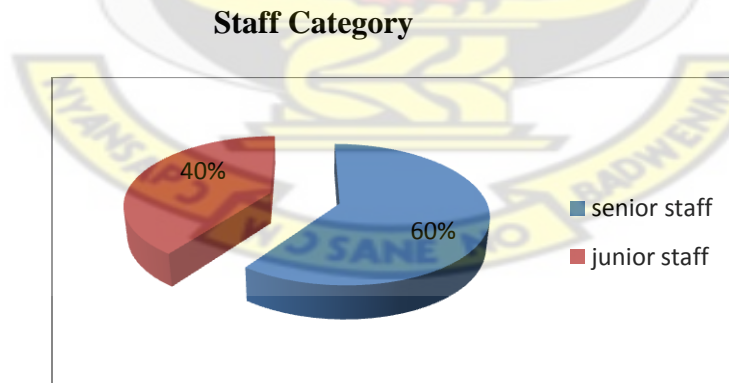
4.4 Respondents' Characteristics

Respondents' characteristics of this study include staff category of respondents, age, and gender of respondents.

4.4.1 Staff Category

The percentage distribution of staff category used in the study is indicated in fig 4.2 below. As shown, sixty percent (60%) of respondents were senior staff members while the remaining forty percent (40%) were junior staff members.

Fig 4.2



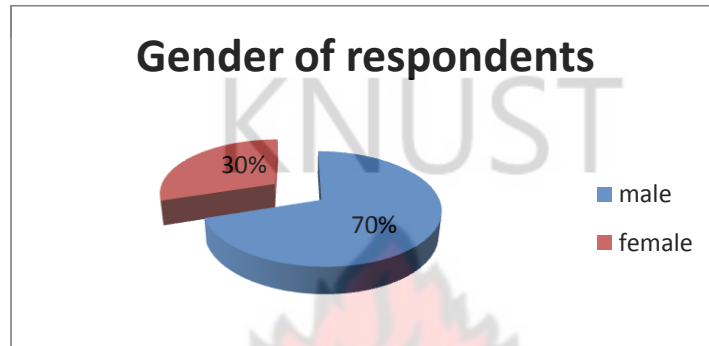
Source: field data (2011)

4.4.2 Gender of Respondents

As depicted by the figure below, 70% of our respondents were males; the remaining 30% being females.

Fig 4.3

Gender of Respondents



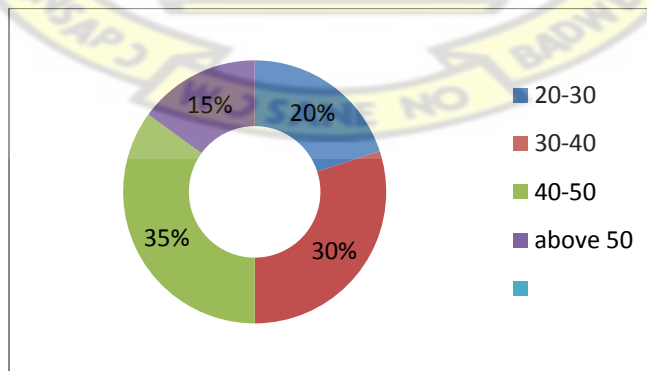
Source: field data (2011)

4.4.3 Age of Respondents

As depicted below, 20% of our respondents were aged between 20 and 30, 30% between 30 and 40, 35% between 40 and 50 whiles the remaining 15% were above 50 years.

Fig 4.4

Respondents' Age



Source: field data (2011)

4.5 Assessment Framework

We base our assessment of SSNIT's internal controls on a framework that is consistent with the five interrelated components of internal control defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2006), namely the control environment, risk assessment, control activities, information and communication, and monitoring. The framework uses defined assessment factors that are rated on a scale to indicate their strength or otherwise. We present the findings under each of the assessment factors that constitute our assessment framework and draw the appropriate conclusion of each assessment.

4.5.1 Control Environment

Under the control environment the following assessment factors were used: integrity and ethical values, commitment to competence, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resource policies and practices. Each of these assessment factors has other sub factors that were assessed on.

4.5.1.1 Integrity and Ethical Values

Four sub factors were assessed under this major factor under the control environment. These include acceptable practices, codes of conduct, conflict of interest, and integrity (see fig 4.5).

a. Acceptable practices

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. Indication of strong control implies that staff understands the institution's policies covering matters such as legitimate use of institutional resources.

b. Codes of Conduct

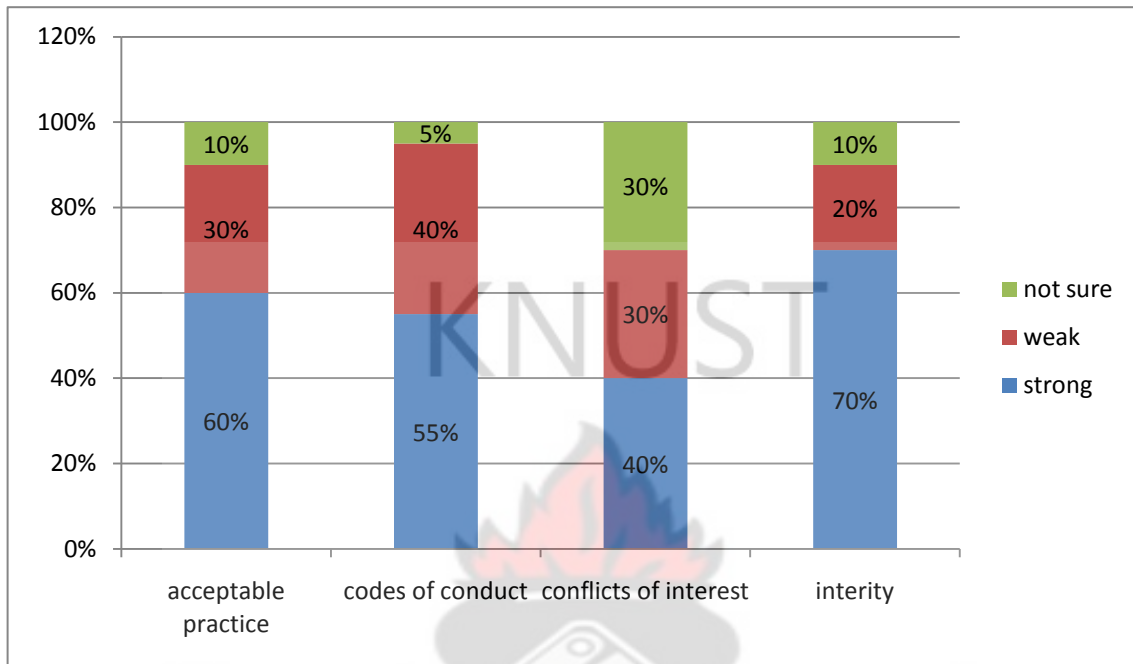
55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The 55% indication of strong control implies that staff understands the institution's policies governing relationships with sponsors, suppliers, creditors, regulators, the community, and the public at large.

c. Conflict of Interest

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively weak control in this instance implies that policies regarding potential conflicts of interest are poorly understood.

d. Integrity

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The 70% indication of strong control implies that management sets a good example and regularly communicates high expectations regarding integrity and ethical values.

Fig 4.5**Integrity and Ethical Values**

Source: field data (2011)

4.5.1.2 Commitment to Competence

Three sub factors were assessed under this major factor. These include job descriptions, knowledge and skill, and employee competence (see fig 4.6)

a. Job Description

65% gave indication of a strong control, 15% indicated a weak control and 20% were not sure. The sixty five percent65% indication of strong control implies that responsibilities are clearly defined in writing and communicated as appropriate.

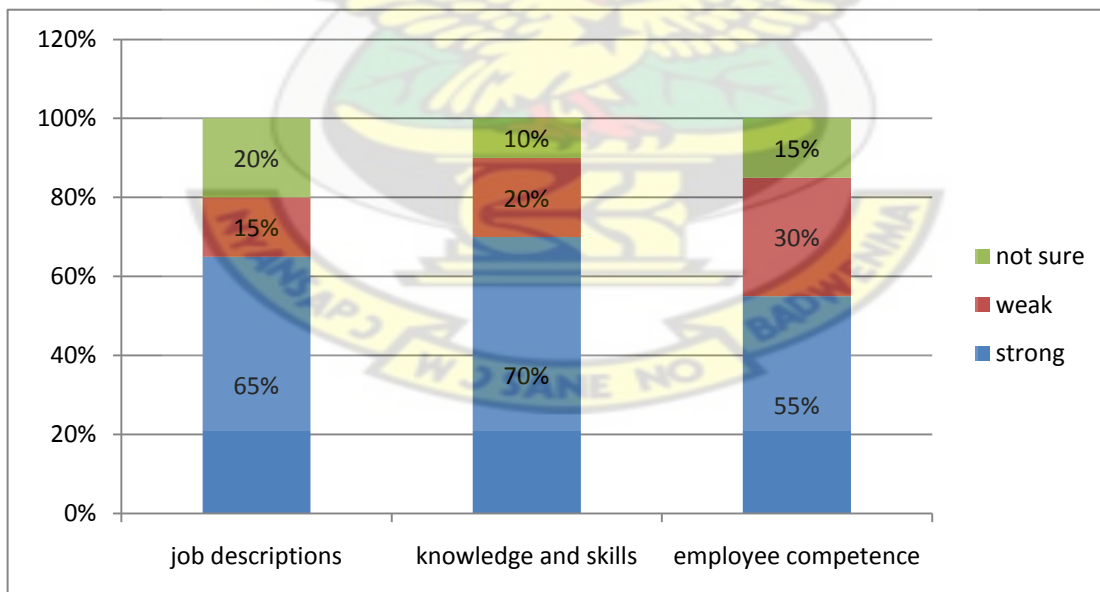
b. Knowledge and Skill

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The 70% indication of strong control implies that Unit management understands the knowledge and skills required to accomplish tasks.

c. Employee Competence

As the study gathered, 55% gave indication of a strong control, 30% indicated a weak control and 15% were not sure. The relatively average indication of strong control implies that Unit management is aware of competency levels, and is involved in training and increased supervision when competency is low. Some more effort however, may have to be made.

