

**EFFECTS OF INTERNAL CONTROL MECHANISM ON ORGANISATIONAL
PERFORMANCE; MODERATING ROLE OF AUDIT QUALITY**

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DECLARATION

I hereby declare that this submission is my own work towards the award of the Master of Science in Accounting and Finance and that, to the best of my knowledge it contains no material previously published by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

The study examined the influence of internal control systems on organisational performance by examining the moderating role of audit quality. The particular goals of the research were as

follows: to ascertain the impact of internal control procedures on organisational output and to test for the moderating role of audit quality on internal control mechanisms and organizational performance. The Quantitative research approach was used in this study together with the ex post factor research design to address the objectives of the study. The study used primary data in the form of questionnaires and data was analysed by using SPSS. Small and medium-sized businesses in Ghana made up the study's population. The study's results show that internal control mechanisms are positively associated with organisational success. In addition, the connection between internal control and organisational performance is moderated by audit quality. The study therefore recommends the need for stringent mechanisms that will ensure that audit quality as it pertains to the firm ought not to be compromised as audit quality has been established as a key component of the relationship between internal controls mechanisms and organisational performance of firms.

DEDICATION

I dedicate this project work to my biological parents Mr. Isaac Tawiah and Madam Faustina Akomani, Staff of Emigoh Ghana Limited, family and friends, the school of business at the Kwame Nkrumah University of Science and Technology (KNUST) for being a strong pillar throughout my MSC program. Their love and support made this project possible. I am deeply humbled by the knowledge acquired and support accorded to me during my studies at the university.

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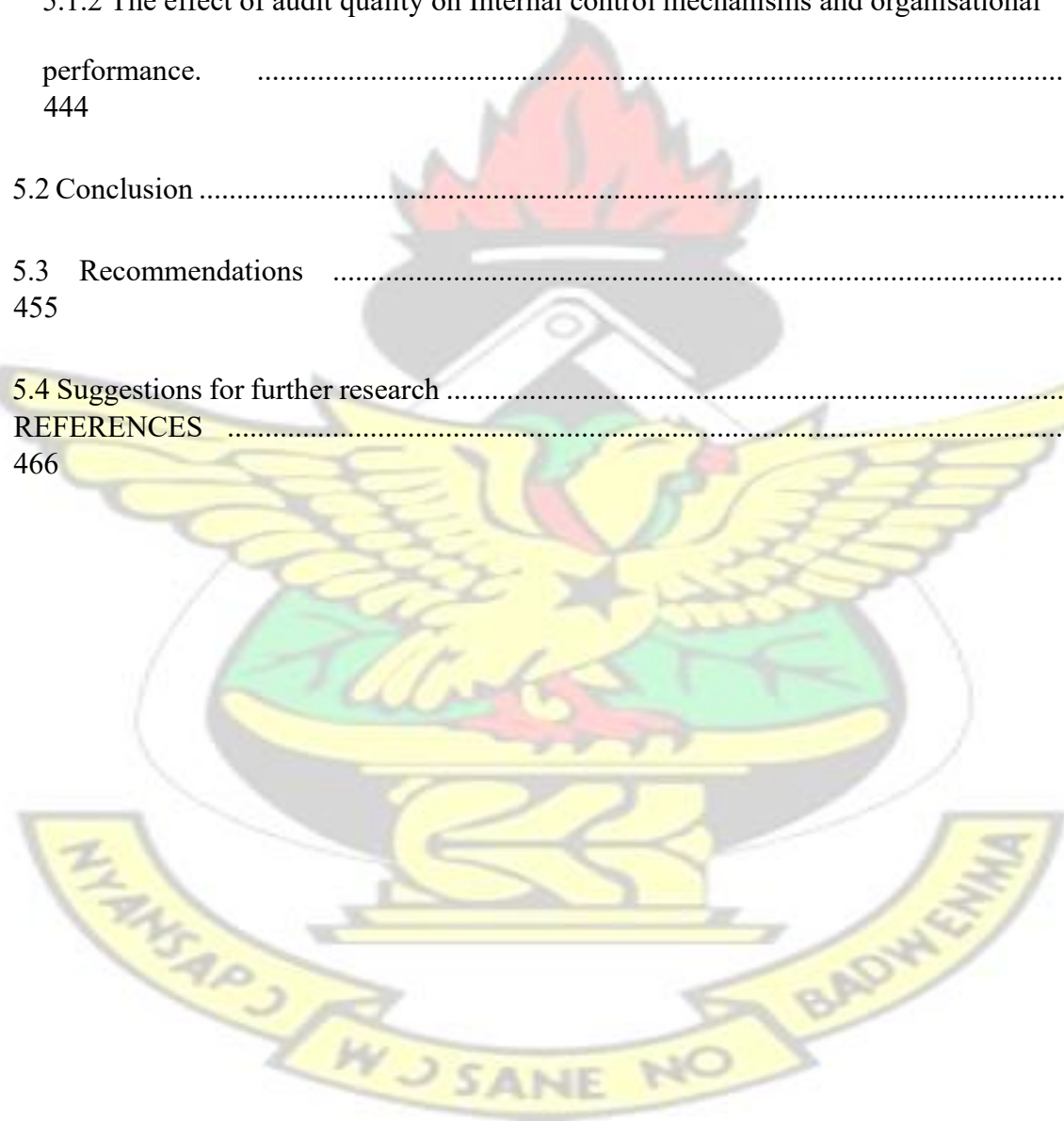
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the past, the corporate world has had to overcome a number of obstacles and continues to face them now. Amissah (2017) documented some of the major events that have plagued the corporate arena, such as the stock market crash of the 1930s, which instigated U.S. internal control systems and audit processes to become legally mandated with the passing of the Securities Acts, 1933 and the Securities Exchange Acts, 1934. (USA). In recent years, the Enron scandal in the United States of America, as well as financial sector clean-ups in nations such as Ghana and Nigeria, have dominated the news. Given recent accounting scandals and the resulting worldwide corporate governance failures, experts have focused their attention on how corporate governance affects business performance (Christopher, 2012, Hoai, Hung and Nguyen, 2022; Zhou, Owusu-Ansah and Maggina, 2018).

Corporate governance, per the OECD (Organization for Economic Co-operation and Development), is the method by which enterprises are managed. The corporate governance framework, including the roles and obligations of the directors, management, investors, and other stakeholders, are spelled out. This lays out the guidelines and processes that will be used to run the company. Further, it supplies the necessary structure for establishing and evaluating the company's objectives (OECD, 2008).

By enforcing a set of rules and procedures within a business, internal control systems ensure that no assets are lost to fraud, waste or misuse. These systems were developed to ensure that all transactions are carried out as intended (Kathushabe, 2016). In light of this, a number of researchers, such as Nabi (2016), assert that the internal control system of an organisation is an

essential component of an effective corporate governance system. The ability to reorganise for future growth and respond to a dynamic economic and competitive landscape, as well as shifts in consumer expectations and priorities, is made possible by effective internal controls. Internal controls aid in guaranteeing the reliability of financial reporting as well as compliance with governing norms and statutes, while also boosting productivity and lowering the likelihood of asset loss.

Any organization's long-term viability hinges on how well its available resources are managed. Internal control and internal audit are just two examples of the many mechanisms designed by the higher-ups of a company to guarantee that the resources it has at its disposal are used effectively (Agegneu, 2020). According to Nyefere (2017), there are three parts to any effective methods of internal control: the control environment, the accounting system, and the control procedures. Management creates and employs these three elements to mitigate risk, streamline operations and cut costs and report accurately on all of their financial dealings. Therefore, if internal controls are functioning properly depends on the caliber of auditing performed within an organisation.

The expertise and impartiality of auditors are the two most important factors in determining the quality of an audit in researching, discovering, and reporting substantial misstatement. In a company examined by competent auditors, when skilled auditors examine a company, they are more likely to find instances of dubious accounting procedures. According to Yasser and Soliman (2021), superior auditors are more likely to spot red flags like material misstatements and questionable customer accounting practices and report them. The quality of an audit is measured by the extent to which errors, inconsistencies, and material misstatements in the financial report are uncovered and reported by the auditors to the relevant parties (Tanko and Polycarp, 2019). As another determinant of audit quality, in addition, confidence in the auditors' capacity to produce error-free financial accounts is essential.

Auditing quality has a crucial role in safeguarding organisations from the hazards of a collapse, which is the objective of all institutions, implying that institutions whose activities are examined by qualified auditors face less risk (Hazaea et al, 2020). An independent internal audit, competent auditors, and a sufficient audit team size all contribute to the quality of an internal audit, which in turn protects and improves the effectiveness of an organisation (Asaolu et al, 2016). By creating trust in the organisation, external auditors do their jobs best when they work alongside competent internal auditors who develop and promote appropriate accounting and auditing standards (Asaolu et al, 2016).

Researchers in several fields have examined performance indicators from a variety of angles. Metrics used to evaluate and estimate the efficacy and efficiency of an action are what Taoub and Issor (2019) call performance measurement. In the fields of accounting and management, organisational performance is often considered a key and useful factor (Alrowwad and Abualoush, 2020). The notion of organisational performance is widely used in research and academic writing; nevertheless, defining it may be challenging due to its multiplicity of interpretations.

The finished product of a business is assessed against the planned output of the organisation, which is what is meant to be produced by the organisation. This is what is meant by organisational performance. In their study on assessing organisational performance, the components that mattered most were identified by Norton and Kaplan (1996) as monetary, stakeholder, internal process, and development and improvement perspectives.

According to the studies that were discussed before, there is a connection between an internal quality audit, an internal control audit, and the performance of the company. In this research, the influence of internal control systems on organisational performance of the company will be investigated, along with the moderating function that quality auditing has in this relationship.

1.2. Statement of the Problem

Due to the growth in competition and economic needs in the modern business environment, many companies have implemented a variety of controlling and monitoring technologies. Internal audit functions (IAF) provide support to management by improving internal controls related to operations, reporting, and conformity (Chang, Chen, Cheng, and Chi, 2019). As a result, several research has investigated the linkages between the role of internal audit and control systems (Kewo and Afiah, 2017; Daniela and Atila, 2013).

