

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
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COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ACCOUNTING AND FINANCE

**ASSESSING THE EFFECTIVENESS AND EFFICIENCY OF THE
INTERNAL CONTROL SYSTEM AT THE GHANA REVENUE
AUTHORITY. A CASE STUDY OF THE KUMASI METROPOLIS**

BY

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**A dissertation submitted to the College of Arts and Social, Kwame Nkrumah
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for the degree of Masters of Business Administration (Finance Option)**

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DECLARATION

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

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ABSTRACT

Every organisation in whatever form or size must design its own framework of controls so as to attain its targets. The aim of the study was to examine the effectiveness and efficiency of internal control system in Ghana Revenue Authority in Kumasi. The study looked a number of related literature which propound various models of the internal control system. Even though there were a few diversionary views, all the scholars converge at a point that the aim of every internal control system is to enhance the operations of the organisation to achieve their set objectives. The population for this study comprises all the offices of GRA in Kumasi. In choosing the branches of offices of GRA for this study, convenience sampling technique was used to select offices branches which are nearer to the researcher as well as easy access to information. Both primary and secondary data were used with questionnaires as the main instrument used for the collection of primary data. Data were analysed using inferential analysis including mean, standard deviation, charts, tables and percentages. It was found that the information and communication component of the internal control framework was the most effective. Risk assessment component followed as next effective part of the internal control system of GRA. The monitoring component of the internal control framework was third in the order of effectiveness followed by control environment. The study recommended that staff of Ghana Revenue Authority especially staff at the internal audit unit must be trained regularly to acquaint themselves with new forms of risk which are complex and difficult to prevent or detect.

DEDICATION

This work is dedicated to all my family and friends.

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TABLE OF CONTENT

DECLARATION	ii
ABSTRACT	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENT	vi
LIST OF TABLES	ix
LIST OF FIGURES.....	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background to the study	1
1.2 Statement of Problem	3
1.3 General Objective.....	4
1.3.1 Specific objectives	5
1.4 Research questions	5
1.5 Scope of the study	5
1.6 Significance of the study	6
1.7 Organisation of the study	6
CHAPTER TWO.....	8
LITERATURE REVIEW.....	8
2.1 Introduction	8
2.2 The concept of Internal Controls.....	8
2.3 Components of internal control.....	14
2.3.1 Control environment.....	16
2.3.2 Risk Assessment.....	17
2.3.3 Control Activities	17
2.3.4 Information and communication	22
2.3.5 Monitoring	23
2.6.1 Preventive Controls	24
2.6.2 Detective Controls	24

2.6.3 Corrective Controls.....	24
2.6.4 Directive Controls.....	25
2.6.5 Compensating Controls	25
2.7 Revenue collection	25
2.8 The Structure of Ghana Revenue Authority.....	27
2.9 Ghana’s Tax System.....	29
2.10 Canons of taxation.....	30
2.10.1 Equity.....	30
2.10.1Certainty	30
2.10.3 Convenience	31
2.10.4 Economy	31
2.11 Limitations on Internal Control Effectiveness	32
 CHAPTER THREE.....	 34
RESEARCH METHODOLOGY	34
3.1 Introduction	34
3.2 Research Design.....	34
3.3 Sampling procedures	35
3.3.1 Population and Sample Size	35
3.3.2 Sampling Techniques	35
3.4 Data collection methods	36
3.5 Data Analysis	36
3.6 Profile of the Ghana Revenue Authority.....	37
 CHAPTER FOUR.....	 39
ANALYSIS OF DATA AND DISCUSSIONS	39
4.0 Introduction	39
4.1 Background Information of Respondents	39
4.1.1 Gender Distribution of Respondents	40
4.1.2 Age Distribution of Respondents	40
4.1.3 Marital Status.....	41
4.1.4 Level of Education of Respondents.....	42

4.1.5 Number of years Respondent worked for the Company	43
4.2 DESIGN OF INTERNAL CONTROLS SYSTEM AT GRA	44
4.2.1 Prevention of Fraud	45
4.2.2 Documentation of Internal Controls	45
4.2.3 Updating of internal controls	46
4.2.4 Proper implementation of internal controls	47
4.3 EFFECTIVENESS OF CONTROLS OVER REVENUE COLLECTION AT GRA	48
4.3.1 Analysis of Control Environment.....	48
4.3.2 Analysis of Risk Assessment.....	50
4.3.3 Analysis of Control Activities	51
4.3.4 Analysis of Information and Communication	52
4.3.5 Analysis of Monitoring.....	53
4.4 ANALYSIS OF CHALLENGES ASSOCIATED WITH INTERNAL CONTROLS AT GRA	55
CHAPTER FIVE.....	57
SUMMARY OF MAJOR FINDINGS, CONCLUSION AND	57
RECOMMENDATIONS	57
5.0 Introduction	57
5.1 Summary Major Findings	57
5.2 Conclusion.....	58
5.3 Recommendations	58
REFERENCES.....	60
QUESTIONNAIRE:.....	63

LIST OF TABLES

Table 3.1: Sample unit and size	36
Table 4.1 Control Environment.....	49
Table 4.2 Risk Assessment	50
Table 4.3 Control Activities.....	52
Table 4.4 Information and Communication.....	53
Table 4.5 Monitoring.....	54
Table 4.6 challenges associated with internal control systems Ghana Revenue Authority	55

LIST OF FIGURES

Figure 2.1: Illustration of Updated COSO Internal Control: Integrated Framework..	15
Figure 4.1 Gender Distribution	40
Figure 4.2 Age of Respondents	41
Figure 4.3: Marital Status Distribution of Respondents	42
Figure 4.4: Educational Level of Respondents	43
Figure 4.5: Number of Years Respondent worked for Organization	44
Figure 4.6: Prevention of fraud	45
Figure 4.7: Proper documentation of internal controls	46
Figure 4.8: Updating of internal controls.....	47
Figure 4.9: Proper implementation of internal controls	48

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Every establishment in whatever form or size must design its own framework of controls so as to attain its targets (Kaplan, 2008). A framework for a good working internal control is vital component of a firm dealings and key for the secure and proper operation of institutions. Hence, ineffective internal controls lead to ineffective operations and subsequently lead to misappropriations within the organization (Campbell, 2008).

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) states that internal control forms a key part in order to manage a firm. It consists of the systems, techniques and processes adopted to achieve the objectives, missions and goals and in addition ensure the management of performance. Internal controls in addition also act as the starting point of defense in protecting resources and curbing and checking slips or mistakes as well as fraudulent deals (COSO, 2006). Millechamp (2000) opines that internal control framework is an autonomous evaluation programme within a firm for the audit of procedures of control and the superior grade of execution as a service in the firm.

Internal control hence is a complete framework of controls, financial or otherwise, design by management in order to undertake the operations of a firm in a proper and proficient manner, establishes the compliance to management directives, protection of resources and secure as far as possible the completeness and precision of documents. Ratcliffe and Charles (2009) in addition express a framework of internal control is

design ensure the firm is on course to achieve its profitability targets and accomplishment of its goals and to reduce amusements along the way.

Berkowitz (2005) cited by Aganya (2011) argues that the framework of internal control must be embraced in the activities of the firm and must be part of the firm's culture; be able to respond rapidly to changes in risks to the firm coming from components across the firm and to evolutions in the business environment; and incorporates processes for reporting immediately to fitting levels of management any essential control failures or fallouts that relate to the details of corrective activities being carried out. He additionally asserts that proper framework of internal controls decreases, but cannot stop completely the possibility of vile judgment in decision making, human mistakes, control procedures being intentionally circumvented by individuals and others, management overlapping controls, and the happening of unpredictable situations. Green (2007) contends that internal control is a dynamic vital procedure that is constantly moving along with changes a firm is confronting. Subsequently, management and staff at all levels have to be incorporated in the procedures to prevent risks and to give partial guarantee of the accomplishment of the firm's goals and general targets.

The Ghana Revenue Authority (GRA) was founded by an Act of Parliament, Act 2009 (Act 791) incorporating the three revenue agencies that is the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat into a single Authority for the administration of taxes and customs duties in the country. GRA has been established to: Integrate Internal Revenue Service (IRS) and Value Added Tax Service (VATS) into domestic

tax operations on functional lines; Integrate the management of Domestic Tax and Customs and Modernise Domestic Tax and Customs operations through the review of processes and procedures with ICT as the backbone.

The Ghana Revenue Authority plays very important role in the economic development of our country. As an important component of Governmental agency, they collect almost 80% of all of Government revenue. Thus, to an appreciable and reasonable extent, they exert a lot of influence on the pattern and trend of economic development through their activities. The efficient utilization of the resources of this Governmental Agency is thereby critical in promoting economic growth and development as well as achieving their objectivities. All the aforementioned benefits can exert on the economy as a whole can be achieved through an efficient and effective internal control framework to regulate all the players. The research therefore seeks to examine the effectiveness of internal control system in Ghana Revenue Authority in Kumasi.

1.2 Statement of Problem

In Ghana there have been many cases of financial irregularities in both the public and private organisations. The 2013 Auditor General's Report revealed that tax records at the Domestic Tax Revenue Division (DTRD) of Ghana Revenue Authority disclosed that due to failure by Schedule Officers to monitor and review timely the tax payers files and serve demand notices on defaulting tax payers a total amount of GH¢1,289,056.69 had accrued as unpaid tax at the Tax Offices in Techiman, Koforidua, Berekum and Akim Oda during the reporting period. Anas Aremeyaw Anas (2012), showed a video footage CEPS officials, police personnel, and National

Security officers busily collecting bribes from importers at the Tema Harbour. The hidden video captured some of the officials at the Harbour dancing to sumptuous music whilst gleefully collecting the bribe, and denying the country of its meager revenue.

This clearly shows that there is laxity in the management of financial resources in the public sector. These lapses occurred due to ineffective internal controls over financing reporting. Thus the internal control systems are weak and the systems and structures are not operating properly. Most public institutions do not have efficient internal control system on cash collection which has often accounted for poor financial management (Gibbs, 1997).

Therefore the Managing Director (MD) of Stanbic Bank Ghana Limited (2008) reported that in every institution in Ghana, 10% of employees are bound to steal from the resources of the institutions, and 10% will not steal, 80% are not decided but when given the opportunity they will steal. However, in the review of relevant literature, it was found that no study has investigated the effectiveness and efficiency of internal controls systems in GRA. This thesis purposes to fill this gap.

1.3 General Objective

The primary purpose of this study is to examine the effectiveness of internal control system in Ghana Revenue Authority in Kumasi.

