

**ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS
MECHANISM OF THE TECHIMAN MUNICIPAL ASSEMBLY;**

KNUST

BY

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DECLARATION

I hereby declare that the submission of this compilation is the true findings of my own researched work presented towards an award of Masters in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor submitted to any other University or institution for the award of degree except where due acknowledgement has been made in text .However, references from the work of others have been clearly stated.

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DEDICATION

This work is dedicated to my parents, Theodore Kwame and Comfort Akua Baah, for their love, dedication and encouragement, my child, Esther Aduam and my elder sister, Agnes Amakye Ansah for their support and understanding.



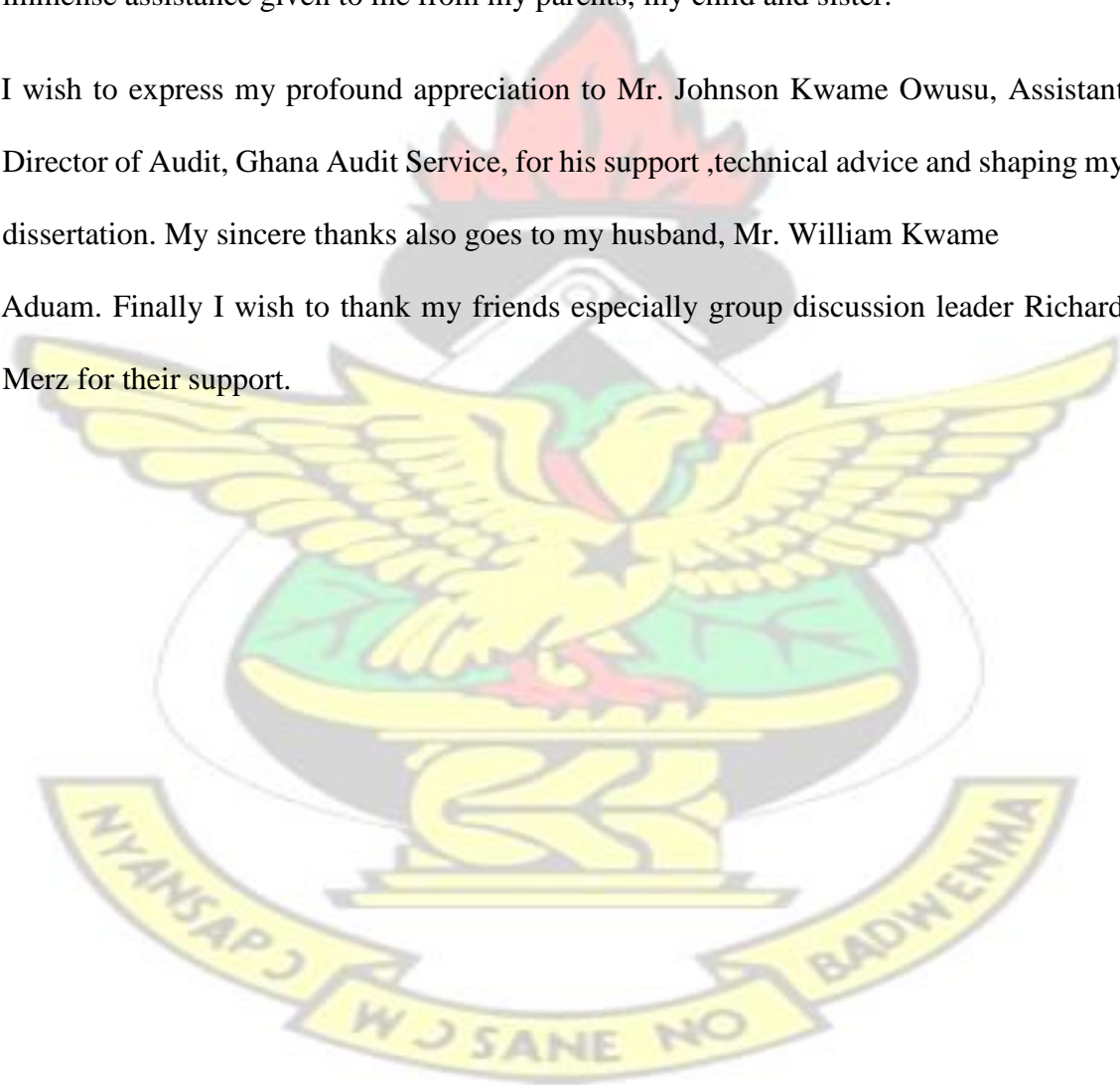
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ABSTRACT

Although effective Internal control is a critical component of company management and a foundation for safe and sound operation of organisations, there is lack of mutual understanding with regards to the effective functioning of internal control mechanisms and the management functions of govern organisations with regards to planning process. In this regard the study seeks to assess the effectiveness of internal control mechanisms in public sector organisation with a case study of the Techiman Municipal Assembly. The main objective of this study is to assess the impact of internal control and internal auditing activities on the overall governance of the public sector organizations, particularly, the Techiman Municipal Assembly (TMA). Related literature was reviewed. The study adopted the explanatory research design since the study was a case study type. The study population was staff of Techiman Municipal Assembly. A sample size of fifty (50) respondents was used for the study. The purposive sampling technique was adopted. Data was collected through interview and questionnaire. The data collected were analysed using Statistical Package for Social Scientist (SPSS) computer software program. Some of the findings made included: It was revealed from the study that, Internal Control procedures are not strictly followed by TMA, Respondents believe that wage related controls, working conditions and seniority, promotions and transfers related controls are the important factors which promote effective internal control functioning in an organization. Employees Perceptions about internal control effectiveness in TMA is a key factor ensuring Quality Service Delivery (QSD) by municipal assembly, Effective and efficient internal controls in the Workplace have a better and greater probability to maintaining a culture of high performance, Effective internal controls translates into quality work life for employees. Internal control breaches in TMA declined in 2009 to 2014.

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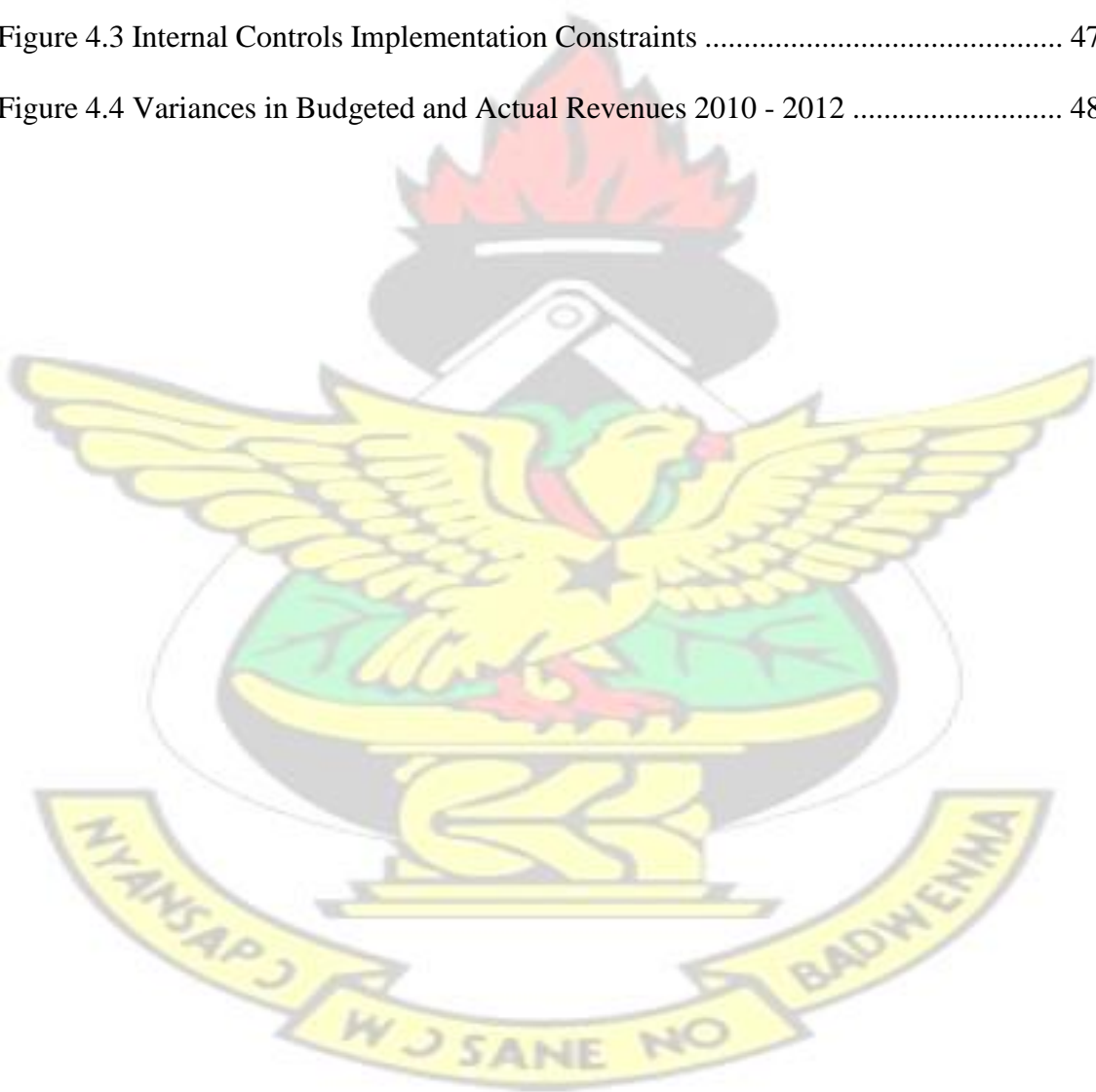
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CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

Internal control over the years has seen a tremendous increase interest in the both academia and the world of business. The impact of internal control cannot be underestimated. Since the institutionalization of socio-economic development in the form of goals guiding business developments, the avoidance of waste and losses has proven difficult. However, an internal control as the most effective partner in solving organizational challenges has been found.

Marah (2007) defines internal control as well-planned measures that are instituted by an organization to ensure the achievement of objectives. They are agreed rules and regulations put in place by management to help improve the working environment which in turn helps the organization to achieve its objectives.

According to the COSO integrated framework 2013, internal control is a step by step programmes and processes that are instituted by the executives and directors of a company to provide protection to the resources of the organization in achieving its objectives.

Internal control plays a very important role in the operational performance of an organization. Without a good internal control measures in an organization, things are likely to be done anyhow which might lead to poor performance and losses. A strong internal control ensures risk is mitigated and resources protected.