Fig 4.6 Commitment to Competence



Source: field data (2011)

4.5.1.3 Management's Philosophy and Operating Style

Seven sub factors were assessed under this major factor. These include communication with departments, laws and regulations, getting the job done, exceptions to policy, approach to financial stability, and emphasis on meeting budget and other financial goals (see table 4.1)

a. Communication with Departments

50% gave indication of a strong control, 20% indicated a weak control and 30% were not sure. A strong indication implies that Unit management insists on full and open disclosure of financial or business issues with appropriate persons. In this instance, a lot more effort may have to be made.

b. Laws and Regulations

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. A strong indication of control in this instance implies that there is active concern and effort to ensure compliance with the letter and intent of laws and regulations.

c. Getting the Job Done

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. A strong indication of control as suggested implies that management is concerned with and exerts effort to get the job done right the first time

d. Exceptions to Policy

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively weak indication of control as portrayed implies that Exceptions to policy are the norm and are rarely documented.

e. Approach to Financial Accountability

It was gathered that 50% gave indication of a strong control, 20% indicated a weak control and 30% were not sure. The relatively average indication of control as portrayed shows that financial accountability is given low priority, management therefore needs to do more.

f. Emphasis on Meeting Budget and other Financial Goals

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively strong indication of control as portrayed shows that realistic budgets are established and results are actively monitored. Corrective action is taken as necessary.

g. Approach to Decision Making

It was gathered that 70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, shows that decision-making processes are deliberate and consistent. Decisions are made

after careful consideration of relevant facts. Policies and procedures are in place to ensure appropriate levels of management are involved.

Table 4.1 Management's Philosophy and Operating Style

		Strong	Weak	Unsure
1	Communication with departments	50%	20%	30%
2	Laws and regulations	70%	20%	10%
3	Getting the job done	60%	30%	10%
4	Exceptions to policy	50%	30%	20%
5	Approach to financial accountability	50%	20%	30%
6	Emphasis on meeting budget and other financial goals	60%	20%	20%
7	Approach to decision making	70%	20%	10%

Source: Field Data (2011)

4.5.1.4 Organisational Structure

Four sub factors were assessed under this major factor. These include complexity of the organisational structure, organisational chart, size of management group, and stability of management group (see fig 4.7).

a. Complexity of Organisational Structure

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. This suggests clear lines of reporting.

b. Organisational Chart

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively strong indication of control as suggested, shows documentation exists and is up to date.

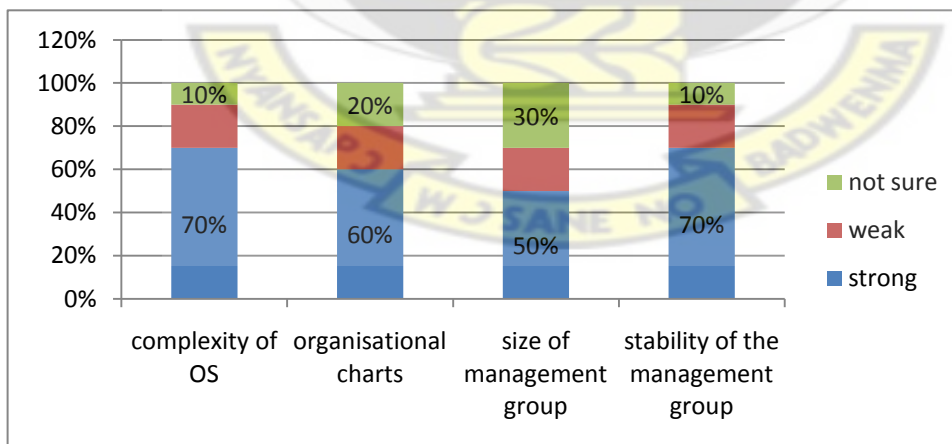
c. Size of Management Group

50% gave indication of a strong control, 20% indicated a weak control and 30% were not sure. The relatively average indication of control as suggested, shows that Size is not appropriate, it's either too large or too thin. Management may have to reconsider that.

d. Stability of Management Group

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. Indication suggests a relatively low turnover.

Fig 4.7 **Organisational Structure**



Source: Field Data (2011)

4.5.1.5 Assignment of Authority and Responsibility

Five sub factors were assessed under this major factor. These include Delegation of authority and assignment of responsibility for operating and financial functions, Authority limits, Delegated signature authority, Knowledge and experience, and Resources. (See fig 4.8).

a. Delegation of Authority and Assignment of Responsibility

40% gave indication of a strong control, 50% indicated a weak control and 10% were not sure. The relatively weak indication of control as suggested, shows that decisions are dominated by one or a few individuals.

b. Authority Limits

50% gave indication of a strong control, 40% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrate that policies and procedures covering authority limits are informal or poorly communicated

c. Delegated signature authority

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively average indication of control as suggested, demonstrate that signature authority is delegated without adequate consideration.

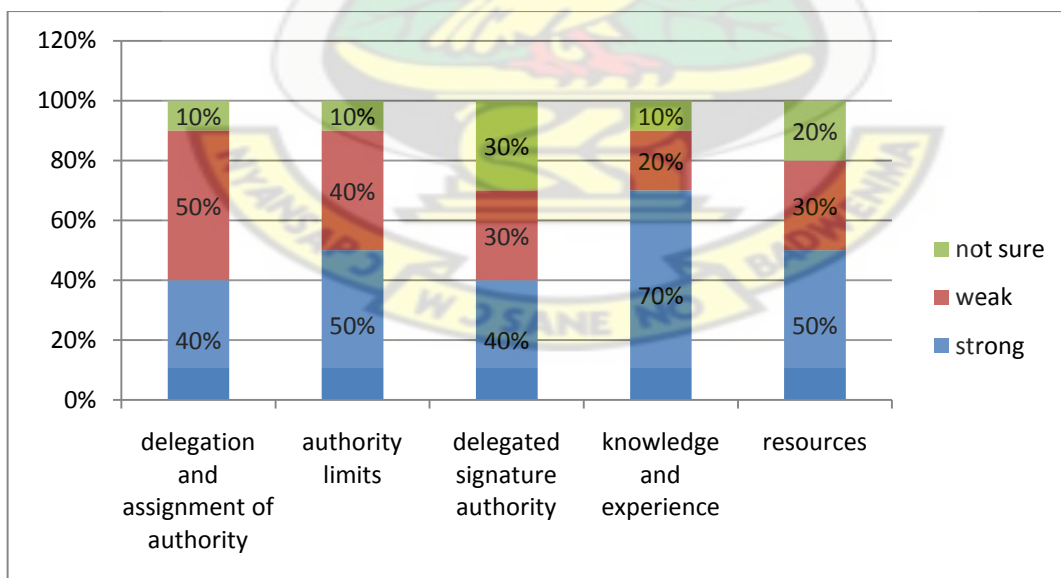
d. Knowledge and Experience

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrate that key personnel are knowledgeable and experienced. Management does not delegate authority to inexperienced individuals.

e. Resources

50% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrate that though management provides the resources needed for employees to carry out their duties, it might not be enough.

Fig 4.8 **Assignment of Authority and Responsibility**



Source: Field Data (2011)

4.5.1.6 Human Resource Policies and Practice

Eight sub factors were assessed under this major factor. These include selection of personnel, training, supervision policies, inappropriate behaviour, evaluation of personnel methods to compensate personnel, staff of critical functions and turnover (see table 4.2).

a. Selection of Personnel

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, demonstrate that a careful hiring process is in place.

b. Training

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively average indication of control as suggested, demonstrates that training programs are inconsistent, ineffective, or is given low priority.

c. Supervision Policies

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively strong indications of control suggest that Personnel are adequately supervised. They have a regular resource for resolving problems.

d. Inappropriate Behaviour

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively average indications of control suggest that reprimands are not timely, direct, or are not consistently applied; also suggesting a climate of favoritism.

e. Evaluation of Personnel

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The strong indications of control suggest that an organized evaluation process exists.

f. Methods to Compensate Personnel

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The average indications of control suggest that Compensation decisions are ad hoc, inconsistent, or inadequately reviewed by management.

g. Staffing of Critical Functions

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The strong indications of control suggest that critical functions are adequately staffed, with reasonable workloads.

h. Turnover

It was gathered that 70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The strong indications of control suggest that Low turnover. Management understands root causes of turnover.