1.3.1 Specific objectives

The specific objective includes the following:

1. To identify the design of the system of internal controls of Ghana Revenue Authority;
2. To examine the effectiveness of controls over revenue collection at Ghana Revenue Authority;
3. To determine the challenges associated with internal control systems;

1.4 Research questions

The study addresses the following questions:

1. Does any system of internal controls exist in Ghana Revenue Authority?
2. What is the effectiveness of controls over revenue collection at Ghana Revenue Authority?
3. What are the challenges associated with internal control systems at Ghana Revenue Authority?

1.5 Scope of the study

The primary purpose of this study is to examine the effectiveness of internal control system in Ghana Revenue Authority in Kumasi. Since internal controls affect every aspect of any organisations all the sections and departments within Ghana Revenue Authority will be covered to achieve the objectives of the study.

1.6 Significance of the study

The findings of the study will be a vital piece of information for many stakeholders such as the board of Ghana Revenue Authority. The Commissioner of the Ghana Revenue Authority, Ministry of Finance and Economic Planning and other public sector organizations in Ghana and abroad. To the board of Ghana Revenue Authority and the Commissioner of the Ghana Revenue Authority, the study will assisted them with first-hand information in relation to the weakness in the internal control set of Ghana Revenue Authority. This will assist them to design effective and efficient internal controls mechanism to achieve the corporate goals of Ghana Revenue Authority. Even though internal controls can only give a reasonable assurance and not an absolute assurance, the findings will go a long way to assist the board and commissioner of GRA to reduce incidences of fraud and non-compliance to internal controls. Other public sector organisations will also take a cue from the findings of this study to strengthen its own internal controls to ensure effective and efficient management of state resources.

1.7 Organisation of the study

The study consists of five chapters. Chapter One is the Introduction and focuses on the background of the study, statement of the problem, objectives of the study, justification, methodology, the scope of the study and limitations of the study. Chapter Two reviews related literature on internal controls. In reviewing the internal controls it focuses on key issues such as definitions of internal controls, the components and structure of internal controls. Chapter Three focuses on the methodology adopted for the study. The methodology includes research design, population of the study, the sampling technique and the sampling size. Chapter Four

deals with the presentation and analysis of the data collected. Chapter Five which is the final part focuses on the conclusions and recommendations to the findings in the fourth chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on concept of internal controls as propounded by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), The International Organization of Supreme Audit Institutions (INTOSAI) and The Basel Committee on Banking Supervision (BCBS). The chapter further discusses the purpose and limitations of internal controls.

2.2 The concept of Internal Controls

Internal controls have existed from antiquated times. Michino (2011) reported that "in Hellenistic Egypt there was a dual office with one a set of civil servants responsible for taking taxes and another with directing them. Edge (2009) argues that, internal control as an idea has existed as early as there have been substantive connections. He asserted, its inception can be recorded and followed back to civilized groups that existed around 5000 B.C. The rulers of these kingdoms forced various taxes on people and businesses. For the correct bookkeeping and accumulation of these taxes, an intricate system of supervision and monitoring was set up. Such early internal control systems were composed basically to minimize blunders and protection of government property from deceptive taxes officials. He proceeded that, the Mesopotamian civic establishments, which lasted around 3000 B.C., additionally used detailed systems of internal controls. Summaries of the transactions were readied by copyists who did not give genuine list of receipts and installments. Reports of that period contained ticks,

specks, and registration showing the presence of the auditing capacity amid those times.

There are other researchers who have recognized the importance of internal control but their researches did not bring the relationship between internal control and revenue collection. These researchers have formed part of the related studies for the research and include:

As indicated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 1992), internal control is a procedure designed by a company's top managerial staff, management and other faculty, intended to give manageable affirmation in regards to the accomplishment of target in the effectiveness and productivity of operations, dependability of financial reporting, and compliance with relevant rules and principles. COSO is a wilful non-governmental institution founded in USA. It is concerned with components that can prompt deceitful or fraudulent financial reporting. COSO has created standards of internal control.

In achieving the desire effectiveness and efficiency, the definition by COSO (1992) addresses the following vital attributes of internal controls:

- Internal control is a procedure. It is a way to end, not an end in itself.
- Internal control is carried out by people. It is not an ordinary policy documents and structures but people at every hierarchy of an entity.
- Internal control is anticipated to ensure just manageable or partial guarantee, not total guarantee to an organization's management and board.

- Internal control designed towards the accomplishment of targets in one or more separate but overlapping categories.

The International Organization of Supreme Audit Institutions is an organisation that provides rules for internal control guidelines for the government sector. The objective of the Committee is to create direction for building up and keeping up effective internal control in the government segment. Government management is hence a significant recipient of the rules. Government management can utilize these rules as a premise for the design and performance of internal control in their institutions. In this way as per The International Organization of Supreme Audit Institutions (INTOSAI 2004), internal control as indispensable procedure that is designed by a firm's management and staff that is intended to prevent risks and to give partial certification that in quest for the firm's central goal, the accompanying general targets are being accomplished:

- Executing orderly, ethical, economical, efficient and effective operations.
- meeting accountability duties.
- adhering to relevant rules and laws.
- protecting assets against loss, misuse and damage.

Contrasted with the COSO meaning and the 1992 rules, the moral part of activities has been included by INTOSAI. In the perspective of INTOSAI (2004) Its incorporation in the internal control targets is legitimized, as the significance of moral conduct and in addition counteractive action and discovery of extortion and corruption in government division has turned out to be more underscored general desires are that government workers ought to serve the general public needs with

decency and deal with government assets appropriately. Residents or citizens ought to get unbiased treatment on the premise of lawfulness and equity. In this manner public morals or ethics are an essential to, and support, public trust and are a cornerstone of proper administration.

The definitions by both COSO and INTOSAI provide that any design of internal controls by any organisations must bear the following attributes. The design of internal controls will fail to achieve the level of effectiveness and efficiency if lacks one of these attributes.

To begin with internal controls are not one off event which takes place in an organisation at a time. It means that it is a day to day activity to ensure that the objectives of the organisation are achieved. In throwing more light on the definition of internal controls, INTOSAI (2004) argue that internal control is not one occasion or situation, but rather a progression of activities that penetrate an organization's exercises. These activities happen all through an organization's operations on a progressing premise. They are pervasive and natural in the way management runs the entity. Internal control is along these lines not quite the same as the viewpoint of a few eyewitnesses who perceive it as something included to an organization's exercises, or as a vital load. The internal control system is entwined with an organization's exercises and is best when it is incorporated with the organization's facilities and is a basic piece of the embodiment of the firm. Any variable which serves as an obstacle to the achievement of the goals of the organisation is therefore dealt with accordingly.

The definition also captures the fact that internal controls are effected or design and implemented by management indicating that internal controls must be back and enforce by management so as to achieve the objectives of the organisation. An entity's individuals involve management and other staffs.

Despite the fact that management principally gives direction, it likewise formulates the firm's targets and has general obligation regarding the internal control system. As internal control gives the instruments expected to help comprehend risk in the connection of the firm's targets, the management will put internal control exercises formulated, screen and assess them. The adoption of internal control needs vital management activity and vigorous correspondence by management with other faculty. Along these lines internal control is an instrument utilized by management and straightforwardly identified with the firm's goals. Thusly, management is an essential component of internal control. On the other hand, all faculties in the organization assume vital parts in getting it done (INTOSAI, 2004). The lack of commitment by management to enforce the internal controls in an organisation will lead to a situation whereby lower and middle staff will also fail to comply with the tenants of internal controls in that organisation.

Again the definition make an emphasis that irrespective of how strong internals are, it cannot provide an absolute affirmation in regards to the accomplishment of target in the effectiveness and proficiency of activities, unwavering quality of financial reporting, and compliance with relevant rules and laws. Partial affirmation mirrors the thought that vulnerability and risk identify with the future, which nobody can foresee with sureness. Likewise components outside the control or impact of the firm can influence the capacity to accomplish its goals.

The Basel Committee on Banking Supervision (BCBS 1998) likewise characterizes Internal control is a procedure designed by the Board of Directors, senior management and all levels of staff. It is not singularly a technique or arrangement that is performed at one point in time, but instead it is constantly working at all levels inside of the firm. The governing body and senior management are in charge of setting up the fitting culture to encourage an effective internal control process and for supervising its effectiveness on a progressing premise; then again, every person inside of an entity must partake in all the procedure.

In addition to the above institutional definition of internal controls, some individuals have also defined internal controls. Puttick (2001) has affirm internal controls as an arrangement of a firm's policies and authorized internal procedures (internal controls) created by management of an entity to apparently accomplish management's essential goal of guaranteeing that the business works in an impeccable manner. He further clarified that a business is said to be running easily on the off chance that they find themselves able to adhere to the management policies, to safeguard the firm's resources, set up a system that would stop and annihilate control of the bookkeeping data. DiNapoli (2007) likewise characterized internal control as the reconciliation of the exercises, plans, behaviours, policies, and endeavors of the populace of an entity cooperating to give partial guarantee that the entity will accomplish its goals and mission.

Kenneman (2004) further depicts internal control as those components that are set up to either keep slips from entering the procedure or recognizing blunders in the event that they happen. He clarifies, in straightforward terms that, internal control can be characterized as those procedures that management depends on to verify things don't

get mess up. Okai (1998) additionally characterizes internal control system as enveloping every one of the techniques, methodology and course of action embraced inside of an entity to guarantee similarly as practicable the protection of resources, the completeness, exactness and dependability of the bookkeeping records, and the advancement of operational productivity and compliance to management policies.

As indicated by Millichamp (2002) internal control system alludes to the entire system of controls, financial and generally, settled by the management so as to bear on the matter of defending the resources and securing beyond what many would consider possible the culmination and exactness of the records

2.3 Components of internal control

The COSO framework, INTOSAI and Green all identify and outline five interrelated components of internal controls that must be integrated within the management process in carrying out the entity's activities. They are:

- Control Environment.
- Risk Assessment.
- Control Activities.
- Information and Communication systems.
- Monitoring.

The COSO way to deal with internal control is very much shown by the figure 1 underneath, which speaks to the building squares of internal control.

Figure 2.1: Illustration of Updated COSO Internal Control: Integrated Framework



Source: (COSO, 2013)

The three goals classifications – Operations, Financial Reporting and Compliance – are delineated by the vertical sections. The five segments – Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring – are indicated by the lines. These segments are further examined in sub areas. The units and exercises of organization, which are liable to internal control, are portrayed by the third measurement of the network. In this way internal controls are identified with the whole entity as well as all units, offices and capacities inside of the entity.