In this analysis the researcher intends to explore how internal controls actually contributed to empower businesses to release creativity and entrepreneurship of a business or organizational

set up. Internal Controls in Public Sector Organization otherwise referred to as managerial policing plays an essential role in maintaining confidence in the stewardship of public funds by always putting those to whom the responsibility of stewardship is entrusted, in check.

To protect the interest of the public, every Local government agency or unit such as the TMA require some forms of checks and balances to self-appraise the organization and for that matter the assembly with regards to its operations and functioning. This is done mainly and unconsciously with the institutionalization of internal control mechanisms in the Assembly and also by allowing the system to work or function properly.

Organizations therefore need to establish efficient and effective Internal Control mechanisms to ensure that the organization on the whole functions and operational activities are in accordance with established standards and geared towards the attainment of the organizational goals. In this report therefore, the Internal Control systems of which the Internal Audit function is a major player or component and forms one of the tools in any control mechanism need to be empowered to report on significant issues to management for redress and for purposes of informed decision making.

Recent corporate scandals (such as Enron and WorldCom scandal in 1990) and the legislations, like the Sarbanes Oxley Act which was passed in July 2002 have spurred the public to focus on the importance of Internal Controls and governance of organizations which is not limited to only private business activities but include state, federal agencies, public utilities, hospitals, colleges and universities, pension schemes, boards of trustees, the legislature, board of governors and local government institutions of which the Techiman Municipal Assembly is part.

The Internal Control function of an organization, for that matter TMA has multiple roles of oversight, insight and foresight responsibilities. Oversight responsibilities handled by

the Internal Control Mechanisms of the TMA helps to ensure that the Assembly is doing what it is supposed to do and serves to detect and deter public corruption, in the assembly.

By its insight responsibilities, the Internal Control Mechanisms or function assist decision makers (management of the assembly) by providing them with an independent assessment of the Assembly's policies, programmes, operations and results. For its foresight responsibilities, the Internal Control function helps to identify trends and emerging challenges of the organization.

In the midst of the immense benefits of effective Internal Control systems to the citizenry and stakeholders of the Assembly as a whole, this study seeks to assess the effectiveness of Internal Controls mechanisms in Public Sector Organization with a case study of the Techiman Municipal Assembly (TMA).

1.1 Problem Statement

Most often, there is lack of mutual understanding with regards to the effective functioning of Internal Control mechanisms and the management functions of govern organizations with regards to planning process, each other's role and working together to facilitate effective organization arrangements. A situation that often results in antagonisms and confusion in the governance processes of many government organizations (Assemblies).

Internal Control Mechanisms in public sector organizations are often misconstrued and often aligned with political and management affiliations rather than they being looked at objectively and holistically. This state of affairs often results in mistrust of the public in the Internal Controls in the public sector, particularly in the local government systems (Assemblies).

Further, the reporting lines of the Internal Audit Units in the organizational structure of the Assemblies tend to conflict with other functions of numerous monitoring and review

teams in the local government system thereby affecting negatively the independence of the Internal Audit Unit and the scope of their work.

Without over emphasizing the immense benefits of internal controls in public sector organizations and to the citizenry, coupled with recent revelations of financial malfeasances in many local government institutions, particularly the assemblies as unearthed by the Public Accounts Committee (PAC) of Parliament. Misapplications and misappropriations of district assembly funds cited in the Report of the Auditor General on the Accounts of District Assemblies for the year ended 31 December 2010 pages 16, 26, 28 and 50 in contravention of Part VII Section 2, Part VIII Sections 1 and 2 of the Financial Memoranda for District Assemblies, 2004 and Section 179 (1) of the Financial Administration Regulations, 2004 are a few of the financial malpractices in the public sector which boils largely to weak and ill functioning internal controls. This study therefore seeks to address the role of internal controls in Public Sector Organizations and for that matter the district, municipal and metropolitan assemblies of Ghana. Accordingly, the practice boundaries between what are internal controls versus managerial reviews/oversight, and what are controls in general versus other assessments or evaluation functions constitute what this study seeks to unearth.

In recent years, programmes have been developed by sub-region African countries to include new ideas which are directed towards bringing in improved techniques in services provided by government in general.

In Ghana for instance public sector financial management have over the past decade undergone various reform which included Programme of Action to Mitigate against Social Cost Adjustment and Development (PAMSCAD), Public Financial Management Programme (PUFMAP), Budget Performance and Expenditure Management System

(BPEMS) and the Ghana Integrated Financial Management Information System (GIFMIS) all of which seeks to strengthen the internal control systems in the public sector to have an efficient and waste less financial management system.

However, recent accounting frauds by many of our public sector institution have created mistrust among users towards organizations. These incidences create consequences which have an economic impact. For the public to have the most beneficial impact of the Assemblies operations, it is essential that the Assemblies report the results of their work promptly, be it financial or operational and not just to elected and appointed representatives but also to management of the assemblies. Some executives of many organizations have sought ways to control the enterprises that they run. Internal controls help an organization to achieve its objectives.

An increasing change in the organizations environment has become a common feature in modern organizations and business which call for effective internal control systems to promote efficiency, effectiveness and compliance with rules and regulations. There have been calls for better internal controls in organizations. Internal controls are therefore looked upon more and more as a solution to a variety of potential problems in organizations including the Techiman Municipal Assembly.

1.2 Objectives of the Study

The objectives of the study include:

1. To identify the various forms, measures and mechanisms put in place to enhance the effectiveness of internal controls in the Techiman Municipal Assembly – TMA.
2. Assess the effectiveness of the existing internal controls at TMA.
3. To identify and assess the key element of an effective and efficient internal control function.

4. Identify the major problems that inhibit the effective and efficient functioning of internal controls in the accomplishment of the TMA goals

1.3 Research Questions

The research will be directed with the following questions;

1. What are the various forms and mechanisms put in place to enhance the effectiveness of internal control at TMA?
2. How effective are the existing internal controls at TMA?
3. What are the key elements of an effective and efficient internal control function at TMA?
4. What are the major problems that inhibit the effective and efficient functioning of internal controls at TMA?

1.4 Scope of the Study

The study was conducted on internal control mechanisms and activities in the Techiman Municipal Assembly (TMA) focusing on the effectiveness that such control mechanisms have on the overall governance of public sector organizations, particularly the Techiman Municipal Assembly (TMA). It will also take a look at internal audit recommendations, implementation, monitoring and strategies as well as other elements that comes together to form the case study.

The Techiman Municipal Assembly (TMA) is chosen for this study out of a total of 216 Metropolitan, Municipal and District Assemblies (MMDAs) together a host of many more other government organizations and agencies in Ghana, partly because of its proximity to the researcher and for cost minimization. In this light therefore, purposive sampling approach was adopted in selecting the case study organization.

More so, the TMA is chosen for the study because of the preparedness of its staff to participate and contribute towards the research study. Furthermore, the Assembly has a large operational coverage which translates into larger volume activities, capable of being used for a meaningful study.

1.5 Significance of the Study

The importance of this study cannot be overemphasized, as it sets out to unearth how an effective and efficient internal control function impacts positively on good governance and accountability in public sector organizations; it also unearths as well the negative impacts of ineffective and inefficient internal control mechanisms on governance of public sector entities. Thereby helping policy formulators and decision makers in public entities to know the kind of policy instruments regarding good governance that will help them to shape their respective organizations and institutions so as to make them more efficient and viable and vision oriented.

As evidenced in the introduction, internal controls form the cornerstone of good governance in all organizations. In the public sector, internal controls have a major role to play in protecting public interest relating public funds as well other important aspects of the purpose of public institutions. It is therefore not out of place to assess and take stock of internal control activities' impact on good governance in the Ghanaian public sector entities in order to help plan the way forward.

The study also seeks to provide an opportunity to policy makers (government) to harness the most benefits out of the internal control function and tools by identifying loopholes in the existing processes/mechanisms and knowing how it impacts on good governance in government activities.

Lastly, it seeks to add to the knowledge and existing literature and also to serve as a pivot for future research work in the area or subject matter.

1.6 Limitations of the Study

The major limitations anticipated in this research study included time and financial constraints. The time frame for the conduct of the study is limited, coupled with financial difficulties other public sector organizations beside the TMA cannot be visited.

The case study approach is to be adopted for this research, which means that there is the likelihood that issues to be discussed in the case study Assembly might not apply in other public sector organizations in the country.

Again the sensitivity and confidentiality of management information regarding internal audit and other management review reports and responses will make it difficult getting easy access to the needed data from the case study Assembly. The researcher, however, intends to find appropriate antidotes to overcome these in order that they do not affect the findings of this research work in any way.

1.7 Organization of the study

For the work to be orderly and to enhance effective flow of reading and to afford readers of this thesis better understanding of the subject matter, the entire work is to be structured and organized into five (5) main chapters.

The Chapter one contains the proposal and general introductory information about the study. It will include background of the study, problem statement, and purpose of the study, scope, limitations and the organization of the study.

The second chapter presents a review of literature related to the study with the view to positioning the study within other similar studies and to explore available knowledge in the study area.

Chapter three shall detail out the procedures and methods that will be used to carry out the study. It will explain the entire research design and methodology to be used, the data collection methods and statistical procedures used to analyze the data. The chapter also presents a brief profile of the Techiman Municipal Assembly (TMA).

Chapter four shall contain analysis done on the data collected and presents them in forms that shall be easily and readily understood by readers. This will include tables, figures, charts and narrations. Chapter five will feature a summary of findings, conclusions and recommendations that shall be made for appropriate corrective action.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the extent of literature on the concept of Internal Control and the role it plays in public financial management and corporate government. The chapter therefore provides a broad discussion and review of internal control theories and imperial evidence by prior researchers. Furthermore an overview of the Ghanaian public sector Internal controls were reviewed basically with regards to regularity instruments and rules governing the operation's and functions of internal control in the public sector of Ghana and particularly the case study organization.

2.1 Theoretical Framework.

Internal control can be understood differently by different people in different circumstances. This has led to confusions among businessmen, regulators, regulators and others. This often cause problems within institutions of which the Techiman Municipal Assembly is no exception. This problem is often worsening when the terms are not well defined in our laws and other regulations. To arrest these organization problems, this study has dealt with the needs and expectations, management and organizations, workers and the general public as a whole. In this regard, internal control is defined and described to:

- Establish a common definition that serves the needs of different parties
- Provide a standard against which business and other entities (Both large and Small) in the Public and Private sectors as well as profit oriented or non-profit oriented can assess their control systems and determine how to improve upon them.