Existing research, such as those of Hazaea and Khatib (2020) and Amissah (2017), abounds on organisation performance as influenced by audit quality and internal control system. Danela and Atila (2013) saw audit quality as a subset of internal control systems, however Oussii and Boulila Taktak (2018) viewed audit quality as essential for a successful internal control system. However, there are no research on the relationship between audit quality and internal control systems in assessing a company's organisational success. Hoai, Quang Hung, and Nguyen (2022) investigated the moderating role of transformational leadership on the relationship between internal control systems and the level of innovation and organisational performance in Vietnamese public entities.

In addition to studying the correlation between internal audit quality attributes and organisational performance in Nigerian federal institutions, Bello et al. (2018) investigate the moderating effects of support from upper management on this relationship. This was done in order to better understand how internal audit quality dimensions influence organisational performance. External audit quality as a moderating factor between corporate governance and firm performance among Malaysia's publicly traded companies was another topic that was investigated by Wong et al (2019).

This study seeks to extend the literature by addressing the conceptual gaps in literature. It has been established per scholars such as Nabi (2016) that internal control mechanisms are part and parcel of corporate governance, therefore this study will add to Wong et al (2019) work by focusing on one aspect of corporate governance which is internal control systems and its impact on organizational performance however the study will not be narrowed to external audit quality but audit quality as a whole. The focus on audit quality also extends Bello et al (2018) work which focused on only internal audit quality. In filling a void in the conceptual literature, the moderating variable for the study is audit quality instead of Hoai et al (2022) which focused on transformational leadership. There is the need as a result of the recent cleaning up Ghana's banking system to assess the role audit quality play in organisational success as it relates to internal control mechanisms.

1.3 Objectives of the Study

The study's main goal is to analyse the moderating function of audit quality in determining the impact of internal control systems on organisational performance with the following goals in perspective:

1. To determine the effect of internal control mechanisms on organizational performance.
2. To test for the moderating role of audit quality on internal control mechanisms and organizational performance.

1.4 Research Questions

1. What is the effect of internal control mechanism on organizational performance?
2. Does audit quality moderate on internal control mechanisms and organizational performance?

1.5 Significance of the Study

The study has theoretical, managerial and policy relevance. Theoretically, the research adds to the present body of knowledge in many ways. Firstly, the impact of internal control mechanism on the organisational performance by examining the moderating value of audit quality is original and uncovers new vistas of information for future research. In terms of management practice, the findings of the study underline the impact of internal control mechanisms on organisational performance with the variable of audit quality also in focus. The study helps to resolve the flaws and deficiencies in the corporate governance structure of companies. By conducting novel empirical research within the context of Ghana the findings of the study will help influence corporate governance policy by making policymakers cognizant of how the dynamics of internal control, organizational performance and audit quality plays out in Ghana.

1.6 Scope of the Study

The study is to assess the effect of internal control mechanisms on organizational performance the moderating role of audit quality. Based on this, the study will target Small and Medium Enterprises (service and manufacturing) in Ghana, specifically; those in the Greater Accra region will comprise the study's population

1.7 Summary of Methodology

Research design/Approach

The study adopted quantitative approach with an Ex post facto design which aims to establish feasible linkages by evaluating a present condition or state of affairs and then going back in time for plausible contributory factors. The ex post facto design is determined to be acceptable for this study since it is non-experimental and analyzes causal relationships between the

dependent variable and independent variable (Egbunike, and Okerekeoti, 2018). This design intends to demonstrate the link between variables, i.e., how one variable impacts another (Shamsuddin et al., 2017).

The population consists of a large variety of individuals from which a representative sample must be drawn (Shamsuddin et al., 2017). The term "target population" refers to the entire group of individuals or groups that a researcher plans to evaluate for a given study (Babbie, 2015). Prior to initiating a research project, it is crucial to identify the demographic that will be the primary focus of the investigation. The study's population base is all the Small and Medium Enterprises (service and manufacturing) in Ghana, specifically, those in the Greater Accra region are the study's population.

The hypothesized model is tested with survey data. This method is usually appropriate for internal control mechanism studies because it offers a convenient way to collect primary data about a phenomenon which is difficult to measure with secondary data (Yang, Huo and Gu, 2022). The target population of the survey includes SMEs (both service and manufacturing) in Ghana. The purposive sampling approach is used to select top level managers/officers in firms as respondents. The researcher deemed it appropriate to administer the questionnaire to these managers because they are knowledgeable about the phenomenon under study. The researcher's interaction with the respondents was preceded by permission granted by the institutions involved. To begin with, the respondents were informed about the aim of the survey and the questionnaires were explained to them. Afterwards they were assured that participating the survey is purely voluntary and they reserve the right to opt-out or vice versa. The explanation of the questionnaire was helped by the clarification of all ambiguous issues surrounding the questionnaire and the survey. The questionnaire was then distributed to all respondents who voluntarily agreed to participate the survey. The respondents needed approximately eighteen (18) minutes to answer all the questions. Because the research purposively selected only

managers/officers of organizations, eligibility was not an issue in this study. The questionnaire was distributed to 230 respondents. The instruments used in evaluation of model elements is sourced from extant literature. On the basis that, the researcher's self-developed measurement items are utilized to suit the study. Respondents are required to answer questions by considering the firm's experience and practice. All the questions were measured with a 5-point likert scale (1-strongly disagree to 5-strongly agree). This was to provide the option for the respondents to freely decide and consent to take part in the poll. The subsequent component of the questionnaire recorded the respondents' demographic profile. Items measuring the variables were included in the questionnaire's last section. The analysis of the data will be preceded by a diligent check on the raw data to eliminate any possible incorrect/incomplete and redundancy in the data. The expected maximization technique will be used to correct issues relating to missing data. The data will be analyzed with SPSS and SmartPLS software. The Smart PLS will be used to validate the measurement items via dimensional reduction procedure. The descriptive, common method bias (CMB), normality, exploratory factor analysis (EFA) and Non-response bias were handled with SPSS. The hypothesized paths in the proposed model was examined with PLS-SEM. The subsequent section contains the details of the analysis.

1.8 Organisation of the Study

Context, problem description, aims, importance, and limitations are presented in the first portion of the research's five-part chapter. The second chapter is devoted to a thorough analysis of the most recent research, with a particular emphasis on previous findings on internal controls and various internal control actors operating inside formal organisational frameworks. In the third chapter, we talk about the methodology of the study, which includes talking about the population that is being investigated, the sampling strategy, the data gathering and analysis procedures, as well as the research instrument that is being used. Additionally, a comprehensive

analysis of the obtained data and a presentation of the information utilising quantitative descriptive explanations are included in the fourth chapter of the report. The fifth chapter contains a summary, as well as a discussion of the findings and some suggestions.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The goal of this chapter is to examine previous research studies that have been done on topics related to this present research. It has been broken down into several sections: the theoretical review, the empirical review, conceptual review and the conceptual framework. The theoretical review is an examination of theories that are relevant to the subject. The findings from earlier research efforts that are either directly or indirectly relevant to this study were described in the empirical review. In the end, but certainly not least, the conceptual framework demonstrated how the study variables and the objectives were investigated.

2.1 Conceptual Literature Review

2.1.1 Internal control Systems

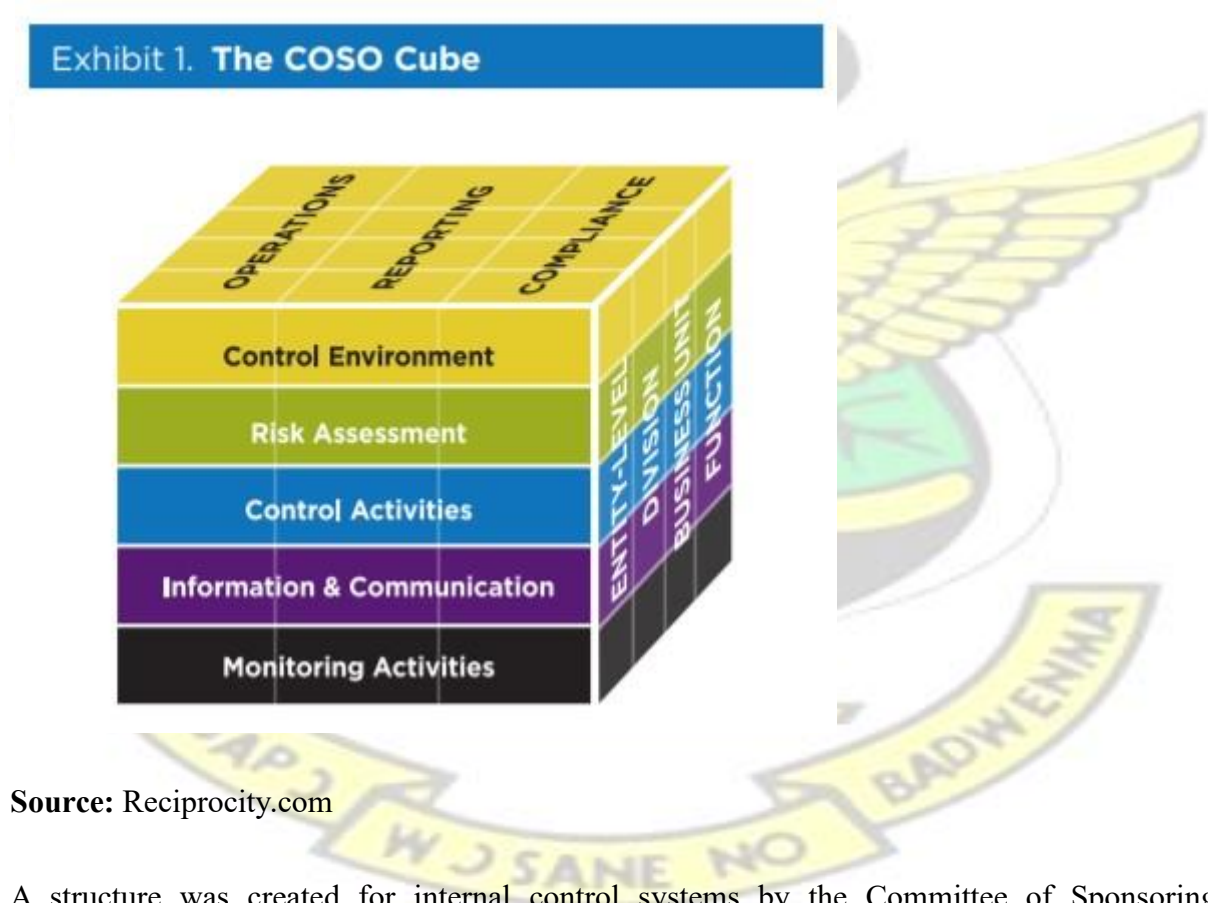
Several definitions of internal controls have emerged since the concept was first used in auditing and accounting literature. According to Arwinge (2012), different definitions of internal controls focus on the idea as a process rather than a structure, resulting in divergent opinions on the goals of internal controls systems.