2.3.1 Control environment

According to COSO (2012) the control environment is the arrangement of principles, procedures, and structures that give the premise to completing internal control over the firm. The governing body and senior management build up the tone at the top with respect to the significance of internal control including expected principles of behavior. Management fortifies desires at the different levels of the firm. It further contends that the control environment embodies the honesty and moral estimations of the entity; the parameters empowering the governing body to do its oversight obligations; the hierarchical structure and task of power and obligation; the procedure for drawing in, creating, and holding skilled people; and, the meticulousness around execution measures, impetuses, and rewards to drive responsibility for execution. The subsequent control environment has a pervasive effect on the general system of internal control (COSO, 2012). Particularly COSO (2012) opines that, the CEO and key individuals from management verbalize and show the significance of trustworthiness and moral qualities all over the entity. Again COSO (2012) asserts that the governing body and senior management assess compliance to the organization's principles of behavior. In conclusion COSO (2012) directs that senior management must create and reliably takes after a recommended procedure and principle to immediately research, report, and make a move to rectify any infringement to the measures of behavior happening at any level of the company, including outsourced administrative suppliers and business accomplices.

The behaviour built up by top management is reflected in all parts of management's activities. The dedication, the association and backing of senior management setting

"the tone at the top" encourage an uplifting mentality and are basic to keeping up a positive and strong conduct towards internal control in an entity.

2.3.2 Risk Assessment

As indicated by COSO (2012) each firm confronts a mixture of risks from both outer and internal sources. Risk is characterized as the likelihood that a situation will happen and antagonistically influence the accomplishment of targets. Risk evaluation includes a dynamic and iterative procedure for distinguishing and surveying risks to the accomplishment of goals. Risks to the accomplishment of these purposes from over the organization are viewed as with respect to set up risk resistances. In this way, risk evaluation frames the premise for deciding how risks will be dealt with. A precondition to risk appraisal is the foundation of targets, connected at distinctive levels of the firm. Management determines targets inside of classifications identifying with operations, reporting, and compliance with adequate clarity to have the capacity to distinguish and dissect risks to those targets. Management additionally considers the suitability of the targets for the organization. Risk appraisal additionally obliges management to consider the effect of conceivable changes in the outer environment and inside its own plan of action that may render internal control ineffective.

2.3.3 Control Activities

Control exercises are the activities set up through policies and methodology that assist guarantee that management's mandates or orders to relieve risks to the accomplishment of targets are completed. Control exercises are performed at all levels of the firm, at different stages inside of business procedures, and over the innovation or technology environment. They may be preventive or identical in nature and may include a scope of manual and computerized exercises, for example, approvals and

authorizations, checks, reconciliations, and business execution audits. Separation of obligations is ordinarily incorporated with the choice and advancement of control exercises. Where separation of obligations is not down to applicable, management chooses and creates optional control exercises (COSO, 2012).

Control operations occur within the firm at all levels and in all activities. They incorporate an amount of detective and preventive control activities as many, for example, as;

- (1) Approval and authorization of processes.
- (2) Segregation of responsibilities (approving, processing, capturing or recording, reviewing)
- (3) Control over availability of resources and documents.
- (4) Checks or Verifications;
- (5) Reconciliations;
- (6) Audit of working performance;
- (7) Audit of activities, procedures and operations;
- (8) Monitoring or Supervision (assigning, auditing, authorizing, direction or guidance and training)

The International Organization of Supreme Audit Institutions (INTOSAI) further indicates the significant control activities as follows;

1. Authorization and approval procedures

Approving and performing exchanges and situations are just done by individuals acting inside of the extent of their power. Authorization is the key method for guaranteeing that just substantial exchanges and occasions are started as expected by management. Approval techniques, which ought to be recorded and plainly imparted to directors and representatives, ought to incorporate the particular conditions and terms under which approvals are to be made. Complying with the terms of an approval implies that representatives demonstrate as per orders and inside of the restrictions built up by management or enactment.

2. Segregation of duties (authorizing, processing, recording, reviewing)

To decrease the risk of slip, waste, or bad conducts and the risk of not recognizing such issues, no single individual or group ought to control every vital phase of an exchange or occasion. Maybe, obligations and duties ought to be doled out systematically to various people to guarantee that effective governing rules exist. Vital obligations incorporate approving and recording exchanges, handling, and checking on or auditing exchanges. Intrigue, be that as it may, can decrease or decimate the effectiveness of this internal control action. A small firm may have excessively couple of workers, making it impossible to completely actualize this control. In such cases, management must be mindful of the risks and remunerate with different controls. Rotation of representatives may help guarantee that one individual does not manage all the key parts of exchanges or occasions for an undue period of time. Likewise, reassuring or instituting yearly holiday occasions may help diminish risk around a provisional turn of obligations.

3. Controls over access to resources and records

Availability to assets and documents is constrained to approve people who are responsible for the authority and/or utilization of the assets. Responsibility for guardianship is proving by the presence of receipts, inventories, or different documents doling out authority and documenting the exchange of custody. Confining access to assets lessens the risk of unapproved utilization or misfortune to the administration and aides accomplish management orders. The level of limitation relies on the weakness of the asset and the apparent risk of misfortune or shameful utilization, and ought to be intermittently evaluated. At the point when deciding resource defenselessness, its expense, movability and exchangeability ought to be considered.

4. Verifications

Exchanges and critical occasions are confirmed previously, then after the fact processing, e.g. at the point when products are conveyed, the quantity of products supplied is checked with the quantity of products requested. Subsequently, the quantity of products invoiced is confirmed with the quantity of products got. The stock is confirmed also by performing stock-takes.

5. Reconciliations

Records are reconciled with the fitting reports all the time, e.g. the bookkeeping records identifying with financial balances are reconciled with the comparing bank statements.

1. Reviews of operating performance

Working execution is looked into against an arrangement of benchmarks all the time, evaluating effectiveness and productivity. On the off chance that execution surveys discover that genuine achievements don't meet set up targets or guidelines, the procedures and exercises set up to accomplish the targets ought to be assessed to figure out whether changes are required.

2. Reviews of operations, processes and activities

Operations, procedures and exercises ought to be intermittently looked into to guarantee that they are in adherence with present rules, procedures, systems, or different prerequisites. This sort of survey of the genuine operations of an entity ought to be unmistakably recognized from the supervision of internal control which is talked about independently in segment.

3. Supervision (assigning, reviewing and approving, guidance and training

Able supervision serves to guarantee that internal control targets are accomplished. Allocating, auditing, and endorsing a staff's work envelops:

- Clearly conveying the obligations, duties, and responsibilities allocated to every staff individual;
- Systematically looking into every individual's work to the degree which is vital;
- approving operation at significant focus to guarantee that it streams as proposed

- A manager's designation of work ought not to reduce the manager's responsibility for these duties and obligations. Managers likewise give their representatives the important direction and education to help guarantee that mistakes, waste, and bad conducts are minimized and that management orders are comprehended and accomplished.

The last part is Monitoring. The general effectiveness of an organization's internal controls ought to be checked on a continuous premise. Observing of key risks ought to be a form of the day by day exercises of the bank and also intermittent assessments by the business lines and internal audit.

2.3.4 Information and communication

A precondition for dependable and significant information is the brief recording and fitting order of exchanges and occasions. Relevant information ought to be distinguished, recorded and imparted in a structure and time period that empowers employees to do their internal control and different obligations (convenient communication to the right individuals). Along these lines, the internal control system as being what is indicated and all exchanges and noteworthy occasions ought to be completely reported. Information systems create documents that contain operational, financial and non-financial and compliance-related information and that make it conceivable to run and control the activities. They use internally produced information, as well as information about outside occasions, exercises and conditions important to empower decision-making and documentation. Management's capacity to settle on suitable choices is influenced by the nature of information which suggests that the information ought to be fitting, convenient, present, exact and available (INTOSAI, 2004).

Communication

Effective communication ought to stream down, over, and up the entity, all through all segments and the whole structure. All faculties ought to get an unmistakable message from top management that control obligations ought to be considered important. They ought to comprehend their own particular part in the internal control system, and additionally how their individual exercises identify with the work of others. There additionally should be effective communication with outside partners (INTOSAI, 2004).

2.3.5 Monitoring

Continuous assessments, separate assessments, or some mix of the two are utilized to determine whether each of the five parts of internal control, including controls to influence the standards inside of every segment, is available and working. Progressing assessments, incorporated with business forms at diverse levels of the firm, give auspicious information. Separate assessments, led occasionally, will differ in degree and recurrence relying upon appraisal of risks, effectiveness of continuous assessments, and other management contemplations. Discoveries are assessed against criteria built up by controllers, standard-setting bodies or management's criteria, and inadequacies are imparted to management and the top managerial staff as suitable (COSO, 2012).

Different writers, for example, Lousteau (2006) and DiNapoli (2005) have concurred that the sorts of internal controls incorporate mandate or order controls, preventive controls, repaying controls, analyst controls, and remedial activities. These sorts of internal controls are clarified beneath.

2.6.1 Preventive Controls

In the perspective of Lacotelli (2003), she characterized preventive controls as measures set up by management to deflect and anticipate resistance with orders, policies and methodology. These preventive controls are planned to avert risk of mistake, fakes deals and inconsistencies from happening in exchanges and counteractive action of misfortune. These preventive controls are as the separation of obligations, fitting approval and endorsement, foundation of hierarchical diagram to assign occupations to dependable officers, satisfactory documentation, physical control over resources and consistent training of staff.

2.6.2 Detective Controls

These are controls which are geared towards identifying and revealing issues or difficulties, for example, extortion, inconsistencies and blunders after they have been conferred. In spite of the fact that, identification is fundamental, avoidance is more alluring. These controls are as post-audits, special case reports and valuation. They give confirmation that a misfortune has happened however don't keep a misfortune from happening. Cases of detective controls are surveys, examinations, change investigations, reconciliations, physical inventories and audits. Then again, detective controls assume a significant part in giving proof that the preventive controls are working and avoiding misfortunes (Wells, 2006).

2.6.3 Corrective Controls

As per Simmons (1995), the corrective controls are set up to address anything which is outside and each issue that has happened in the system. Samples of remedial

controls are system re-configuration, monitoring, post reviews and utilization of disciplines by management for bad behaviours.

2.6.4 Directive Controls

Order Controls alludes to policies and methods set up by top management to advance compliance with autonomy rules. The policies and strategies from management that are critical must drive or infest the entity and must be clear and reliable so as to guarantee adherence (Rittenberg et al., 2007).