Table 4.2 **Human Resource Policies and Practice**

		Strong	Weak	Unsure
1	Selection of personnel	50%	30%	20%
2	Training	40%	30%	30%
3	Supervision policies	60%	20%	20%
4	Inappropriate behavior	50%	30%	20%
5	Evaluation of personnel	60%	30%	10%
6	Methods to compensate personnel	50%	30%	20%
7	Staffing of critical functions	60%	30%	10%
8	Turnover	70%	20%	10%

Source: Field Data (2011)

4.5.2 Risk Assessment

4.5.2.1 Organisational Goals and Objectives

Eight sub factors were assessed under this major factor. These include Institution-wide Objectives, Critical Success Factors, Activity-level Objectives, Measurement of

Objectives, Employee Involvement, long and short rang planning, budgeting system and strategic planning for information systems (see table 4.3).

a. Institution-Wide Objectives

50% gave indication of a strong control, 20% indicated a weak control and 30% were not sure. The relatively average indication of control as suggested, demonstrate that a formal unit-wide mission or value statement is established and communicated throughout the unit.

b. Critical Success Factors

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively strong indication of control as suggested, demonstrate that factors that are critical to achievement of unit-wide objectives are identified. Resources are appropriately allocated between critical success factors and objectives of lesser importance.

c. Activity-level Objectives

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, shows that realistic objectives are established for all key activities including operations, financial reporting and compliance considerations.

d. Measurement of Objectives

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, shows that unit-wide and activity level objectives include measurement criteria and are periodically evaluated.

e. Employee Involvement

30% gave indication of a strong control, 40% indicated a weak control and 30% were not sure. The relatively weak indication of control as suggested, shows that management dictates objectives without adequate employee involvement.

f. Long and Short Range Planning

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, shows that though long and short-range plans are developed and are written, communications of these plans to staff might not be effective.

g. Budgeting System

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively strong indication of control as suggested, shows that budgets are developed by area of responsibility following prescribed procedures and realistic expectations. Plans and budgets support achievement of unit-wide action steps.

h. Strategic Planning for Information Systems

40% gave indication of a strong control, 40% indicated a weak control and 20% were not sure. The relatively strong indication of control as suggested, shows that the information system lags significantly behind the needs of the business.

Table 4.3 Organisational Goals and Objectives

		Strong	Weak	Unsure
1	Unit-wide objectives	50%	20%	30%
2	Critical success factors	60%	20%	20%
3	Activity-level objectives	60%	30%	10%
4	Measurement of objectives	70%	20%	10%
5	Employee involvement	30%	40%	30%
6	Long and short-range planning	50%	30%	20%
7	Budgeting system	70%	20%	10%
8	Strategic planning for information systems	40%	40%	20%

Source: Field Data (2011)

4.5.2.2 Risk Identification and Prioritization

Six sub factors were assessed under this major factor. These include identification and consideration of external risk, identification and consideration of internal risk,

prioritization of risk, approach to studying risk, and process for monitoring risk (see table 4.4).

a. Identification and Consideration of External Risk

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrate that a process exists to identify and consider the implications of external risk factors

b. Identification and Consideration of Internal Risk

65% gave indication of a strong control, 20% indicated a weak control and 15% were not sure. The relatively strong indication of control as suggested, demonstrate that a process exists to identify and consider the implications of internal risk factors

c. Prioritization of Risk

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrate the likelihood of occurrence and potential impact have been evaluated. Risks have been categorized as tolerable or requiring action.

d. Approach to Studying Risk

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrate that In-

depth, cost / benefit studies are performed before committing significant unit resources.

e. Process for Monitoring Risk

55% gave indication of a strong control, 20% indicated a weak control and 25% were not sure. The relatively strong indication of control as suggested, demonstrate that a risk management program is in place to monitor and help mitigate exposures.

f. Consultations with External advisors

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively strong indication of control as suggested, demonstrate that external advisors are consulted as needed to supplement internal expertise.

Table 4.4 **Risk Identification and Prioritization**

		Strong	Weak	Unsure
1	Identification and consideration of external risk factors	60%	30%	10%
2	Identification and consideration of internal risk factors	65%	20%	15%
3	Prioritization of risks	70%	20%	10%
4	Approach to studying risks	60%	30%	10%
5	Process for monitoring risks	55%	20%	25%
6	Consultation with external advisors	63%	27%	10%

Source: Field Data (2011)

4.5.2.3 Managing Change

Six sub factors were assessed under this major factor. These include Commitment to change, support of change, routine change, economic change, regulatory change, and technological change (see fig 4.9).

a. Commitment to change

30% gave indication of a strong control, 60% indicated a weak control and 10% were not sure. The low indication of control as suggested, demonstrate that management promotes the status quo, even when changes are needed to meet important business needs.

b. Support of change

35% gave indication of a strong control, 60% indicated a weak control and 5% were not sure. The low indication of control as suggested, demonstrate that management offers no resources to facilitate change.

c. Routine Change

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The low indication of control as suggested, demonstrates that procedures are not present or are ineffective.

d. Economic Change

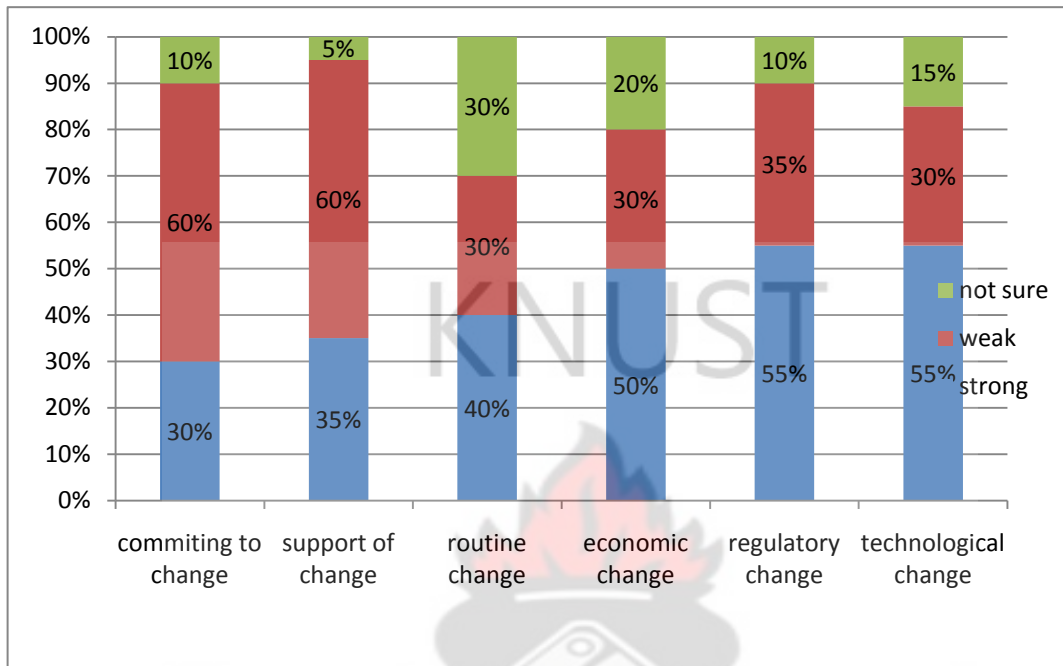
50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The average indication of control as suggested, demonstrate that mechanisms exist to identify and react to economic changes, though it might not be effective.

e. Regulatory Change

55% gave indication of a strong control, 35% indicated a weak control and 10% were not sure. The average indication of control as suggested, demonstrate that Mechanisms exist to identify and react to regulatory changes, it may however not be effective.

f. Technological Change

55% gave indication of a strong control, 30% indicated a weak control and 15% were not sure. The average indication of control as suggested, demonstrate that Mechanisms exist to identify and react to technological changes and changes in the functional requirements of the units.

Fig 4.9**Managing Change**

Source: Field Data (2011)

4.5.3.1 Written Policies and Procedure

Two sub factors were assessed under this major factor. These include access to policies and procedure and unit policies and procedure (see fig 4.10).

a. Access to Policies and Procedure

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrate that staff have available up to date policy and procedures and know how to use them.

b. Unit Policies and Procedures

55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrate that some unit may have documented its own policies and procedures and are all well understood by unit staff.

