

**ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS IN NON
BANK FINANCIAL INSTITUTIONS. A CASE STUDY OF BEIGE CAPITAL
SAVINGS AND LOANS LTD**

by

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DECLARATION

I hereby declare that this submission is my own work towards the MBA (Finance) 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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DEDICATION

This thesis work is dedicated to The Almighty God, my parents Mr and Mrs Kwayie, my supervisor Prof. K. D. Kessey for his immense support and also to all my siblings.

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To God be the glory for the great things He has done. I am indeed very grateful to the Almighty God for all that He has done in my life and what He continues to do. This work could not have been completed without His grace and favour. My next thanks go to my Supervisor, Prof. D.K. Kessey for his excellent supervision, care, his brilliant advice and for his special interest in my work. Prof. Kessey, God richly bless you.

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ABSTRACT

The need for Internal Controls as well as the importance of these controls in Non-Bank Financial Institutions in order for them to carry on with business without folding up within the shortest possible time has led to the interest of more research work on the effectiveness of financial controls in Beige Capital Savings and Loans Ltd. This paper empirically examines the effectiveness of Financial Controls as well as internal controls in Beige Capital using qualitative and quantitative approach in collecting data from staff members of the company. The result of the study shows that the financial control system in the company is very effective. For reinforcement of these controls, there should be a policy of whistle- blowing in the company which can help improve the financial controls in Beige Capital by creating a platform on which non-compliance can be reported without fear of being noticed.

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LIST OF ABBREVIATIONS

BoG - Bank of Ghana

ATM - Automated Teller Machine

COSO- Committee of Sponsoring Organization of Tread way Commission.

INTOSAI- International Organization of Supreme Audit Institutions

BCBS- Basel Committee on Banking Supervision

BC- Beige Capital

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

A financial institution no matter its nature or magnitude of operations must have an internal control system embedded in its activities in order to aid in achieving organizational goals and objectives (Kaplan, 2008). An efficient and effective system of control is essential to the management of an organization and serves as a bedrock for a system of effective internal controls. This means that, a control system that is not effective brings about unproductiveness and finally leads to losses (Campbell, 2008). Berkowitz (2009), cited by Aganya (2011) contends that, the internal control system that is in use in an organization should be fitted deep into the tradition and culture of the organization and be in the position of reacting speedily to emerging trends in the business environment. He further stresses that a financial institution of whichever form or size should put in place its own system of controls in order to achieve its objectives (Kaplan, 2008). A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of organizations. However, ineffective internal controls result in ineffective programmes and eventually leads to losses (Campbell, 2008). Berkowitz (2005) cited by Aganya (2011) contends that the system of internal control should be embedded in the operations of the company and form part of its culture; be capable of responding quickly to evolving risks to the business arising from factors within the company and to changes in the business environment; and include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken. He further stresses that a sound system of internal control reduces, but cannot eliminate, the

possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and the occurrence of unforeseeable circumstances.

Green, (2007) submits that internal control is a dynamic integral process that is continuously adapting to the changes an organization is facing. Consequently, management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's goals and general objectives. An organization needs internal controls to provide greater assurance that they will achieve their objectives; in other words to help the organization succeed in its mission, internal control helps ensure that the directions, policies, procedures, and practices designed and approved by management and the board are put in place and are functioning as desired. The more elaborate the organization, the more the need for internal control to counteract any loss of effectiveness sustained when adding more people and processes to transact business (COSO, 2006). Thus management is required to design and assess internal controls, regardless of the size of business operations. An effective internal control system is a crucial component of the management of a company and serves as bedrock for efficient operations.

The Bank of Ghana (BOG) is the body that is charged with the responsibility of regulating and supervising financial institutions. In 2012, BOG submitted that, all issues and matters concerning both non-banking and banking financial institutions will be overseen by the BOG while assuming the overall regulatory and supervisory role and this will be in the interest of both customers and depositors and the economy at large. The Bank of Ghana, Act 2002 (Act 612) provides a legal as well as the regulatory framework in which all financial institutions operate. As a regulator, the Bank of Ghana has several objectives which includes: directing and supervising the

credit as well as banking system: to make sure that banks and non-banking financial institutions operate smoothly: appointment of supervision officers who serves as the head of Banking Supervision Department and this person will be appointed by the Board.

When these goals are in place and effectively working, the BOG will be able to exercise its mandate so the depositors funds will be safely kept as well as the collapse of banks will be minimized and liquidity and profitability will be enhanced and finally lead to the maintenance of an efficient payment system.

1.2 Problem Statement

The growth and development of financial institutions are dependent on the effectiveness and efficiency of its internal controls. Meanwhile, control systems that are not effective can result in ineffective operations and can finally lead to losses. (Financial Management Manual, 2005).

Andani, (2008) claimed that, there is an increasing fraud in the Ghanaian business circles; therefore vigilance is needed to prevent it through h good internal controls. He pointed out that, 10% of employees will steal, and 10% will not steal, 80% have not decided but when given the opportunity, they will steal hence lack of effective controls is the cause of fraud in Ghanaian business circles and the world at large.

For example a private security man who worked with Ghana Commercial Bank stole more than GH¢3 million belonging to the Market Circle branch of Ghana Commercial Bank in Takoradi. Also arrested was another employee of Ghana Commercial Bank, the official responsible for operating the ATM system. It was realized that the closed circuit camera did not cover that part of the banking hall.

This shows the relevance of international controls submission from The Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2006), The International Organization of Supreme Audit Institutions (INTOSAI) (2004) and Green (2007). The five components are control environment, information and communication, risk assessment, control activities, and monitoring. For the control system to be considered as effective, at least all the five components of the control system must be present and functional (Simons, 1995).

Based on these happenings, the researcher is conducting this study to determine the presence and effectiveness of the system of internal control in Beige Capital Savings and Loans Limited.

1.3. Research objectives.

This study is mainly to identify the nature and effectiveness of the internal control system in Beige Capital Savings and loans Ltd. The following specific objectives will be pursued in order to achieve these objectives:

- 1.To review the control system in Beige Capital Savings and Loans Ltd.
- 2.To examine the adequacy of the risk assessment procedures mechanization of the company.
- 3.To assess the effectiveness of internal control system in Beige Capital.
- 4.To examine the monitoring procedures over the internal control activities of the company.

1.4 Research Questions

The research will address the following questions:

- 1.What is the state of the control environment of Beige Capital?
- 2.Are the risk assessment procedures adequate in Beige Capital?

3. Is the internal control system in the company effective?

4. Are there effective monitoring procedures of internal control system in Beige Capital?

1.5 Scope of the study

There are many banking and non-banking institutions in Ghana. However the study used case study method with reference to Beige Capital Savings and Loans Ltd. The study focuses on the employees of Beige Capital Savings and Loans Ltd to assess the internal controls existing in Beige Capital Savings and Loans Ltd. The study will be limited to the branches of Beige Capital Savings and Loans Ltd in Kumasi.

1.6 Justification of study

Recently, so many Savings and Loans companies have emerged and some of these lack the necessary experience, qualified personnel and even some have inadequate funds to operate and stay in business and hence their inability to stay in business for longer period.

A lot of these companies have closed down and are out of business due to ineffective and inadequate adherence and compliance to internal control systems. This has necessitated the researcher to carry out this study as there are challenges in implementing and monitoring internal controls to make them effective so as to facilitate the achievement of an organization's goals.

In an era where many financial institutions in Ghana are folding up, the findings of the study will be of much interest to managers banking and non-banking institutions in Ghana especially Beige Capital Savings and Loans Ltd. The findings of this study will help managers of banking and non-banking as well as other non-financial institutions to design and implement effective and relevant controls system to be able to achieve its corporate goals. The study will also serve as an evaluation for Beige Capital Savings

and Loans Ltd as far as its internal controls are concerned.

1.7 Brief Methodology

The methodology will adopt the qualitative research design with a case study approach. The population will comprise all microfinance institutions in Ghana. A simple random and quota sampling techniques was adopted in this study. The study used a self-administered questionnaire, given directly to respondents, for data collection. The data collected from the respondents will be analyzed and presented by using charts, bar graphs, tables as well as pie charts.

1.8 Organization of the study

This work consists of five chapters. Chapter one, which is the present and the introductory chapter, is made up of the introduction, 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 focused on the literature review, which is about the concept of internal control system. Chapter three discussed the methodology used in the study and the profile of the Beige Capital Ltd. Chapter four dealt with analysis of the data collected, results and discussion. Chapter five which is the final part was devoted to summary, conclusions and recommendations to the findings identified in chapter four.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the review of literature which has a direct bearing on internal controls. It covers key issues such as definitions of internal controls, the components and structure of internal controls as developed 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 types of controls and control activities as well as the limitations of internal controls reliability of financial reporting.

Financial Controls

According to Habeeb, (2013) finance control methods are the controls that are imminent in organizations operations to ensure that, assets that are financially associated are protected from both internal and external environment as well as from the activities of employees. Put simply, these controls are present in organizations to give management the assurance that, the overall objectives will be achieved and risks avoided and prevented. As far as financial controls are concerned, budgets, internal audit and external audits are very important concepts.

Brook and Palmer (2000), an internal control system in existence in a company is that company's financial control system. Making plans in relation to the future, implementing these plans activities to ensure that they are in conformity to plans is budgeting. A budget is defined as a detailed plan indicating how resources are to be acquired and used (Hilton, Maher & Selto 2006). Garrison et al (2003) explained that aside planning and control being two of the more important functions, a system of

budgeting serves as a multi-purpose function. They further argued that, management is solely responsible for selecting the appropriate function for the enterprise. For instance, they further stated that, companies with a larger scope of activities should focus on the coordination and control aspects of budgeting, whereas smaller companies should be concerned with the aspects of planning. Planning involves establishing goals for an organization whereas control involves ensuring that, these goals will be attained.