To increase a corporation's chances of achieving its objectives, internal controls are used. The directors of the company, the executive team, and other workers all have input towards the procedure (COSO, 2013). Internal control systems are all the rules and processes that the directors and management of an organisation put in place to help them achieve their aims of assuring the most orderly and efficient running of the business possible, as stated by Tetteh et al. (2022). Among the many things that fall under this category are the maintenance of correct and full accounting records, the timely disbursement of funds, asset security, the detection and

prevention of fraud, and the adherence to internal policies. The definition proposed by Tetteh et al. (2022) is derived from the concept of the COSO framework.

Several scholars such as (Mohammed 2021; Mutesi 2016; Teshome 2021; Ashiagbor, Ayamga, and Adzagbre, 2020) have all used the COSO framework to assess the internal controls systems which are applicable to organisations ranging from banks, insurance, and other industries in addition to this several literatures have used the COSO framework in analysing internal control systems. For the sake of this research the COSO (2013) definition is used as the operational definition for the concept of internal control mechanisms in an organisation.

The COSO Framework



Source: Reciprocity.com

A structure was created for internal control systems by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework consists of five interdependent components that are relevant to a range of organisations (Dangi, Nawawi and

Salin, 2020). Control environment, risk assessment, control activities, information and communication, and monitoring are the elements that make up these processes. Such an internal control system will provide a fair guarantee that a company will achieve its goals and make efficient use of its resources, protecting it against unfavorable outcomes (Udeh, 2020).

2.1.2 Control environment

Control environment is the most essential part of running an organisation because it reveals the perspective and policies of management on the value of internal auditing to the business as a whole (Kasztelnik and Gaines, 2019.). It has an impact on the organization's goals and how they are achieved. On the other hand, it gives shape to the rest of the internal control system and serves as a basis for it (Kinyua et al, 2015).

Control environment is a factor that contributes to the decrease of fraudulent activities that occur inside the operations of an organisation, and it is crucial to the success and efficiency of an organization's internal controls system.

2.1.3 Risk Assessment

Korableva, Gorelov and Shulha (2017) assert that continuous risk assessment is necessary for businesses in order for them to identify and evaluate, in a timely manner, both controllable and non-controllable risks that may have an impact on their operations. Unrestrained hazards are those that originate from the outside environment in which a business is run and cannot be eliminated in any way. Controllable risks, on the other hand, are those that may be mitigated or avoided by internal procedures or systems.

COSO (2004) defines risk assessment as the procedure through which an organisation identifies and assesses the threats to its goals and determines the best way to deal with them. Internal and external risks at the entity and activity levels must be identified, and then the organization's risk tolerance and tolerance for risk must be established before any solutions can be developed. Risk management requires taking into account four distinct types of responses: transmission,

tolerance, treatment, and termination. Controls based on prevention or investigation could be appropriate.

The COSO framework for risk analysis may thus be defined as the detection and appraisal of pertinent hazards to the achievement of goals, defining a baseline of managing the risk. This can be said to constitute the process of risk assessment. As a result, establishing goals is a prerequisite for implementing internal controls. At the topmost hierarchy of organisations, aims and goal should be expressed in a codified plan of strategy. This plan should contain a purpose statement as well as strategically significant activities that are extensively defined.

2.1.4 Control Activities

Management's control activities are the steps taken to guarantee that management's plans and policies are put into action, that operational risk is addressed and reduced, that assets are safeguarded, that proper business activities are in control, that risks are documented, and that appropriate reports are generated. To ensure management plans and policies are carried out; to address and decrease operational risk in businesses; to guarantee that control activities safeguard assets; these are all examples of control activities. The reliability of control systems guarantees a level playing field in terms of reaching one's goals (Kahyaoglu. and Caliyurt, 2018).

Control activities may include, among other things, permits, clearances, confirmations, consolidations, scorecards, portfolio management, and segregating responsibilities. Frequently, control activities are developed and carried out in order to cut down on the likelihood of accounting errors, irregularities, inefficiencies, and asset theft, which ultimately results in an improvement in the quality of accounting (Chan, Chen and Liu, 2020).

2.1.5 Information and Communication

This field function is responsible for preparing and transmitting information all the way from the base of the triangle to the apex, and vice versa. Additionally, it prepares the information for

use in decision-making. As a result of technological advancements, the dissemination of information may now be accomplished in a more timely, accurate, and productive manner. Information is gathered from a wide range of people and places, including those inside and outside the firm (such as clients and suppliers). Information risks can be reduced in two ways: by promoting progressive, open communication and a variety of information sources, and by minimising the chance of misleading information concealment by confirming the legitimacy and completeness of the source. In the first method, the likelihood of false information concealment is reduced by ensuring the source's authenticity and completeness.

2.1.6 Monitoring activities

Because monitoring activities involve the continuous and independent review and tracking of all firm operations, as well as analysis of any performance issues that arise and the reporting of those failures to the appropriate department, internal control needs to be studied, tested, and designed appropriately according to the nature of the work that the company does. Monitoring modifications, reporting on those changes, verifying those reports, and maintaining an environment with adequate internal controls are also addressed. This may be accomplished by defining the scope of the work, subjectively assessing the themes it entails, and recruiting persons who are competent.

2.1.7 COSO and Financial Performance

According to Karim, Nawawi, and Salim (2018)'s postulates, keeping tabs on and managing stock is essential for keeping manufacturing running smoothly, maintaining sales momentum, and avoiding stock-outs which will result in customers switching to competitors. Additionally, proper inventory control and management is necessary to avoid losing customers to competitors. Their research focused mostly on the commercial sector of the manufacturing industry.

Experts argue that efficient internal control is becoming a strategic focus for many businesses in the wake of high-profile corporate scandals. This is due to the fact that it has been shown to be an economical strategy for controlling the fraud dangers that come with running regular business. Some people think that good internal control is no longer a top priority for most businesses (Shonhadji and Maulidi, 2020).

Recent empirical studies that concentrated on internal controls and organisational performance, evaluating an organization's success based on its financial results, have testified to the fact that the COSO framework has a major impact on the financial health of organisations. These studies used financial performance as a measure of the performance of the organisations. Studies by Mohammed (2020), Ebowessuman (2016), and Teshome (2020), among others, all agree with the assumption that the COSO framework has been of essential importance to the financial performance of organisations. This is the case in private firms such as insurance and banking.

2.1.8 Audit Quality

It has been challenging to precisely define the concept of audit quality. It cannot be seen quickly or directly and is difficult to quantify (Sulaiman and Ismail, 2013). In addition, audit market players have contradictory responsibilities and varying expectations, resulting in divergent perceptions of audit quality (Quick and Schmidt, 2018). As a consequence, many individuals have diverse meanings and methods of measurement.

According to Kusumawati and Syamsuddin (2018), the purpose of an audit quality audit is to provide management with objective systematic evidence regarding whether or not the rules and procedures put in place to achieve the organization's objectives have been followed and whether or not the results obtained by the organization's employees are consistent with those objectives.

2.2 Theoretical Literature Review

2.2.1 Agency Theory

Research has made extensive use of agency theory in order to study the knowledge asymmetry that exists between principals (also known as shareholders) and agents (management). Jensen and Meckling were the ones who initially proposed the Agency idea (1976).

According to the theory, principals are unable to ensure that agents are working for their benefits since the agents have more information than they do. According to Jensen and Meckling (1976), moral hazard occurs when agents are put in a difficult position: they are tasked with maximising their own wealth but may have to go against their principals' best interests to do so. However, principals can't tell if an agent is acting in the company's best interest because they don't have full access to all relevant information at the time the agent is making a choice. The moral hazard can be mitigated by the use of monitoring mechanisms like auditing, which are established as part of contracts between principals and agents aiming for optimality.

This research fits the criteria of the agency theory as it entails mechanisms that are put in place to act as a check against managers running organisations to maximise their pecuniary interests which will inure to agency costs being incurred and that resulting in shareholders losing at the end of the bargain and have an impact on organizational performance. The role of auditing and internal control mechanisms are put in place by organisations to resolve the principal-agent problem and as such the moderating role of audit quality on internal control mechanisms and organisational performance aptly fits into the theory.

2.3 Empirical Literature Review

Mohammed (2020) evaluated Ghanaian banks' internal control systems (ICS) and performance. In this study, the independent variable was the COSO internal control framework and the dependent variable was company performance. The study examined financial and nonfinancial

corporate performance measures. This study includes Ghanaian banks. SPSS 25 was used to analyse questionnaire data. IC and internal audit managers and staff responded. 113 target population members provided data. 64.6 percent of 113 surveys were returned. Four research questions were addressed. The researcher employed quantitative methods. The study found that Ghanaian banks had positive ICS. The study indicated that IC affected financial and nonfinancial performance.

Adu-Frimpong (2016) evaluated Bond Savings and Loans Ltd.'s internal control system's components, effectiveness, challenges, and consequences. This study was quantitative and descriptive. Questionnaires were utilised to collect data. Staff from Bond Savings and Loans Ltd. in Kumasi participated in this study which numbered 12. The entire population was sampled to obtain data. Bond's internal control systems face challenges such as the inability to detect individuals who violate control rules and inadequate physical control measures and procedures over the company's assets to prevent theft and unauthorised access. The control system improved the financial and non-financial performance of the company.

Mutesi (2016) used the Rwanda Environment Management Authority to investigate the impact of internal control on financial performance in institutions of the Rwandan government. The specific goal was to ascertain the relationship between internal control systems and financial performance in Rwandan public organisations. Internal controls were assessed using the Control Environment, Internal Audit, and Control Activities lenses, while financial performance was assessed using the Accountability and Reporting lenses. According to the study, the institution's management is dedicated to the control systems, actively participates in the monitoring and supervision of REMA's operations, and all of the institution's activities are initiated by the institution's top management. The inquiry determined that internal audit did not perform audits or prepare audit reports on a regular basis. The study found a strong link between internal control systems and financial performance.