2.6.5 Compensating Controls

Compensating controls are controls adopted to prevent the dangers or risks connected to fall out of other designed controls.

2.7 Revenue collection

Awitta (2010) expressed that income or revenue collection is the measure of cash that an organization gets amid a particular period. It is the "top line" or "gross revenue" figure from which expenses are subtracted to focus net salary. Income or revenue can be characterized as pay that an organization gets from its typical business exercises, more often than not from the offer of products and services to clients. Income is alluded to as turnover. A few organizations get income from interest, profits or dividends or goodwill paid to them by different organizations. Income may allude to business pay by and large, or it may allude to the sum, in a money unit, got amid duration of time.

The Financial Accounting Standard Board(FASB) Concept Statement 6, Elements of Financial Statements (December 1985) have characterizes income as inflows or different upgrades of resources of a company or payments of its liabilities (or mix of both) amid a period from conveyance or manufacturing products, providing service or different exercises that constitutes the firm's progressing major or focal operations. Hongreen (2002) portrayed income as inflows of resources (quite often money or receivables) got for items or services given to clients. In

Millichamp (2002) characterizes internal control as a complete system of controls, financial and generally designed by management with the focus to undertake venture in systematic and efficient way, guarantee compliance to management policies, protect its resources and secure quite far the culmination and exactness of the records. A decent system of internal control for money ought to give strategies to securing both money receipts and money payments.

Meigs (1981) contends that the significance of internal control is to secure resources of the firm prompting its proficiency operation. The need to control cash is vital in all firms. Cash is flexible but difficult to disguise and exchange. So it is imperative for any firm to address this issue through the internal control system. It is then needed to stick to the internal control methods with the end goal of securing the firms resources, particularly cash, and guarantee adherence to laws and organization policies.

Theofanis et al (2011) inspect the connection between components of cash control system and internal audit effectiveness and the outcome of the study uncover positive relationship between the two. Despite the fact that the studies utilized just 52 Hotels in Greece as an example and mail review for information gathering, however at conclusion they recommend that if future studies ought to completed exploration on

internal audit effectiveness with extensive sample, the outcome will be superior to anything than their own.

2.8 The Structure of Ghana Revenue Authority

In December 2009, the three tax revenue agencies, the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat were merged in accordance with Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009). The Ghana Revenue Authority (GRA) thus replaces the revenue agencies in the administration of taxes and customs duties in the country. The structure of GRA is outlined in Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009)

As specified in the Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009), the objectives of the Authority are to:

- (a) Ensure a holistic approach to tax and customs services.
- (b) Decrease administrative and tax compliance cost and ensure better services to citizens who pay tax.
- (c) Advance efficient payment of revenue and fair distribution of tax duties and provide high transparency and integrity.
- (d) Provide higher accountability to government for the skillful management of tax services.
- (e) Enhance information connection and sharing data among the agencies of the Authority.

- (f) Ensure one-stop service for taxpayers for the submission of returns and payment of taxes.

According to Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009), to attain the above outlined objectives, the Authority shall:

- (a) Evaluation and collection of taxes, interest and penalties on taxes due to the country with maximum efficiency.
- (b) Pay these monies collected into the consolidated fund unless otherwise stated by this Act and other Acts.
- (c) Advance tax adherence and tax education.
- (d) Fight tax fraud and evasion and cooperate to that effect with other competent law enforcement agencies and revenue agencies in other nations.
- (e) Advise district assemblies on the evaluation and collection of their revenue.
- (f) Prepare and publish reports and statistics linked to its collection of revenue.
- (g) Provide recommendations to the minister on collection of revenue policies.

According to Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009) (1) the governing body of the Authority is a Board consisting of

- (a) a chairperson,
- (b) the Commissioner-General of the Authority,
- (c) a representative of the Ministry not below the rank of a Director,
- (d) a representative of the Ministry of Trade and Industry not

- (a) below the rank of a Director,
- (e) the Governor of the Bank of Ghana or a representative of the Governor not below the rank of a Deputy-Governor, and
- (f) four other persons from the private sector two of whom are women.

2.9 Ghana's Tax System

Ghana practices a self-assessment system where, essentially, tax payers are legally obligated to declare their estimated tax liabilities (following prescribed formats) and settle the tax due accordingly (Terkper, 1995). Based on a risk management model and evidences provided on self-assessment forms, the Ghana Revenue Authority (GRA), which is the state body responsible for tax collection), may request for evidence or perform an audit to confirm submissions by tax payers. Following the opportunity to self-declare tax liabilities, self-assessments systems typically over compensate with higher penalties for default and under declarations, compared to other tax assessment systems. Cornell (1996: 12) defined 'self assessment' as 'do it yourself' in which taxpayers have to understand, interpret and apply tax laws to their own situation. Under self assessment system it is possible for taxpayers to manipulate their tax returns and even employ tax agents as found out by Hasseldine and Hansford (2003). Thus the tax agents compromise their work and connive with tax payers to pay less taxes by advising them of tax deductions (for example) they may otherwise not opt to take, or potentially positively by increasing the quality of returns that would otherwise be made in error.

Thus under self-assessment system of taxation the whole system relies heavily on the honesty and integrity on both tax officials and tax payers. This implies that strong

internal controls must be design and implemented in Ghana Revenue Authority to achieve their goals. It is for this reason that the study seeks to assess the effectiveness and efficiency of internal controls at Ghana Revenue Authority.

2.10 Canons of taxation

Adam Smith in his book “The Wealth of Nations” which was written in 1776 propounded certain attributes of the tax system which will make it more effective. Since then many writers have also sought to add more views to these attributes which are summarized below (Lymer and Oats, 2009).

2.10.1 Equity

This standard goes for giving economic and social equity to the individuals. According to Lymer and Oats (2009) equity indicates that a tax system must be rational among the citizens and tax must be demanded in the perception that citizens will be able to pay. The authors additionally states that the horizontal equity points to the fact that every person who earns income must pay the same measure regardless of their riches while vertical equity portrays those persons who earn huge income must pay higher tax as compared to people who earn lower incomes. This rule permeates that all individuals are required to pay tax according to his/her ability to pay.

2.10.1 Certainty

The awareness for an individual to pay tax must be certain and not subjective. Certainty means the individual must know that he has an obligation to pay tax and also ought to know where to pay this tax. Tax payers must be educated periodically to know their tax obligation with regards to when, where, and who to pay taxes to and in

what measure. Thus, the tax systems and institutions must be identified and equipped in order to work effectively (Barjoyai, 1987).

2.10.3 Convenience

The tax managers ought to concentrate on their convenience as well as consider taxpayers' convenience especially regarding tax regulations, filings, evaluations, installments, organization and expenses in order to manage the tax framework effectively. The mode and timing of tax payment ought to be beyond what many would consider possible, helpful to the tax payers (Sandford 1993).

2.10.4 Economy

The guideline expresses that tax services must be economical in terms of the cost incurred in carrying out its operations. The cost of collecting tax must be lower as compared to the measurement of tax amounts to be collected. It may be needless and expensive if the taxes are enforced yet it becomes hard to manage the cost of operations. Efficiency alludes to how the tax officers collect the tax incomes and can be put into two subsections which incorporate managerial productivity and financial effectiveness. Managerial productivity is where the cost of collecting taxes must be considered and must be very cost effective. If the amount of money spent in collecting the tax is high then the amount of tax raised will also be low for the government. Financial effectiveness means that new taxes introduced must be managed properly and must not be forced on citizens. Hence, this introduction must not change the altitudes of payers.

2.11 Limitations on Internal Control Effectiveness

Internal control can't without anyone else's input guarantee the accomplishment of the general targets characterized before. A compelling internal control framework, regardless of how effectively thought out and worked, can give just sensible not outright certification to management about the accomplishment of a firm's goals or its survival. It can give management data about the element's advancement, or absence of it, toward accomplishment of the targets. Be that as it may, internal control can't change an innately poor supervisor into a decent one. Additionally, moves in government approach or projects, demographic or financial conditions are commonly outside management's ability to control and may oblige supervisors to re-outline controls or change the level of adequate risk. A successful arrangement of internal control lessens the likelihood of not accomplishing the goals. On the other hand, there will dependably be the risk that internal control will be inadequately composed or neglect to work as proposed.

Since internal control relies on upon the human element, it is liable to blemishes in configuration, slips of judgment or translation, misconception, lack of regard, exhaustion, diversion, conspiracy, mishandle or override. Another restricting variable is that the outline of an internal control framework confronts resources requirements. The advantages of controls must thusly be considered in connection to their expenses. Keeping up an internal control framework that dispenses with the risk of misfortune is not practical and would most likely cost more than is justified by the advantage determined.

In figuring out if a specific control ought to be built up, the probability of the risk happening and the potential impact on the firm are considered alongside the related expenses of setting up another control. Hierarchical changes and management disposition can have a significant effect on the adequacy of internal control and the staff working with the framework. In this way, management needs to consistently survey and upgrade controls, convey changes to faculty, and set a case by holding fast to those controls.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows the research approach and the process followed to obtain relevant data for the study. This chapter focuses on the research design, the population, sampling procedure, sampling type, sampling technique, data collection and data analysis.

3.2 Research Design

According to MacMillan & Schumacher (1993) research design is the procedure to be followed for conducting the study, including then, from whom, and under what conditions the data will be obtained. It determines what methods are to be followed for data collection so as to elicit accurate answers to possible research questions.

There are two main types of approaches used in undertaking a research (Ghauri & Grönhaug, 2005). Quantitative and qualitative method are simply distinguished, regarding to Thomas (2003) that; quantitative method is focused on measurement and amount of the people or events' characteristics that the researcher studies. On the other hand, qualitative method is focused on the description of people or events' characteristics by the researcher, which means it involves the interpretative of phenomena, without comparing the events in term of amount or measurement. This is adopted the quantitative approach.

3.3 Sampling procedures

The section discusses the population of the study, sample size and sampling technique adopted in selecting the respondents for the study.

3.3.1 Population and Sample Size

De Vos (2006) defines the study population as study units within a population to be studied”. In this study the population would apply to all the offices of GRA in Kumasi. In all GRA have seven (7) offices in Kumasi. The sample size of 100 was chosen for this study since the whole population cannot be contacted for responses.