The need for auditing: internal controls.

Diamond (2002), highlights the duties and responsibilities of internal audit functions to: review compliance with the existing government financial regulations, instructions and procedures; evaluate the effectiveness of internal control systems; appraise the economy and effectiveness with which financial and other resources are being used; review the reliability and integrity of record keeping and reporting on financial and operating information systems; pre-audit payment documents and all documents used in initiating commitments and contract agreements; verify and certify periodical financial reports, such as pending invoices, expenditure information, revenue information, staff information and vehicle returns information; review and pre-audit annual appropriation accounts, fund accounts and other accounting statements to ensure that accurate accounts are prepared to the required standards; investigate irregularities identified or reported on cases leading to wastage of resources or cases of general misuse or misappropriation of financial resources and government property; ensure that revenue and other receipts due to the government are collected promptly, banked immediately and are fully accounted for; carry out spot checks on areas such as revenue and receipts collection points, projects, supply and delivery sites to ensure compliance with procedures and regulations;

review budgetary controls on the issuance of warrants, commitments, expenditures, revenue collection and accounting from time to time; ensure that government's physical assets are appropriately recorded and kept in safe custody; and review the budgetary reallocation process to ensure legislative and administrative compliance and to advise if and when commitments are entered into when there is no budgetary provision or adequate cash.”

According to Stacioskas and Rupsys, (2005) as well as Picket, (2005) internal auditors in control terms are obliged to undertake the following duties: evaluating the protection of assets; enabling self-assessment; evaluating and measuring business risk; performing quality reviews; examining fraudulent activities ;assessing the internal control systems; revising and evaluating the processes involved in operation; making sure that laws are abided by and also ensuring that resources are efficiently used.

The need for auditing: external audit

Even though it is the shareholders of a company and other stakeholders that benefit the most from an audit it also benefits other stakeholders, such as lenders, creditors, employees etc. In companies where the owners have limited responsibilities there are certain requirements on how the company shall show their financial position to its shareholders and other stakeholders. This is where the auditor's' report comes in (FAR, 2006).

It is through the process of auditing that the usefulness of financial statements are revealed by to various stakeholders since the stakeholders fully rely on the audited financial statements and use it as a basis of decision making (Hayes et al.,2005). This in turn indicates that the auditors are needed to be able to get a well-functioning business world and society. Without auditors, the stakeholders would have to

perform their own controls of the financial statements in order to trust the company (FAR, 2006).

The audit actually starts when the client prepares the financial statements and makes certain Assertions of the numbers. This can for example be that the management asserts that a certain amount of sales exists or that the expenses in the financial statements are complete (Hayes et al., 2009). Management is responsible for financial statement while the auditors are responsible to lend credibility to these financial statements. It is the duty of the auditor to check whether these assertions made by the management are valid. The professional auditor audits in compliance with policies, laws, regulations, and codes of best practice. The audit process is a well-defined audit methodology that is a useful tool when gathering sufficient appropriate evidence (Hayes et al., 2009).

External auditors ensure the test for assessment fairness supporting financial statements as well as the true and fairness of financial statements. The auditor has to perform tests of controls to see how much of the internal control that can be relied upon. The auditor then decides on more substantive tests. It is important to understand the control system in order to identify the kind of tests to run (nature), the appropriate time to run the test (timing), and the number of tests to perform (extent). An auditor is therefore required to gather sufficient and the most suitable evidence from the audit by performing control and substantive mechanisms in order to be able to draw a sound conclusion on which to base the audit opinion. Examples of procedures to obtain this evidence are physical examination, inspection, inquiries and analytical procedures (Hayes et al., 2009).

Before writing the auditor's report, which contains the opinion, the auditor should perform additional audit procedures. Examples of these procedures are identifying

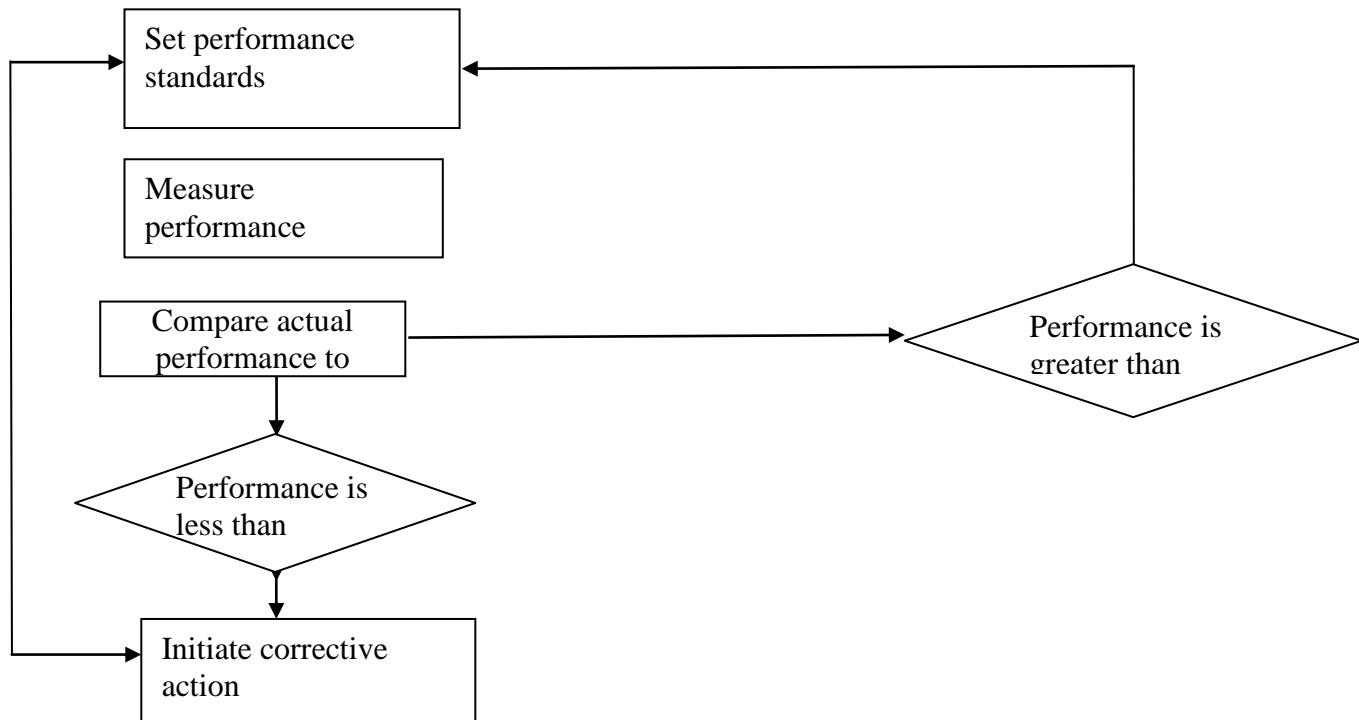
subsequent events and report to the board of directors. The last procedure in the audit process is to give an audit opinion. This opinion can be of four types; unqualified, qualified, adverse and disclaimer (Hayes et al., 2009). According to Hayes et al. (2009), an audit is a logical audit is a systematic method and it follows an organized and renowned plan that is documented and this plan is known as the audit methodology.

Cushing and Loebbecke (as cited in Douglas, 2009) defines the structured audit methodology as: A systematic approach to auditing characterized by a prescribed, logical sequence of procedures, decisions, and documentation steps, and by a comprehensive and integrated set of audit policies and tools designed to assist the auditor in conducting the audit. The audit methodology has to be structured in such way that the auditors can review and analyze all the relevant and important evidence (Hayes et al., 2009) . Even though firms and professional institutes have designed programs to standardize the audit process, the audit methodology tends to be different between different audit firms. Dirsmith and McAllister (as cited in Power, 2003) states that, the explanation to these differences is that the audit firms differ in how highly the audit methodology is structured or how much space it provides for individual judgment.

An unmodified audit opinion shall be given when the auditor concludes that the financial statements in all material respects are in accordance with applicable financial reporting framework (ISA 700). If the auditor concludes that the financial reports as a whole contains material misstatements or if not sufficient appropriate audit evidence can be collected to conclude that the financial statements are free from material misstatements, the auditor shall give a modified opinion in accordance with International Standard on Auditing. A modified opinion may be of three types: a

qualified opinion, an adverse opinion or a disclaimer of opinion.

The conceptual framework Figure 1: The control process



Source: Steers et al (2006)

The figure 1 above gives the outline of the control process and it is explained below:

The control process

Henry Fayol is one of the first modern management theorists. In his position as a director of mines, he writes numerous papers over the management theory. In his work, he outlines six primary functions of management, including forecasting; planning; organizing; commanding; coordinating and controlling as well as fourteen managerial principals. In its book General and Industrial Management, Henry Fayol presents one of the first definitions of managerial control by describing it as: Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principals established. In other words control is a managerial function which sets standards, measures the performance and if necessary

takes corrective actions. Formulating it in that sense, it ultimately means that to perform control one person enforces power over another. From managerial point of view control is a vital function aiming to achieve a smoothly running working process in the organization. On the other hand, from the employees' viewpoint it is a disturbing intrusion in their everyday work life. In his view, control is perceived as receiving feedback from the working process and if necessary to make adjustments. According to Fayol, control entails supervisory and adjustment actions, aiming at increasing the efficiency and productivity.