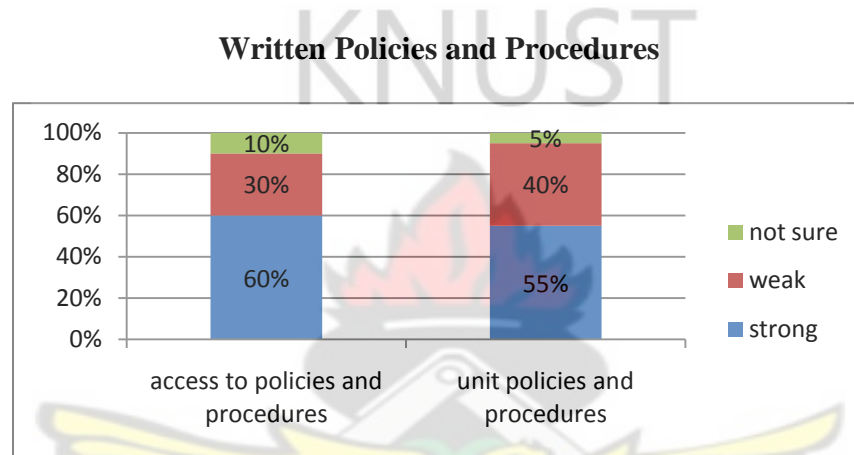


Fig 4.10

Source: Field Data (2011)

4.5.3.2 Control Procedure

Eight sub factors were assessed under this major factor. These include Senior management reviews, top level objective performance reviews by unit management, top level financial performance reviews by unit management, and direct functional or activity management by unit management, (see table 4.5).

a. Senior Management Reviews

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control demonstrates

that senior management monitors the units' performance against objectives and budget.

b. Top level objective performance reviews by unit management.

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively strong indication of control demonstrates that reviews are made of actual performance compared to objectives and previous periods for all major initiatives.

c. Top level financial performance reviews by unit management.

50% gave indication of a strong control, 40% indicated a weak control and 10% were not sure. The average indication of control demonstrates that Reviews are made of actual performance versus budgets, forecasts, and performance in prior periods for most major initiatives.

d. Direct functional or activity management by unit management

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The average indication of control demonstrates that some performance reviews are made of specific functions or activities, focusing on compliance, financial or operational issues.

e. Performance indicators

It was gathered that 60% gave indication of a strong control, 20% indicated a weak

control and 20% were not sure. The average indication of control demonstrates that unexpected operating results or unusual trends are investigated.

Accounting statements and key reconciliations

70% gave indication of a strong control, 15% indicated a weak control and 15% were not sure. The strong indication of control demonstrates that Accounting statements and key reconciliations are completed timely. Management performs a diligent review and signifies approval by signature and date.

f. Sponsored project account management

50% gave indication of a strong control, 20% indicated a weak control and 30% were not sure. The relatively average indication of control demonstrates that Unit management does some monitoring of the portfolio of sponsored accounts for compliance and fiscal responsibility.

g. Use of restricted funds

60% gave indication of a strong control, 15% indicated a weak control and 25% were not sure. The strong indication of control demonstrates that restrictions on use are well documented, and are understood by employees who administer the funds. Usage is monitored by management, accounts are reconciled.

h. Information processing

65% gave indication of a strong control, 25% indicated a weak control and 10% were not sure. The strong indication of control demonstrates that controls exist to monitor the accuracy and completeness of information as well as authorization of transactions.

i. Physical controls

75% gave indication of a strong control, 16% indicated a weak control and 9% were not sure. The strong indication of control demonstrates that Equipment, supplies, inventory, cash and other assets are physically secured and periodically counted and compared to the amounts shown on control records.

j. Training and guidance for asset custodians

70% gave indication of a strong control, 15% indicated a weak control and 15% were not sure. The strong indication of control demonstrates that adequate guidance and training are provided to personnel responsible for cash or similar assets.

k. Separation of duties

76% gave indication of a strong control, 14% indicated a weak control and 10% were not sure. The strong indication of control demonstrates that financial duties are divided among different people. Responsibilities for authorizing transactions, recording them and handling the asset are separated.

l. Record retention

85% gave indication of a strong control, 5% indicated a weak control and 10% were not sure. The strong indication of control demonstrates that employees understand which records they are responsible to maintain and the required retention period.

m. Disaster response plan

74% gave indication of a strong control, 13% indicated a weak control and 13% were not sure. The strong indication of control demonstrates that A disaster response and recovery plan has been developed and is understood by key personnel.

Table 4.5 Control Procedures

		Strong	Weak	Unsure
1	Senior management reviews	60%	30%	10%
2	Top level objective performance reviews by unit management.	50%	30%	20%
3	Top level financial performance reviews by unit management.	50%	40%	10%
4	Direct functional or activity management by unit management	50%	30%	20%
5	Performance indicators	60%	20%	20%
6	Accounting statements and key reconciliations.	70%	15%	15%
7	Sponsored project account management	50%	20%	30%
8	Use of restricted funds	60%	15%	25%
9	Information processing	65%	25%	10%
10	Physical controls	75%	16%	9%
11	Training and guidance for asset custodians	70%	15%	15%
12	Separation of duties	76%	14%	10%
13	Record retention	85%	5%	10%
14	Disaster response plan	74%	13%	13%

Source: Field Data (2011)

4.5.3.3 Control Over Information Systems

Three sub factors were assessed under this major factor. These include local application systems, applications control, and backup (see fig 4.11).

a. Local application systems

60% gave indication of a strong control, 10% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, demonstrate that System operations are documented; software is appropriately acquired and maintained; access to the system, programs and data is controlled.

b. Applications Control

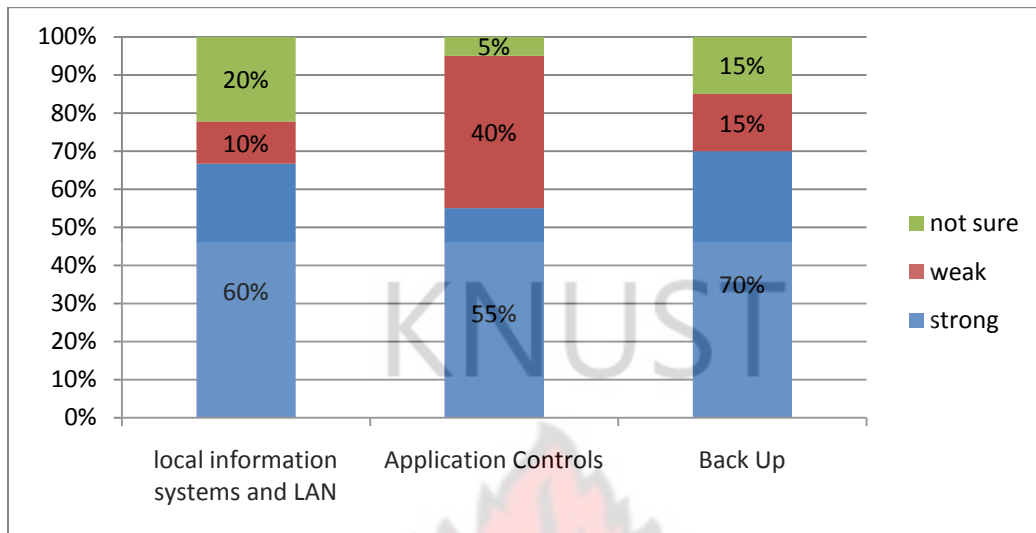
55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrate that controls ensure a high level of data integrity including completeness, accuracy, and validity of all information in the system.

c. Back up

40% gave indication of a strong control, 20% indicated a weak control and 40% were not sure. The relatively strong indication of control as suggested, demonstrates that Key data and programs on LANs or desktop computers are appropriately backed up and maintained.

Fig. 4.11

Control over Information Systems



Source: Field Data (2011)

4.5.4 Information and Communication

4.5.4.1 Access to Information

Three sub factors were assessed under this major factor. These include relevant external information, management reporting system, and management of information security (see fig 4.12).

a. Relevant External Information

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrates that members receive relevant information regarding legislation, regulatory developments, economic changes or other external factors that affect the institution.

b. Management reporting system

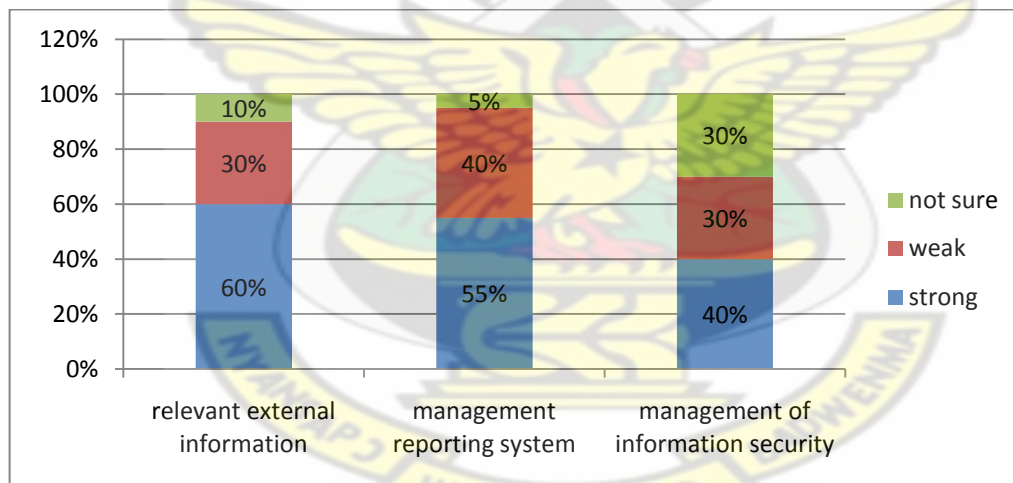
55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively strong indication of control as suggested, demonstrates that Information and reports are provided timely.

c. Management of Information Security

40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively strong indication of control as suggested, demonstrates that employees are not trained with respect to information security.