2.1.1 Historical development of internal control

Since about 1900 accounting and business writers have made internal control very popular especially in relation to the work of an auditor. The indication given by this is that internal control is a new concept to both auditor and management. However, accounting and auditing have existed for a long time in the past but the same cannot be said about internal control.

The purpose of this session of this study is to show some summaries of extract from previous research works so as to provide some insight into the development of internal controls. According to Stone (2009), the early signs of internal control, particularly internal audit can be found in the records of early Mesopotamian civilization, - the summaries around 3600 to 2200 BC. He quotes Kenneth Most S. as saying; “It was customary for summaries to be prepared by scribes other than those who had provided

original list of payments. Further, the document of the period revealed tiny marks, dots and codes at the sides of the figures indicating that checking had been performed”.

2.2 Internal Control Defined

Internal control is broadly defined by Njanike and Mutengezanwa (2011) as step by step programmes and processes instituted by management of an organization which helps the organization to achieve its goals and objectives as well as complying with laws and regulations.

This definition is further expatiated to give full meaning to effectiveness, efficiency and reliability, as follows: Effectiveness and efficiency of the operations of the entity seeks to address the based business and corporate objectives, achieving targets as well as protecting the resources of the entity.

The other category of reasonable assurance that Internal controls seek to provide, relates to reliable financial reporting which encompasses consolidated financial statement. Thirdly internal controls provide assessment of compliance with laws and regulations.

The different aspect of the above definition deals different aspects of the organization. Deducing from the above definition internal control system can be seen to operate at different levels of effectiveness. The above categories can be measured on the basis of how each aspect has been able to achieve its objectives of reliable financial statements, compliance with laws and regulations and safeguarding the resources of the entity.

The American Institute of certified public Accountants (AICPA) in its guidelines on the Statement of internal control systems issued in 1995 defined internal control as a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance about the achievement of the entity's

objections relating to the;

- Safeguarding of organizational assets
- Checking the accountancy and reliability of its accounting data
- Promotion and operational efficiency
- Encouraging adherence to policies for accounting and financial controls.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report on internal control, - Internal Control – Integrated Framework (1992) also defined internal control as follows; *"Internal control is a process developed to guarantee with reasonable certainty, that the objectives of the company are achieved."*

Price Water House Coopers in (2008) defined an internal control system to consist of all procedures methods and measures (control measures) instituted by the Board of Directors and executive management to ensure that operational activities progress in proper fashion.

Considering the various definitions provided by authorities and earlier writers on the subject, internal control reflects the following fundamental concepts;

- **Internal control is a process** – it is an ongoing activity that is interconnected to operations of an organization and which is seen as an important part of the organization.
- **People related** – this means internal controls do not work on their own, they have to be implemented by people i.e. management and other employees.
- **Reasonable Assurance** – can only give a reasonable assurance.

2.2.1 Internal controls Myths and Facts

Internal controls in organization are associated with certain myths and facts which are common and include the following as depicted in the figure below;

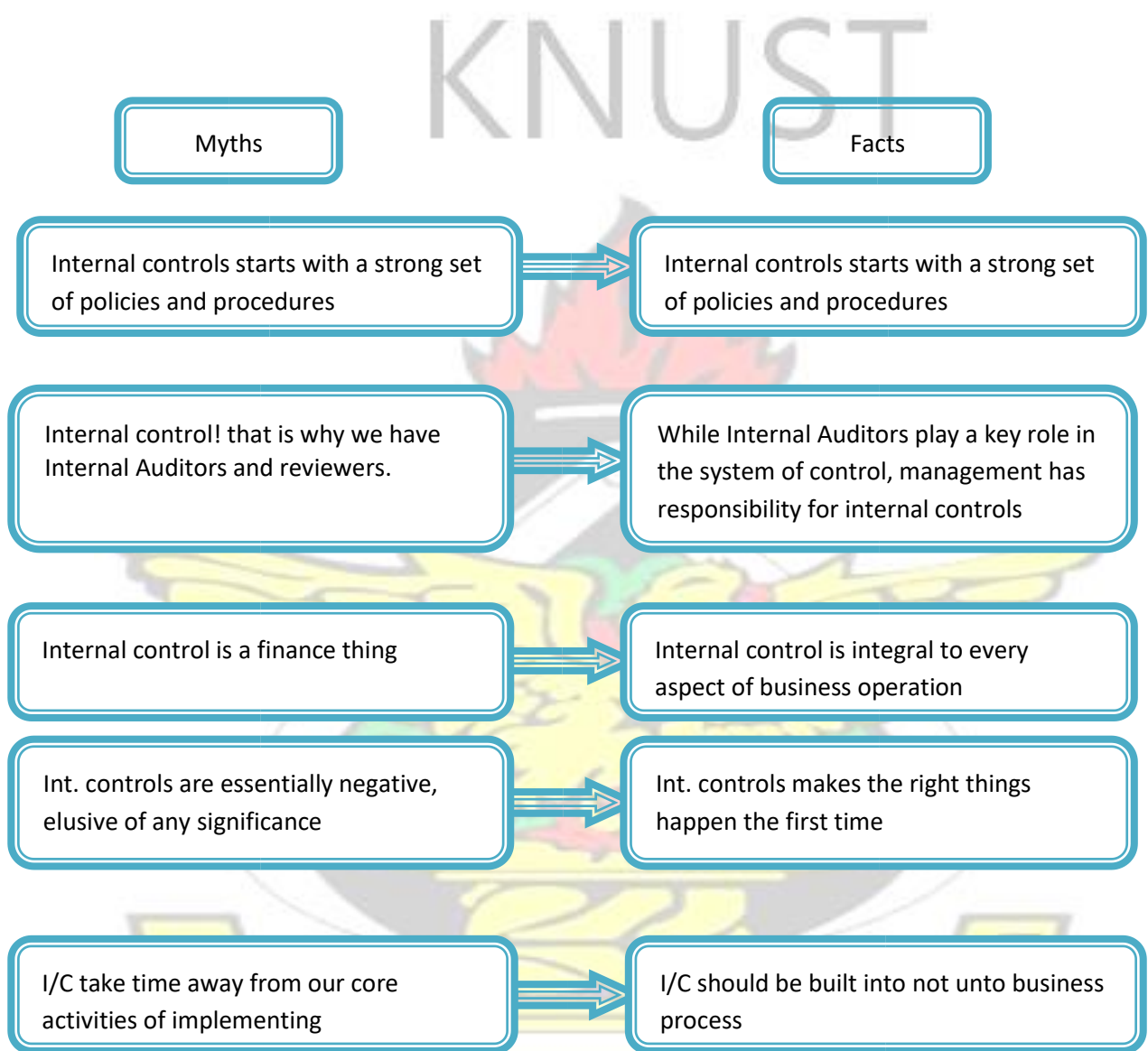


Figure 2.1: Internal Control Myths and Facts

Source: Adopted from IFAD presentations on Internal Audit, April 2012

2.2.2 Internal control practices – (How does it work?)

Internal control is a step by step activity; it is a means to an end not an end in itself. Internal controls are affected by people as a team and not by internal auditor, for it is not merely policy mammals and forms but people at every level of an organization they can therefore be expected to provide only reasonable assurance, not absolute assurance to an entity's management and governing bodies/committees.

2.3 Components of internal control

Internal control as depicted by “COSO”

COSO is a non for profit making organization which focuses on the improvement of financial reporting through ethics, effective internal control and corporate governance. COSO is financed by five professional bodies in the US:

AICPA - American Institute of Certified Public Accountants

AAA - American Accounting Association

FEI - Financial Executives International

IIA - The Institute of Internal Auditors

IMA - The Institute of Management Accountants

COSO members believe that the beginning point of good corporate governance is in the definition of internal control. To them “Internal control is a process developed to guarantee with reasonable certainty, that the objectives of the company are achieved.”

www.coso.org

This process depends on the following categories:

- Efficiency and effectiveness of operations
- Trust in the financial records
- Conformity with laws and regulations

Internal controls have five major elements and they include; Control Environment, Risk Assessment, Control Activity, Information and Communication and Monitoring (BOYNTON; JOHNSON; KELL, 2002, p.321). This can be shown in the diagram below:

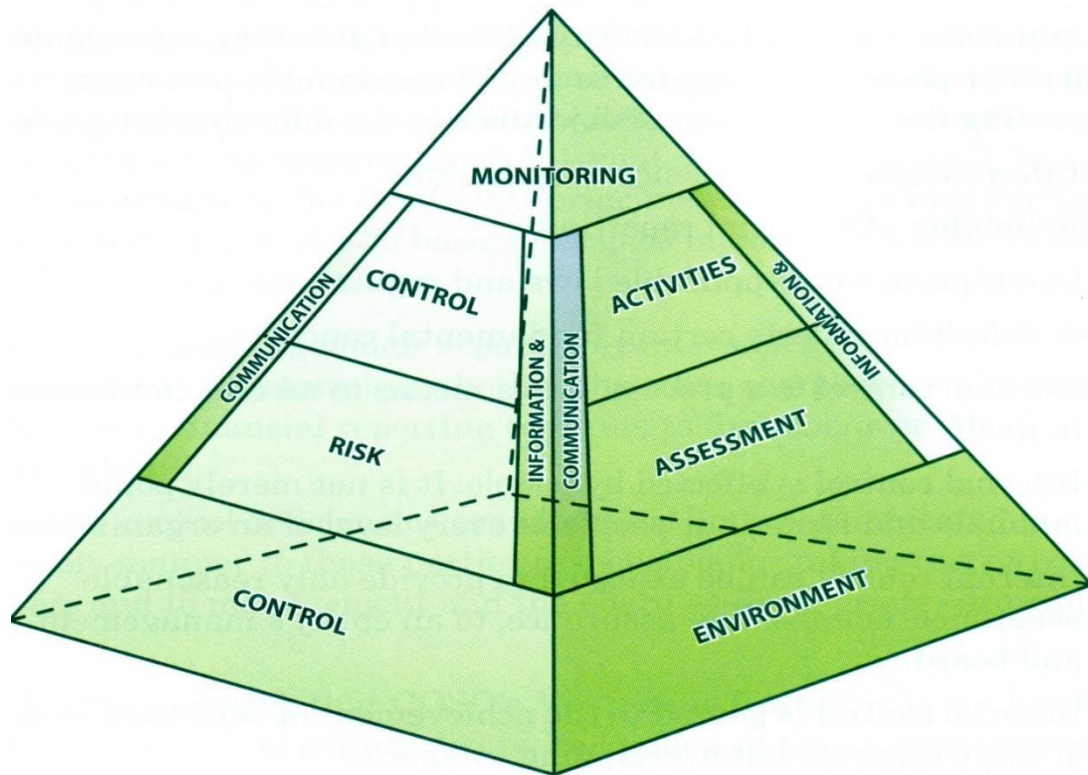


Figure 2.2: Internal Control pyramid

Source: WWW.COSO.org

a) Control Environment

This refers to the environment in which the controls are applied. It can be referred to as the corporate culture, attitudes and awareness of management. Ashenden (2008) supported this by postulating that the Control Environment is effective when all members of the firm are aware of their roles and responsibilities.