Later Mockler extends the Fayol definition of control into a more thorough one control can be defined as a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives. In that sense the author puts employees alongside any other resources, measuring their performance in quantitative aspect, rather than in qualitative. If the human resources perform under the specifications, then their behavior should be corrected and improved.

Control is central to the effectiveness of managers and organizations. In fact the control concept permeates any discussion of how managers can make their operations more successful. Whether financial issues, production problems, or employee performance is being discussed, the need for some form of control system must be recognized if the organization is to function effectively and achieve its goal. The control process is continuous and involves the following basic steps according to Nieman and Bennett (2007) and Smit and Cronje (2005):

Setting standards of performance in accordance with objectives

The first step in the control process is establishing standards. A control standard is a target against which subsequent performance will be compared. Before setting up performance standards, there is need to set objectives and this is the starting point of planning and controlling. A standard of performance is the required and also the performance that management looks out for from employees. Any performance delivered that is below the set standard is looked into. In terms of budget control and monitoring, this implies setting performance standards with regard to monitoring processes, procedures, control measures and processes. The main idea would be to set standards for achieving judicious and effective income and expenditure in the organization, with the intention of spending income on what is budgeted for possible standard. In terms of budget control and monitoring, this implies setting performance standards with regard to monitoring processes, procedures, control measures and processes. The main idea would be to set standards for achieving judicious and effective income and expenditure at the organization, with the intention of spending income on what it was budgeted for.

Measuring actual performance

After standards have been set, performance measurement is next. Here, the performance that employees deliver is considered and evaluated. When this is done, it is compared to the standard that was set. Performance measurement can be in the form of observing and studying how employees go about their duties. The actual performance can be measured against historical deliveries of employees in order to estimate the level or extent of variance. After careful measurement of performance, it can be deduced whether the organization has succeeded in its operations. The process of measurement can be such that, it can always be relied on for accuracy of the

performance measured. This implies actually measuring the budget control and monitoring processes in terms of whether they are achieving their purpose. This would answer the question of how well the organization performs with regards to income generation and expenditure against the projected values in the budget.

Comparing performance to set standards

The financial manager must compare the actual results with a performance standard (figure 4.1) when this is accurately done, it will help determine whether the organization has achieved its standards and hence achieve its overall objectives. More challenging standards will be set by management when performance exceeds standards but when performance falls below the set standards, then the standard will be revised since they might be way above the employees' capacity.

Taking corrective action.

This is the final part of the control process. After a careful measurement and comparison of performance by management, corrective action is taken depending on the outcome of it. This is to ensure that, all deviations are investigated to identify its causes and corrective measures taken to that effect.

The kind of correction needed is dependent on the extent of deviation. Deviations may be caused by standards that are not realistic or that has been exaggerated. And sometimes this may be caused by setting standards that do not conform to objectives of the organization thereby creating or putting employees in a state of confusion.

Criteria for effective control

To be effective, control must comply with certain criteria. According to Conradie,(2002) and Nieman and Bennett (2007), the criteria for effective control include the following:

Control or control systems should be linked to the desired objectives of the organization.

- I. The control process must be objective in order to eliminate subjectivity.
- II. The control process must be completed by considering all relevant factors and evaluating what is supposed to be measured.
- III. Timely control or a control system must provide information when it is needed most.

Kennedy (2011) adds to the above criteria for effective control. He states that effective budgetary control involves getting behind the figures of the budget finance and focus on economy, which relates to sourcing resources as cheaply as possible, effectiveness, which relates to ensuring that the desired goals or targets are achieved and efficiency, which means ensuring that outputs or outcomes are maximized for the resources or inputs that are used. To be really effective, budget control must comply with certain characteristics.

Characteristics of an effective control system

According to Smit and Cronje (1997), a control system tends to become an effective system when it is integrated with planning, and when it is flexible, accurate, objective, timely and not too complex.

Integration with planning

According to Waite (2010), integration may be perceived to include a formal statement of a set of goals, the reasons why they are believed to be attainable, and the plan for reaching those goals and may also contain background information about the organization or team attempting to reach those goals, which for companies may focus on education service delivery goals.

Flexibility

This means that budget control should be able to accommodate change. Timely adjustments in objectives or plans should not be regarded as deviations, but as revised objectives or plans, and the control system should be able to adjust to such revisions, within limits, without management having to develop and implement a new control system.

Accuracy

A control system should be designed in such a way that it provides an objective and accurate picture of the situation.

Timeliness

Timeliness implies that control data are not obtained by means of hasty, makeshift measurements but rather should be supplied regularly, as needed.

Unnecessary complexity

Unnecessarily complex control systems are often an obstacle because they can have a negative influence on the sound judgment of competent managers Naidoo, (2005).

2.1 Internal controls

Literature has many definitions of internal controls from both institutional bodies and individuals. This section begins with definitions from institutional bodies. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal control is a process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objective in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

COSO is a voluntary private sector organization established in USA. It is dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO was originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private sector initiative. It is concerned with factors that can lead to fraudulent financial reporting. COSO has developed principles of internal control.

The International Organization of Supreme Audit Institutions (INTOSAI 2004) defines internal control as integral process that is effected by an entity's management and personnel that is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved. It further posts that internal control is a dynamic integral process that is continuously adapting to the changes an organization is facing. In the view INTOSAI (2004), management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives. The position of The International Organization of Supreme Audit Institutions is much similar to that of the Committee of Sponsoring Organizations of the Tread way Commission.

It also defines Internal control is a process effected by the Board of Directors, Senior management and all levels of personnel to achieve the following objectives:

- I. Efficiency and effectiveness of activities (performance objectives);
- II. Reliability, completeness and timeliness of financial and management information(Information objectives); and
- III. Compliance with applicable laws and regulations (compliance objectives).

It further states that internal controls are not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels

within the bank. The board of directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organization must participate in the process.

According to BCBS (1998), the main objectives of the internal controls within banking environment is outlined as follows:

- I. Efficiency and effectiveness of activities (performance objectives); this pertain to the effectiveness and efficiency of the bank in using its assets and other resources and protecting the bank from loss. The internal control process seeks to ensure that personnel throughout the organization are working to achieve its goals with efficiency and integrity, without unintended or excessive cost or placing other interests (such as an employees, vendors' or customers' interest) before those of the bank.
- II. Reliability, completeness and timeliness of financial and management information (information objectives); this addresses the preparation of timely, reliable, relevant reports needed for decision-making within the banking organization. They also address the need for reliable annual accounts, other financial statements and other financial-related disclosures and reports to shareholders, supervisors, and other external parties. The information received by management, the board of directors, shareholders and supervisors should be of sufficient quality and integrity that recipients can rely on the information in making decisions. The term reliable, as it relates to financial statements, refers to the preparation of statements that are presented fairly and based on comprehensive and well-defined accounting principles and rules.
- III. Compliance with applicable laws and regulations (compliance objectives).This

will ensure that, all banking business complies with applicable laws and regulations, supervisory requirements, and the organization's policies and procedures. This objective must be met in order to protect the bank's franchise and reputation (BCBS, 1998)

The Institute of Internal Auditors, (2006) also defines internal control as a process within an organization designed to provide reasonable assurance regarding the following primary corporate objectives: the reliability and integrity of information compliance with policies, plans, procedures, laws and regulations the safeguarding of assets the economical and efficient use of resources the accomplishment of established objectives and goals of operations or programs

Lastly, KPMG a global accounting firm also defined internal controls as a system that encompasses the policies, processes, tasks, behavior and other aspects of a company with the sole aim of achieving the following objectives:

Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company's objectives;

Ensure compliance with applicable laws and regulations, as well as internal policies with respect to the conduct of business.

Apart from institutions who have defined the concept of internal controls, other individuals writing on internal controls have also boldly defined the concept of internal controls.

According to Millichamp, (2002) internal control system refers to the whole system of controls, financial and otherwise, established by the management in order to carry on the business of safeguarding the assets and securing as far as possible the completeness and

accuracy of the records. Kenneman, (2004) describes internal control as those mechanisms that are in place to either prevent errors from entering the process or detecting errors once they have. He explains, in simple terms that, internal control can be defined as those processes that management relies on to make sure things don't get goofed up. Hevesi (2005) defined internal control as the integration of the activities, plans attitudes, policies and efforts of people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission. From the definition given by COSO (2006),

- I. The key concepts of internal control as follows: Internal control is a process. It is a means to an end, not an end in itself.
- II. Internal control is affected by people, thus everybody in the organization. It is not merely policy manuals and forms, but people at every level of an organization.
- III. Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.
- IV. Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The third chapter brings to the fore the kind of methodology that was utilized to collect all relevant data to aid this study. It is centered on the strategy used for the research, the design of the study, description of the population, the study area, sampling procedures and techniques, data sources , instrument of data collection, analysis and how data is presented.

3.2 Research Design

Zita and Ozougwu (2010) are of the opinion that, the design of research is what the objectives seeks to achieve and also the accurate needs of data. They proceeded to explain further that, the design of research is the foundation of the mechanisms that can aid in collecting and evaluating the necessary data. The study employed both quantitative and qualitative approach with a descriptive design applied to this study (Shui et al(2009). It is the process by which data is turned into numbers. It gives precision or accuracy to the responses received in the study. These data were summarized in percentages, averages or statistics. Burns and Grove (1997) explained that descriptive study designs aims to gain more information about one or more characteristics within a particular field of study. The study seeks to examine the effectiveness of financial controls in Beige Capital Savings and Loans Ltd. Yin (1994) opines that, for a case study to be accurately utilized situations in real life are looked into.