Internal control's effect on a selection of Ethiopian private commercial banks' performance was analysed by Teshome (2021). Anbessa International Bank, Berhan Bank, Abay Bank, and Debub Global Bank were among the selected commercial banks. The purpose of this research was to determine how COSO's interconnected internal control elements affect business results (control environment, risk assessment, control activities, information and communication, and monitoring). Internal auditors and finance department staff at the chosen private commercial banks were the intended recipients. In order to collect information, a questionnaire was given out to workers in a stratified random fashion. The research shows that the chosen private commercial banks have an efficient control environment, risk assessment, control activities, information and communication, and monitoring. The study also indicated that the operational performance of the selected private commercial banks was positively affected by control activities and risk assessment, but only slightly by the control environment and information and communication. However, there is some evidence that reveals monitoring to be counterproductive in the slightest.

Essuman (2020) set out to analyse the impact of credit unions' internal control structures on their bottom lines in the Sekondi-Takoradi Metropolitan Area. The population of this research consisted of all sixteen Sekondi-Takoradi Metropolitan Area credit unions that are currently active. For this investigation, quantitative methods were used. The research showed that credit unions in the Sekondi-Takoradi Metropolis had a well-structured control environment. The credit union's bottom line is directly tied to its operational efficiency, which is enhanced by the activities under Control.

Ashiagbor, Ayamga, and Adzagbre (2020) investigated the relationship between the current internal control system of Ghanaian life insurers and performance, as well as the sufficiency of these internal control mechanisms to impact the level of performance. This study used a crosssectional survey to collect responses from 198 respondents out of 200 questionnaires

distributed to various people from 20 of Ghana's 23 life insurance companies. Respondents were provided these questions via an internet platform and an informal self-introduction. The study found that the sampled firms followed management-implemented internal controls pretty effectively, and that there is a substantial positive association between the components of the COSO internal controls integrated framework and the performance of the selected life insurance companies. Furthermore, the study discovered that internal control systems had a positive and unique impact on the performance of life insurance firms in Ghana.

Matoke and Omwenga (2016) wanted to establish a connection between the quality of audits and the financial performance of companies that were listed on the Nairobi Securities Exchange. In this particular research project, the descriptive research design was used. The sample frame for this research was acquired from the directory of the Nairobi Securities Exchange Limited, which comprised all nine companies that are listed on the Nairobi Stock Exchange. The results of the research indicate that the effect of audit quality on financial performance is both positive and substantial, and that the more the independence of an auditor, the greater the possibility that a company would achieve large net profit margins. Although the impact of auditor size was positive and considerable, it was not as much so as the impact of auditor independence. However, it was still positive and substantial.

Angsoyiri (2021) investigated the impact of ownership structure and audit quality on the performance of Ghanaian public firms. The target audience consisted of all 42 businesses registered on the Ghana Stock Exchange. Twenty organisations were chosen from all sectors for the sample. The 2013-to-2018 research period yielded 160 firm-yearly empirical observations. The study discovered a limited link between institutional and management ownership and business success. Moreover, audit quality has a beneficial impact on business performance. It means that using the services of the Big Four audit firms has a positive impact

on a company's performance. Audit committee size was seen to have a beneficial impact on business performance, however audit committee independence was believed to be detrimental.

Udeh, Chinedu, and Okwo (2020) conducted research on the influence of audit quality parameters on the financial performance of a number of Nigerian manufacturing companies between the years 2006 and 2016. The study made use of secondary data obtained from the published financial statements of 24 of the 80 manufacturing companies that are listed on the Nigerian Stock Exchange. The size of the sample was determined by using a method called stratified purposive random sampling. The statistical method known as ordinary least square was used for the purpose of the study. It was discovered that the size of the audit company had a positive and statistically significant effect on the return on assets of publicly listed industrial businesses in Nigeria, among other things. As a result, it was realised that audit quality parameters had an effect on the return on assets of listed manufacturing businesses in Nigeria.

Ofei, Asante, and Andoh-Owusu (2020) investigate the moderating influence of government policy on the link between internal control environment and bank performance in Ghana. Specifically, they focus on the Ghanaian banking industry. 154 people participated in the study, and they were chosen at random from among 5 different banks. This study utilised a quantitative research methodology, and the data was collected through the use of structured questionnaires. The data was then analysed through the application of inferential statistical methods, such as correlations and Hierarchical regression analysis. According to the findings of the study, there is a considerable association between the environment of internal control and government policy. This correlation is rather high. In addition, it was found that the government policies in Ghana did not have a moderating influence that was substantial on the link between the internal control environment and the financial performance of the banks in Ghana.

Hoai, Hung, and Nguyen (2022) study the links between internal control systems (ICSs) and organisational performance in Vietnamese government organisations (PSOs). The study focused specifically on the role that innovation intensity plays in mediating the relationship between the two, as well as the role that transformational leadership plays in moderating the relationship. Our premise that ICSs boost innovation intensity, which in turn has a favourable influence on organisational performance was validated by the data we gathered from 319 PSOs in Vietnam. In addition, the data showed that the linkages between innovation-critical success factors (ICSs) and organisational performance were totally mediated by innovation intensity, and that transformational leadership improved the correlations between the two variables.

Wong et al. (2019) analyse the correlation between board size, age diversity, the risk management committee, and the internal audit function, among other aspects of corporate governance, and financial success. Additionally, the impact of external audit quality on the connection between corporate governance and business performance is investigated. Research was conducted using a quantitative method and a cross-sectional design, with 2016 data from a sample of 120 listed Malaysian businesses. Secondary information from 2016's annual report was used to compile the data. According to the data, a larger board and the presence of a risk management committee are detrimental to a company's performance, whereas a more diverse board and an internal audit function have no effect. As expected, the quality of external audits had little bearing on the association between corporate governance and firm performance.

2.4 Hypothesis Formulation

2.4.1 Relationship between internal control mechanism and organizational performance.

According to Tetteh et al (2022), internal control mechanisms are put into place by organisations to ensure that the objectives of the organisations which are majorly profit-making in private organisations are met. The COSO framework which has been used to assess the level of internal control mechanisms in most studies such as Teshome (2021) and Mohammed (2020)

suggested that the COSO framework had a significant and positive relationship with financial performance of the firm. Moreover, Essuman (2020) examined the influence of internal control systems on the financial performance of Credit Unions in the Sekondi-Takoradi Metropolis and found that they had a favourable and substantial effect. Similar studies by Mutesi (2016) and Adu-Frimpong (2016) obtained findings that is in consonant with Essuman (2020).

Based on these findings it is postulated that:

H₁: *There is a significant and positive relationship between internal control mechanism and organizational performance.*

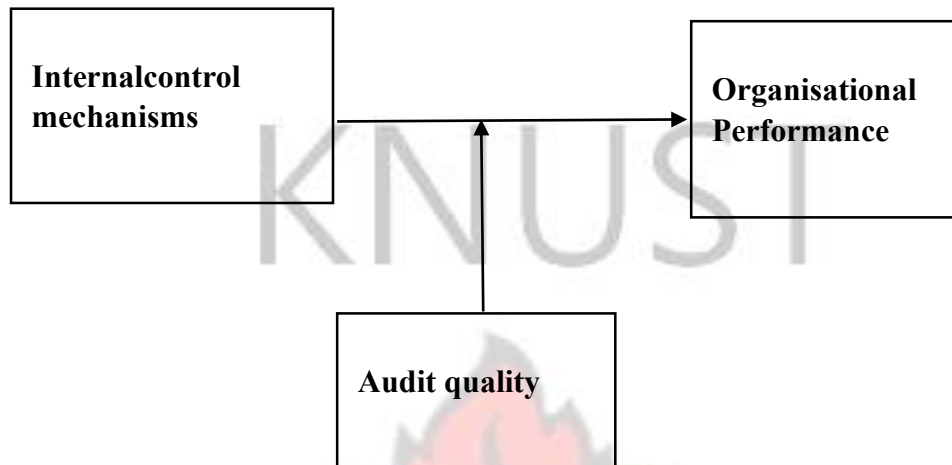
2.4.2 Moderating role of audit quality between internal control mechanism and organizational performance

Based on these findings from extant research on audit quality and organizational performance it is postulated that:

According to the study conducted by Kusumawati and Syamsuddin (2018), the primary objective of an audit quality audit is to furnish management with impartial and methodical evidence concerning the adherence to established rules and procedures in attaining the organization's objectives, as well as the alignment of outcomes achieved by the organization's employees with said objectives. Using audit quality as a moderating variable and company age and size as control variables, Ibrahim et al. (2022) analyse the impact of internal control on financial performance. Risk evaluation, control procedures, the control setting, monitoring, and feedback are all components of the independent variable. The control environment quality index evaluates these factors. It seemed from the study's findings that audit quality acted as a moderator between internal control mechanisms and financial performance.

H₂: *Audit quality positively moderates the relationship between internal controls and organizational performance*

2.5 Conceptual Framework



Source: Author's Construct (2022)

A conceptual framework, according to Maxwell (2017), may be described widely as a theory or a literature review, or it can be defined narrowly as the components and variables covered in the research. The conceptual framework also functions as a graphical diagram to demonstrate the link between the study's variables. The purpose of this research is to look at the impact of internal control systems on organisational performance, with audit quality serving as a moderating variable. The independent variable of the research is internal control systems, while the dependent variable is organisational performance, as shown in the figure above.

2.6 Summary of Chapter

This section critically reviewed literature on internal control mechanisms, organizational performance and audit quality. Studies such as Teshome (2021), Mohammed (2020), Ashiagbor, Ayamga, and Adzagbre (2020) focused on how internal control mechanisms in organisations impacted on the organizational performance of firms. The limitation of these studies were that it focused on the financial sectors of the economy which was insurance and banking industry. In analysing the effect of internal control mechanisms on organizational

performance further researchers such as Hoai et al (2022), Ofei, Asante and Andoh Owusu (2020) and other academics emphasized on how certain variables such as innovation and transformational leadership acted as mediating and moderating variables to explain the relationship between internal control mechanisms and organizational performance. Wong et al (2019) also hinted at external auditing in explaining the relationship between internal control mechanisms and organizational performance. It is noteworthy that several studies such as Angsoyiri (2021) and Matoke and Omwenga (2016) proved that audit quality played a significant and positive relationship on the performance of organisation. This study upon a critical review of literature identified gaps and filled these gaps by examining the effect of internal control mechanisms on organizational performance in the manufacturing and Small medium enterprises in Ghana and this is a departure from the current literature which have heavily relied on banking sector. In addition to this, this study explains the relationship between internal control mechanisms and organizational performance by incorporating the moderating role of audit quality and as such expands the work of Wong et al (2019).