Fig 4.12

Access to Information



Source: Field Data (2011)

4.5.4.2 Communication Pattern

Eight sub factors were assessed under this major factor. These include trust, Policy enforcement and discipline, Recommendations for improvement, Formal

communications, external communications, Informal communications, and Communication with evaluators (see table 4.6).

a. Trust

65% gave indication of a strong control, 25% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrates that Management promotes and fosters trust between employees, supervisors and other units.

b. Policy enforcement and discipline

70% gave indication of a strong control, 25% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrates that employees who violate an important policy are disciplined. Also, management's communications and actions are consistent with policies.

c. Recommendations for improvement

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrates that employees are encouraged to provide recommendations for improvement, and ideas are recognized and rewarded.

d. Formal communications

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrates that formal methods are used to communicate unit policies and procedures.

e. External communications

65% gave indication of a strong control, 15% indicated a weak control and 20% were not sure. The relatively strong indication of control as suggested, demonstrates that standards and expectations are communicated to key outside groups or individuals

f. Informal communications

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively strong indication of control as suggested, demonstrates that Employees are kept informed of important matters and are able to communicate problems to persons with authority.

g. Communications with Evaluators

70% gave indication of a strong control, 15% indicated a weak control and 15% were not sure. The relatively strong indication of control as suggested, demonstrates that Information is openly shared with outside evaluators.

Table 4.6

Communication Patterns

		Strong	Weak	Unsure
1	Trust	65%	25%	10%
2	Policy enforcement and discipline.	70%	25%	5%
3	Recommendations for improvement	60%	30%	10%
4	Formal communications	70%	20%	10%
5	External communications	65%	15%	20%
6	Informal communications	70%	20%	10%
7	Communication with evaluators	70%	15%	15%

Source: Field Data (2011)

4.5.4 Monitoring**4.5.4.1 Management Supervision**

Three sub factors were assessed under this major factor. These include Effectiveness of Key Control Activities, Management Supervision of New Systems Development, and Budget Analysis (see fig 4.13).

a. Effectiveness of Key Control Activities

It was gathered that 65% gave indication of a strong control, 20% indicated a weak control and 15% were not sure. The relatively average indication of control as suggested, demonstrates that management routinely spot-checks transactions, records and reconciliations to ensure expectations are met.

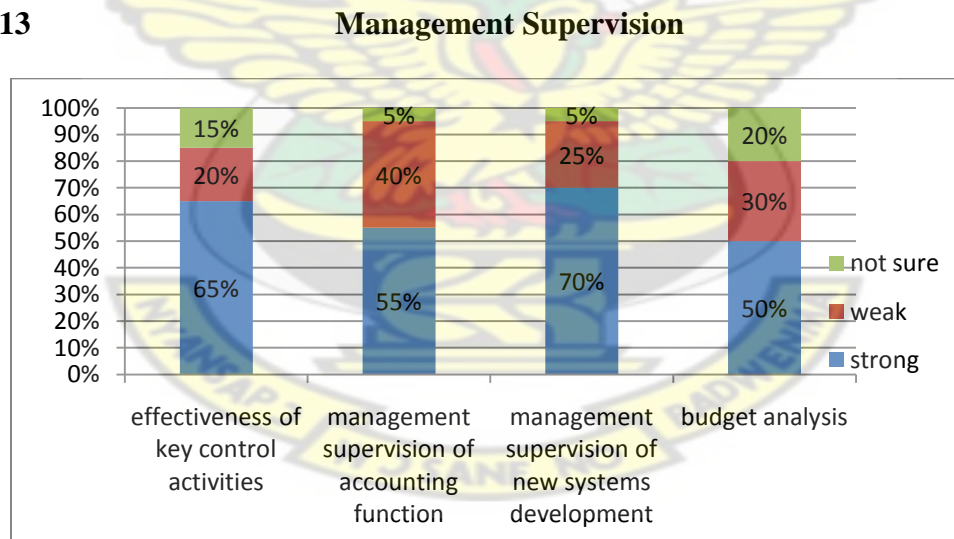
b. Management Supervision of New Systems Development

It was gathered that 70% gave indication of a strong control, 25% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrates that Policies are defined for developing new systems or changes to existing systems.

Budget Analysis

It was gathered that 50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, demonstrates that adequate consideration is given to commitments.

Fig 4.13



Source: Field Data (2011)

4.5.4.2 Outside Sources

Four sub factors were assessed under this major factor. These include industry/professional association, regulatory authorities, sponsors, suppliers, creditors, and other third parties, and external auditors (see fig 4.14).

a. Industry/Professional association

40% gave indication of a strong control, 35% indicated a weak control and 25% were not sure. The relatively average indication of control as suggested, demonstrate that data is used to compare the unit's performance with peers or industry standards.

b. Regulatory authorities

60% gave indication of a strong control, 20% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, demonstrate that Reports from regulatory bodies are considered for their internal control implications.

c. Sponsors, suppliers, creditors, and other third parties

50% gave indication of a strong control, 30% indicated a weak control and 20% were not sure. The relatively average indication of control as suggested, demonstrate that a careful hiring process is in place.

d. External auditors

It was gathered that 40% gave indication of a strong control, 35% indicated a weak control and 25% were not sure. The relatively strong indication of control as suggested, demonstrate that information provided by external auditors about control-related matters are considered and acted on at high levels.

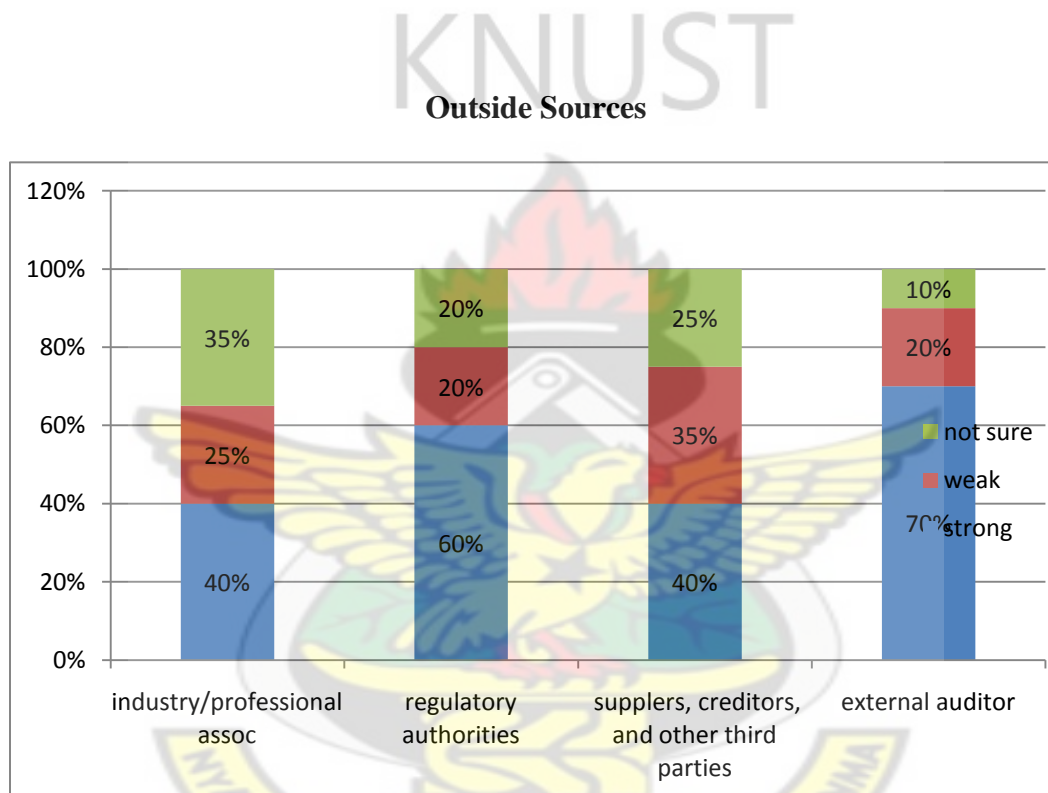


Fig 4.14

Source: Field Data (2011)

4.5.4.3 Response Mechanism

Three sub factors were assessed under this major factor. These include management follow ups of violations of policy, external or internal audit findings, and change in conditions (see fig 4.15).

a. Management Follow-ups of Violations of Policy

60% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrate that timely corrective action is taken.