3.3.2 Sampling Techniques

In choosing the branches of offices of GRA for this study, convenience sampling technique was used to select offices branches which are nearer to the researcher as well as easy access to information. As a result the following offices of GRA in Kumasi were chosen: Adum Small Tax Office (STO), Asokwa Medium Tax Office (MTO), Kwadaso Small Tax Office (STO), Ashtown Small Tax Office (STO) and Suame Medium Tax Office (MTO). In choosing the respondents for this study, a quota sampling was adopted.

Table 3.1: Sample unit and size

Sample units	Sample size	Instrument
Adum STO	20	Questionnaire
Asokwa MTO	20	Questionnaire
Kwadaso STO	20	Questionnaire
Ashtown STO	20	Questionnaire
Suame MTO	20	Questionnaire
TOTAL	100	

3.4 Data collection methods

According to Gillis and Jackson (2002) data collection is the process of gathering information from selected respondents. Primary data as well as secondary data were utilized for the study. Primary data involved the collection of data with the use of questionnaires. The secondary data were also obtained from published documents, articles, journals, Internet, newspapers that have a bearing on the study.

3.5 Data Analysis

Data collected was subjected to critical analysis and examinations. The questionnaires were all coded into the Statistical Program for Social Sciences (SPSS) software after which the analysis was performed. Descriptive results were presented in frequency distribution, charts, and tables. Mean and standard deviations were also used to assess the variables used for the study. The data was analysed based on the responses received from the respondents'. Meanings and interpretations were given to the data based on statistical tools like graphs, charts, tables and means.

3.6 Profile of the Ghana Revenue Authority

In December 2009, the three tax revenue agencies, the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat were merged in accordance with Ghana Revenue Authority Act 2009, Act 791 (GRA Act, 2009). The Ghana Revenue Authority (GRA) thus replaces the revenue agencies in the administration of taxes and customs duties in the country. The Ghana Revenue Authority (GRA) has been established to:

- Integrate the management of Domestic Tax and Customs
- Modernise Domestic Tax and Customs operations through the audit of procedures and processes.
- Integrate Internal Revenue Service (IRS) and the Value Added Tax Service (VATS) into domestic tax activities on functional lines.

VISION

The core vision of GRA was to be a world class revenue administration recognised for professionalism, integrity and excellence.

MISSION

The mission of the GRA was to mobilise revenue for national development in a transparent, fair, effective and efficient manner which will be achieved through:

- Professional client relationship services
- Advancement of voluntary adherence
- The use of current technology

- Border safeguards effectiveness
- Highly motivated and well educated employees

CHAPTER FOUR

ANALYSIS OF DATA AND DISCUSSIONS

4.0 Introduction

This chapter presents the analysis of the findings from data collected through interviews, observations and analysis made from the previous chapters'. It also aims at examining the understanding of the components of internal control systems: control environment, control activity, risk assessment, the information and communication and the monitoring of internal control systems.

The analysis of the findings has been grouped into two parts. The first part looks at the analysis of demographic characteristics of staff of Ghana Revenue Authority and is presented in a tabular form followed by the detailed report of the findings. The second part analyzes the responses provided by respondents concerning the major aims of the study which are illustrated in statistical representation using graphs and charts for easy interpretation alongside tables. Descriptive statistics in the form of tables, charts etc were adopted as the main statistical techniques for the interpretation and presentation of data.

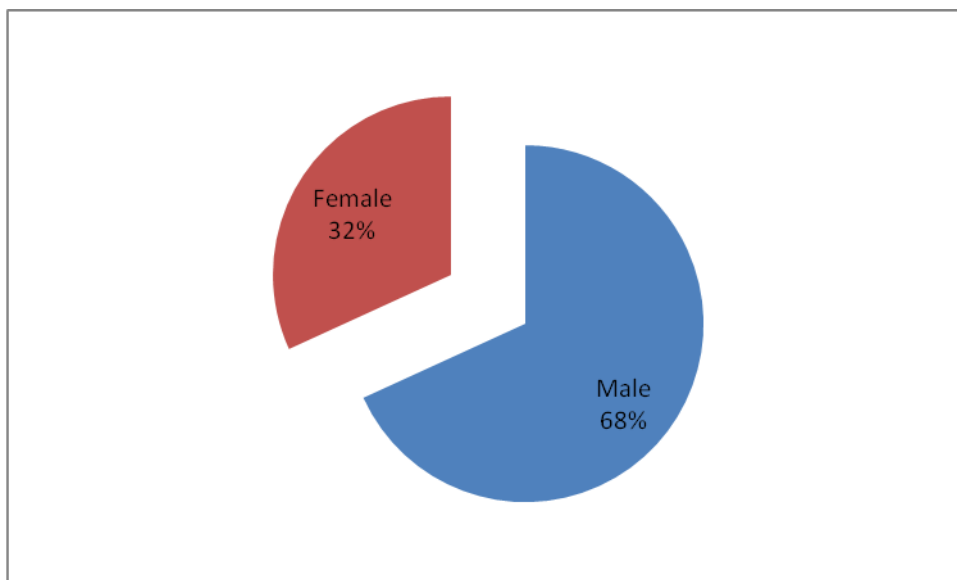
4.1 Background Information of Respondents

The preliminary analysis of demographic characteristics of respondents presents the description of the sampled population by gender, age, marital status, level of education attained and number of years respondents worked with the organization. The results are displayed in Table 4.1 below.

4.1.1 Gender Distribution of Respondents

The gender representation of the respondents is shown in figure 4.1. From figure 4.1 representing about 68%, are males while 32% are females. This finding indicates that there are more male participants than their female counterparts as far as this study is concerned and that opinion about questions will represent those of male respondents in subsequent sections.

Figure 4.1 Gender Distribution



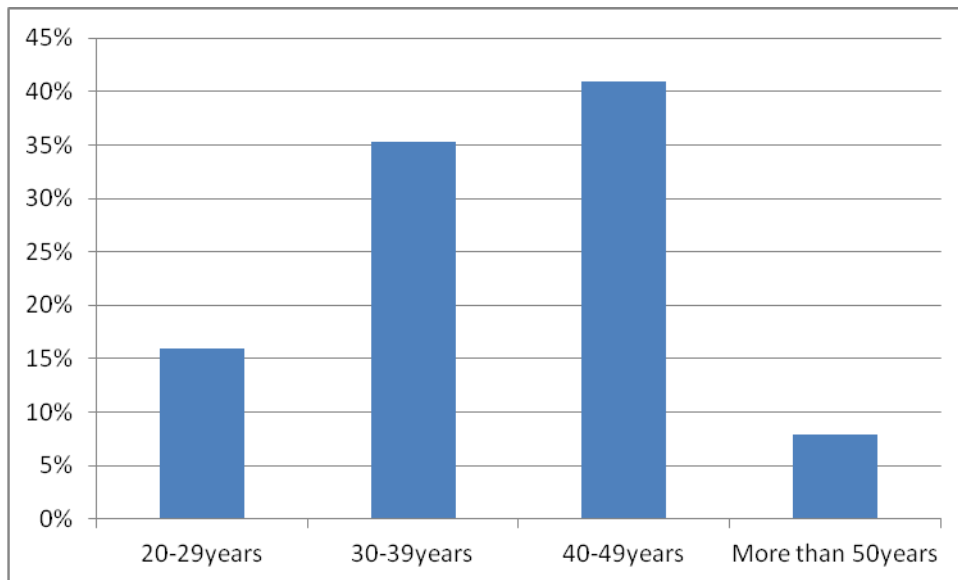
Source: Field Survey, 2015

4.1.2 Age Distribution of Respondents

Figure 4.2 shows that 40.9% of respondents had their ages ranging between 40 and 49 years; 35.2% between the ages of 30 and 39 years; and 15.9% between 20 and 29 years. This shows that cumulatively majority 92% of the respondents are mostly within 20 and 50 years; a very matured and youthful group composition for the survey, that are quick to react, hence have the potential of giving a fair assessment of

events. This result clearly shows that majority of the respondents were within what is normally perceived as the most productive age range where they would be in their prime in terms of job performance

Figure 4.2 Age of Respondents

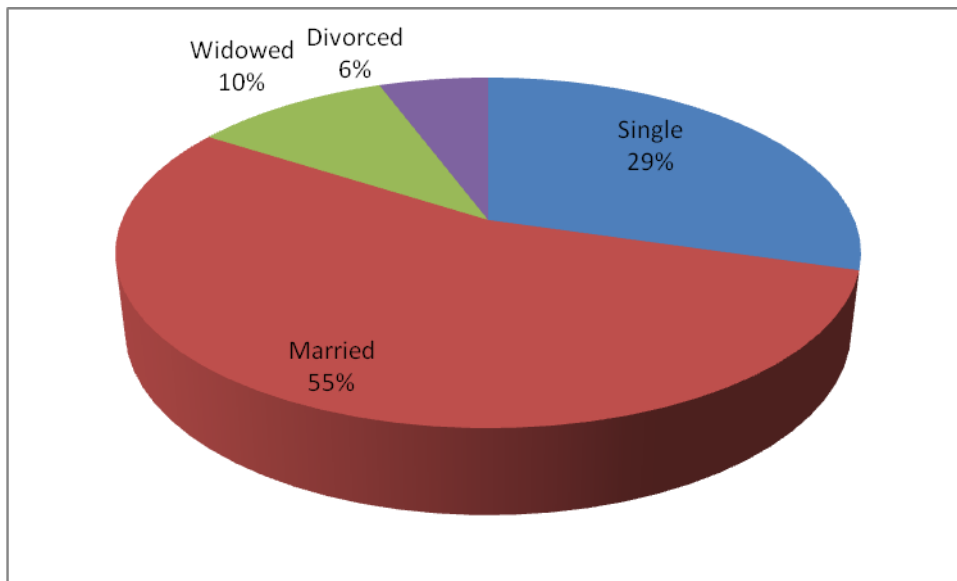


Source: Field Survey, 2015

4.1.3 Marital Status

The marital status distribution shows that majority of the respondents are married, 55%; a very responsible group of individuals who will take performance at their jobs very serious, hence have the potential of giving a fair assessment of events. More so, 29% and 10% respectively represented the group of individuals who are single and widowed. There were six (6%) respondents who were divorced.