The logo of Kwame Nkrumah University of Science and Technology (KNUST) is centered in the background. It features a yellow eagle with spread wings perched on a green shield. The shield is supported by two yellow pillars. Below the shield is a yellow banner with the text 'NYANSAPƆ' on the left and 'BADWENMA' on the right. The entire logo is set against a white background.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents a high-level summary of the researcher's strategies for data collection, data cleaning, and data analysis using appropriate analytical tools. It looks at the demographic of the study, the sample size and technique, gathering and analyzing data, reliability and validity, and the summary of the chapter.

3.1 Research design

The positivist research philosophy, which provides the basis for quantitative research, is a good fit for this study. Considering the scope of the study, quantitative methods of data collection will be used in the study. Its purpose is to assess theoretically formulated hypotheses regarding the impacts of a collection of study variable constructs, as well as to use reliability and validity to appraise the results and generalize them. Proceeding this, the investigator will optimize the principles of positivism philosophy after the epistemological standpoint to examine the impact of the internal control mechanism on the organization's performance, and the moderating role of audit quality of SMEs.

The study employed the cross-sectional descriptive survey design where deductive reasoning is applied to the quantitative data (Cohen et al., 2013). Deductive reasoning is used to make logical conclusions after the analysis. The deductive approach is a method where the researcher uses theories as bases to conduct an investigation which would be used to determine the result of a theory (Pham, 2018). The deductive method is usually made of quantitative techniques. The quantitative technique uses a survey questionnaire where data are normally collected from respondents. Researchers that utilize quantitative approaches collect and analyze numerical data to understand, forecast, and/or control occurrences. It provides an in-depth insight into the specific testable study and focuses on examining the relationship between variables (Eyisi, 2016).

The quantitative research utilises the survey approach since it analyses a subset of the population to provide a numerical portrayal of beliefs, norms, and preferences. Through faceto-face questionnaire administration, primary data was acquired in the quantitative research design. Usage of the survey method was considered to be efficient and economical; it brings many advantages to the researcher; For instance, it is economical compared to interviewing, authorizes secrecy, and could produce additional truthful answers, besides it has the possibility of eliminating prejudice owing to wording questions differently with diverse respondents (Kothari, 2012; Durepos and Wiebe, 2019).

Subsequently, the use of the quantitative technique was employed to help in understanding the underlying reasons of respondents to issues to internal control mechanisms among SMEs on their performance using SMEs in Greater Accra.

3.2 Population of the study

The population of interest refers to the target population constituting individuals or entities that the study seeks to treat (Majid et al., 2018). Lavrakas (2008) described the population of interest as the specific groups of individuals, businesses, or entities that the researcher seeks to treat and make generalizations based on the characteristics of those groups. For this study, the population of interest consists of SMEs in Ghana. Since the variables in the study are organizational-level constructs, the single respondent's approach will be employed. As a result, the study targeted only senior managers including, owners, accountants, supply chain managers, operations managers, warehouse managers, production managers, and quality control managers. According to the Ghana Statistical Service, the southern belt of Ghana has an estimated population of 134,469 (Ghana statistical service (GSS) integrated business establishment survey (IBES): Spatial business report (2016).

3.3 Sample and Sampling Techniques

The nature of the study and the research design, according to Kothari (2012), designate how many people from the study should be included in the sample. There are three primary approaches to calculating a sample size that may be used to determine the sample size in a certain population. Initially, the sample size may be determined using formulae (Israel, 1992). Second estimating the sample size using a previously published statistical table, such as the one provided by(Krejcie and Morgan 1970; Cohen et al 2013; Cohen et al 2009). Finally, a researcher may opt to collect data from the entire population by using census procedures. In addition to that a rule of thumb that one can use to estimate the sample size for a study. For instance, Bosman (1998) recommend that a sample size of 400 can be used to collect data for a study. Likewise, Kolloway (1998) also suggested that a sample size of 200 can be used as a sample size for a study. However, to properly situate the study, an appropriate sample size must be employed. In this study, the sample size determination was established from Yamane's simplified formula (1967) to decide the sample size for the study. It is defined as:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = Expected Sample Size

N = Study Population

E = Margin of error and the confidence interval is 95%

Using the formula, the sample size is calculated below

$$\begin{aligned} n &= 134,469 / 1 + 134,469 (0.05)^2 = \\ &134,469 / 337.1725 \\ &= 398.805 \\ &= 399 \end{aligned}$$

Based on the formula, 399 arrived as the sample size. After the determination of the sample size, the researcher must now determine the sampling technique for the study after determining sample size. Every researcher's dream would have been to collect data from every single person in a population. This scenario is only achievable when the researcher is working with small groups of people. When the population of interest is big, however, this census approach is not always viable. Accessing potential participants is also costly, timeconsuming, and complicated. As a result of these issues, studies that use huge populations, such as this one, have depended on sampling procedures to pick a representative sample from the population of interest (Malhotra, 2010).

There are two types of sampling techniques available for use by researchers. Depending on the objective of the study, a researcher may use the probabilistic sampling technique or the non-probabilistic sampling technique. A probabilistic sampling technique is a technique that ensures that every item in the given population has a chance of being selected for the sample (Ahmed, 2016). It is choosing samples randomly from a larger population based on probability. Some of the probabilistic samples include simple random, stratified sampling, cluster, systematic and multi-stage sampling. The non-probabilistic sampling techniques do not guarantee an equal chance of items being drawn into the sample (Ahmed, 2016). It is not based on probabilistic selection but the researcher's judgment. Some non-probabilistic sampling techniques include convenience sampling, quota, snowball, and purposive or judgmental sampling.

This study used the purposive sampling technique to draw senior managers into the sample. The study employed convenience sampling to collect relevant information from employees who are well knowledgeable about the phenomena under inquiry. The type of data collected from respondents is discussed in the next section.

3.4 Data collection

Two main sources of data exist in any research, this includes primary data and secondary data. While primary data is information that was acquired directly by the researcher for the study, secondary data deals with already existing data gathered for a different purpose. The choice of the data source in any research is dependent on the nature of the study's goal. Considering the nature of this study, primary data is more suitable to be able to test the hypotheses proposed in Chapter two. The choice of primary data is justified by the quest to gather first-hand information on the views of managers in the SME space.

According to Saunders et al. (2016), a pilot test of a study refers to using a smaller number in the target population to assess a questionnaire to reduce the probability of the respondents having challenges in replying to the questions and to also evaluate how valid and reliable the data will be. The researcher randomly selected 30 firms from the sampling frame after conducting the reliability and validity test. The essence was to identify any shortcomings in the questionnaire and to rectify them before the actual fieldwork was undertaken. Some authors have different views about the samples to select. According to Hill (1998), a range of 10 to 30 respondents will be ideal for the task while Connelly (2008) suggested a sample size of 10% of the sample respondents will be enough to carry out the pilot testing. In the view of Cooper and Schinder (2011), a sample of between 25 and 100 respondents is considered ideal for a pilot study. The current study will use a sample of 30 respondents which is deemed appropriate as proposed by Hill (1998) (Treece and Treece, 1982) to undertake the pilot test. A few issues including grammar errors and ambiguity will be identified and will be used to refine the questionnaire for the main data collection.

3.4.1 Variables Description and Measurement

Data used in this study will therefore be gathered using a well-structured questionnaire. The subsequent section describes the research instrument and the method of data collection used in

this study. The study used a five-point Likert scale, which is preferable since the points are evenly distributed across positive, negative, and neutral possibilities (Lee Ostrom and Croasmun , 2011; and Mooi and Sarstedt 2019). On a scale of 1 to 5, 1 denotes severe disagreement, 2 denotes disagreement, 3 denotes neutrality, 4 denotes agreement, and 5 denotes strong agreement. There were two sections to the survey. Part one is for obtaining participant background information, and Part two is broken up into four pieces for putting together data on the independent variables. The second section, labelled "Information Gathering," is structured to collect data on the quality of audits conducted on small and medium-sized enterprises (SMEs) in Ghana with respect to their internal control mechanisms, business performance, and moderating roles. The questionnaire's items were taken from the earlier research (Agegneu, 2020; Christopher, 2012, Hoai et al., 2022; Zhou et al., 2018)

3.4.2 Data Collection Instruments

The revised questionnaire will be self-administered by the researcher. Before administering the questionnaire, all respondents were given a briefing on the study's goals and major themes. Anonymity was guaranteed to the respondents. They were reminded once more that their participation in the study is completely optional. The permission of the respondents was also requested in the survey instructions. The company's approval was requested prior to any communication with the responders. One month was spent gathering data. Those who did not choose to participate in in-person interviews were offered the choice of having their data collected manually or electronically. The questionnaire is administered in English.

3.5 Validity and Reliability of Constructs/Variables

Validity

A crucial aspect of research is ensuring that the instrument created to assess specific concepts actually and accurately measures the concept. The validity, according to Ringle and Ting, (2018), relates to the extent to which an instrument assesses its intended emphasis. The

validity of the research instrument will be examined through face, content, convergent, and discriminant validity (Henseler, Ringle, and Sarstedt, 2015). For content validity, the important issue according to Churchill (2001), is the methodology used to develop the questionnaire. Content validity was assessed through a thorough examination of the previous empirical and theoretical work of investigated constructs. The face validity of the questionnaire was assessed through the pretest exercise of the questionnaire with selected managers of agribusiness firms in Ghana as well as the supervisors' expert review of the applicability and suitability of the questionnaire to achieve the study's intended objectives.

Convergent and discriminant validity were created to make sure the conceptions are actually distinct from one another and will capture some phenomena (Khalid et. al., 2012; Kothari 2012). The term "convergent validity" refers to the situation in which two or more items have a high degree of correlation and hence assess the same construct. According to Hair et al. (2011, 2014), a researcher should check the average variance extracted (AVE) and make sure it's more than 0.50 to show that the PLS-SEM model for measuring reflection is convergently valid. Meanwhile, the study will look at two measures of the Fornell-Larcker Criterion and cross-loading to determine discriminant validity, often known as the degree to which one construct's measurements are distinct from another construct measurement (Henseler et al., 2015). Fornell-Lacker criterion avers that "the latent construct shares more variance with its assigned indicators than other latent variables in structural model". For the cross-loading value of the related latent construct to be larger than its loading with other latent constructs, the average variance extracted (AVE) of each latent construct must be greater than the shared variance (squared correlation) of all latent constructs (Hair et. al., 2011).