3.3 Methodology

The study seeks to examine the effectiveness of internal controls in Beige Capital Savings and Loans Ltd. Methodology adopted was both quantitative and qualitative approach.

Quantitative approach uses statistical data, surveys or randomised trials to undertake its data collection analysis, but with quantitative approach, the researcher does not seek statistical data, but rather aims to more characteristics within a particular field of study. This study will mix the two approaches as well as probability sampling because all the staff will have an equal chance of being selected for questioning and interviewing.

3.4 Population

Population is the sum total of a collection of sample that are required to provide information. (Tustin et al. 2005). In this study, the collection of sample includes those in senior management positions as well as those occupying general positions especially those in the credit risk department. The population considered in this study is one hundred and fifty four (154) staff members of the company distributed among the ten (10) randomly selected branches of the company in the Ashanti Region. The population constitutes the staff, comprising of the branch managers, senior management staff, of the selected branches and other staff members who will be randomly selected. The senior management staff will be semi purposively selected while the other staff members will be randomly selected.

3.5 Sampling

Multi- stage sampling techniques was used for this study. As a result of the case study approach, Beige Capital Savings and Loans Company Ltd was randomly selected with

ten (10) agencies. Random sampling is meant that all members of the population from which the sample is drawn have an equal chance or equal probability to be included.” (Henn, Weinstein & Foard 2006). To further select the various respondents, in each selected branch, a quota sampling was used and the ratio method was used to distribute the sample among the various branches. A total of one hundred and fifty four (154) staff members were selected and distributed among the various branches. Given the total population of one hundred and eleven, (154), the following formula was applied to identify the specific sample.

$$n = \frac{N}{1 + \alpha^2}$$

Where N = the population

n = the sample size

α = margin of error (5%)

therefore: N = 154

$\alpha = 5\% (0.05)$

= 154

$1 + (0.05)^2$

Sample size = 111

3.6 Sample

The following table shows the quota assigned to each agency. In this study, the researcher made use of simple random sampling to retrieve information and data from the respondents.

Therefore the sample size for this study is One Hundred and Eleven (111) and this will be distributed among the ten(10) selected branches using the ratio method in the table below.

Table 3.1 Sample Distribution by Ratio Method.

Branches	Frequency	Ratio (%)	Sample
Ejisu	20	13	14
AffulNkwanta	15	10	11
Atonsu	15	10	11
Adum	18	12	13
Roman Hill	12	8	9
Alabar	13	8	9
Tafo	15	10	11
Suame	17	11	12
Kronom	14	9	10
Bantama	15	10	11
	154	100	111

Source: Author's construct.

3.5 Data collection procedures

To collect data is the process of collecting and gathering data from a group of people who are selected to give such information. The data collected both secondary and

primary were used in this research. To collect data from an original source is called primary data. Also the contribution of others towards a particular subject is called a secondary data. In collecting the primary data, questionnaires and semi structured interviews were used.

3.6 Data Analysis

Data obtained from the survey was analysed graphs, bar charts, pie charts and tables. The data from the field would be first edited and subsequently analysed. The analysis employed simple descriptive analysis procedures including frequency distribution, percentages, to analyse the data and was presented by means of tables and bar graphs.

Ethical Issues

All ethical issues regarding the study was considered as all the university's codes of conduct with regards to collection and confidentiality of data was followed.

3.7 Beige Capital Savings and Loans Ltd profile

Beige Capital Savings and Loans Ltd(BC) is licensed by the Bank of Ghana and is the leading Savings and Loans Company in Ghana. The company was established in 2008 and have developed structures and pillars which have ensured constant growth of business, which has placed the company among the top tier brands within this category.

Their passion is to build a strong, profitable and respectable brand in Ghana. The company has grown and is currently operating forty – one(41) branches within four(4) out of the ten regions of Ghana. The initial start up equity of for the company was GH¢ 1m (USD0.5m) has also been increased to over GH¢ 90m(USD17m)as at December 2014. The company also has an asset base in excess of GH¢400(USD 150m) and has posted an average Return of Equity of 17.5% since 2010. Beige

Capital employs about 700 staff have a clientelle base in excess of 100000.in serving its clients,it combines their core business of credit and deposit mobilization with business advisory services and relationship building.

In the medium term ending 2018, the company seeks to be in the class of the best banks in Ghana.

CHAPTER FOUR

ANALYSIS RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter displays data collected that has been analyzed from the study through interviews and observations. This chapter looks at the analysis of the questionnaires administered. The main aim of this study is to recognize the nature and assess the effectiveness of internal controls in Beige Capital Savings and Loans Ltd using the five components developed by the COSO framework.

The analysis of the findings has been grouped into two parts. The first part looks at the analysis of demographic characteristics of staff of the company 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.

4.1 Background Information

The preliminary analysis of demographic characteristics of respondents presented includes gender, age, and level of education attained and marital status of the respondents. The results are presented in Table 4.1 below.

Table 4.1 Background Information			
Variables		Frequency	Percentage
<i>Gender</i>			
	Male	56	73.7
	Female	20	26.3
Total		76	100
<i>Age</i>			
	20-29 years	12	15.8
	30-29 years	31	40.8
	40-49 years	27	35.5
	above 50 years	6	7.9
Total		76	100
<i>Level of Education</i>			
	Bachelor's Degree	29	38.2
	Master's Degree	19	25.0
	HND	23	30.3
	Other qualification	5	6.6
Total		76	100
<i>Marital Status</i>			
	Married	43	56.6
	Single	26	34.2
	Divorced	5	6.6
	Widowed	2	2.6
Total		76	100
<i>Staff Category</i>			
	Risk	6	7.9
	Consumer/Corporate	32	42.1
	Finance	12	5.8
	Internal Audit	8	10.5
	HR	4	5.3
	I.T.	14	18.4
Total		76	100
<i>Years worked for the company</i>			
	1-3 years	34	44.7
	4-7 years	42	55.3
Total		76	100
Source: Field Survey, 2015			

Table 4.1 includes the demographic characteristics of the respondents and it is shown that majority (73.7%) of them were males and a minority (26.4%). The high percentage of male respondents confirms to the picture in many financial institutions in Ghana.

The ages of staff who participated in the study ranged from 25 years to 53 years. About 40.8 % of the residents interviewed fell within the age group of 30-39 years, while 35.5% were between age group of 40-49 years. The low group of respondents of 15.8% fell within 20-29 years. The oldest group was those who are over 50 years, (7.9%). The greater proportion of the questioned staff fell within the age group of 30-49 because of the youthful composition of the labor force in Ghana.

From the results in Table 4.1, it is also clear that there were slightly more Bachelor degree holders than any of the other qualifications. Whiles Bachelor's degree holders were recorded as 38.2% of the sample population and 25% for Master's Degree, HND holders recorded 30%. This goes to show that majority of respondents hold tertiary education qualification, which is a requirement for employment in the sector.

Touching on the marital statuses of respondents, majority (56.6%) of respondents are married while 34.2% are single. The divorced and widowed respondents made up of the 6.6% and 2.6%. This distribution conforms to the general population in Ghana.

The results in Table 4.1 further show that a higher majority of the respondents 32(42.1%) are in the consumer/cooperate section of the bank, followed by a slightly higher percentage 14(18.4%) for those from IT department and 12(15.8%) from the finance department of the bank. On the same score, internal audit, risk and HR made up for the other 8(10.5%), 6(7.9%) and 4(5.3%) respectively.

From Table 4.1, the numbers of years respondents have worked for the company is mostly recorded to be 4-7 years, representing 55.3% of respondents. This is followed by the 44.7% representing those who have worked for the company from 1-3 years. Indeed, it is generally assumed that the high number of years respondents worked for a company indicated their experience and conversance with internal operations of the company.