Hilton (2011) indicated that the actions of senior management are important to the effectiveness of internal controls. Good communication from management to employees is likely to make controls stronger or otherwise.

Management plays a crucial role in the effectiveness of internal controls. Management can strengthen internal controls through the following; delegation of authority, training

of employees, and good communication of policies and programmes of the organization. This can only be possible if senior management lead the way by leading by example.

b) Risk Assessment

This involves the identification of risk factors that likely to prevent the organization from achieving its objectives. It includes risk identification, risk description, risk estimation as well as risk registration. Jonson and Kevans (2012) defined risk as the probability of loss that can be attributed to uncertainty of an occurrence. Risk can also be described as the deviation from actual returns from expected returns. Risk assessment is a continuous process which is aimed at identifying risk and finding ways to reduce its impact on the organization.

c) Control Activities

These are actual steps and procedures that management takes to mitigate risks. These activities could include the following; separation of duties, authorization and approval and physical checks. Control activities help organization to adopt policies and procedures to respond adequately to identified risks. Management design control activities to provide protection the resources of the organization and ensuring that corporate objectives are achieved.

2.4 Internal Control and Public Sector Accountability in the United State of America (USA)

Federal policymakers and program managers in the United State of America (USA) are looking for better ways to achieve organizational goals and improve financial reporting.in order to achieve corporate goals, good internal controls has to be implemented. Strong internal control does not only minimize risks but also help to manage change.

2.5 Internal Controls and the Public Sector of Canada

The Treasury Board Policy on internal control seeks to ensure that there is effectiveness in the Internal Control relating to financial reporting. To them, internal control and risk management are integral part of resource usage in an organization. In order to achieve value, consideration has to be given to risk, information on performance, financial information and quality of services.

2.6 Internal Controls and the Public Sector of Ghana

More attention has been given to this topic in the country, Ghana. Even though it is a new area of concentration by most private organizations, the same cannot be said of the public sector organizations.

Reference to the manual - *Public Sector Accounting: The Institute of Chartered Accountants Ghana (ICAG), 2010*, “the primary objective of Legal Framework for Financial Administration and Transparency in Ghana is to ensure; efficient, effective and economical use of public finances. It also aims at control over government commitments and policies, reliable information for financial reporting, and assessment of management performance and stewardship”.

2.8 Internal Control and Internal Auditing

2.8.1 Internal Auditing

Internal Auditing according to Coyle (2009) is an appraisal system established within an organization which helps the organization to achieve its objectives. This function is created by management to assist in the effective discharge of the duties and responsibilities of the organization.

The Institute of Internal Auditors (2015) defined Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps organisations to accomplish their objectives by bringing disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

The work of internal audit is to ensure that organization policies and programmes are in line with the corporate or business objectives. They are also responsible for evaluation of the organization's internal controls to determine their effectiveness in protection of the resources of the organization.

2.7.2 The need for an internal audits function?

Internal audit function is very important in assisting the organization in achieving its objectives. According to Weber (2013), internal audit should provide management the necessary tools to steer the affairs of the entity hence establishing a strong audit function.

2.7.3 Internal and External auditing.

There is a difference between internal and external audit of an organization. These differences stem from their scope, independence, their reporting structure and the level of assurance provided. External auditors are appointed by the Board of Directors to express their opinion on the financial statement of the entity. They are seen to be independent of the organization and only provide services at a fee. But internal auditors are employees of the organization who help management in ensuring proper control measures are put in place to ensure the achievement of corporate objectives. Both internal and external auditors play a key role in the success of the company.

2.8 Auditor's work on the Internal Control

The International Standards on Auditing emphasize on the relevance of internal controls to an auditor. According to the ISAs, internal controls enable the auditor to obtain an understanding the entity's environment in order to help him design effective audit strategy and audit plans for the audit. It also requires the auditor to use professional judgment in assessing audit risk and to develop appropriate safeguards to reduce audit risk to an acceptable level.

An understanding of the entity's environment enables the auditor to adopt a particular type of testing for audit evidence. The audit strategy adopted is based on the test of control of the entity under audit.

2.9 Internal control objectives

According to Poubel de Castro (2009), internal control has the following objectives;

a) Ensuring accuracy of information

Internal controls play a key role in the accuracy of information provided by the organization for its stakeholders. It is very important for a manager to ensure that controls are working properly (Johnson and Kaven 2012). Accuracy of accounting information has to be taken into consideration when designing the internal controls.

b) Promoting operational efficiency of the organization

Ensuring operational efficiency help an organization to avoid waste of resources and providing an important medium to undertake tasks and achieve satisfactory performance. Internal control helps to establish standards of performance and ways to develop a

multiple functions which are directed towards organizational objectives. There are many ways to ensure operational efficiency. They include recruiting and selecting qualified personnel, education and training.

c) Compliance with laws and regulations

One of the important objectives of internal controls is to ensure compliance with laws and regulations. This is also to ensure that employees comply with organizational policies and programmes for onward attainment of organizational objectives. In order for controls to work effectively, all the members in the organization must work hand-in-hand.

d) Safeguarding of assets

Assets are tangible and intangible resources of an organization which are deployed in the day-to-day operations. These are resources own by the entity which are used in the production of goods and services and for administrative purposes. Assets should be protected from misuse, theft or misappropriation.

e) Prevention and detection of fraud

Controls are very important to detect fraud that may occur during operations of the entity or through the financial statement. Fraud can occur through the use of unapproved means by members of the entity. In recent times, a study conducted by KPMG, entitled “Fraud in Brazil”, shows the main causes and the paths taken by to pinpoint fraud in the Brazilian public service. The research shows that 7% of frauds are as result poor attitude, 13% relates to the override of controls by management, 17% and 63% represents particularity and lack of internal controls respectively. In addition to the above, corruption index on the public sector of Ghana published by the Transparency International (2013 Global Corruption Barometer) indicated that corruption is the on the rise in the public sector of Ghana

In conclusion, internal controls form a major portion of the administrative activities of the entity in both private and public sectors.

2.10 Benefits of internal control

2.10.1 Benefits of Internal Control to the entity

On the literatures reviewed on previous studies one can identify the following principal benefits that may arise for an entity from instituting and effectively implementing a sound system of internal control:

1. “Internal control can drive performance and create value for your organization instead of only assuring conformance” - Edward Chow Chairman, IFAC PAIB Committee (2011)
2. “Internal control helps management to design, implement and maintain controls and then internal audit ensures that management sticks to them,” - Cees Klumper, Vice-President, Internal Control, Ahold (Dutch stores group). (2009)
3. Helps in the maximization of opportunities and minimizing losses.
4. Internal control ensures the appropriate steps are taken in risk management with the aim of achieving organizational objectives.
5. A good Internal Control system offers good financial reporting practices and hence accurate information for the various stakeholders.
6. With effective internal control, assets are safeguarded and operational performances are improved.

2.11 Limitations of internal control

Effective internal controls can also have certain limitations which are likely to impact on the operational performance of an entity. There is a high possibility of limitations which are inherent in the internal control systems. These may include the following:

- a) **Errors of Judgment:** internal controls are designed and implemented by humans. Most of these controls, management use judgments in designing and implementing them and hence there can be errors in either the design stage or implementation stage. Incorrect judgments could be as a result of inadequate information available during the design or implementation stage.
- b) **Failures:** Flaws in controls established can occur when there is miscommunication. Errors can also occur when there is lack of adequate training of personnel of the organization. Complexity of information technology usage can also cause failures in the control systems.
- c) **Management override** – this occurs when a senior manager bypass protocol. There is a high risk involved when senior management are able to override laid down policies or procedures for legitimate course of action.
- d) **Collusion:** when two or more individuals come together to defraud the organization, they can be said to have colluded. When these employees carry an important control function, can perpetuate fraud and hide the evidence.
- e) **Resource limitations** – due to the scarcity of resources, organizations have to prioritize the control activities to make the use of resources. In other words, resources are not available to put every control activity into practice.

2.11 Conclusions

The reviews of literature on internal control and the explanations have shown us that there are several interpretations to the topic internal controls which pre supposes that the topic has different aspects. This means that those aspects are subject to different interpretations in different circumstances. Internal controls are designed and implemented by the Board of Directors and management of a company to ensure reliable reporting, protecting of corporate assets, as well compliance with laws and regulations. These are all to help the organization to achieve its objectives.

In conclusion, internal controls offer several advantages and benefits to those companies that are able to put effective control measures. Efficient utilization of organizations resources can be as result of good control measures put in place. It also help in reducing fraud and other irregularities in financial reporting and misappropriation of funds by employees.

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 Introduction

This chapter discusses the methodology employed to achieve the objectives of the study. This research is a non-experimental exploratory study designed to determine the effectiveness/ impact of internal control on corporate governance particularly in state or government organizations. It is also to recommend strategies for effective and efficient ways by which internal control activities can impact on performances of public sector organization, using Techiman Municipal Assembly (TMA) as a case study.

3.1 Sample population

The population of the study is the management and other staff of Techiman Municipal Assembly.

3.2 Sampling Technique and sample size

Due to the varied nature of the sample population, purposive (for management), and simple random sampling (for other staff) techniques is used to select the sample from both the management and other staff. A sample size of fifty (50) staff of the selected case study institution was selected. This was made up of fifty (5) management staff members and forty-five (45) other staff. The staff taken from TMA, were from the Finance, Budget, Administration, Procurement, and the Planning and Monitoring section.

3.2 Data Collection

Data will be collected from two main sources for this study with the view to produce objective and valid conclusions. These were data collected from primary and secondary sources. As stated by (Yin, 1994), no single data source has complete advantage over all other sources. Hence most researchers agree that qualitative research should try to use as many different sources as possible.

3.2.1 Sources of Data

➤ Primary Data

Questionnaires and interview guide were the main research instruments used to gather the primary data for the study. Structured questionnaires were used to gather unbiased opinion of respondents and the interview guide to clarify unclear issues to respondents.