Reliability

Reliability is the degree to which one can rely on a measuring device to produce consistent results across time (Mohajan, 2017). One way of looking at this is the ability to reproduce a study or the outcomes of a research. Reliability measurement, in the opinion of Khalid et al. (2012), is the degree to which a measurement is free of random error by yielding a consistent result. The research of Hair et.al. (2012), which has suggested two tests of reliability, namely the internal consistency and indicator of reliability, will be utilised to assess the instruments' reliability. When estimating the model, the Composite Reliability test was used to rank the variables in order of reliability (this does not mean that all of the variables are equally trustworthy). A Composite Reliability rating from 0.7 to 0.9 will indicate appropriate reliability of the measurements.

3.6 Ethical considerations

A person's ethics are the universal moral standards that must always be upheld (Akaranga and Makau, 2016). The field of research ethics examines the moral guidelines that scientists should observe when conducting their studies (Fouka and Mantzourou, 2011). Company officials were given a permission form detailing the study's potential advantages and dangers in order to get their approval to participate. Small and medium-sized enterprises (SMEs) could have chosen not to take part in the research if they so desired. Consent was sought and all measures of anonymity and secrecy were taken to protect participants' privacy. Privacy of businesses shall be respected in terms of their independence to determine the timing, scope, and circumstances of information exchange. In their interactions with subjects, the researcher did not engage in any behaviour that may be considered dishonest. The researcher also avoided plagiarism or tampered with data.

3.7 Chapter Summary

The methodology aspect of the full study was covered in this chapter. It illustrates the study's research methodology and lists the people and data that will make up the study. The technique used for population sampling and measuring the research instrument are also covered. Finally, the chapter on this subject concludes with a list of ways to make sure some ethical standards are followed. The data that was acquired using the method outlined above is examined in the next Chapter.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

Results from the field are presented in this chapter. This investigation examined the moderating influence of audit quality on the relationship between internal control systems and organisational performance. A questionnaire was sent out to 300 workers and people in management to seek their views on internal control mechanisms and how they impacted their operations. Out of the lot, 106 responses were received and carefully analyzed to discover the relationships between these three concepts. Below are the results discussed in detail.

4.1 Preliminary Analyses of Data

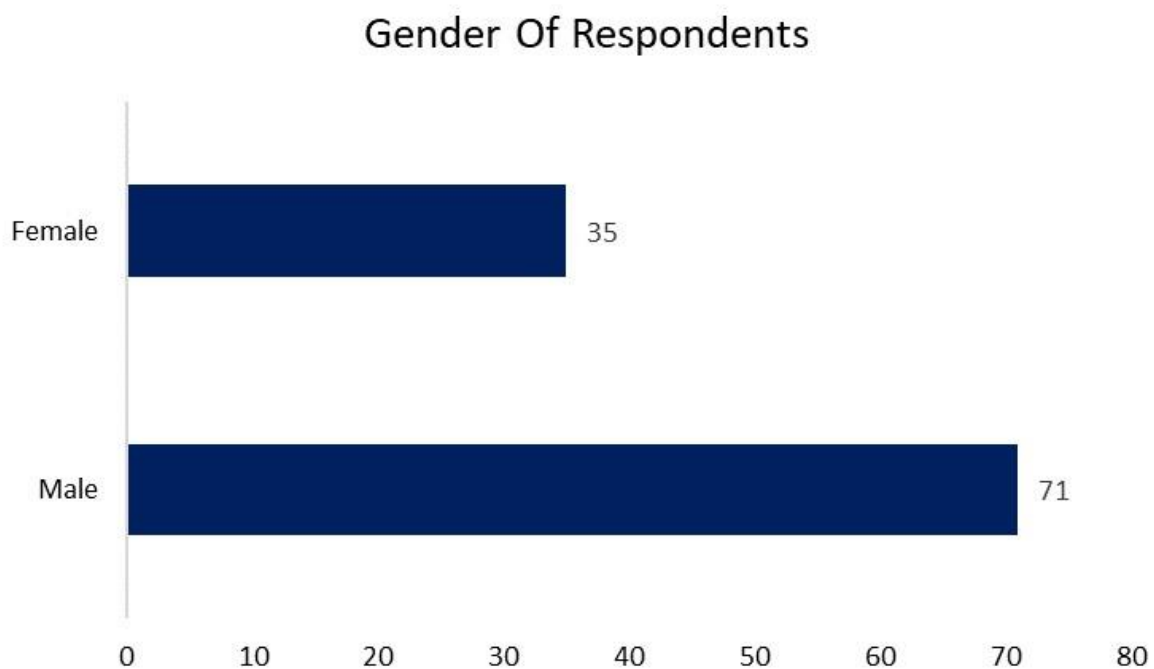
Table 4. 1 Descriptive statistics of variables

		ICM	OP	AQ
N	Valid	106	106	106
	Missing	0	0	0
Mean		3.8779	3.8711	4.0175
Median		3.9412	4.0000	4.0000
Std. Deviation		0.49832	0.63674	0.62712
Variance		0.248	0.405	0.393
Skewness		-1.830	-0.800	-1.354
Std. Error of Skewness		0.235	0.235	0.235
Kurtosis		9.275	0.759	4.468
Std. Error of Kurtosis		0.4653	0.465	0.465
Range		3.94	3.00	4.00
Minimum		1.06	2.00	1.00
Maximum		5.00	5.00	5.00

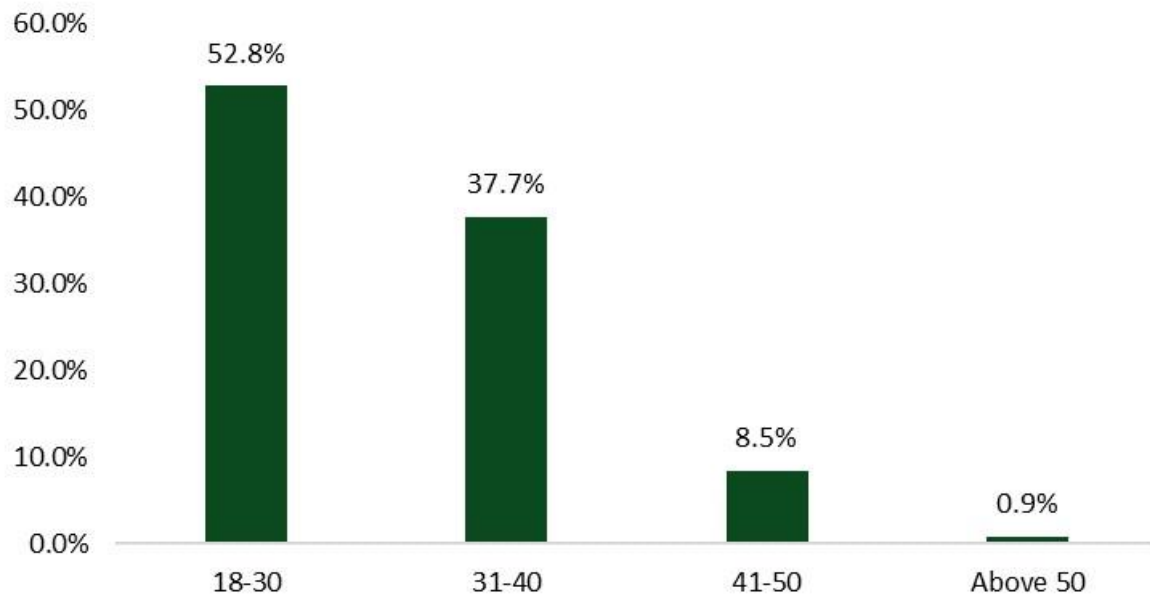
Above are the descriptive statistics of the analyzed responses. The letters “ICM”, “OP” and

“AQ” stand for internal control mechanisms, organizational performance, and audit quality. In this analysis, the independent variable is the internal control mechanisms while organizational performance exists as the dependent variable. “AQ” which is the mediating variable, is for the quality of auditing the business undergoes. From the table above, we see that the mean for the independent variable is 3.8799, the mean for the dependent variable is 3.8711 and the mean for the mediating variable is 4.0175. The table also reveals that aside from the responses, all the various variables are negatively skewed.