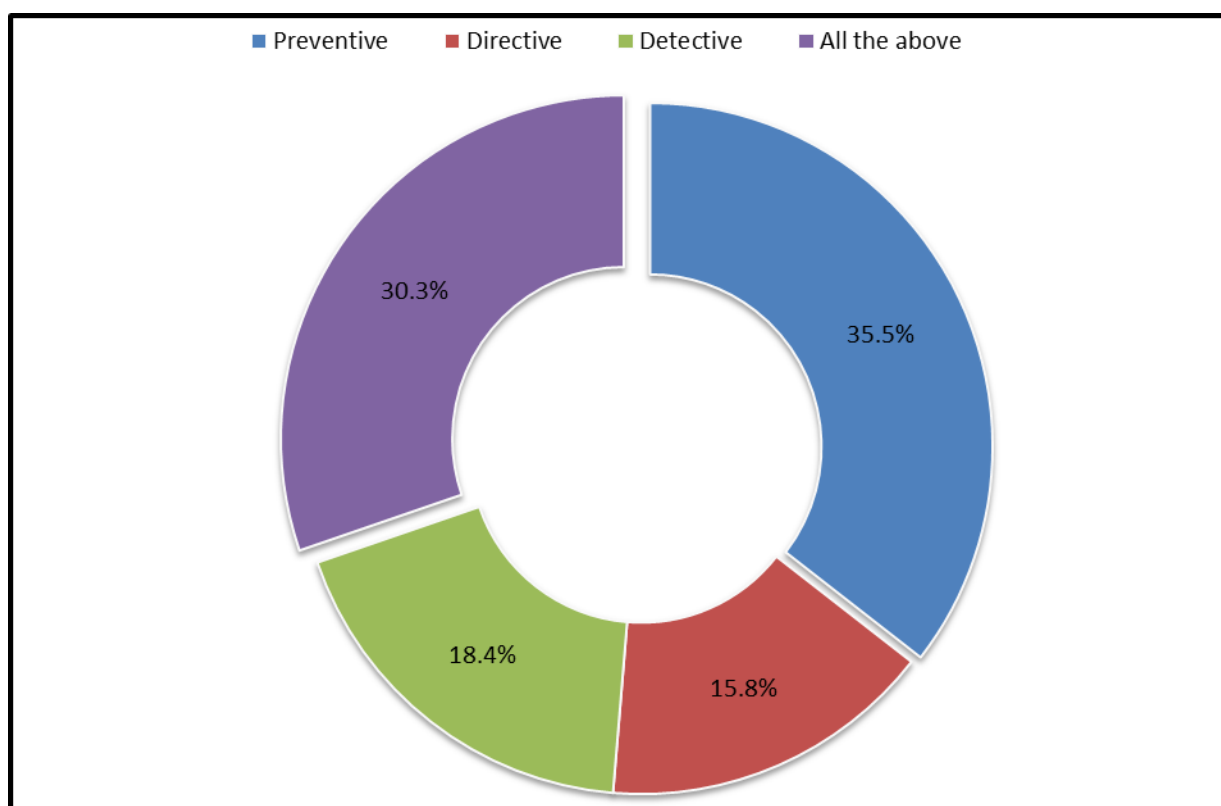
4.2. Control Environment

This is the analysis of the control systems aims to report on the existence of control systems and their characteristics at Beige Capital Savings and Loans Ghana limited. The study revealed that, there were three components of the internal control system namely Preventive, Descriptive and Detective and that these systems are set up the Board of Directors. The major policies in relation to the relevance of controls and suitable conducts are communicated frequently to all members of staff to ensure that proper financial controls are in place.

4.2.1 Control System in Beige Capital Savings and Loans Ltd and its nature

All respondents were aware of the existence of control system in the company. For the types of control systems and policies, there are 35% of Preventive policies 18% of the policies were Detective while 15.8% were Directive. About thirty percent of respondents mentioned that all three controls systems exist in the company.

Figure 4.1 Types of Control Policies.



4.2.2. Responsibility for Internal Control System Policies.

The survey disclosed that 53 out of 76 respondents representing (69.7%) out of the total number indicates that, the company's Board members are responsible for setting up the control policies and systems in the company. Meanwhile, 11.8% said it was set up by the Group management, 10.5% of the respondents said it was set up by Regional management team; 7.9% mentioned Branch management team. Summarily, the boards of directors of most Beige capital banks were those responsible for setting up. The vast majority of respondents (69.7%) were of the opinion that the Board of

Directors formulates the control policies whilst Branch management, Regional management teams and Group management team ensures their implementation.

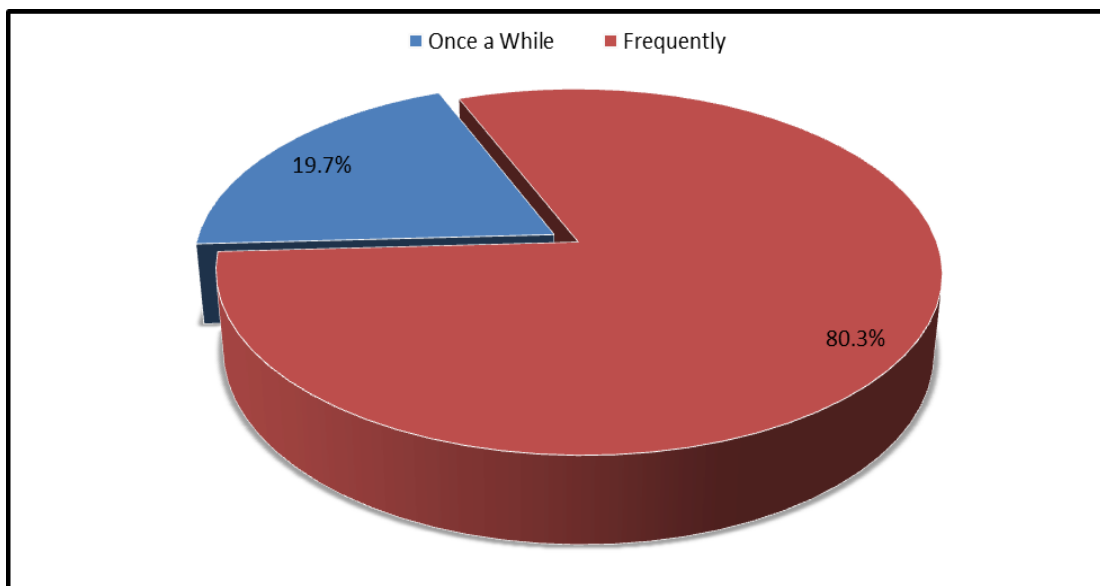
4.2.3 Code of conduct or ethics and policies on financial controls.

It was confirmed by all respondents that there are codes of conducts or ethics and policies on financial controls in the company.

4.2.4 Rate of Communication of policies on financial controls and appropriate conducts to staff.

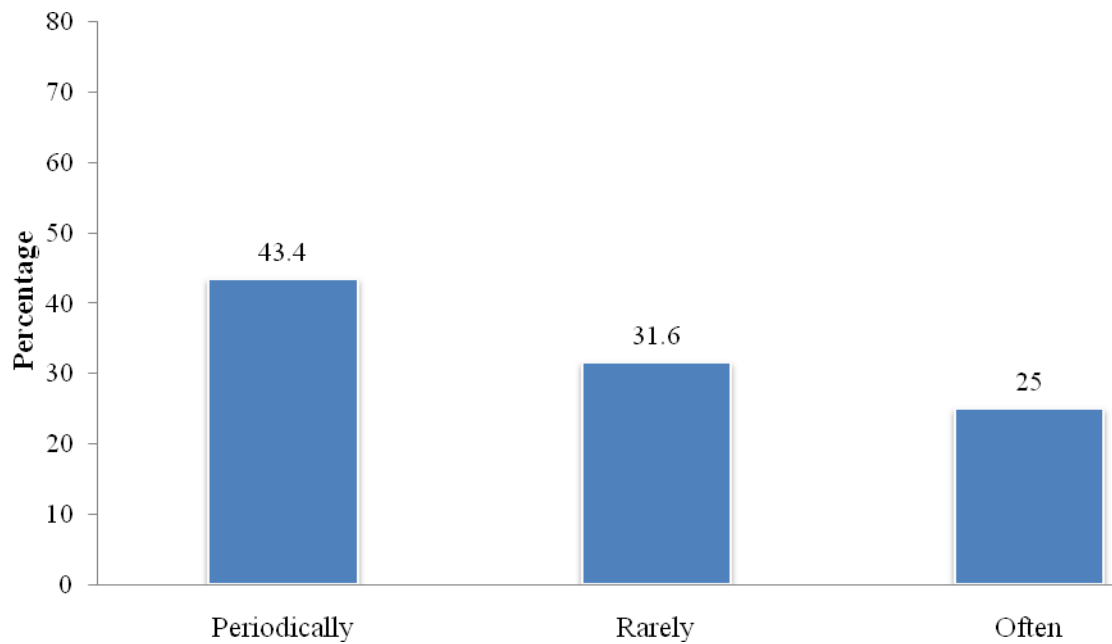
There is a clear indication that the distribution is mostly skewed towards frequent communication of policies regarding the importance of financial controls and appropriate conduct to all staff. About 80% of respondents said there is frequent communication while 19.7% said it was done once in a while. It can be deduced from the study that, information relating to internal controls are frequently communicated to all the workers of the company and can be concluded that, the control system is effective.

Figure 4.2 Rate of Communication of policies to staff



4.2.5 Review of policies and procedures to ensure proper financial controls.

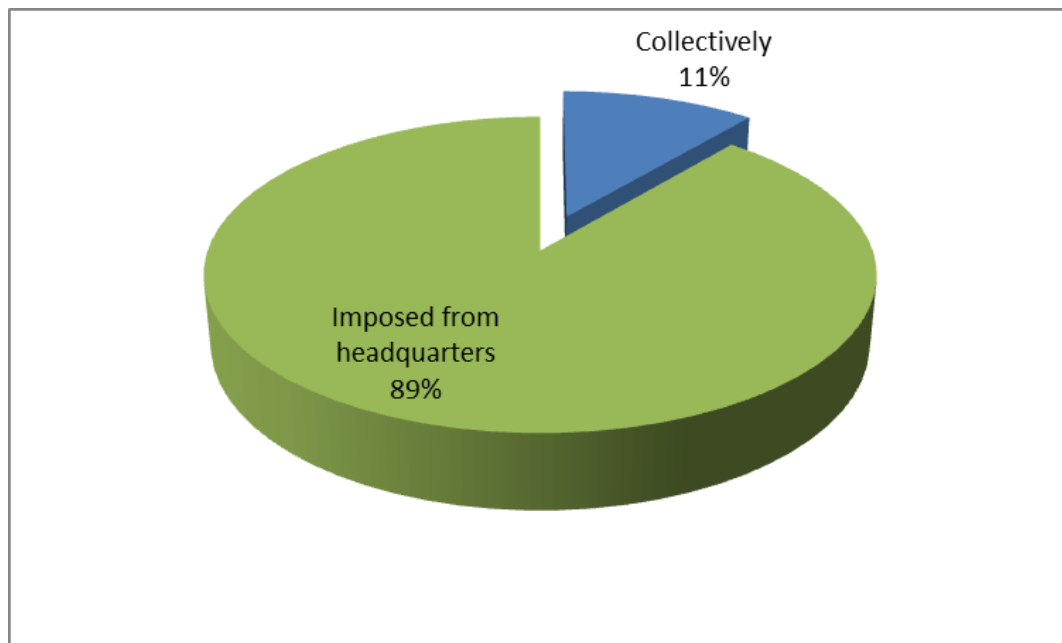
Figure 4.3 Frequency of review of Policies and Procedures



In reference to view of management on the decision making process at the company. In figure 4.3 above, it is indicated how often management reviews policies and procedures to ensure that proper financial controls are in place. Majority (43.4%) respondents think reviews are done periodically, while 31.6% think it is rarely done. Meanwhile, 25% of respondents believe it is done often. In view of this, since review of internal control systems in an organization is very crucial for an effective control system, it is essential that these systems are reviewed frequently to ensure its effectiveness in the company.