Specimen of the questionnaires is attached as annex 1. Both open and closed ended questions, based on the objectives of the research were used. The open ended questions were meant to gather the opinions and views of the investment managers on certain investment issues such as factors influencing their decisions on certain categories of investments, which were not revealed by the financial statement. The closed ended questions were used to get specific responses from TMA officials contacted.

➤ **Secondary Data**

A number of Secondary data from the annual reports and monthly statements and returns of the TMA were used to obtain additional information on the subject to buttress responses gathered from the questionnaires. The secondary data consisted of issues in internal and external audit reports on the accounts and operations of the TMA for the past five years, and other audit reports implementation related issues. In addition, materials on internal control and reports by other authors were considered for the study. Moreover, the Audit service Act 2000 (Act 584), the Internal Audit Agency Act 2003, (Act 658), journals and periodicals from renowned audit bodies and institutions were collected and reviewed.

3.2.3 Field Work

The research questionnaires were administered personally by the researcher, so were interviews with the key respondents and personalities of TMA conducted personally by the researcher with the assurance to the institution of the study that the confidentiality of information provided for the study would be maintained.

3.2.4 Pre-Testing

To ensure reliability and validity of the instrument, a pilot test is conducted using the data collection instruments described above on one of the branch offices of TMA (Techiman Urban Council) which was not considered in the actual data collection exercise. After the pilot testing, it is realized that there were no complications in the development of the questionnaires there were some few problems with the instruments designed or questions asked. The affected questions were re-designed to make them straight forward and more understandable.

3.3 Data Analysis/Presentation

According to Emory and Cooper (2003) raw data obtained from a research is useless, unless it is transformed for the purpose of decision-making. Data analysis usually involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study: The data collected was analyzed using Statistical Package for Social Scientist (SPSS) computer software program. The result was presented using statistical tools such as frequencies, tables, histograms and pie charts. Both descriptive and inferential statistics were used to analyze the data using SPSS and Microsoft Excel programs as analytical packages.

3.4 Limitations of the Field Work

There are some difficulties faced by the researcher especially during data collection. Financial constraints as well time has affected the research work. The nature of the study requires frequent visits to the offices of the TMA and some of its Sub-Municipal offices which resulted in huge traveling expenses. On some of these visits the researcher could

not meet the designated officer for the necessary meetings and interviews, even though arrangements have been made in advance. They were most often taken away by their busy work schedules, meetings and other errands outside their offices. Due this challenge, the researcher has to resort to telephone conversations.

Despite these challenges, the researcher is able to collect data successfully.

3.5 Ethical Considerations

The researcher ensures that all necessary ethical considerations are observed. This is due the fact that modern organizations operates in a competitive environment hence would do anything to protect themselves from other competitors. With this in mind, the researcher ensued that all information collected are treated with the highest level of confidentiality.

3.6 Overview of Techiman Municipal Assembly (TMA)

3.6.1 Institutional Background

The current Techiman Municipality had been part of Wenchi and later Nkoranza and Kintampo districts before its establishment as Techiman District Assembly under Legislative Instrument (L.I.1472) of 1989. It later gained the status of a Municipality in 2004 under Legislative Instrument (L.I. 1799). Subsequently, Techiman North Assembly was separated from Techiman Municipal assembly through the creation of the new Legislative Instrument (L.I. 2096) of 6th February, 2011. The Techiman Municipal Assembly is one of the 27 Districts in the Brong Ahafo Region of the Republic of Ghana. As far back as 1969, the Government of Ghana recognized that the “Population of Ghana

is the nation's greatest resource. It is both the instrument and objective of national development. The protection and enhancement of its welfare is the

Government's first responsibility". (Government of Ghana, 1969) Government also explicitly recognized the reciprocal relationship between population and development (i.e. population affects development even as development affects population). An understanding of the population, its characteristics and dynamics, is therefore crucial for realistic development planning.

The Municipal Assembly is expected to initiate and coordinate the processes of planning, programming, budgeting and implementation of Municipal plans, programmes and projects.

There are 5 councils (1 urban council and 4 Zonal Councils) namely; Techiman Urban Council, Tanoso Zonal Council, Tano Zonal Council, Nsuta Zonal Council and Nkweaso Zonal Council located in the Fiaso/Nanankansu, Koforidua-Seresu/Asutia Asantanso/Aworopata/Attabourso, Nsuta-Seresu and Nsunya respectively. Each council comprise of 4 staff namely which include a Chairman, secretary, treasurer and a revenue collector. The staff is mainly tasked with the responsibility of supervising and managing the revenue mobilization activities in the communities under the zone or urban councils. There are also 56 Unit Committees comprising 5 members each with total a number of 280 members.

The development process in the Techiman Municipality hinges on various institutional structures that include state institutions, traditional governance structures, the private sector and non-governmental organisations including community based organisations.

3.6.2 Ownership and Capitalization

The Assembly consists of;

- a) Municipal Chief Executive,
- b) 45 Assembly Members elected by universal adult suffrage in the electoral areas into which the Assembly is divided,
- c) 18 other members appointed by Government including women,
- d) and one Member of Parliament in the Municipality.

The Municipal Chief Executive as the representative of the Central Government in the Municipality also chairs the Executive Committee of the Assembly, which is charged with the day-to-day running of the Assembly. The Municipal Coordinating Director coordinates all activities of the departments to ensure synchronization and avoid replication of efforts.

Capitalization

The Functional Organizational Assessment Tool (FOAT) provides the basis for measuring the performance of Assemblies and their suitability to access the facility.

Revenue and Expenditure Performance of the Municipality, 2010-2013

Revenue

The following shows updates on sources of funds of the Assembly from 2010-2013

Table3.1 Source of Funds of the Assembly

Sources/Year	2010 GH¢	2011 GH¢	2012GH¢	2013 GH¢	Total GH¢
DACF	1,026,137.27	1,233,971.43	931,367.43	494,089.54	3,685,565.67
IGF	113,180.00	128,191.00	165,184.00	193,003.00	599,558.00
HIPC Funds	25,073.15	-	-	-	25,073.15
GOG Grant	1,228,459.95	1,397,729.16	2,233,625.76	2,233,625.76	7,093,440.47
Donor Grants	1,412,741.19	634,913.10	2,298,338.70	2,653,673.19	6,999,666.18
School Feeding	380,286.85	563,108.00	929,054.40	1,187,050.60	3,059,499.85
DDF	982,454.34	-	715,625.13	222,229.00	1,920,308.47

UDG	-	-	653,659.17	1,242,393.59	1,896,052.76
Waste Management	50,000.00	-	-	-	50,000.00
Total Revenue	5,218,332.75	3,957,912.69	7,926,854.59	8,226,064.68	25,329,164.55

Source: Municipal Finance Office, TMA

From the table, there was a sharp and significant reduction of revenue for the period 2010-2011. This situation was so mainly because major sources of income such as the HIPC fund, District Development Facility (DDF), Urban Development Grant (UDG) and Waste Management Fund were not forthcoming.

DACF

Estimated revenue of GH¢7,285,023.00 was expected from this source (DACF) for the period under review (2010-2013). However an amount of GH¢3,685,565.67 was realized. This fell short of the total budget estimate by GH¢3,599,457.33 representing a shortfall of 49.41%.

IGF

The total IGF estimate for the years 2010-2013 was GH¢ 628,117.00 while the actual total receipts was GH¢599,558.00 representing a shortfall of GH¢ 28,559.00 (45%) against the target set. Total IGF receipts increased from GH¢ 113,180.00 in 2010 to GH¢ 193,003.00 in 2013. This represents an improvement of about 71 % over the period.

The improved IGF performance was as a result of the adoption of a number of measures such as;

- re-formation and reviving of Market Management Committee
- Strengthening of Budget Committee
- Mass transfers of revenue staff who have overstayed their schedules.

- Setting of revenue targets for revenue staff

Expenditure Table3.2. Disbursements of Funds of the Assembly (2010-2013)

EXPENDITURE ITEM/ YEAR	2010 GH¢	2011 GH¢	2012 GH¢	2013 GH¢	Total GH¢
ADMINISTRATION	-	151,536.51	126,502.97	200,773.15	478,812.63
SERVICE	-	1,358,876.90	19,158.22	74,503.24	1,452,538.36
INVESTMENT	-	2,630,622.18	2,427,003.62	2,813,804.06	7,871,429.86
SPECIAL PROJECTS	-	128,868.21	2,748,526.82	105,307.08	2,982,702.11
MISCELLANEOUS	-	270,999.65	207,854.43	147,558.35	626,412.43
TOTAL	-	4,540,903.45	5,529,046.06	3,341,945.88	13,411,895.39

Source: Municipal Finance Office, TMA

Table 3.2 above indicates the disbursement of funds for the period 2010-2013. Total expenditures decreased from GH¢4,540,903.45 in 2011 to GH¢ 3,341,945.88 in 2013 representing a decrease of GH¢ 1,198,957.57(35%). A total amount of GH¢ 13,411,895.39 was disbursed for the years 2010-2013 as against a total receipt of GH¢ 25,329,164.55 This trend has been partly as a result of the District Development Fund (DDF) receipts for 2010 which were received in the last part of 2013.

3.6.3 Organization's Location, Offices and Facilities

Currently, the Head office of the TMA is located at Techiman in the Brong Ahafo Region. The offices of the principal persons (i.e. Municipal Chief Executive (MCE), Municipal Coordinating Director (MCD) Municipal Finance Officer and other Heads of Technical Department) are at this location. The Head Office of the TMA is strategically located making it easily accessible to the majority of its clients and the public. In addition to the Head Office, the TMA has five zonal councils sited in various suburbs of Techiman.

3.6.4 Corporate Vision

Their vision is to expand the capacity of sustainable and equitable growth as well as create wealth within an environment that empowers all stakeholders irrespective of their social economic status to fully participate in the development of the Municipality.

3.6.5 Corporate Mission

The mission is to improve the quality of life of the people, through the effective mobilization and utilization of human and material resources by involving the people in the provision of the needed services.

3.6.6 Corporate Goals

The purpose is to ensure development in the daily life of the people

1. To promote and safeguard public health
2. To ensure the provision of adequate and wholesome supply of water throughout the Municipality in connection with the Ghana Water Company
3. To help build and maintain places of convenience for the constituents.
4. To ensure good sanitation is practiced in the municipality.
5. To regulate economic activities and ensure that measures are put in place regulate activities that harmful to public health.
6. To ensure food hygiene practices are adhered to in the municipality.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents a descriptive analysis of the demographic characteristics of the study, the effectiveness of internal controls on the operational performance of employee and organisations as a whole and the factors that influence the choice of internal control mechanisms implementation in public sector organisations. The chapter also presents the use of *one sample t-test* for checking whether the factors enumerated by the respondents statistically influence the choice of internal controls or otherwise. Another technique (*perception index*) was also used to analyze the impact of employee relationship, acceptance/otherwise of internal control mechanisms on their performance at the workplace.