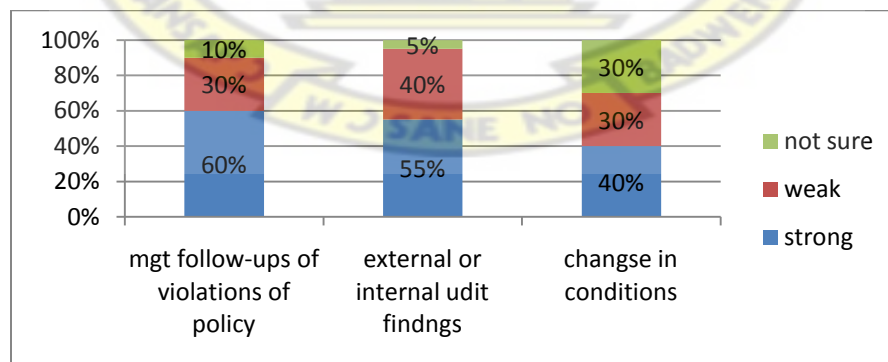
b. External or internal audit findings

55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrate that Findings are considered and acted upon at appropriate levels

c. Change in Conditions

55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrate that Changes are anticipated and routinely integrated into ongoing long- and short-range planning.

Fig 4.15 **Response Mechanisms**



Source: Field Data (2011)

4.5.4.4 Self Assessment Mechanism

Four sub factors were assessed under this major factor. These include monitoring of control environment, evaluation of risk assessment process, assessment of design and effectiveness of internal controls, and Evaluation of information and communication systems (see fig 4.16).

a. Monitoring of Control Environment

50% gave indication of a strong control, 30% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrates that management periodically assesses employee attitudes, reviews the effectiveness of the organization structure, and evaluates the appropriateness of policies and procedures.

b. Evaluation of risk assessment process

55% gave indication of a strong control, 40% indicated a weak control and 5% were not sure. The relatively average indication of control as suggested, demonstrates that Management periodically evaluates the effectiveness of its risk assessment process.

c. Assessment of Design and Effectiveness of Internal Control

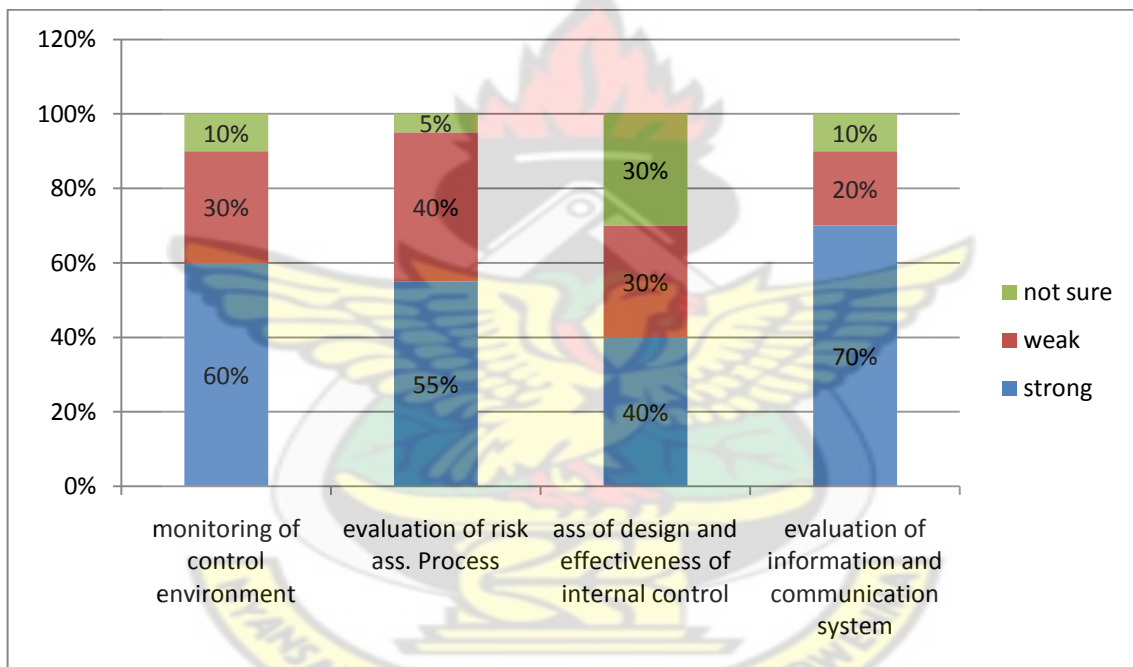
40% gave indication of a strong control, 30% indicated a weak control and 30% were not sure. The relatively average indication of control as suggested, demonstrates Internal controls are subject to a formal and continuous internal assessment process.

d. Assessment of Design and Effectiveness of Internal Control

70% gave indication of a strong control, 20% indicated a weak control and 10% were not sure. The relatively average indication of control as suggested, demonstrates that management periodically evaluates the accuracy, timeliness and relevance of its information and communication systems.

Fig 4.16

Self-Assessment Mechanisms



Source: Field Data (2011)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the presentation, highlighting findings to our objectives. The chapter also presents the conclusion and recommendations to the study.

5.2 Summary of Findings

5.2.1 Sample and Response Rate

The study uses one hundred and ten (110) respondents as the sample size. Respondents were made of staff from all departments, sections and units of the Kumasi Area of the Social Security and National Insurance Trust. Of the one hundred and ten (110) distributed questionnaires, one hundred (100) were returned, implying an approximately 91% response rate.

5.2.2 Respondents' Characteristics

Respondents' characteristics of this study include staff category of respondents, age, and gender of respondents. Sixty percent (60%) of respondents were senior staff members while the remaining forty percent (40%) were junior staff members. Again, 70% of our respondents were males; the remaining 30% being females. Further, 20% of our respondents were aged between 20 and 30, 30% between 30 and 40, 35% between 40 and 50 while the remaining 15% were above 50 years.

5.3 Assessment Framework

The assessment of SSNIT's internal controls was based on a COSO framework. The framework uses defined assessment factors that are rated on a scale to indicate their strength or otherwise. Findings were presented under each of the assessment factors that constitute the assessment framework and draw the appropriate conclusion of each assessment.

5.3.1 Control Environment

Under the control environment the following assessment factors were used: integrity and ethical values, commitment to competence, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resource policies and practices. Each of these assessment factors has other sub factors that were assessed on.

It was found that staff understood the institution's policies covering matters such as legitimate use of institutional resources. Again, staff understood the institution's policies governing relationships with sponsors, suppliers, creditors, regulators, the community, and the public at large. Again, management sets a good example and regularly communicates high expectations regarding integrity and ethical values. However, policies regarding potential conflicts of interest were poorly understood.

It came out that that responsibilities are clearly defined in writing and communicated as

appropriate. Again management understood the knowledge and skills required to accomplish tasks. Also, management was aware of competency levels, and was involved in training and increased supervision when competency was low. Some more effort however, may have to be made.

It was also found that management insists on full and open disclosure of financial or business issues with appropriate persons and departments. Also there was active concern and effort to ensure compliance with the letter and intent of laws and regulations. In addition, management was concerned with and exerts effort to get the job done right the first time. However, exceptions to policy are the norm and are rarely documented. In addition, financial accountability is given low priority and management therefore needs to do more. Effectively, realistic budgets are established and results are actively monitored. Corrective action is taken as necessary. Again, decision-making processes are deliberate and consistent. Decisions are made after careful consideration of relevant facts. Policies and procedures are in place to ensure appropriate levels of management are involved.

Clear lines of reporting were identified. Indications were that management size was not appropriate. Management may have to reconsider that. Indication suggested a relatively low turnover. Indications were that decisions are dominated by one or a few individuals. The relatively average indication of control as suggested, demonstrate that policies and procedures covering authority limits are informal or poorly communicated. There was

also indication that signature authority is delegated without adequate consideration. However, key personnel are knowledgeable and experienced. Management does not delegate authority to inexperienced individuals. Management also provides the resources needed for employees to carry out their duties, though indications were that it might not be enough.

The study found a careful hiring process in place. Also, training programs are inconsistent, ineffective, or is given low priority. Again, personnel are adequately supervised. They have a regular resource for resolving problems, although reprimands are not timely, direct, or are not consistently applied; also suggesting a climate of favoritism. The study further found that an organized evaluation process exists, compensation decisions appeared ad hoc, inconsistent, or inadequately reviewed by management.

5.3.2 Risk Assessment

The study found that a formal institution-wide mission or value statement is established and communicated throughout the unit. Again, resources are appropriately allocated between critical success factors and objectives of lesser importance. Realistic objectives are established for all key activities including operations, financial reporting and compliance considerations. Also unit-wide and activity level objectives include measurement criteria and are periodically evaluated.

However, management dictates objectives without adequate employee involvement. Again, though long and short-range plans are developed and are written, communications of these plans to staff might not be effective. It was also found that budgets are developed by area of responsibility following prescribed procedures and realistic expectations. Plans and budgets support achievement of unit-wide action steps. In addition, information system lags significantly behind the needs of the business.