Figure 4.3: Marital Status Distribution of Respondents

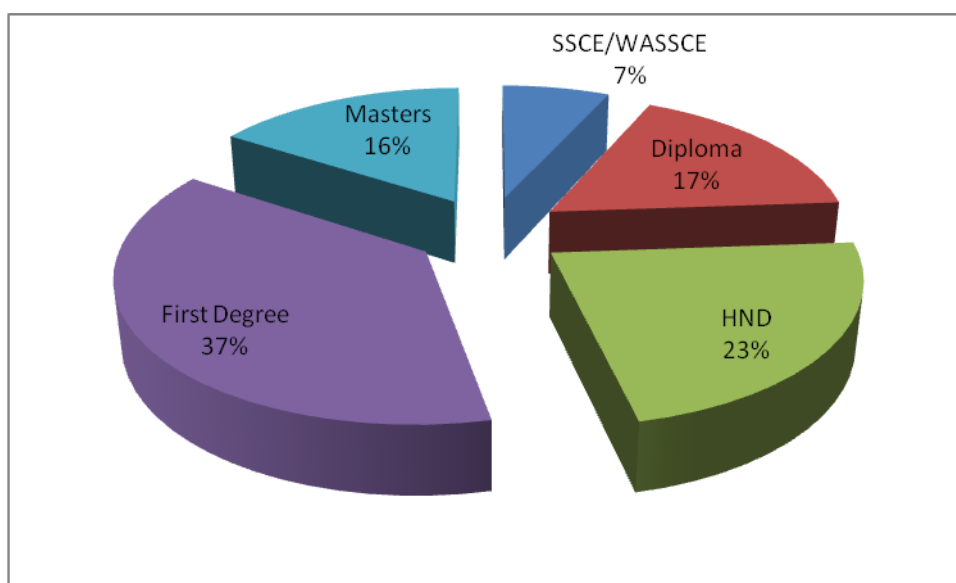


Source: Field Survey, 2015

4.1.4 Level of Education of Respondents

The level of respondents' education as shown in figure 4.4 was to find out whether the respondents possess the requisite qualifications for the profession in which they are and to ascertain whether they are the right people sampled for the study. It was revealed from the survey that majority (37.5%) of the survey participants have attained a first degree education while 22.7% had HND and Diploma, 17%; while 15.9% had masters degree. Cumulatively, almost all (93.2%) the respondents had, at least, a level of tertiary education while only 6.8% had a secondary school certificate. Quite characteristic of the job sector though, 8.3% have Masters. This shows that generally there is a high level of education.

Figure 4.4: Educational Level of Respondents

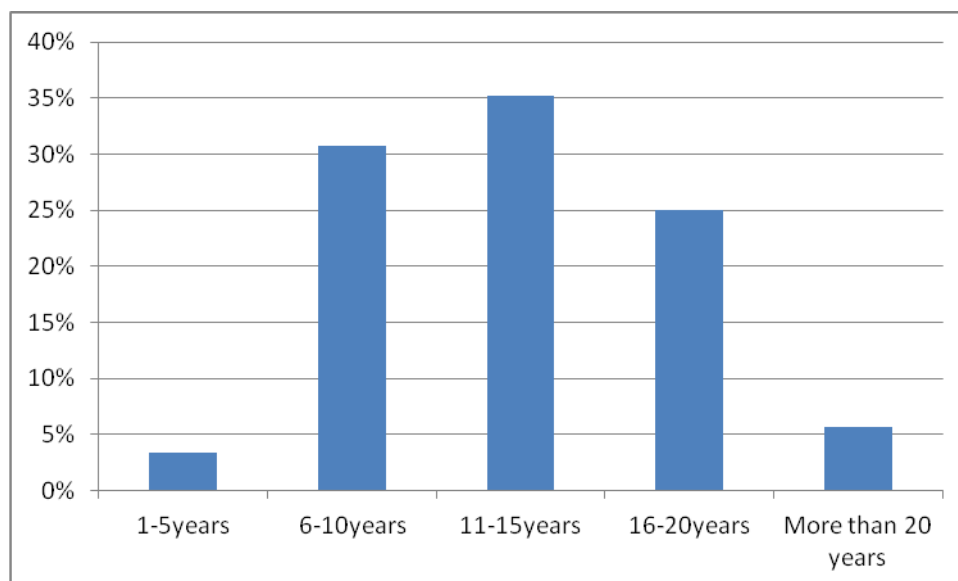


Source: Field Survey, 2015

4.1.5 Number of years Respondent worked for the Company

In terms of years of working at the company, roughly (35.2%) of the participants have worked for between 11 and 15 years, followed by 30.7% for those who worked for 6 to 10 years. Some other 25% worked for between 16 and 20 years while only 5 (5.7%) represented those who worked for over 20 years. Also, it is shown that 3.4% worked for as long as between at most 5 years. Cumulatively, 96.6% of the participants of the survey worked at GRA for at least six years. This shows that generally there is a high level of experience among the sampled respondents.

Figure 4.5: Number of Years Respondent worked for Organization



Source: Field Survey, 2015

4.2 DESIGN OF INTERNAL CONTROLS SYSTEM AT GRA

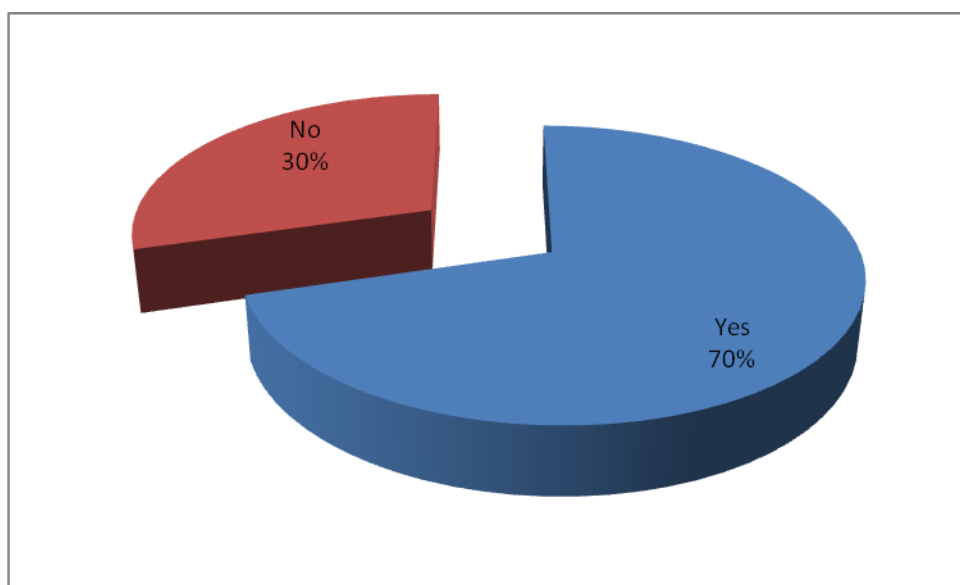
All the respondents agreed that internal controls exist within the operations of Ghana Revenue Authority and the controls affects all the branches of Ghana Revenue Authority throughout the country. The respondents further agreed that the design and implementation of internal controls at Ghana Revenue Authority is in the hands of top management. Thus it is the responsibility of top management of Ghana Revenue Authority to design the appropriate controls and make sure that it is implemented well to achieve the desired results.

All the respondents stated that the responsibility of ensuring the maintenance of the control system if there is a breakdown rest with management and again all the respondents agreed that there is an internal audit unit within the structures of Ghana Revenue Authority.

4.2.1 Prevention of Fraud

As indicated by the figure below 70% of the respondents stated that proper internal controls has the capacity to prevent fraud and theft at Ghana Revenue Authority whiles 30% think otherwise. However it must be noted that internal controls can only give a reasonable assurance but not an absolute assurance. Thus irrespective of how effective internal controls are, it is not a guarantee that everything is working well. Human errors and collusion by two or more staff to commit a crime is difficult to be prevented by internal controls.

Figure 4.6: Prevention of fraud



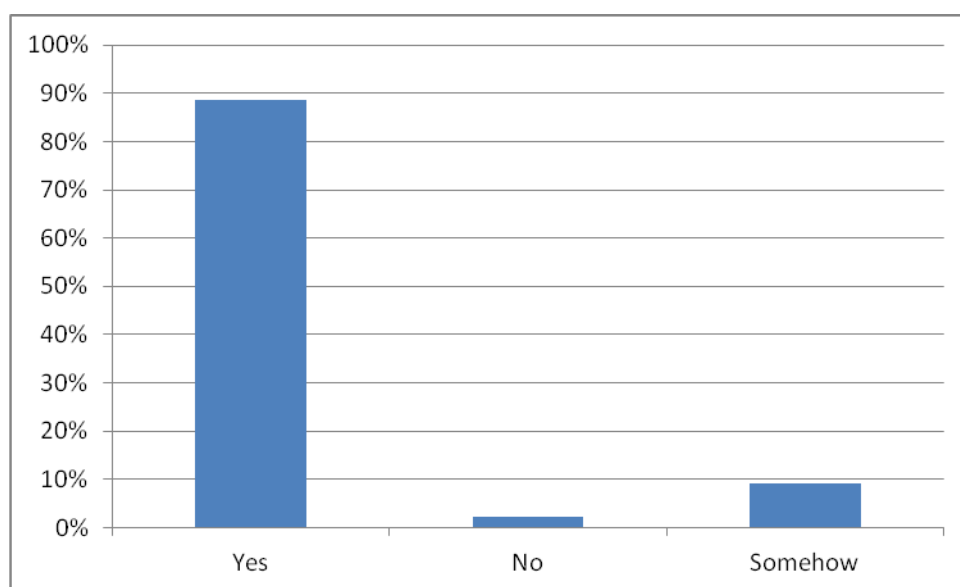
Source: Field Survey, 2015

4.2.2 Documentation of Internal Controls

In relation to the documentation of internal controls at Ghana Revenue Authority, the above table indicates that 89% of the respondents are of the view that there is proper documentation of internal controls at Ghana Revenue Authority whiles 2% disagreed

to the existence of proper documentation of internal control at Ghana Revenue Authority. 9% of the respondents were not sure of the true documentation of internal controls at Ghana Revenue Authority.