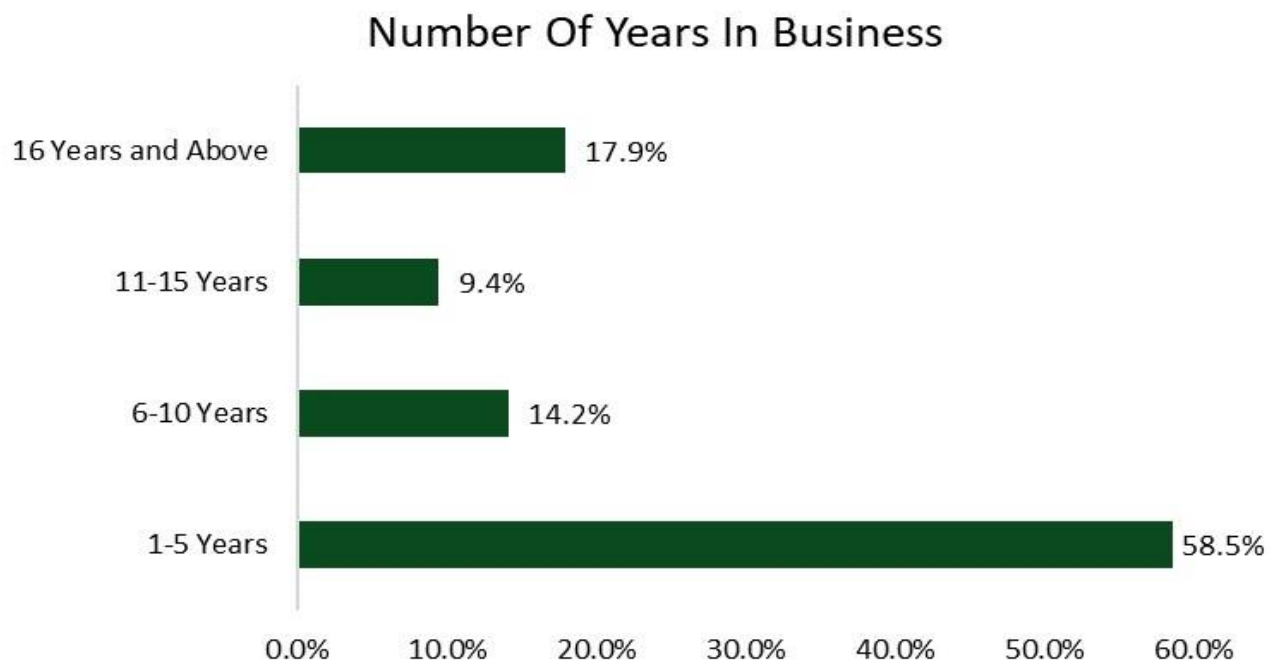
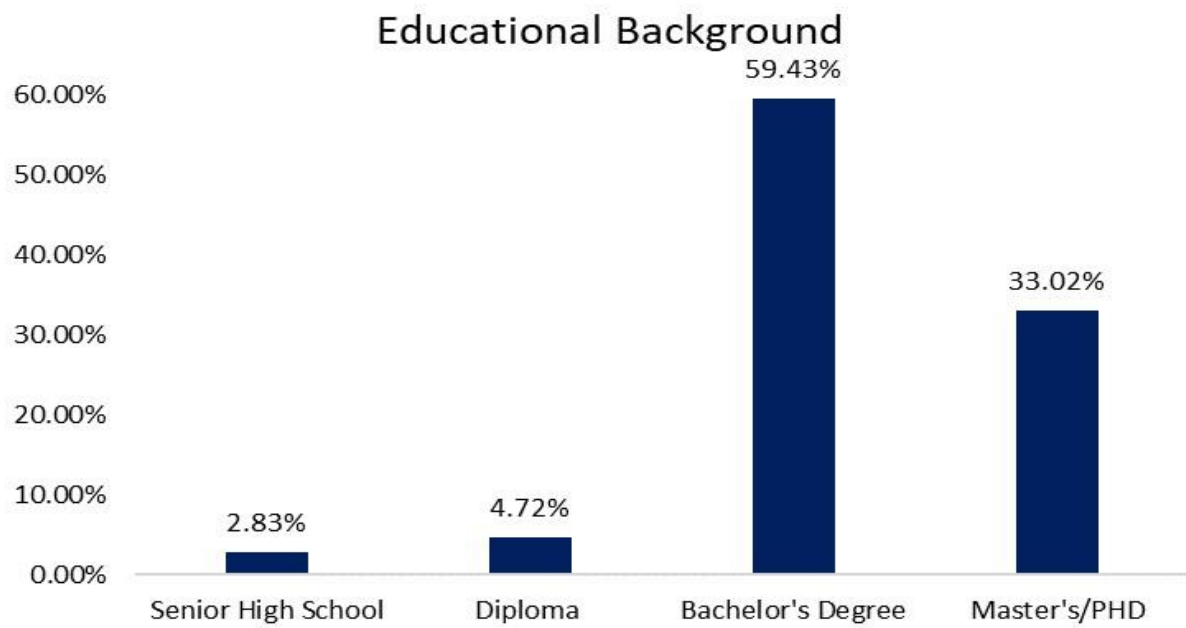
Figure 4.1 shows the gender distribution of workers in the institution. For the 106 respondents the data reveals that the large number of workers are males. The males are twice the number of female respondents who are 35 out of 106 and the males at 71. Figure 2 represents the age range distribution of the respondents. The figure shows that majority of the respondents (52.8%) are all between the ages of 18-30 and workers over 50 years are the least in the group (0.9%). This implies that the majority of workers are youthful and energetic.



Age Range Of Respondents

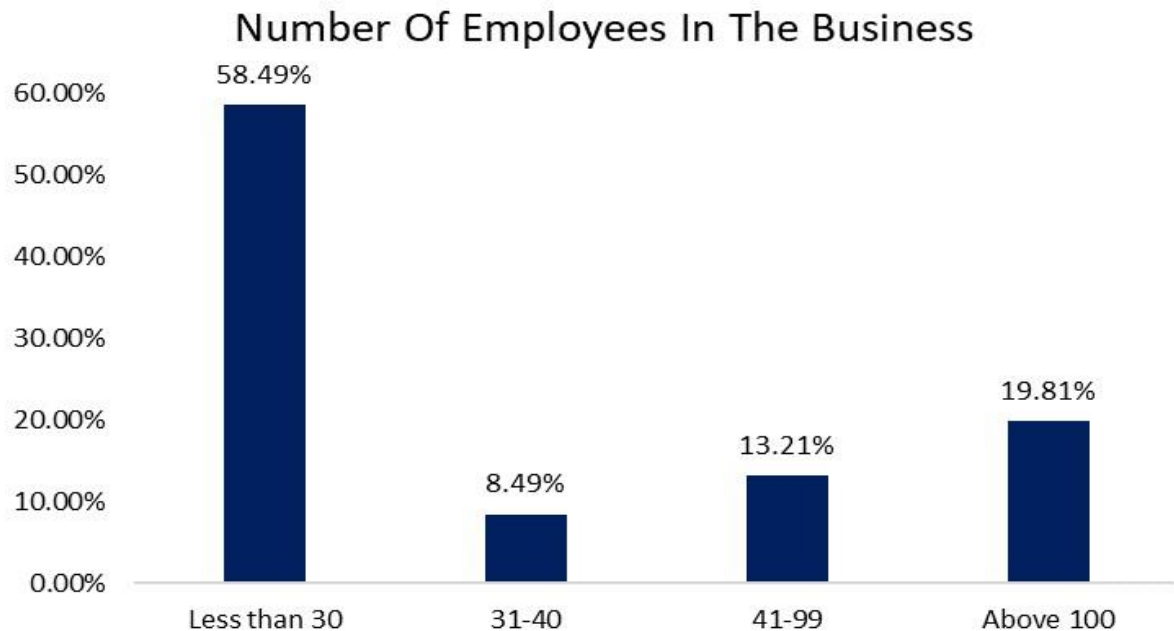


It is therefore not surprising to see that most of the respondents have a Bachelor's degree 105 (59.43%), followed by respondents with a Master's degree or a PhD (33.02%) as represented in figure 4.3. Workers with a diploma are 4.72 % and workers with just a secondary education are the least with a population of with 2.83%. In the next figure, we see that there are respondents who have operated their businesses for close to two decades and are the second largest group (17.9%). The majority are people who have operated their business between 1-5 years (58.5%). 14.2 % have been operating for 6-10 years with 9.4% who have been in operation a little bit more than a decade (11-15 years). This class are also the smallest percentage in that particular group.



Finally, we see that 58.49% were in businesses that had less than 30 employees. Followed by businesses with over 100 employees at 19.81%. The rest of the population is shared between

41-99 employees and 31-40 employees at their work places with percentages of 13.21% and 8.49% respectively.



4.2 Results for Objective One

		<i>OP</i>	<i>ICM</i>
<i>OP</i>	Pearson Correlation	1	.529**
	Sig (2-tailed)		<.001
	N	106	106
<i>ICM</i>	Pearson Correlation	.529**	1
	Sig (2-tailed)	<.001	
	N	106	106

The table above displays the Spearman Rho correlation between the independent and dependent variable. The p-value which reads as <.001 is less than .05 making the relationship between the two variables significant. Furthermore, owing to the absence of a negative sign, we can also conclude that the relationship is positive. Therefore, in this study, there exists a positive and significant relationship between internal control mechanisms and organizational performance

($r = .487, p < .001$). Hence **H₁** was supported. However, the strength of the relationship between the two variables is moderate.

4.3 Results for Objective 2

		<i>OP</i>	<i>AQ</i>
<i>OP</i>	Pearson Correlation	1	.473**
	Sig (2-tailed)		<.001
	N	106	106
<i>AQ</i>	Pearson Correlation	.473**	1
	Sig (2-tailed)	<.001	
	N	106	106

The table above similarly displays the Spearman Rho correlation between the dependent variable and moderating variable. The p-value which reads as <.001 is less than .05 making the relationship between the two variables significant. In this analysis **H₂** is supported as there exists a positive and significant relationship between internal control mechanisms and organizational performance ($r = .473, p < .001$). Hence **H₂** was supported. However, the strength of the relationship between the two variables is low.

Process Hayes Macro Analysis

The research study further examined the link between the dependent variable (organizational performance), the independent variable (internal control systems), and the moderating effect of audit quality using the Hayes' Macro process. The Hayes process explores the effect of the independent variable on the dependent variable while also considering the functionality of the moderator variable.

Two structural models were developed to investigate the effects of the moderating variable. In the first model, which is also the proposed model for this study, audit quality is fully established as a moderating variable between internal control mechanisms and organizational performance.

The second model supports internal control systems, organizational performance, and their consequences (moderated through audit quality).

Model Summary

<i>R</i>	<i>R-square</i>	<i>MSE</i>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>p</i>
.6289	.3956	.2523	22.2495	3.0000	102.0000	.0000

The table above shows the regression effects of the models. A p value of 0.000 indicates that the model is significant. The r-square shows a value of 0.3956 or 39.56%. The r-square indicates the percentage of how well the model explains the observed data. (Figueiredo et al, 2011) explains it better by stating that R² is regarded as the degree by which changes in the independent variables may explain changes in the dependent variable. So, this essentially means that an r-squared of 0.3956 as indicated in the model means 39.56% of the variability in organizational performance is explained by the regression model.

A breakdown of the table below gives insight into the variables of the research topic; specifically, the moderating variable. In the table below we consider the last row the most to make inferences about the moderating variable. The row contains figures for the interaction term or the interaction variable. The key here is to understand that the values especially the p value ($p < 0.005$) making it significant. Paying a closer look at the row, we see the lower-level confidence intervals and the upper-level confidence interval. Between the two, we see the values with the same sign which is a good thing. This means that there is no zero between the two values and as such we can conclusively say that our interaction term is significant which means there are evidences of moderation. Also, it indicates that the moderating effects are significant.