Figure 4.4 Formulation of Internal Control Policies.

In reference to the view of management on the decision making process at Beige Capital, the results are indicated below:



The above figure shows that 89% of the respondents (management members) stated that decisions on internal controls are formulated disseminated down from headquarters. None of the management members agreed to the statement that decisions are taken by one individual. The study therefore revealed that, the internal control system in the company is not designed collectively by managers but instead, the policies are formulated by senior management and directors at the headquarters and communicated to the agencies or branches for implementation. This shows the control environment of Beige Capital is fairly strong.

4.3 Control Activity

This section aims to report on the Control activities the policies and procedures the company uses to ensure that necessary actions are taken to minimize risks associated with its operational objective. Data relating to policies and procedures to ascertain the level of use of control activities by the company was collected. The data indicated that all respondents stated emphatically that there is provision of adequate physical security by the company for cash and other assets subject to theft. Not only that but also there is tracking of location and use of all equipment.

In terms of activity control, the respondents identified the following:

1. Adequate physical security for cash and other assets subject to theft is provided
2. The location and use of all equipments are tracked.
3. Key managers review and approve all financial transactions
4. Variance analysis is used in the company.

Tracking and protection of assets.

In summary, all the respondents attested to the fact that there is a system in place to provide enough protection for funds and other resources that are subject to misappropriation. Again all the respondents stated that there is tracking of the location and use of all equipment.

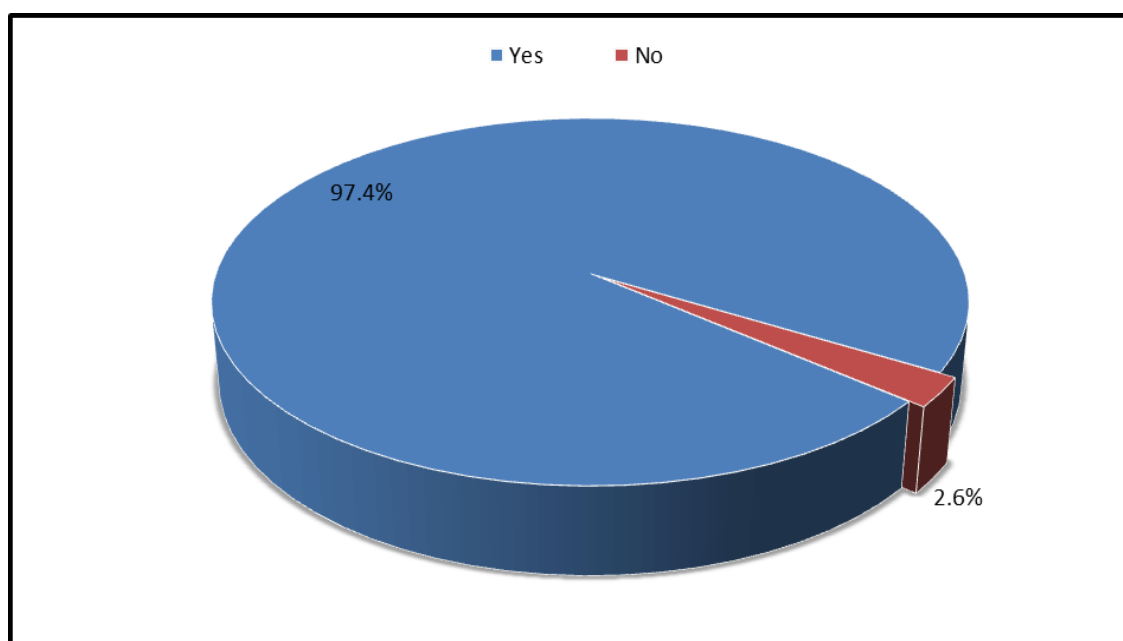
It was detected that on the issue of whether individuals who oversee the care prevented from making records with regards to these assets: 96.1% of (73 in absolute terms) responded in the affirmative; whereas 3.9% had no idea.

4.3.3 Senior managers evaluate and endorse financial transactions.

The information gathered from the field revealed that 97.4% of the respondents said reviews and approval of all financial transactions are done by them or their key

managers whilst 2.6% of the respondents were in disagreement. In that respect, all financial transactions are reviewed and approved by the bank.

Figure 4.5 Review and Approval of financial transactions



4.3.5 Beige Capital Savings and Loans Ltd uses Close Circuit Television (CCTV) systems to protect physical assets

It is shown that an overwhelming 98.7% of respondents were stated the use of Close Circuit Television systems (CCTV) by the institution. Only one respondent did not know if CCTVs are in use.

4.3.6. Frequency of Internal control systems report

Control systems report being an essential aspect of control activity was examined. It was revealed that, the control Policies are reported annually. Overwhelming majorities (94.7%, 89.5%, and 81.6%) of respondents claim there is annual, semiannual and quarterly internal control systems report. It is also evidenced that there are monthly reports are done by workers in the institution.

4.4 Risk assessment

This section of the study seeks to analyze the risk assessment, the actual essence of internal control systems, and this demonstrates and evaluates the important hazards related to organizations and the objectives of organizations.

When respondents were asked to indicate whether or not there were documented objectives for risk management of the organization, majority (90.8%) of respondents indicated the existence of such objectives. Meanwhile, 1.3% of the respondents were those who cited lack of said objectives and 7.9% stated that they did not know. Likewise, majority (59.2%) of respondents confirmed that all employee levels of the bank were well represented in establishing the objectives. On the other hand, 38.2% said that not all employee levels were represented. Only 2.6% of the respondents did not know about the employee levels representation. The data presented in the table depicted that majority (94.7%) of the respondents, stated that the organization has established overall strategies for managing important risks. Nevertheless, 2.6% of respondents indicated the positive whilst another 2.6% did not know that the organization has established such strategies for important risks).With respect to whether the organization had a particular responsibility and conduct needed to enforce plans clearly revealed and conveyed to make employees account for, it was to make specific assignments and activities necessary to implement the strategies being identified and communicated to the responsible employees, it was revealed that majority (82.9%) of respondents responded in the affirmative. Meanwhile, 13.2% represented those who said otherwise and 3.9% those who did not know.

This implies that, majority of the employees are aware of the fact that, many objectives, policies and strategies have been put in place to manage risks.

4.4 Information and Communication of Internal Control Policies.

These policies respectively consists of: the methods and records used to record, maintain and report the events of an entity, as well as to maintain accountability for the related assets, liabilities and equity of the organization; and the provision of an understanding of individual roles and responsibilities pertaining to internal controls. The table below shows the distribution according to the variables used to ascertain the information and communications of internal control system of the company.

The receipt of relevant information regarding legislation, regulatory developments, economic changes, or similar external factors that may affect the organization was met with a resounding 92% of respondents who agreed whereas only 8% denied receiving any such information. The revelation was usually the case in most business sectors especially financial institutions in the country (Figure 4.8), With regards to crucial information about the operations of the organization being identified and reported regularly, the study revealed that an overwhelming majority (98.7%) of survey participants stated yes to the question. Only, 2.6% and 1.3% of respondents respectively answered with “No” and “Don’t Know”. This goes to prove that communication of key information about the operations of the institution is important since part of the item is responsible for providing an understanding of personal task and duties relating internal controls, understanding how their activities relate to the work of others.