Figure 4.7: Proper documentation of internal controls

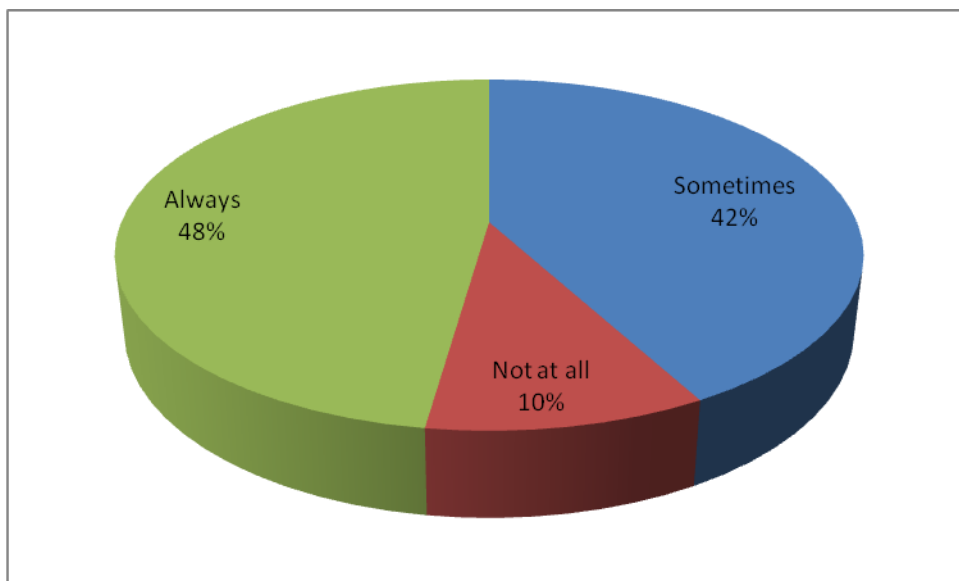


Source: Field Survey, 2015

4.2.3 Updating of internal controls

As indicated by the figure below, 48% of the respondents share the view that internal controls in Ghana Revenue Authority are regularly updated whiles 10% of the respondents absolutely disagree. According to 42% of the respondents internal controls at Ghana Revenue Authority are sometimes updated.

Figure 4.8: Updating of internal controls

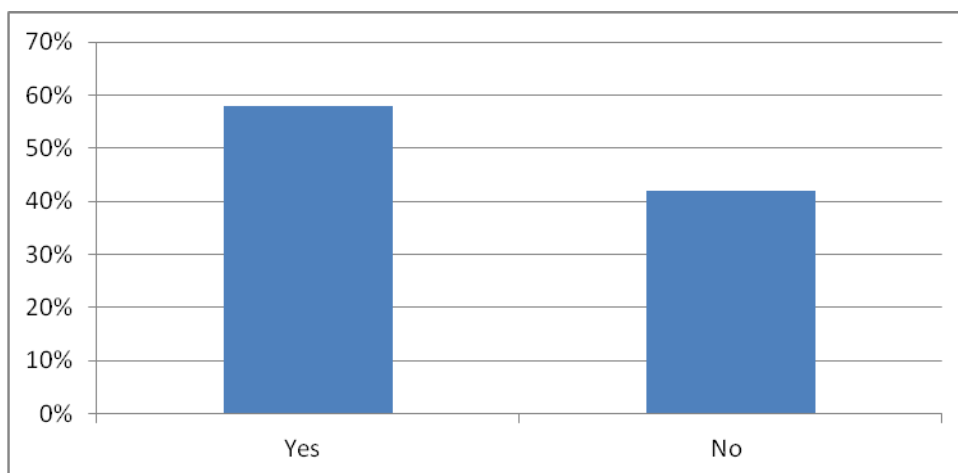


Source: Field Survey, 2015

4.2.4 Proper implementation of internal controls

Concerning the effective implementation of internal controls at Ghana Revenue Authority, the above figure indicates that 58% of the respondents hold the view that there is proper and effective implementation of internal controls at Ghana Revenue Authority. However 42% of the respondents are of the view that the implementation of internal controls at Ghana Revenue Authority is not effective.

Figure 4.9: Proper implementation of internal controls



Source: Field Survey, 2015

4.3 EFFECTIVENESS OF CONTROLS OVER REVENUE COLLECTION AT GRA

4.3.1 Analysis of Control Environment

There was a general agreement to “management periodically reviews policies and procedures over revenue collection ensure that proper controls are in place”. This was indicated by the mean score of 3.99 (SD 1.38) as shown in the table above. Similarly, there was a general agreement to “Codes of conduct or ethics policies concerning revenue collection exist in GRA” since it recorded a mean of 3.90 (SD 0.97). Also, the variable “There is system in place to monitor compliance with policies and procedures over revenue collection at GRA and report to management instances of non-compliance” recorded high values of the mean response 3.70 (SD 1.46). This indicates a overall level of agreement for the variable among respondents though the standard deviation showed inconsistency with the responses.

Meanwhile, the assertion, “When instances of non-compliance over revenue collection are reported management takes appropriate follow-up actions and ensure effective action through testing” and “When instances of non-compliance over revenue collection are reported management takes appropriate follow-up actions and ensure effective action through testing “ respectively recorded 3.47 (SD 1.53) and 3.36 (SD 1.42). These indicated indifferent treatment of the assertions on behalf of the respondents. The overall average mean for control environment is 3.68.

Table 4.1 Control Environment

Variable	Mean	Standard Deviation
Codes of conduct or ethics policies concerning revenue collection exist in GRA	3.90	.97
Audit or other control systems exist to periodically test for compliance with controls over cash collection at GRA	3.36	1.42
Management periodically reviews policies and procedures over revenue collection to ensure that proper control are in place	3.99	1.38
There is system in place to monitor compliance with policies and procedures over revenue collection at GRA and report to management instances of non-compliance.	3.70	1.46
When instances of non-compliance over revenue collection are reported management takes appropriate follow-up actions and ensure effective action through testing.	3.47	1.53

Source: Field Survey, 2015

4.3.2 Analysis of Risk Assessment

The variables “GRA has clear objectives over revenue collection and these have been communicated to all staff” and “There is a clear understanding by staff within GRA of what risks are accepted by management” scored respective means of 4.16 (SD 1.09) and 3.92 (SD 1.15) indicating a general agreement for the staff of GRA with consistent responses. In a similar fashion, the variables “Audit personnel or other internal control experts are involved in control discussions when GRA is developing new activities revenue collection”, “Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis” and “There are sufficient staff members who are competent and knowledgeable to manage the revenue collection” recorded means of 3.73 (SD 1.14), 3.68 (SD 1.45) and 3.61 (1.36) respectively. These indicate a general level of agreement for the variables among respondents for GRA. The overall average mean for risk assessment is 3.82

Table 4.2 Risk Assessment

Variable	Mean	Standard Deviation
GRA has clear objectives over revenue collection and these have been communicated to all staff	4.16	1.09
There are sufficient staff members who are competent and knowledgeable to manage the revenue collection	3.61	1.36
Audit personnel or other internal control experts are involved in control discussions when GRA is developing new activities revenue collection.	3.73	1.14
Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.	3.68	1.45

There is a clear understanding by staff within GRA of what risks are 3.92 1.15
accepted by management?

Source: Field Survey, 2015

4.3.3 Analysis of Control Activities

The variable, “Processes exist for independent verification of revenue collection transaction (to ensure integrity)” scored a mean value of 4.47 (SD 0.91) indicating that generally, respondents agree to the existence of processes for independent verification of revenues collection transaction to ensure integrity. The low value standard deviations indicate high consistency with the responses in this particular instance. In like manner, “GRA has employed security guards at the revenue collection offices” scored means values 4.19 (SD 1.11). The respondents obviously were in strong agreements with the assertion as is shown by the high value means and the relatively low standard deviations. In terms of “There is a system in place to ensure that duties of revenue collectors are rotated periodically” and “Policies and procedures exist to ensure critical decisions are made with appropriate approval” scored means of 3.82 (SD 1.35) and 3.76 (SD 1.15) giving indications of general levels of agreement from the respondents.

“GRA uses Close Circuit Television (CCTV) systems to monitor activities at the revenue collection offices” showed lowest value of the mean, 1.92 (SD 1.21) hence general disagreements with the assertion. The standard deviation of 1.21 indicates that respondents did so consistently since there were similar opinions with regards to the question. The overall average mean for control activity 3.63

Table 4.3 Control Activities

Variable	Mean	Standard Deviation
Policies and procedures exist to ensure critical decisions are made with appropriate approval.	3.76	1.15
Processes exist for independent verification of revenue collection transaction (to ensure integrity)	4.47	.91
There is a system in place to ensure that duties of revenue collectors are rotated periodically.	3.82	1.35
GRA has employed security guards at the revenue collection offices.	4.19	1.11
GRA uses Close Circuit Television (CCTV) systems to monitor activities at the revenue collection offices	1.92	1.21

Source: Field Survey, 2015

4.3.4 Analysis of Information and Communication

In terms of “all staff understands their role in the controls system” there is an agreement which is indicated by the mean score of 4.10 (SD 1.16). Also the variable “there are established channels of communication for individual to report suspected breaches of laws or regulation of other improprieties” scored 3.99 (SD 1.29) which indicates a general level of agreement for the variable among respondents. Similarly, “All staff understand how their activities relate to others”, “There are effective reporting procedures in communicating a balanced and understandable account of the GRA’s position and procedures” and “All staff understand that, they are accountable for activities they conduct” generated 3.91 (SD 1.34) 3.86 (SD 1.07) and 3.66 (SD

1.24) hence indicate general agreements to the three assertions. The overall average mean for information and communication is 3.90

Table 4.4 Information and Communication

Variable	Mean	Standard Deviation
There are effective reporting procedures in communicating a balanced and understandable account of the GRA's position and procedures.	3.86	1.07
There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.	3.99	1.29
All staff understands their role in the control system.	4.10	1.16
All staff understands how their activities relate to others.	3.91	1.34
All staff understands that, they are accountable for activities they conduct	3.66	1.24

Source: Field Survey, 2015

4.3.5 Analysis of Monitoring

From table 4.4, it is shown that the first question that was presented to respondents to ascertain the monitoring of financial control at GRA had a general level of agreement as it scored a mean of 3.52 (SD 1.31). This goes to show that respondents agree to the assertion that "There are ongoing processes within the GRA's overall business operations and these are addressed by senior management to monitor the effective application of the policies, processes and activities related to internal control and risk management" with a slight consistency as suggested by the standard deviation. Similarly, "There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments" had high ranking value of 3.97 (SD 1.25). The consistency of the responses was shown with

standard deviations of 1.25, which means that most of the respondents were in agreement with the assertion but with a few differing.