4.1 Demographic Characteristics

The demographic characteristics discussed include age, gender, of TMA employees that constituted the respondents in this study. Discussing these relevant variables provide an overview of the sampled employees in the survey data. As indicated in Table 4.1 below, 2 respondents were within the age interval 21-25 representing 3% , 35 respondents fell into the age interval 26-30 representing 71% , 7 respondents were aged within the interval 31-40 with a percentage of 14 and 6 respondents were also found within the age interval 41 and above representing 12% . Therefore, majority of the employees sampled were within the age interval 26-30, showing a clear indication that, most of the factors influencing the employees' acceptance, likeness or dislike of internal controls was enumerated by employees within this age group. The gender of the respondents also in Table 4.1 indicated that, 34 out of 50 respondents sampled were male officers while the rest were females, given percentages of 68 and 32 respectively. This result therefore

confirms to the fact that, more male officers prefer and are comfortable working under or within the dictates and directions of internal control measures instituted by management than their female counterparts do.

Table 4.1: Demographic characteristics

Variable	Category	Frequency	Percent
Age	21-25	2	3%
	26-30	35	71%
	31-40	7	14%
	Above 40	6	12%
Gender	Male	34	68%
	Female	16	32%

Source: Survey data, 2015. Compiled by Researcher

4.2 Employees perceptions about internal control effectiveness in TMA

The researcher observed that employee perceptions about internal control effectiveness and human resource management (HRM) practices can be endangered by factors within the organization and can also lead to enhancement of Employees Organizational Commitment (EOC) and Employee Citizenship Behaviour (ECB).

Further interactions with management and other key employees indicated that the relationship between effective internal control practices and quality service delivery (QSD) of TMA may be mediated by employee behavior and attitudes. In relation to Adams Equity Theory revised, (2006), employees of TMA who perceive inequality in say pay, promotion, reward, recognition or other outputs may change their attitudes towards the customers they serve and also towards the work in general. Similarly, from organizational justice perspective, the study analysis indicated that if TMA employees compare their input/output ratios in terms of internal control effectiveness and perceive

unfairness it could lower both employee organizational commitment (EOC) and employee citizenship behavior (ECB).

4.3 Trend Analysis of internal control functioning in TMA for the period 2009 – 2014

In establishing the trend and pattern of internal control functioning in TMA, a trend analysis was performed on implemented internal control mechanisms and recorded cases of internal control breaches in the set up for the period of 6 years (2009-2014) Table 4.2 on next page shows the details of the analysis.

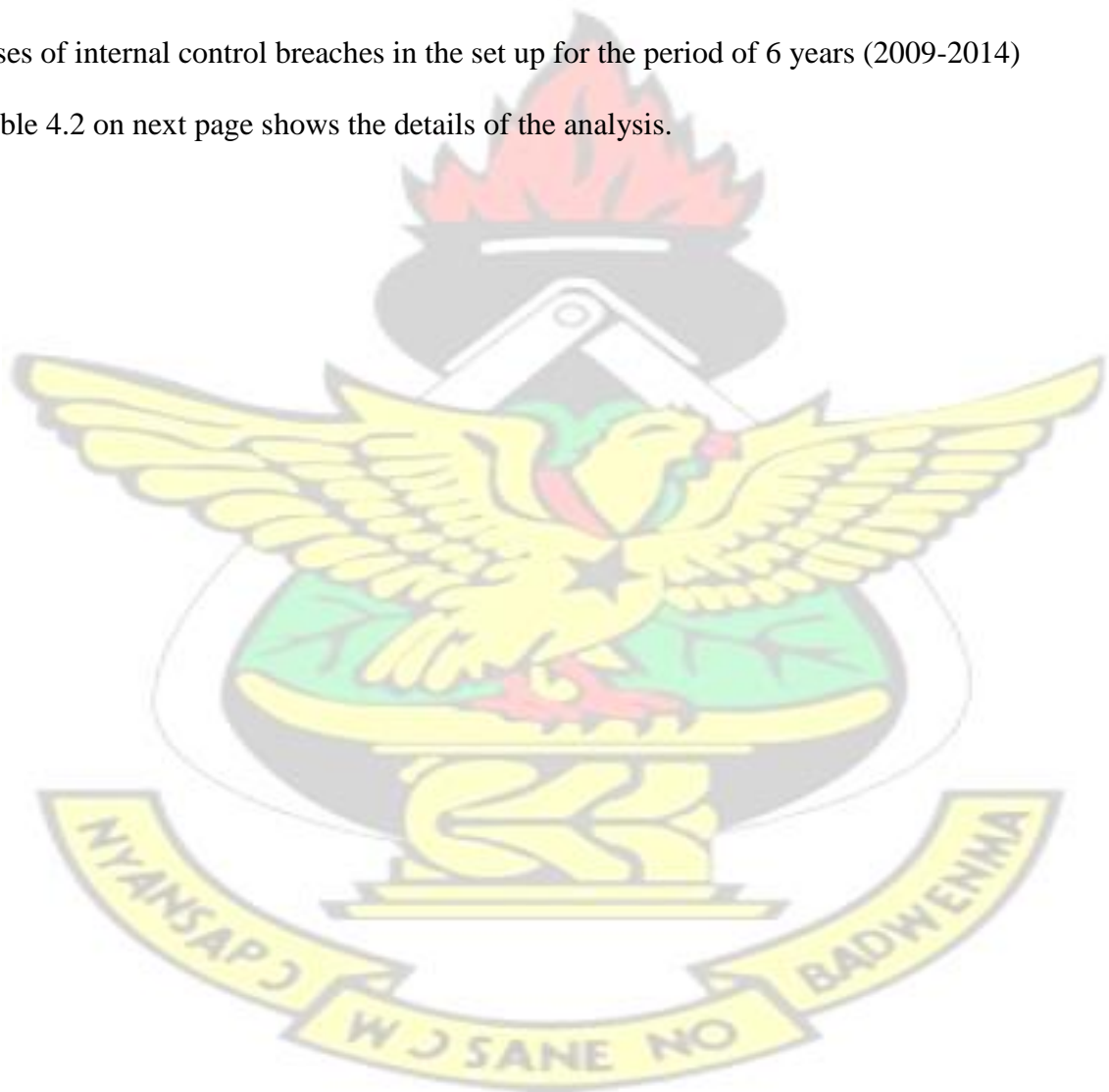


Table 4.2 Trend Analysis of internal control functioning and breaches in TMA for the period 2009 – 2014

Type of Grievance	2009		2010		2011		2012		2013		2014		Cumulative	Total
	Reported cases	Cases Resolved	Reported cases	Cases Resolved	Reported cases	Cases Resolved	Reported cases	Cases Resolved	Reported cases	Cases Resolved	Reported cases	Cases Resolved		
Internal controls relating to Seniority, Promotions and Transfer	17	15	12	12	10	10	8	8	8	7	5	5	60	57
Working Conditions related controls	25	25	16	16	13	13	10	10	10	10	6	4	80	78
Wages related internal controls	11	11	10	10	7	7	4	4	2	2	--	--	34	34
Disciplinary Issues/controls	21	18	17	16	19	19	15	15	8	7	5	5	84	80
Supervision related controls	12	10	10	9	6	6	--	--	--	--	3	--	31	28
TOTAL	86	79	65	63	55	55	37	37	28	26	19	--	289	277

Source: Survey data (2010). Compiled by researcher from internal controls performance/assessment register of the HRM department of TMA.

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The table indicated that for the 6-year period under review, reported control breaches were highest in 2009 with 86 cases out of which 79 representing 91.86% were resolved and corrected. The lowest level of breaches were recorded in 2014 when 19 cases were registered and 17 (89.47%) of that were resolved. Again, for the two years of 2011 and 2012, recorded cases of control breaches stood at 55 and 37 respectively, all of which were resolved. It was realized that there was a general decline in the control breaches cases in TMA over the 6-year period. The researcher's interactions with management of TMA indicated that the general decline was due to effective and efficient internal control mechanisms/practices embarked on by management.

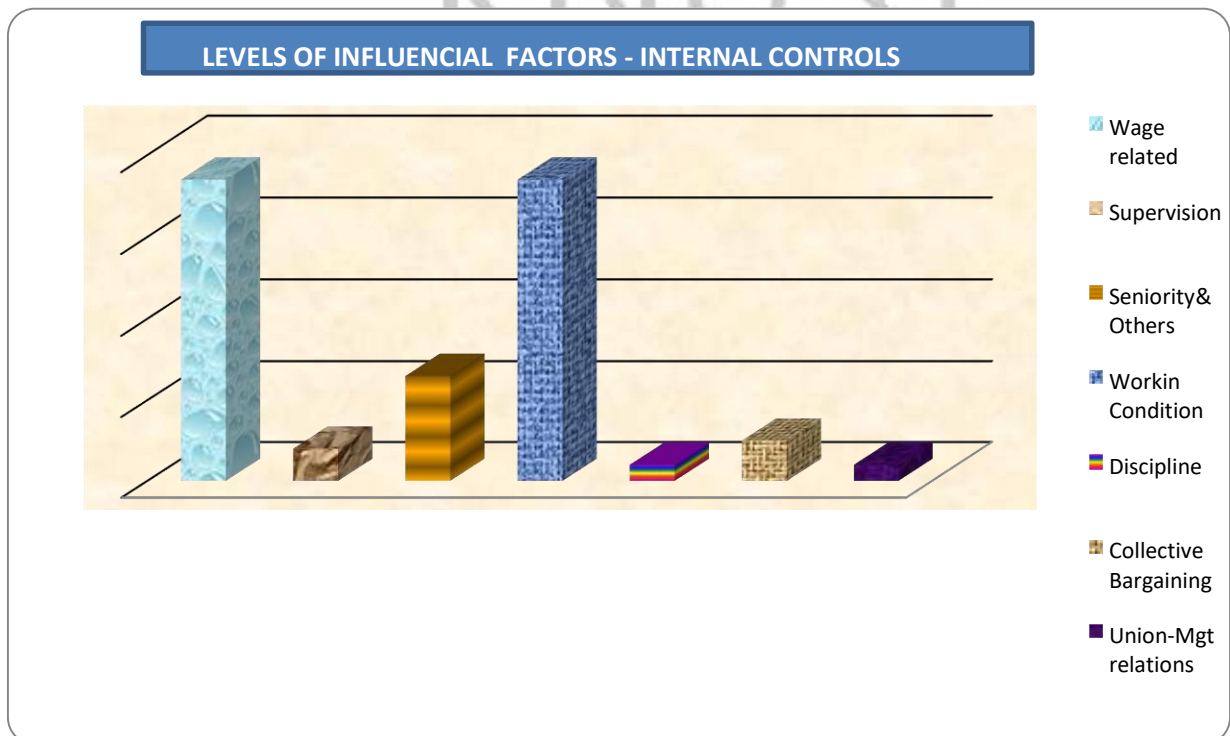
4.4 Factors that influences managements' choice of internal controls.