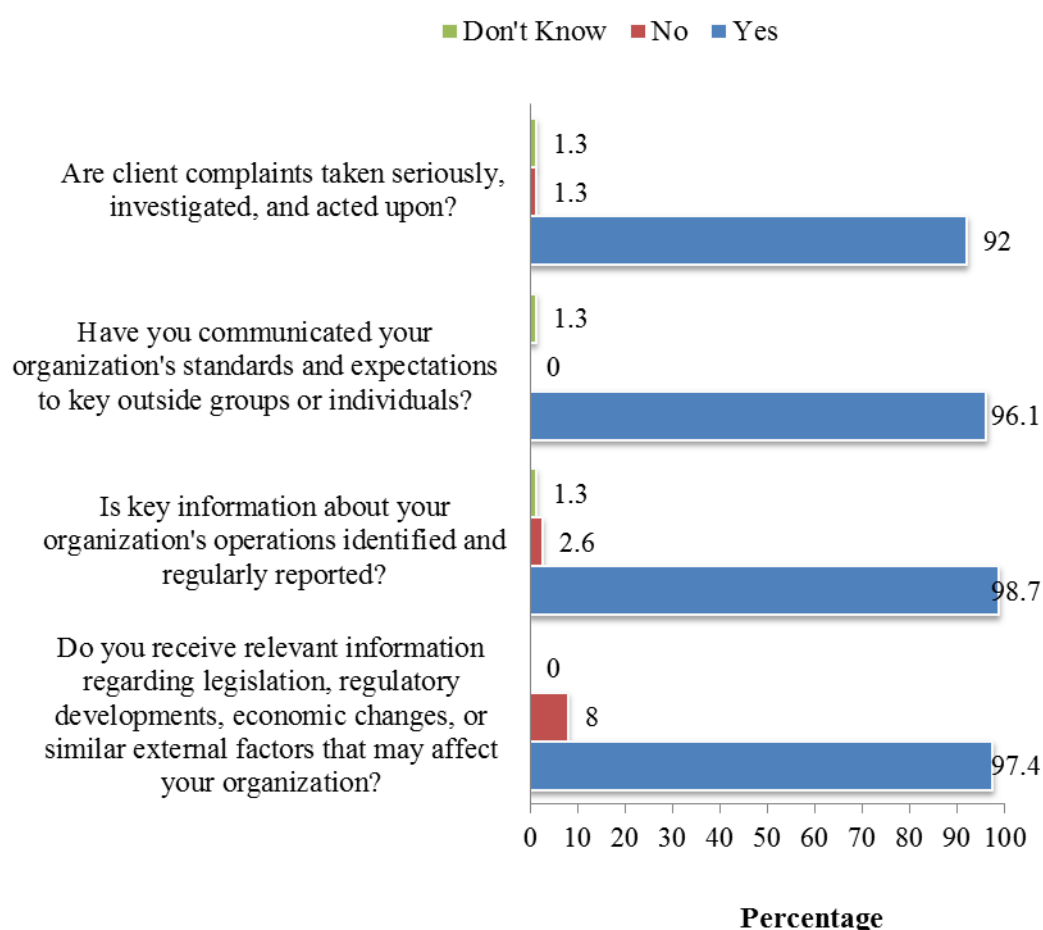
In response to the question of whether they communicated the organization's standards and expectations to key outside groups or individuals, the study revealed that a vast majority of Beige capital staff (98.7%) proved they concur to doing that. This further implied there is an understanding of how exceptions should be reported

to higher levels of management. Also, open communications channels help insure that exceptions are reported and acted upon.

Table 4.5 also, depicts the respondents' answers to the question about whether the various complains made by customers are seriously taken, examined and acted upon. The information gathered from the field revealed that 97.4% of the respondents said yes, client complaints were crucial; while only one (1.3%) respondent did not think they were important.

With reference to information and communication, staffs are informed adequately which non confidential information are made available to the public. The information needs of the public are provided with urgency.

Figure 4.6 Information and Communication of internal controls systems



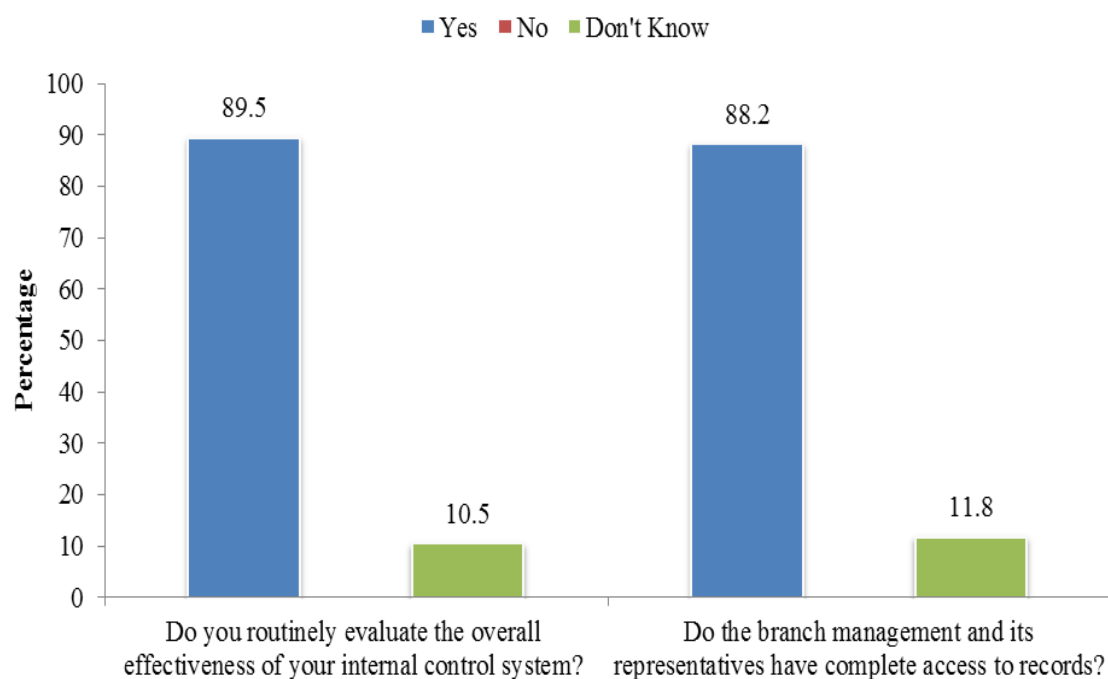
4.5 Monitoring of Internal Control Systems

This section of the study seeks to analyze the monitoring of internal control systems which entails the process of assessing the quality of internal control system performance over a time period. The revelation in this section proved the validity of the fact that monitoring involves assessing the design and operation of controls on a timely basis and taking corrective actions as needed. Table 4.9 below presents the distribution of responses from the respondents, to variables meant to ascertain the monitoring of internal controls systems of the institution.

From the table above it is depicted clearly that majority (89.5%) of respondents routinely evaluate the overall effectiveness of the organization's internal control system. This implied that there is a high level of assessment of the design and operation of controls on a timely basis and taking corrective actions as needed.

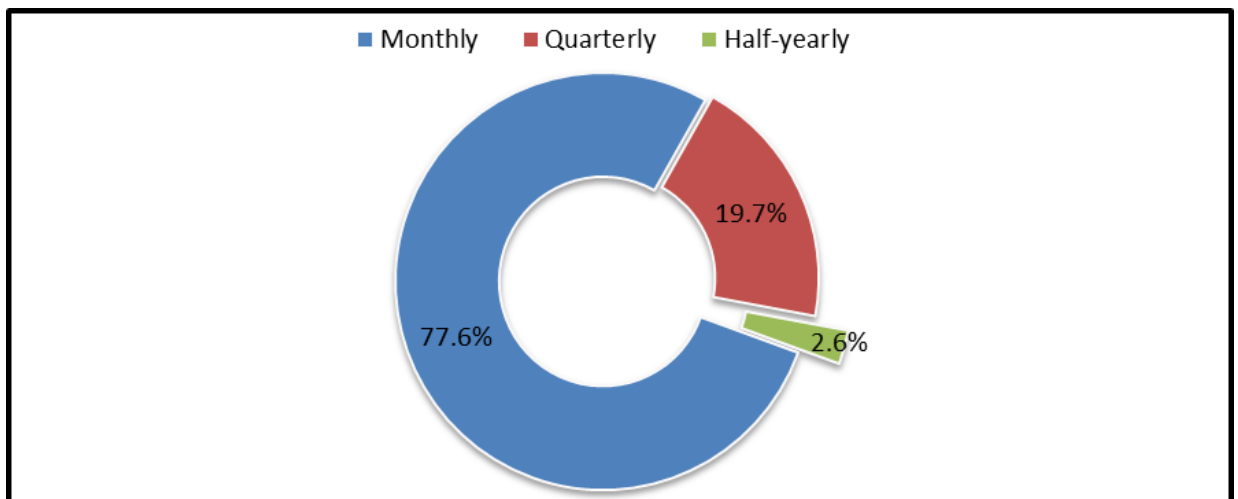
Concerning the question of complete access to records, 88.2% of the Beige capital staff respondents concurred with assertion that management and its representatives had complete access to records.

Figure 4.7 Evaluation of overall effectiveness and access to records(%)



On the same issue of monitoring of internal controls system, 77.6% of staff of Beige capital savings and loan limited indicated that there is normally a monthly preparation of reports and other returns to management. Other staff members (19.7%) and 2.6% respectively noted that there is only quarterly preparation of reports and the other returns to management.

Figure 4.8 Rate of preparation of report and returns



In the view of management members, 83% of management members were of the view that the performance of internal control system in Beige Capital is very good while 11% argue that the performance of internal control system is excellent, however only 6% indicated that the performance of internal control system is fairly poor. This is because; management recorded very low occurrence of misconduct and breaches in the conduct of workstations institution.

Figure 4.9 The performance of internal controls at Beige Capital



In relation to any cases of misappropriation and embezzlement in the past 3 years, all the respondents stated that there had not been anything of that nature. In case of non-compliances of internal controls, all the respondents (management) indicated that management takes appropriate follow-up actions such as Beige Capital as a financial institution has an internal audit department for internal control. Internal auditors visit branches once or a maximum twice within a year.

The study indicated that at the branch level, the internal audit report is submitted to the regional management team who further sends it to the audit committee. The audit committee also reports to the board of directors. At branch level, the branch managers are chiefly responsible for ensuring that internal control measures are adhered to.

This indicates that, the members of the higher hierarchy namely Board of Directors, Regional management team, branch manager and some lower staff are involved in internal control system of the organization as well as its implementation.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this study, the researcher looked into the efficiency of control systems in Beige Capital Savings and Loans Ltd. In this chapter, the researcher provides a summary of the results from the study and makes a suggestion of how the flaws in the control system can be addressed.