Model

	<i>Coeff</i>	<i>Se</i>	<i>t</i>	<i>p</i>	<i>LLCI</i>	<i>ULCI</i>
<i>Constant</i>	5.4392	.8818	6.1680	.0000	3.6901	7.1883
<i>ICM</i>	-.5998	.2647	-2.2654	.0256	-1.1249	-.0746
<i>AQ</i>	-1.1697	.2764	-4.2315	.0001	-1.7179	-.6214
<i>Int_1</i>	.3452	.0679	5.0837	.0000	.2105	.4799

Table 4.6 presents equally relevant analysis and explanations to the interactions between the three variables discussed in the study. Initial analysis of the tables looks at the columns AQ (dependent variable) and the “effect” column. The explanation there is that from an observational point of view, an increase in the values of the moderating variable AQ results in a corresponding increase in the effect of the independent variable on the dependent variable. And so, at 3.4286, we see that the effect of the independent variable on the dependent variable is 0.5838. An increase of the scale to 4.000 shows an increase of 0.7810 in effect of internal control mechanism on organizational performance and finally an increase of 0.9783 at an effect of 4.5714.

Conditional effects of the focal predictor at values of the moderator:

<i>AQ</i>	<i>Effect</i>	<i>Se</i>	<i>t</i>	<i>p</i>	<i>LLCI</i>	<i>ULCI</i>
3.4286	.5838	.1462	3.9929	.0001	.2938	.8737
4.0000	.7810	.1542	5.0633	.0000	.4751	1.0870
4.5714	.9783	.1709	5.7225	.0000	.6392	1.3173

4.4 Chapter Summary

Conclusively, we can say in the presence of quality auditing, there is an effect of internal control mechanism on operational performance. The degree of effect however depends on the level of quality of auditing implemented. Finally, with the p values at each level all less than 0.05, the values are significant. This assertion is further strengthened by the lack of zeros between the lower and upper-level confidence intervals at each stage of the moderating variable.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter offers a summary of the findings and conclusions drawn from the research. The study's findings are then summarised and recommendations are given. The study sought to assess the role of audit quality in the relationship between internal control mechanisms and organisational performance in Small and Medium Enterprises in Ghana.

5.1 Summary of Findings

The purpose of the study was to investigate two themes: first, how internal control systems impact organisations, and second, how the quality of audits impacts that link. According to the findings of the study, Internal Controls have an effect on how well an organization performs. When audit quality is increased, the influence that internal control systems have on an organization's performance grows.

5.1.1 The effect of Internal control mechanisms on organisational performance

The empirical result that is generated from the study reveals a moderate relationship between the independent and dependent variable of the study (i.e. internal control mechanisms and organisational performance respectively). It is revealed that there exists a positive and significant relationship between internal control mechanisms and organizational performance ($r = .487, p < .001$). The p-value which reads as $< .001$ is less than .05 making the relationship between the two variables significant. Furthermore, owing to the absence of a negative sign, it is concluded that the relationship is positive. The findings of the study as can be established from the literature reviewed such as Mohammed (2020) and Adu-Frimpong (2016) is therefore in line with this study.

5.1.2 The effect of audit quality on Internal control mechanisms and organisational performance.

In examining the role of audit quality as a moderator on the relationship between internal control mechanisms and organisational performance the study employed the regression model to analyse the interactions between the variables of the study. It was revealed that audit quality is fully established as a moderating variable between internal control mechanisms and organizational performance. Conclusively, it is discovered that there is an influence of internal control mechanism on organisational performance when quality auditing is present. This discovery was made possible by the existence of the quality auditing. However, the extent of the effect is contingent on the level of quality of the auditing that is carried out. The findings of the study is in tandem with the results of Ibrahim et al (2021).

5.2 Conclusion

According to the study's findings, it is possible to draw the conclusion that, based on empirical data, internal control mechanisms like monitoring, control environment, and a whole host of others have a substantial influence on the performance of small and medium firms in Ghana. So, one may say that a lack of attention paid to the organization's internal control systems has a negative impact on the performance of the organisation as a whole.

Furthermore, the role of audit quality as moderating the relationship between internal control mechanisms and organisational performance is conspicuously revealed. From a purely empirical vantage point, as values of Audit Quality rise, so does the impact of the independent variable on the dependent one. In this case, the influence of the explanatory variable on the dependent variable is 0.5838, as measured by the dependent variable, and the explanatory variable's effect size is 3.4286. The influence of internal control mechanism on organisational performance increases by 0.7810 at an effect of 4.000, and by 0.9783 with an effect of 4.5714. Finally, it can be stated that internal control mechanism has an impact on operational performance when quality auditing is present. However, the quality of the auditing process determines the extent of the effect.

5.3 Recommendations

The following suggestions are made in light of the study's findings:

The performance of a small or medium-sized business can be improved by establishing a system of controls. Methods that can help achieve this goal include highlighting the importance of ethics and integrity in management, developing a clear vision and purpose statement, creating strict boundaries of power, and conducting regular staff evaluations. In addition, SMEs need to develop a monitoring system that might affect their productivity. To do this, it is important to conduct thorough monitoring, analyse employee performance, monitor in teams, and conduct frequent performance inspections. There is also the need for stringent mechanisms that will ensure that audit quality as it pertains to the firm ought not to be compromised as audit quality has been established as a key component of the relationship between internal controls mechanisms and organisational performance of firms. This involve books in order, internal auditors, all actions authorised, and a focus on hiring people of integrity.

5.4 Suggestions for further research

The study is replete with several limitations which provide an avenue for further studies. Firstly, the focus of the study is on small and medium enterprises in Accra, Ghana a developing country. The generalizability of the findings to other countries is restricted and as such an extrapolation of the results to advanced economies is not advisable. This therefore gives way for investigation of the role of audit quality on the relationship between internal control systems and organizational performance of SMEs. Additionally, Despite the fact that this model's metrics for measuring organisational performance include a number of variables such as Internal Audit competence and others the study did not consider financial performance indicators such as Return on Assets (ROA) and Return on Equity (ROE), of which future studies can focus on.

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QUESTIONNAIRE

Dear Sir / Madam

I am Master of Science in Accounting student from the Kwame Nkrumah University of Science and Technology (KNUST). In partial fulfilment for the award of my degree, I am conducting a study on the **Effects of internal control mechanism on organisational performance;**

moderating role of audit quality. Questionnaire administration has become more important in order to adequately meet the study's unique goals. In the data solicitation, your well regarded firm was chosen. As a result, I would be grateful if your organisation could reply to this questionnaire based on its internal control systems and performance indicators. Your replies will only be used for academic purposes. I also promise you that any answers from your firm will be kept strictly secret. Thank you very much.

KNUST



SECTION A: DEMOGRAPHICS Please answer the following questions 1. Gender

Male [☐] Female [☐]

2. Age

18-30 years [☐] 31-40 years [☐] 41-50 years [☐] Above 50 years [☐]

3. Level of Education

Junior High School [] Senior High School [] Diploma [] Bachelor Degree [] Graduate Studies (Master / Ph.D.) [] Others Please specify.....

4. How many years has your business been in operation?

1 - 5 years [] 6 - 10 years [] 11 – 15 years [] 16 years and above []

5. Number of employees in the business

Less than 30 employees [] 31 – 40 employees [] 30 – 99 employees []

More Than 100 []

SECTION B: INTERNAL CONTROL MECHANISMS

Please answer the following questions by considering your understanding of **internal control**. On a scale of 1 to 5 (*1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree*) indicate your opinion *by ticking ✓ where appropriate* in the following statements.

CONTROL ENVIRONMENT	1	2	3	4	5
Policies and procedures are reviewed on an annual basis by the Management team					
The internal control systems are effectively implemented to avoid incurring irregular, fruitless, and wasteful expenditures					
All personnel working in the internal control section understand the Public Financial Management Act (PFMA)					
RISK ASSESSMENT	1	2	3	4	5
Management uses operational objectives as a basis for allocating the resources needed to attain desired operational and financial performance					
The company adequately and effectively manages risks to the organization and has designed internal controls that mitigate the identified risks					
The company has mechanisms in place to identify and react to risks presented by changes in government, regulatory, economic, operating, or other conditions that could affect the achievement of the objectives					
The most significant risks affecting my entity are always identified.					
CONTROL ACTIVITIES	1	2	3	4	5
Management determines which relevant business processes require control activities.					

Management performs periodic review of policies and procedures to determine their continued relevance, and refreshes them when necessary.					
Management considers control activities at various levels in the company					
The entity maintains policies and procedures to facilitate the recording and accounting of transactions in compliance with regulations.					
MONITORING	1	2	3	4	5
The Chief Financial Officer ensures the implementation of regular financial reporting.					
Senior Officials in different departments monitor compliance by ensuring that the Chief Financial Officer receives certified payroll certificates on time.					
The entity ensures compliance with period of availability requirements					
INFORMATION AND COMMUNICATION	1	2	3	4	5
The company's accounting system provides for separate identification of each transaction					
Employees of the company understand the importance of internal control, including division of responsibility					
The company has processes in place to communicate relevant and timely information to external parties					
The company communicates any delay in payments to different service providers and other stakeholders on time.					

SECTION C: AUDIT QUALITY

Please answer the following questions by considering your understanding of Audit Quality.

On a scale of 1 to 5 (*1=Strongly Disagree, 2=Disagree, 3=Neutral,*

4=Agree, 5=Strongly Agree) indicate your opinion *by ticking √ where appropriate* in the following statements.

STATEMENTS	1	2	3	4	5
The audit is carried out in accordance with auditing standards					

The audit is carried out in accordance with quality control standards					
Internal reviews within the audit firm ensure the delivery of an effective and efficient audit					
The auditor reports the correct audit opinion on the financial statements					
The audit is completed in a timely manner					
The auditor is independent					
The auditor is technically competent					

SECTION E: ORGANISATIONAL PERFORMANCE

This section seeks to establish your personal assessment of your firm's performance for the past year.

Please answer the following questions by considering your understanding of the organisation's performance. On a scale of 1 to 5 (*1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree*) indicate your opinion *by ticking √ where appropriate* in the following statements.

STATEMENTS	1	2	3	4	5
Proportion of new services to old ones have increased.					
Our service quality have improved					
The customer base of our entity have increased					
Resource utilization in our firm have improved					
The Company response to client needs has improved					
The liquidity base of the company has improved					

THANK YOU FOR PARTICIPATING IN THIS SURVEY