It was further found that a process exists to identify and consider the implications of internal risk factors. Again, in-depth, cost / benefit studies are performed before committing significant unit resources. Also, a risk management program is in place to monitor and help mitigate exposures. There was an indication that management promotes the status quo, even when changes are needed to meet important business needs. Again, it was evident that management offers little resources to facilitate change. It was also found that mechanisms exist to identify and react to economic and regulatory, and technological changes, though it might not be effective.

5.3.3 Written Policies and Procedure

It was realized that senior management monitors performance against objectives and budget. Reviews are made of actual performance compared to objectives and previous periods for all major initiatives. Some performance reviews are made of specific functions or activities, focusing on compliance, financial or operational issues. It was also seen that unexpected operating results or unusual trends are investigated. Again,

Accounting statements and key reconciliations are completed timely. Management performs a diligent review and signifies approval by signature and date.

Again management does some monitoring of the portfolio of sponsored accounts for compliance and fiscal responsibility. Also, controls exist to monitor the accuracy and completeness of information as well as authorization of transactions. Adequate guidance and training are provided to personnel responsible for cash or similar assets. Financial duties are divided among different people. Responsibilities for authorizing transactions, recording them and handling the asset are separated. Employees also understand which records they are responsible to maintain and the required retention period. A disaster response and recovery plan has been developed and is understood by key personnel.

System operations are documented; software is appropriately acquired and maintained; access to the system, programs and data is controlled. High level of data integrity including completeness, accuracy, and validity of all information in the system is ensured.

5.3.4 Information and Communication

Staff received relevant information regarding legislation, regulatory developments, economic changes or other external factors that affect the institution. Employees, however, are not trained with respect to information security.

Again, the management promotes and fosters trust between employees, supervisors and other units. Also, management's communications and actions are consistent with policies. Again, standards and expectations are communicated to key outside groups or individuals. Further, employees are kept informed of important matters and are able to communicate problems to persons with authority.

5.3.5 Monitoring

It was observed that management routinely spot-checks transactions, records and reconciliations to ensure expectations are met. Again, policies are defined for developing new systems or changes to existing systems. Further, adequate consideration is given to commitments. The study found that reports from regulatory bodies are considered for their internal control implications. Also a careful hiring process is in place. Further, information provided by external auditors about control-related matters are considered and acted on at high levels. When necessary, timely corrective action was taken. Again, changes are anticipated and routinely integrated into ongoing long- and short-range planning.

Evidence was found that management periodically assesses employee attitudes, reviews the effectiveness of the organization structure, and evaluates the appropriateness of policies and procedures. Also management periodically evaluates the effectiveness of its risk assessment process. Internal controls are subject to a formal and continuous

internal assessment process. Finally, management periodically evaluates the accuracy, timeliness and relevance of its information and communication systems.

5.3 Conclusions

The study has been an internal control assessment of SSNIT in the Kumasi Area. The study considered the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment of SSNIT's internal controls was based on a COSO framework. The framework uses defined assessment factors that are rated on a scale to indicate their strength or otherwise. Several instances of strong control and weak control have been identified. As COSO (2006) suggests, internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals and objectives and supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. It is in this light that the study was carried out.

5.4 Recommendations

The study recommends that management in every institution should be responsible for the establishment of internal controls to keep their institutions on course toward its financial goals, to help it achieve its mission, to minimize surprises and risks, and to allow the organization to successfully deal with change.

Again the study encourages heads and other management to evaluate internal controls in their areas of responsibility. Internal Audit should also consult on methods to improve internal controls.

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Assessment Factor	Assessment				
	1	2	3	4	5
Control Environment					
Integrity and Ethical Values					
Acceptable business practices.					
Codes of conduct.					
Conflicts of interests.					
Commitment to Competence					
Integrity.					
Job descriptions.					
Knowledge and Skills.					
Employee competence.					
Management Philosophy					
Communication with departments					
Laws and regulations.					
Getting the job done.					
Exceptions to policy.					
Approach to financial accountability.					
Emphasis on meeting budget and other financial and operating goals.					
Organisational Structure					
Approach to decision making.					
Complexity of the organizational structure.					
Organization charts.					
Size of the management group.					
Stability of the management group.					
Assignment of Authority and Responsibility					
Delegation of authority and assignment of responsibility for operating and financial functions.					

Authority limits.					
Delegated signature authority.					
Knowledge and experience.					
Resources.					
Human Resource Policies and Practices					
Selection of personnel.					
Training.					
Supervision policies.					
Inappropriate behavior.					
Evaluation of personnel.					
Methods to compensate personnel.					
Staffing of critical functions.					
Turnover. Particularly turnover in financially responsible positions.					
Risk Assessment					
Organisational Goals and Objectives					
Unit-wide objectives.					
Critical success factors.					
Activity-level objectives.					
Measurement of objectives.					
Employee involvement.					
Long and short-range planning.					
Budgeting system.					
Strategic planning for information systems.					
Risk Identification and Prioritisation					
Identification and consideration of external risk factors.					
Identification and consideration of internal risk factors.					
Prioritization of risks.					

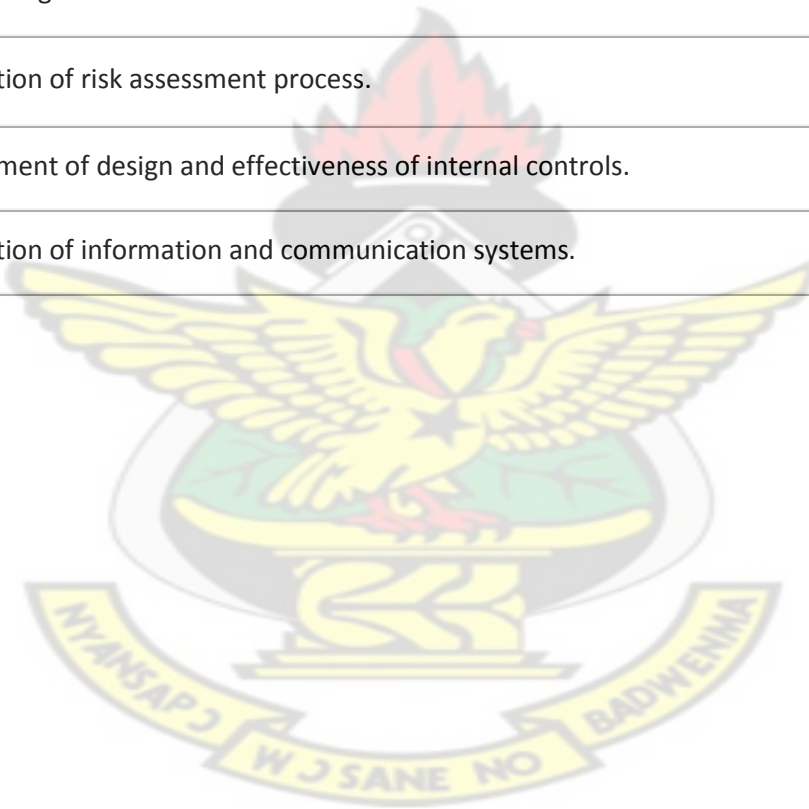
Approach to studying risks.					
Process for monitoring risks.					
Consultation with external advisors.					
Managing Change					
Commitment to change.					
Support of change.					
Routine change.					
Economic change.					
Regulatory change.					
Technological change.					
Control Activities					
Written Policies and Procedures					
Access to policies and procedures.					
Unit policies and procedures.					
Control Procedure					
Senior management (University or College) reviews.					
Top level (unit-wide) objective performance reviews by unit management.					
Top level (unit-wide) financial performance reviews by unit management.					
Direct functional or activity management by unit management.					
Performance indicators.					
Accounting statements and key reconciliations.					
Sponsored project account management.					
Use of restricted funds (gifts).					
Information processing.					
Physical controls.					
Training and guidance for asset custodians.					

Separation of duties.						
Record retention.						
Disaster response plan.						
Controls Over Information Systems						
Local information systems and LANs.						
Application controls.						
Back Up.						



Section 4 – Information and Communication										
13 – Access to Information										
13.1	Relevant external information.									
13.2	Management reporting system.									
13.3	Management of information security.									
14 – Communication Patterns										
14.1	Trust.									
14.2	Policy enforcement and discipline.									
14.3	Recommendations for improvement.									
14.4	Formal communications.									
14.5	External communications.									
14.6	Informal communications.									
14.7	Communication with evaluators.									
Section 5 – Monitoring										
15 – Management Supervision										
15.1	Effectiveness of key control activities.									
15.2	Management supervision of accounting function.									
15.3	Management supervision of new systems development.									
15.4	Budget analysis.									
16 – Outside Sources										
16.1	Industry and professional associations.									
16.2	Regulatory authorities.									
16.3	Sponsors, students, suppliers, creditors, and other third parties.									
16.4	External auditors.									

17 – Response Mechanisms									
17.1	Management follow-up of violations of policies.								
17.2	External or internal audit findings.								
17.3	Changes in conditions (e.g., economic, regulatory, technological, or competitive).								
18 – Self-Assessment Mechanisms									
18.1	Monitoring of control environment.								
18.2	Evaluation of risk assessment process.								
18.3	Assessment of design and effectiveness of internal controls.								
18.4	Evaluation of information and communication systems.								