5.1 Summary of findings

In relation to the control environment at Beige Capital, the study found out that all survey participants were aware of existing control systems in Beige Capital Savings and Loans limited. The internal controls system covers preventive, detective and directive policies. It also came out through the study that the company's Board members are solely mandated to initiate policies on internal controls and ensure that they are fully implemented by the company's management.

As far as control activities at Beige Capital is concerned, the study found out that that there is a system in place that makes provision for the protection of assets from theft. Again there is evidence of the tracking of the position and utilization of all assets. The study also revealed that responsibilities and obligations are highly separated in such a way that, those individuals who manage property and resources are not prevented from also keeping records in relation to those assets and that there is a review of all financial transactions and also that these transactions are accepted by the company. Close Circuit Television Systems (CCTV) used by the institution is a positive and needful control system.

In relation to risk assessment, the study found out that there were documented objectives for all key activities of the organization and that all employee levels of the

company were represented in establishing the objectives.

Again, relevant information relating to Beige Capital's operations are identified and regularly reported. The company's benchmarks and what they look out for are made known to groups who fall external to the company. The study also showed that, customer's grievances are looked into seriously and the necessary actions are taken to rectify them.

As far as information and communication is concerned, workers revealed that relevant information is made known to the staff as well as the important external groups in relation to legalities; improvement in laws, changes in the economy and or related matters in the external environment that may have an impact on the organization was met with an overwhelming response of 92%. This means that, 92% of the respondents were in agreement of this. The study also revealed that, complains and suggestions that are made by customers are looked into and the necessary actions are taken.

Lastly, concerning monitoring of internal controls, the study revealed there is a department of internal audit in the operations of the company. At the branch level, the internal auditors report is submitted to the regional management team. And when this is done, the regional management team also reports to the company's Board of Directors. Also at branch level, the branch managers are responsible for ensuring that internal control measures are adhered to.

5.2 Conclusion

Based on the above findings, the study can conclude that the importance of internal control system in the operations of the company cannot be overemphasized. This is due to the fact that, loss of confidence in the financial system of nay affects the economy negatively. Again the internal control system at work in the company must be very active, efficient and effective with regards to the control environment,

assessment of risk, activity control and information and communication as well as internal control monitoring. The ineffectiveness of even one of the components can derailed the effectiveness of the other four. However irrespective of the effectiveness of the internal controls, it can only give a reasonable assurance to the achievement of corporate goals and not an absolute assurance.

5.3 Recommendation

Based on the above findings, some of the recommendations made are as follows:

Financial institutions should build and administer a helpful whistle – blowing culture to create a more effective internal control with regard to staff related theft, fraud, non-compliance with policies and unethical behavior. Whistle-blowing can act as a crucial and important part of the internal control system and business surroundings of an organization. Whistle blowing can play an essential role as a preventive and detective control system, if the company embeds a system of reporting that reveals the occurrence of bad behavior into its system of control. Whistle-blowing can play an important role in the internal control environment of an organization. These Whistle-blowers may be internal or external to an organization.

Due to changes in economic, industry, regulatory, technology and operating conditions, adequate and frequent training is needed to keep all the staff of Beige Capital Savings and Loans Ltd and all non-bank and banking financial institutions abreast with changes to be able to identify and deal with the new and emerging risks. This will ensure that employees understand and follow principles of conduct in the preservation of rules and regulations. To bring awareness and minimize the risk of fraud and non-compliance, each employee should be required to participate in annual fraud and compliance awareness training programmes.

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APPENDIX
QUESTIONNAIRE FOR STAFF

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY-

**TOPIC: ASSESSING THE EFFECTIVENESS FINANCIAL CONTROLS IN
NON BANKING INSTITUTIONS. A CASE STUDY OF BEIGE CAPITAL
SAVINGS AND LOANS LTD**

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: 20—29 ☐ 30—39 ☐ 40—49 ☐ 50 or more ☐
3. Which Divisions do you belong?
Risk ☐ Finance ☐ Internal Audit ☐ HR ☐ S& I.T ☐
Consumer/Corporate ☐
4. Which staff category do you belong to?
Junior staff ☐ Supervisory staff ☐ Middle Management ☐ senior Management ☐
5. Level of education:
Second Degree ☐ First Degree ☐ HND ☐ Other qualifications ☐
6. Number of years worked for the Bank?
(a) 1-3years ☐ (c) 4-7 years ☐

SECTION B: CONTROL ENVIRONMENT

7. Are there any internal control systems in Beige Capital Savings and Loans Ltd Ghana Limited?
a. Yes ☐ b. No ☐

If yes, what are they?
a. Preventive ☐ b. Directive ☐ c. Detective ☐

d. Other.....

8. Who is responsible for setting them up?

a. Group management team ☐ b. Regional management team ☐ c. Branch management team ☐

c. Other

9. There exist code of conduct or ethics and policies on financial controls Beige Capital Savings and Loans Ltd

Yes ☐ No ☐

10. Policies regarding the importance of financial controls and appropriate conduct are communicated to all staff

Once a while ☐ Frequently ☐ Rarely ☐

11. How often does management reviews policies and procedures to ensure that proper financial controls are in place.

Periodically ☐ Rarely ☐ Very often ☐ Often ☐

SECTION C:CONTROL ACTIVITY

12. Do you provide adequate physical security for cash and other assets subject to theft?

a. Yes ☐ b. No ☐

13. Do you track the location and use of all equipment?

a. Yes ☐ b. No ☐

14. Are individuals who control assets prohibited from also recording transactions related to those assets?

a. Yes ☐ b. No ☐

15. Do you or your key managers review and approve all financial transactions?

a. Yes ☐ b. No ☐

16. Beige Capital Savings and Loans Ltd uses Close Circuit Television (CCTV) systems to protect physical assets.

1. Yes ☐ 2. No ☐ 3. Don't Know ☐

17. Is variance analysis used in Beige Capital

2. Yes ☐ No ☐

18. How often are budget variances reported?

Frequency	No	Yes
Monthly		
Quarterly		
Semi-annually		
Annually		

SECTION D: RISK ASSESSMENT

19. Are there documented objectives for all key activities of the organization?

a. Yes ☐ b. No ☐

20. Were all employee levels in the organization represented in establishing the objectives?

a. Yes ☐ b. No ☐

21. Have overall strategies for managing important risks been established?

a. Yes ☐ b. No ☐

22. Have specific assignments and activities necessary to implement the strategies been identified and communicated to the responsible employees?

a. Yes ☐ b. No ☐

SECTION E: INFORMATION AND COMMUNICATION OF INTERNAL CONTROL SYSTEMS

23. Do you receive relevant information regarding legislation, regulatory developments, economic changes, or similar external factors that may affect your organization?

a. Yes ☐ b. No ☐

24. Is key information about your organization's operations identified and regularly reported?

a. Yes ☐ b. No ☐

25. Have you communicated your organization's standards and expectations to key outside groups or individuals?

a. Yes ☐ b. No ☐

26. Are client complaints taken seriously, investigated, and acted upon?

a. Yes ☐ b. No ☐

SECTION F: MONITORING OF INTERNAL CONTROL SYSTEMS

27. Do you routinely evaluate the overall effectiveness of your internal control system?

a. Yes ☐ b. No ☐

28. Do the branch management and its representatives have complete access to records?

a. Yes ☐ b. No ☐

29. How often do you normally prepare reports and other returns to management?

a. Monthly ☐ b. Quarterly ☐ c. Half-Yearly ☐

d. Other

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QUESTIONNAIRE FOR MANAGEMENT

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY-

***TOPIC: ASSESSING THE EFFECTIVENESS FINANCIAL CONTROLS IN
NON BANKING INSTITUTIONS. A CASE STUDY OF BEIGE CAPITAL
SAVINGS AND LOANS LTD***

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: 20—29 [] 30—39 [] 40—49 [] 50 or more []

4. Level of education:

Second Degree [] First Degree [] HND [] Other qualifications []

5. Number of years worked for the company

(a) 1-3years [] (b) 4-7years

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

Excellent Very Good Good Fair Poor

7. Have you had any cases of misappropriation and embezzlement in the past 3 years?

Yes ()

No ()

8. How effective is the control environment at Beige Capital Savings and Loans Ltd

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How often does management reviews policies and procedures to ensure that proper control are in place

Very often[] monthly [] Quarterly [] Yearly []

9. How would you describe the state control activities Beige Capital Savings and Loans Ltd

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10. How are management decisions on financial controls are made

Collectively [] Individually one dominant individual [] Imposed from headquarters []

10. How effective are the risk assessment procedures at Beige Capital Savings and Loans Ltd

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11. How effective are the monitoring practices at Beige Capital Savings and Loans Ltd

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12. How does management handles instances of non-compliance

Management takes appropriate follow-up actions []
Management ensures effective action through testing []
Management ignores instances of non compliance []
Management is slow in taking the necessary actions []

13. What is the level of commitment of senior management towards financial controls
Very committed [] Committed [] Lukewarm []

14. Does the Beige Capital Savings and Loans Ltd have an internal audit unit?

a. Yes [] b. No []

15. How many times did the internal audit visit your branch last year?

a. Once [] b. Twice [] c. Trice []

d. Other.....

16. What kind of report does the internal audit unit issue anytime they visit?

a. Compliance[] b. Detective [] c. Preventive[]

d. Other

17. To whom does the internal auditor report?

a. Audit report implementation committee [] b. Group Management Team [] c. Regional Management Team [] d. Branch Management Team []

e. Other

18. Who is chiefly responsible for ensuring that internal control measures are adhered to?

a. Group management team [] b. Regional management team [] c. Branch management team []

d. Other