Table 4.5 Monitoring

Variable	Mean	Standard Deviation
There are ongoing processes within the GRA's overall business operations and these are addressed by senior management to monitor the effective application of the policies, processes and activities related to internal control and risk management.	3.52	1.41
There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments.	3.97	1.25
There is appropriate communication to the management on the effectiveness of the ongoing monitoring processes on risks and control matters.	3.42	1.44
There is specific monitoring arrangement in place to report actual or suspected fraud and other illegal or irregular acts or matters That can affect the GRA's reputation or financial position.	3.73	1.30
Periodically, management reviews audit or internal control systems.	3.90	1.43

Source: Field Survey, 2015

Again, the variable: "There is appropriate communication to the management on the effectiveness of the ongoing monitoring processes on risks and control matters." with a mean

3.42 (SD 1.44) indicating that respondents were indifferent with the assertion. Standard deviation of 1.44 indicates inconsistency with the responses. The variable, "There is specific monitoring arrangement in place to report actual or suspected fraud and other illegal or irregular acts or matters that can affect the GRA's reputation or financial position" met a general agreement response from respondents. A mean

score of 3.73 and standard deviation of 1.30 go to show the slight consistency with which the respondents favored the assertion.

The variable “Periodically, management reviews audit or internal control systems” scored 3.90 mean response and standard deviation of 1.43 indicating an agreement with the assertion and a slightly consistent response. The overall average mean for monitoring is 3.71.

4.4 ANALYSIS OF CHALLENGES ASSOCIATED WITH INTERNAL CONTROLS AT GRA

Table 4.6 challenges associated with internal control systems Ghana Revenue Authority

Variable	Mean	Standard Deviation
Employees get enough training when new controls are implemented	3.75	1.19
Theft cases are rampant among GRA staff	2.17	1.07
Misappropriation of funds has been often reported in GRA	2.28	1.04
Staff members of GRA are able to collude to manipulate records	2.86	1.28
Management does not show commitment to the implementation of internal controls at GRA	2.52	.99

Source: Field Survey, 2015

From table 4.5, it is revealed that “employees get enough training when new controls are implemented” recorded a general agreement from the staff of GRA, 3.75 (1.19). Whereas, “theft cases are rampant among GRA staff”, “misappropriation of funds has been reported in GRA” and “management does not show commitment to the implementation of internal controls of GRA” respectively recorded means of 2.17 (SD 1.07), 2.28 (SD 1.04), and 2.52 (SD .99) indicating general disagreement with the

assertions hence. Meanwhile the variable “staff members of GRA are able to collude to manipulate records”, scored 2.86 (SD 1.28) indicating a neutral response from the respondents.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the major findings, conclusions made from the findings of the study as they relate to the research objectives

5.1 Summary Major Findings

Base on the discussions in chapter four, in relation to the effectiveness of internal controls at Ghana Revenue Authority the study found out that the information and communication component of the internal control framework was the most effective followed by risk assessment. The monitoring component of the internal control framework was third in the order of effectiveness followed by control environment. The least effective component of the internal control framework was the control activities.

Concerning the challenges associated with internal control systems Ghana Revenue Authority, the study observed that the major challenge is the collusion by some personnel of Ghana Revenue Authority to manipulate some internal controls activities which is difficult to be prevented. Another challenge observed by the study was the allege lack of commitment on the part of management of Ghana Revenue Authority to effectively implement internal controls.

All the respondents stated that the responsibility of ensuring the maintenance of the control system if there is a breakdown rest with management and again all the respondents agreed that there is an internal audit unit within the structures of Ghana Revenue Authority. The study also revealed that there is proper documentation of internal controls and the controls are updated often.

5.2 Conclusion

Based on the above findings, the study concludes that well designed internal controls which are effectively implemented is necessary in the administration any organisation including Ghana Revenue Authority. It is clear from the analysis of the five component (control environment, risk assessment, control activity, information and communication systems and monitoring) of internal controls that, internal controls at Ghana Revenue Authority are fairly effective. However control activities were the weakest of the five components.

However according to Simmons (1995) all five components of the control system must be present and functioning effectively in order to conclude that internal control are effective. Thus it can be concluded that the internal controls at the selected hospitals are effective. However it must be noted that internal control is a process; and that irrespective of the effectiveness of internal control, it can only give a reasonable assurance but not an absolute assurance to the achievement of corporate objectives.

5.3 Recommendations

Based on the discussions in chapter four and the major findings the following recommendations have been made to the Management of GRA. They should set up CCTV cameras at some vintage points especially areas of cash payment and other

places to monitor the activities of both staff and customers. In the event of any dispute, the footage from the CCTV camera will resolved any such disagreement. It will also serve a tool to deter staff not to comply with internal controls especially when they are fully are that all their day to day activities are being recorded.

It is also recommended that staff of Ghana Revenue Authority especially staff at the internal audit unit must be trained regularly to acquaint themselves with new forms of risk which are complex and difficult to prevent or detect. The training must also equip them with new and modern ways of doing their work and the use of modern information technology to improve their work.

The internal control system needs to be reviewed to keep the system in conformity with the tendency of the environment changing. There is a likelihood that the most effective and efficient control system currently will become obsolete in the near future. Designers of the system of controls need to review the control system time in time out to solve the inefficiencies caused by the dynamic environment.

The staff of GRA should be well motivated for them to increase their team spirit to execute their functions professionally. In designing the motivation packages both the financial and non financial form of motivation should be considered. The major non financial motivation tool here should the treatment of staff equitably and recognizing outstanding performances by staff to make others follow.

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QUESTIONNAIRE:

KWAME NKRUMAH UNIVERSITY SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

**TOPIC: ASSESSING THE EFFECTIVENESS AND EFFICIENCY OF THE
INTERNAL CONTROL SYSTEM AT THE GHANA REVUE AUTHORITY**

This study is purely academic and respondents are assured that whatever information is provided will be highly confidential.

Instructions: Please kindly tick the box that clearly expresses your view about a question.

A. PERSONAL DATA

1. Sex: Male [] Female []

2. Age: Below 20 [] 21—30 [] 31—40 [] 41—50 [] 51 or more []

3. Marital status Single [] Married [] Widowed []

5. Level of education: Diploma [] HND [] First Degree [] Second Degree []

Masters [] Doctorate [] Other (Specify).....

6. Number of years worked at GRA Below 1 year [] 1-5years [] 6-10 years []

11-15 years [] 16-20 [] Above 20years []

7. Which of the following best describe your position?

Manager [] Revenue officer [] Cashier [] Accountant [] Statistician []

Other (Specify)

SECTION B: The design of the system of internal controls of Ghana Revenue Authority

1. Is there any internal control system in your organisation?

Yes [] No []

2. What are the types of controls in Ghana Revenue Authority?

Detective Controls [] Preventive Controls [] Corrective controls []

3. Who designs and implements internal controls your organisation?

Top management [] Cashiers [] Operative officers [] Revenue officers []

4. Are these people influenced in any way?

Yes [] No [] Sometimes []

5. Does internal control help to prevent fraud and theft in your organisation?

Yes [] No []

6. Are internal control systems adequately documented?

Yes [] No [] Somehow []

7. Are internal control system regularly updated as changes occur?

Sometimes [☐] Not at all [☐] Always [☐]

8. Has implementation of internal control been effective?

Yes [☐] No [☐] Sometimes [☐]

If Yes or No, explain the reasons

.....

9. Who ensures the maintenance of the control system if there is a breakdown?

Management [☐] Cashiers [☐] Revenue officers [☐]

10. Does Internal Audit Department exist in your organisation?

Yes [☐] No [☐]

If yes, what role does the department play in your organisation?

.....

.....

.....

SECTION C: The effectiveness of controls over revenue collection at Ghana

Revenue Authority

Please state your level of agreement with the following statement concerning the risk assessment at your GRA.

	CONTROL ENVIRONMENT	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
1	Codes of conduct or ethics policies concerning revenue collection exist in GRA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Audit or other control systems exist to periodically test for compliance with controls over cash collection at GRA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Management periodically reviews policies and procedures over revenue collection to ensure that proper control are in place	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	There is system in place to monitor compliance with policies and procedures over revenue collection at GRA and report to management instances of non-compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	When instances of non-compliance over revenue collection are reported management takes appropriate follow-up actions and ensure effective action through testing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: RISK ASSESSMENT

Please state your level of agreement with the following statement concerning the risk assessment at your GRA.

	RISK ASSESSMENT	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
6	GRA has clear objectives over revenue collection and these have been communicated to all staff	[]	[]	[]	[]	[]
7	There are sufficient staff members who are competent and knowledgeable to manage the revenue collection	[]	[]	[]	[]	[]
8	Audit personnel or other internal control experts are involved in control discussions when GRA is developing new activities revenue collection.	[]	[]	[]	[]	[]
9	Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.	[]	[]	[]	[]	[]
10	There is a clear understanding by staff within GRA of what risks are accepted by management?	[]	[]	[]	[]	[]

SECTION D: CONTROL ACTIVITIES

Please state your level of agreement with the following statement concerning the control activities at your GRA.

	CONTROL ACTIVITIES	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
11	Policies and procedures exist to ensure critical decisions are made with appropriate approval.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Processes exist for independent verification of revenue collection transaction (to ensure integrity)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	There is a system in place to ensure that duties of revenue collectors are rotated periodically.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	GRA has employed security guards at the revenue collection offices.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	GRA uses Close Circuit Television (CCTV) systems to monitor activities at the revenue collection offices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION E: INFORMATION AND COMMUNICATION SYSTEMS

Please state your level of agreement with the following statement concerning the information and communication at your GRA.

	INFORMATION AND COMMUNICATION SYSTEMS	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
16	There are effective reporting procedures in communicating a balanced and understandable account of the GRA's position and procedures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	All staff understands their role in the control system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	All staff understands how their activities relate to others.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	All staff understands that, they are accountable for activities they conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION F: MONITORING

Please state your level of agreement with the following statement concerning the monitoring activities at your GRA.

	MONITORING	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
21	There are ongoing processes within the GRA's overall business operations and these are addressed by senior management to monitor the effective application of the policies, processes and activities related to internal control and risk management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	There is appropriate communication to the management on the effectiveness of the ongoing monitoring processes on risks and control matters.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	There is specific monitoring arrangement in place to report actual or suspected fraud and other illegal or irregular acts or matters That can affect the GRA's reputation or financial position.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Periodically, management reviews audit or internal control systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION D: The challenges associated with internal control systems Ghana Revenue Authority

Please state your level of agreement with the following statement concerning the challenges associated with internal control systems Ghana Revenue Authority

	Strongly agree	Agree	Not Sure	Disagree	Strongly Disagree
26. Employees get enough training when new controls are implemented					
27. Theft cases are rampant among GRA staff					
28. Misappropriation of funds has been often reported in GRA					
29. Staff members of GRA are n able to collude to manipulate records					
30. Management does not show commitment to the implementation of internal controls at GRA					

THANK YOU