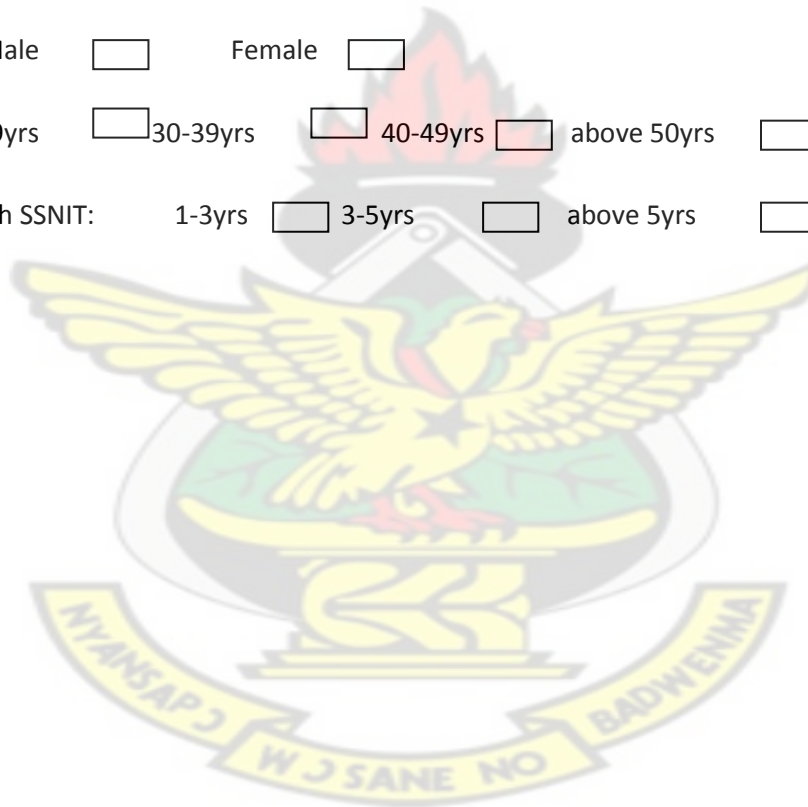
Appendix 1 - Questionnaire

This questionnaire is part of an assessment of internal controls at SSNIT. Kindly indicate your preference among alternative answers for each question by ticking in the appropriate box. The scale used indicates the extent of strength or weakness of the particular factor (ie 1- very strong, 5-very weak) Thank you for your contribution.

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1. Background Information

1. Gender: Male ☐ Female ☐
2. Age: 20-29yrs ☐ 30-39yrs ☐ 40-49yrs ☐ above 50yrs ☐
4. Period with SSNIT: 1-3yrs ☐ 3-5yrs ☐ above 5yrs ☐



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Assessment Factor	Assessment				
	1	2	3	4	5
Control Environment					
Integrity and Ethical Values					
Acceptable business practices.					
Codes of conduct.					
Conflicts of interests.					
Commitment to Competence					
Integrity.					
Job descriptions.					
Knowledge and Skills.					
Employee competence.					
Management Philosophy					
Communication with departments					
Laws and regulations.					
Getting the job done.					
Exceptions to policy.					
Approach to financial accountability.					
Emphasis on meeting budget and other financial and operating goals.					
Organisational Structure					
Approach to decision making.					
Complexity of the organizational structure.					
Organization charts.					
Size of the management group.					
Stability of the management group.					
Assignment of Authority and Responsibility					
Delegation of authority and assignment of responsibility for operating and financial functions.					

Authority limits.					
Delegated signature authority.					
Knowledge and experience.					
Resources.					
Human Resource Policies and Practices					
Selection of personnel.					
Training.					
Supervision policies.					
Inappropriate behavior.					
Evaluation of personnel.					
Methods to compensate personnel.					
Staffing of critical functions.					
Turnover. Particularly turnover in financially responsible positions.					
Risk Assessment					
Organisational Goals and Objectives					
Unit-wide objectives.					
Critical success factors.					
Activity-level objectives.					
Measurement of objectives.					
Employee involvement.					
Long and short-range planning.					
Budgeting system.					
Strategic planning for information systems.					
Risk Identification and Prioritisation					
Identification and consideration of external risk factors.					
Identification and consideration of internal risk factors.					
Prioritization of risks.					

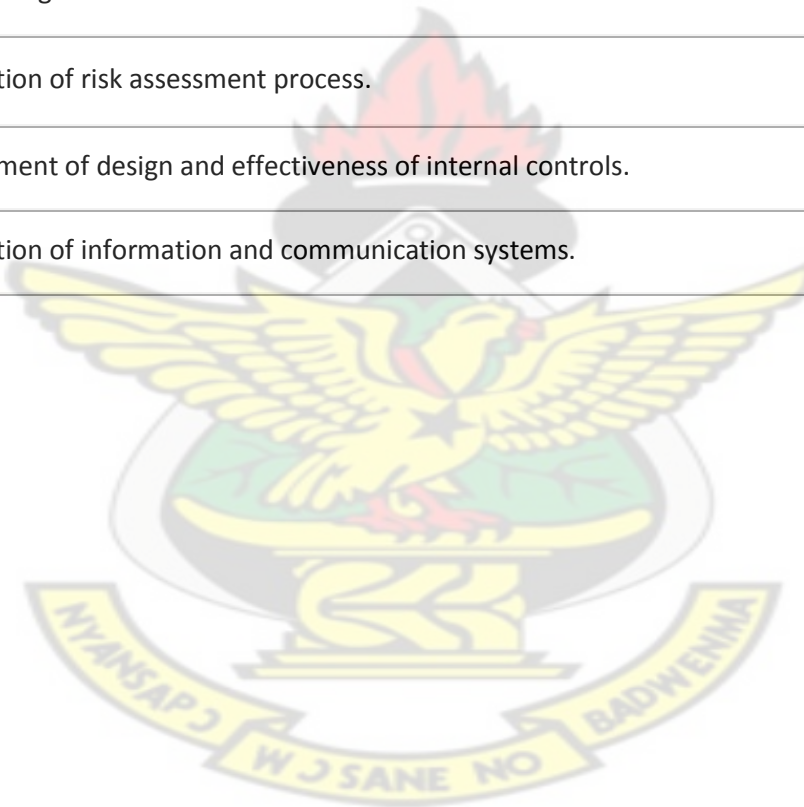
Approach to studying risks.					
Process for monitoring risks.					
Consultation with external advisors.					
Managing Change					
Commitment to change.					
Support of change.					
Routine change.					
Economic change.					
Regulatory change.					
Technological change.					
Control Activities					
Written Policies and Procedures					
Access to policies and procedures.					
Unit policies and procedures.					
Control Procedure					
Senior management (University or College) reviews.					
Top level (unit-wide) objective performance reviews by unit management.					
Top level (unit-wide) financial performance reviews by unit management.					
Direct functional or activity management by unit management.					
Performance indicators.					
Accounting statements and key reconciliations.					
Sponsored project account management.					
Use of restricted funds (gifts).					
Information processing.					
Physical controls.					
Training and guidance for asset custodians.					

Separation of duties.						
Record retention.						
Disaster response plan.						
Controls Over Information Systems						
Local information systems and LANs.						
Application controls.						
Back Up.						



Section 4 – Information and Communication												
13 – Access to Information												
13.1	Relevant external information.											
13.2	Management reporting system.											
13.3	Management of information security.											
14 – Communication Patterns												
14.1	Trust.											
14.2	Policy enforcement and discipline.											
14.3	Recommendations for improvement.											
14.4	Formal communications.											
14.5	External communications.											
14.6	Informal communications.											
14.7	Communication with evaluators.											
Section 5 – Monitoring												
15 – Management Supervision												
15.1	Effectiveness of key control activities.											
15.2	Management supervision of accounting function.											
15.3	Management supervision of new systems development.											
15.4	Budget analysis.											
16 – Outside Sources												
16.1	Industry and professional associations.											
16.2	Regulatory authorities.											
16.3	Sponsors, students, suppliers, creditors, and other third parties.											
16.4	External auditors.											

17 – Response Mechanisms									
17.1	Management follow-up of violations of policies.								
17.2	External or internal audit findings.								
17.3	Changes in conditions (e.g., economic, regulatory, technological, or competitive).								
18 – Self-Assessment Mechanisms									
18.1	Monitoring of control environment.								
18.2	Evaluation of risk assessment process.								
18.3	Assessment of design and effectiveness of internal controls.								
18.4	Evaluation of information and communication systems.								



Appendix 1 - Questionnaire

This questionnaire is part of an assessment of internal controls at SSNIT. Kindly indicate your preference among alternative answers for each question by ticking in the appropriate box. The scale used indicates the extent of strength or weakness of the particular factor (ie 1- very strong, 5-very weak) Thank you for your contribution.

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1. Background Information

1. Gender: Male ☐ Female ☐
2. Age: 20-29yrs ☐ 30-39yrs ☐ 40-49yrs ☐ above 50yrs ☐
4. Period with SSNIT: 1-3yrs ☐ 3-5yrs ☐ above 5yrs ☐