This section discusses the factors influencing managements' choice of internal controls and also discusses the test of significance of whether the factors obtained from our survey data significantly influence the choice of internal controls.

Table 4.3 and its corresponding figure 4.2 shows a clear picture of the factors that influence managements' choice of internal controls in TMA. The table clearly indicates that out of seven influential factors obtained from the survey data, *working condition and wage related controls* were found to be the factors that influence management the most in their choice for internal control mechanisms. The two factors had influential levels of 37% each with regards to management choice of internal controls in TMA over the five year period of 2009 – 2014. Control measures relating to seniority, Promotions and transfers was the second highest factors that influence managements' choices for internal controls with a percentage of 13, meaning TMA management and employees alike are greatly influenced in instituting and implementing internal control by issues concerning

seniority, promotions and transfers. However the least factors were found to be *union-management relations and discipline control factors*, both of which scored 2% respectively. Table 4.3 that follows shows the gravity, intensity and strength of influence of the various factors that influence the choice of internal controls in TMA.

Figure 4.2 Percentage Levels of Internal Control influential factors in TMA



The result of this analysis therefore is consistent with the earlier studies by Nair and Nair (2009) and that of Joackson (2000).

4.4.1 Factors that influence choice of internal control.

To determine whether the factors reported in table 4.3 and figure 4.2, significantly influence the managements' choice of internal control mechanisms one sample t-test was conducted. Table 4.4 below gives the significant test of factors influencing the employee choice in this regard.

Table4.4: Significance Test of Factors influencing managements' choice of internal controls.

Test Value = 0						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval	
					Lower	Upper
Rate of factors one choose Internal control mechanism.	14.861	299	.000	5.440	4.720	6.160 considers to

4.4.2 Test of results

H₀: The factors considered above have no significant influence on managements' choice of internal controls.

H₁: The factors considered above have significant influence on managements' choice of internal controls.

From Table 4.4, *test value* is the population mean factor which is indicating the awareness of existing studies of mean of factors influencing managements' choice of internal controls. In the case of this study, the researcher was not aware of the existence of any such study hence the population mean was assumed to be zero. The *mean difference* is the mean of factors influencing the management choice of internal controls while the "*significance (2-tailed)*", normally called the '*P*' is the probability value. The significance level of the test which is denoted by α is the level of risk/error the researcher took in analyzing the study hence giving a 95% confidence interval of significance. The 't' in the table denotes the t-test statistic value.

It was observed from table 4.4, that, the P-value is 0.000, based on the 95% confidence interval on the assumption that α is 0.05(5%). Therefore since the *P-value*= 0.000 is less than

$\alpha=0.05$, as a rule (Gordor and Howard, 2006), the null hypothesis of no significant influence on the factors impacting managements' choice of internal controls was rejected and the conclusion was made that the factors identified by the survey data to influence managements' choice of internal controls is valid. Also the mean difference of 5.44 lies within the confidence limit from 4.720 to 6.160, meaning we are 95% confident that the mean factor value falls within the specified confidence interval. Therefore from the test of significance, we can conclude that the above factors are significant in influencing the choice of management regarding the internal controls to implement in their organisations.

4.5 Impact of managements' choice of internal controls on their employee performance.

This section discusses the impact of managements' choice of internal controls on the performances of their employees; as to whether it improves their output levels or otherwise. Perception index is the tool used for this analysis. The Likert scale's response approach was used to solicit information on the impact of management's choice of internal controls on the overall performance of its employees or workforce. As indicated in Table 4.5 below, majority of the respondents representing 55% agreed to the statement *"I am doing excellently well at work because I am comfortable with the internal control measure instituted by management"*. The mean score calculated for this statement is positive and it is given as 0.3450, meaning employees generally agree to the statement.

Another statement *"I am doing fairly well at work because I am comfortable with the internal control measure instituted by management"* also recorded a positive mean score value of 0.2250 as 76% out of the total respondents agreed to the statement and 24% disagreed, implying that, the respondents generally agreed to the statement. The next statement also recorded a positive mean score of 0.163 indicating the general opinion of

respondents that, *they are doing well at work but that has nothing to do with they being comfortable or not with the internal control measures instituted by management.* However, the negative mean score of the statement “I am not doing well at work but has nothing to do with my choice of internal controls instituted by management, implies respondents disagreement to that perception, Again respondents disagreed to the statement “I am doing well at work because I am *comfortable with the internal control measure instituted by management*” as evidenced by the negative mean score obtained.



Table 4.5: Impact of Management choice of internal controls on employee performance

Statement	Percentages					Mean score
	Strongly disagree = -1	Disagree = -0.5	Not sure = 0	Strongly agree = 1	Agree = 0.5	
I am doing excellently well at work because I am comfortable with the internal control measures instituted by management	5.00	14.00	7.00	19.00	55.00	0.3450
I am doing fairly well at work because I am comfortable with the internal control measures instituted by management	10.00	14.00	6.00	9.00	61.00	0.2250
I am doing well at work but that has nothing to do with the internal control measures instituted by management	8.00	20.67	17.00	15.00	39.33	0.1633
I am not doing well at work but that has got nothing to do with the internal control measures instituted by management	24.00	38.67	15.00	7.00	15.33	-0.2867
I am not doing well at work because I am not comfortable with management choice of internal controls	43.67	29.00	13.00	3.00	11.33	-0.4950

Source: Author's own Calculation based on Survey data (2015)

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4.6 Effects of internal control effectiveness and employee turnover in TMA Stringent and rigid internal controls which are not carefully rolled out have the tendency of making some employee leave the organization which has a negative impact on the human resource capacity of the organisation, most especially where the employee concerned is a key personnel or one that has special skills, experience and expertise such that his or her departure will create a vacuum in the organisations' operations. According to Mani (2008), ensuring quality of work life for employees is a crucial factor for most institution. Internal controls have the tendency of disturbing the working environment of most organizations. Table 4.6 below shows how internal controls that were stringent and rigid to implement affected the human resource capacity of TMA over the period under review.

Table 4.6 Employee Turnover in TMA 2009 -2014 (Grievance Related)

Year	Leavers from TMA for reasons of unfriendly internal control measures
2009	7
2010	4
2011	Nil
2012	Nil
2013	2
2014	1

The highest number of employees leaving TMA as a result of unfriendly, stringent and rigid internal control procedures within the research period was in 2009, when as many as seven (7) employees left the services of the TMA. Over the 6-year period there has been a general reduction with 2011 and 2012 recording no leavers.

4.7 Challenges in implementing internal control measures in TMA

The study indicates that most often employees do not discuss their complaints and implementation challenges with their supervisors. They were most often reluctant to

communicate their challenges and grievances with regards to internal controls to their supervisors for reasons such as disinterest of supervisors and management in their concerns, lack of empathy on the part of supervisors and management staff, and the fact that the supervisors themselves faces similar problems. The survey data gathered for this study indicated 36% of respondent to the study questionnaires attributing this state of affairs to supervisors' disinterest in employees complaints, 6% attributed it to lack of empathy by supervisors and 24% attributed it to management style and approach of forcing the controls on the employees. Table 4.7 throws more light on this.

Table 4.7 Constraints to internal control implementation

Constraint	Response Rate
Disinterest of Supervisors	36%
Lack of Empathy by Supervisors	6%
Supervisor themselves facing similar problems	34%
Management forcing controls on employees	24%

Source: Researcher Compilation from survey data (2015)

This was further presented graphically as per the figure below:

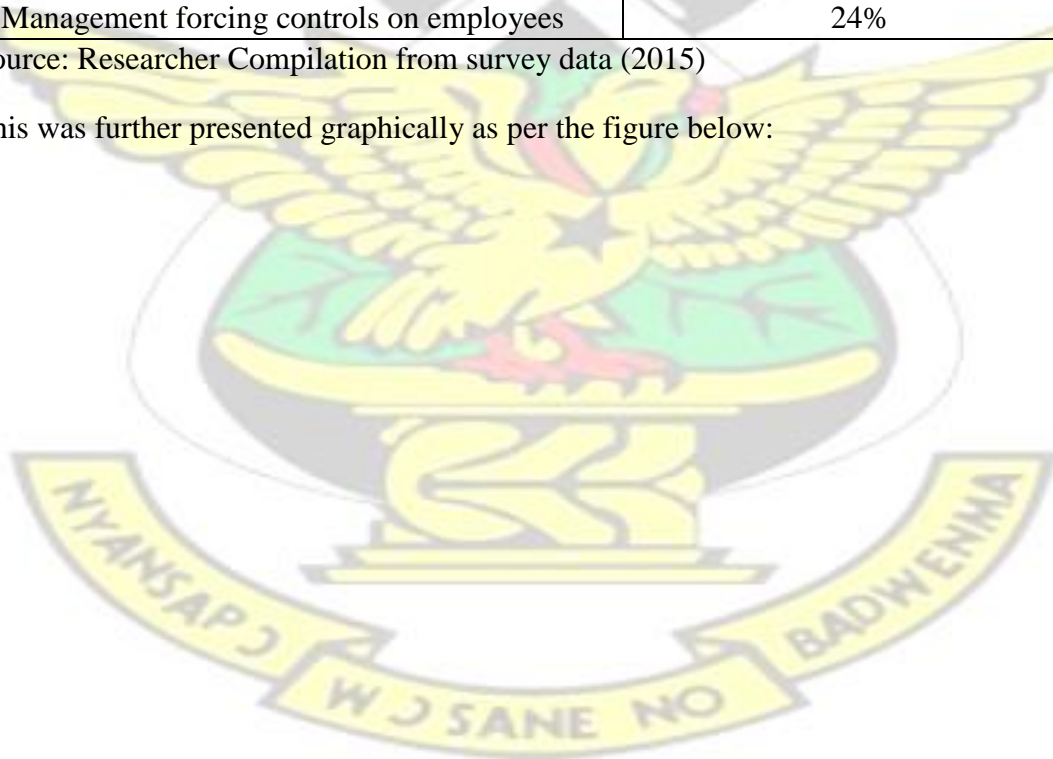
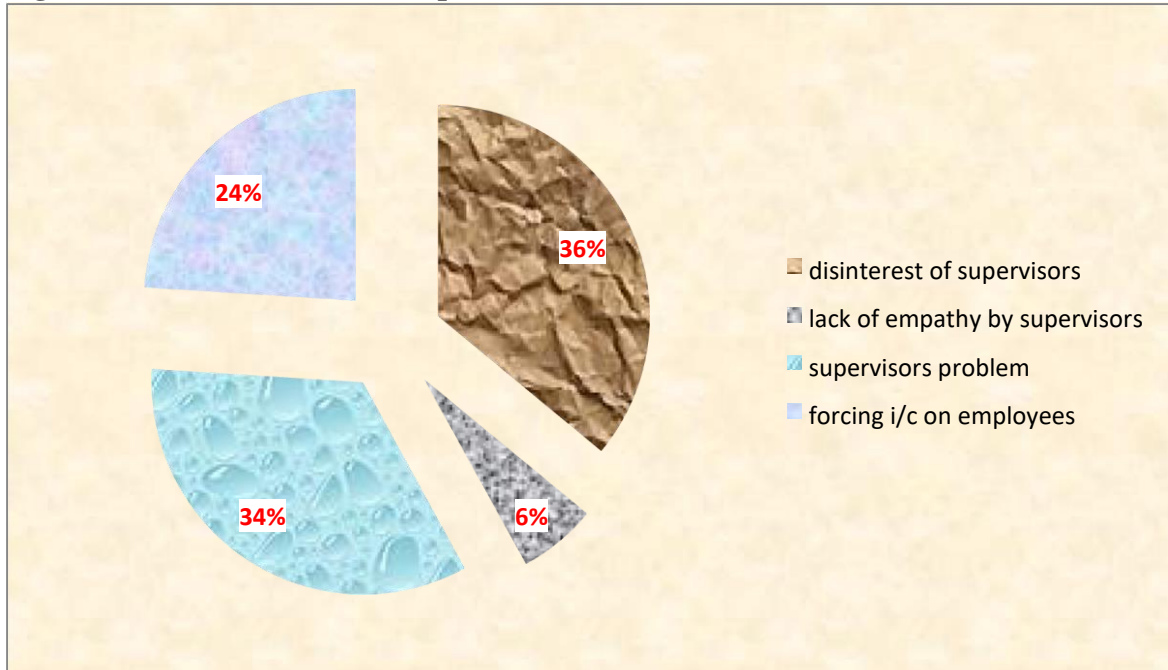


Figure 4.3 Internal Controls Implementation Constraints



Source: Researcher's survey data (2015)

4.8 Impact of internal control effectiveness on the revenue generation of TMA

The Municipal Assembly (TMA) could not meet its revenue target for the four years of 2009 to 2012. The Table below provides details to this effect.

Table 4.8 Annual Revenue Targets and Actual collections of TMA (2009 – 2014)

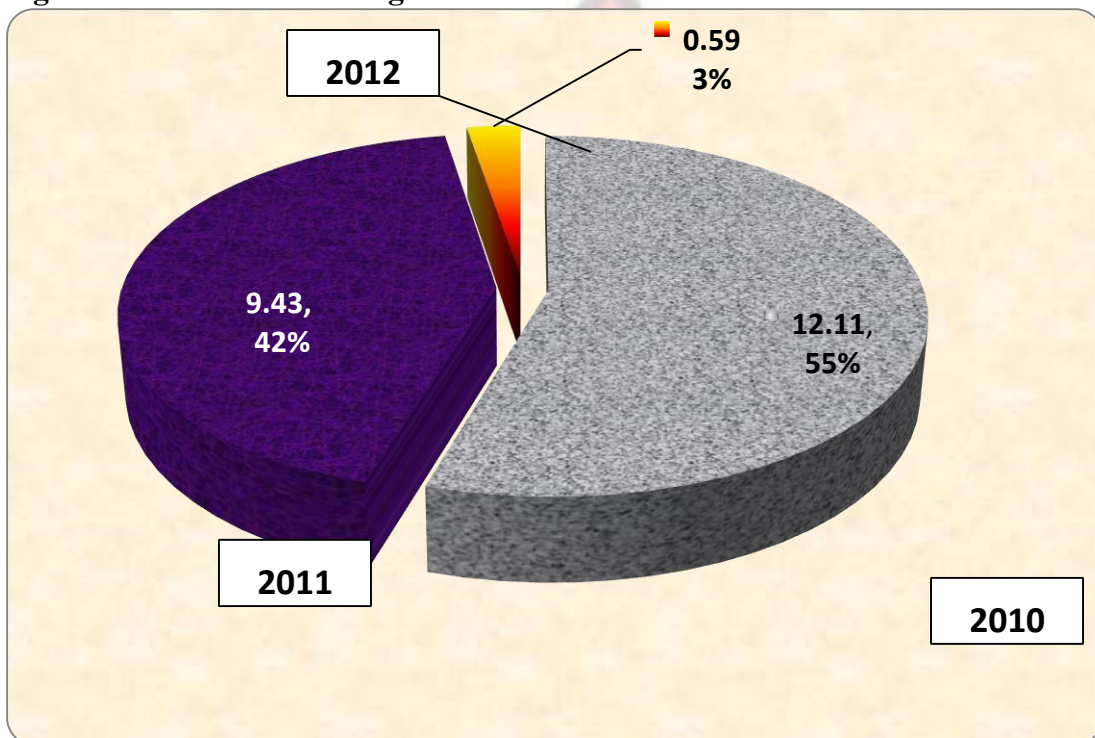
Year	Revenue Target set for the year (GH¢'m)	Actual Collection for the year (GH¢'m)	Variance (GH¢'m)
2009	87,840	93,430	6.36
2010	128,772	113,180	(12.11)
2011	141,535	128,191	(9.43)
2012	166,171	165,184	(0.59)
2013	191,639	193,003	0.71
2014	229,536	208,320	(9.24)

Management of the assembly attributed this partly to the numerous cases of internal control breaches that came up during that period. In most cases the affected persons as well as the supervisor or manager are not able to put up their best as far as the complaint

about the breach lingers on. Management however, attributed the negative variance in 2009 to the general economic downturn and recession that occurred at the time.

These negative tendencies adversely affected the developmental agenda of the state as the intended revenues to finance such projects could not be raised, resulting in the abandonment of such projects. This variances for the three years are further illustrated graphically as follow:

Figure 4.4 Variances in Budgeted and Actual Revenues 2010 - 2012



Source: Researcher's survey data (2015).

4.9 Conclusion

This chapter presented and discussed the findings from the study based on the methodology employed in the chapter three. The study began by analyzing the institution

under review. It also used descriptive analysis to evaluate the factors that influence the choice of internal controls, challenges faced by TMA in implementing internal control mechanisms and key elements of the internal control function.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

A catalogue summarizing the findings and observations made in the study are detailed out in this chapter. The chapter also provides conclusions and recommendations in relation to the research objective.

5.1 Summary of findings

This study sought to assess the effectiveness of internal controls mechanism in Ghana. Specifically, the study aimed at the extent to how effective internal controls are at Techiman Municipal Assembly. The literature review revealed that internal controls are designed and implemented by management to ensure effective and efficient use of resources, compliance with laws and regulations, and reliable financial reporting. Many studies have been carried out in this area to help create awareness as how important internal controls are to the internal and external auditors.

The study adopted descriptive and inferential statistics in data analysis. Questionnaires were administered to at least an employee of the state institution; Techiman Municipal Assembly. Only 40 questionnaires out of 50 were collected for analysis. Over the phone interviews were also conducted to get an in-depth understanding of the study. Aside the interview, the research relied on some secondary data and this data was analyzed thematically.

The findings reveal that all Government institutions have internal controls which are put in place to safeguard the public interest in terms of resource usage. The research reveals that working conditions and wage related controls, promotions and transfers are some factors that influence management choice of internal controls. The research is important to all the stakeholders of public institutions in the country.

5.2 Conclusions

This study builds on that of Panayotopoulou and Ppalexandris (2003) and Dzansi and Dzansi (2010) in developing a framework for analyzing and assessing internal controls effectiveness in the light of HRM practices and grievance handling in TMA. The study

assessed the effectiveness of internal controls mechanism in TMA and investigated control breaches, their causes as well as internal control implementation processes. Based on the findings made on the study analysis the following conclusions can be drawn.

Rigidly following internal control procedures in an organization often make work processes inflexible and thus protract the results of control breaches. Therefore, blending the formal procedures with some control flexibilities promotes effective management of the human resource capital of the organization and thus promotes effectiveness in internal control implementation.

Considering the evidence gathered in respect of questionnaire responses and interview recordings analysed, it is concluded that issues concerning seniority, promotions and working conditions rank first among the various cause of internal control breaches.

The literature review that preceded the study established that indeed, perceptions of internal control effectiveness in public services/organisations such as TMA can influence service quality directly. The literature review also indicated that perceptions of internal control effectiveness in public organisation and for that matter TMA can directly influence service quality through employee commitment and service behavior.

Another conclusion arrived at is that organizations with lower internal control breaches often report higher levels of employee commitment, better employee citizenship behavior and consequently, better service quality than those with higher levels of perceived internal control breaches.

The researcher in another conclusion agreed with Kreitner and Kinicki (2008), that the best way to manage internal controls is to adequately understand the underlying cognitive processes involved in that control measure. It is therefore important for managers of public organizations to fully comprehend organizational justice and equity theories and

to be aware of their implications when they make decisions concerning internal controls, particularly relating to issues that borders on pay, bonus, fringe benefits, promotions, seniority etc.

The number of internal control breaches recorded in TMA within the period under review was quite high. However the trend of control effectiveness in the Assembly showed a general decline over the six years period. This is a reflection of management's efforts to improve on its internal control practices and also to observe best practices in its operations.

Last but not the least, findings of this study will help policy makers in TMA and for that matter the government in formulating effective internal control policies and measures aimed at operational effectiveness and also their effective implementation. This, if adhered to will translate into sound control implementation and organizational efficiency as well as greater capabilities of the public service organizations, which will have replica effects of helping to improve on the overall performance of such organization.

5.3 Recommendations

Policy makers have interest in promoting the public service organizations of which the TMA is not an exception by making them efficient, stable and more productive in order to boost public (customer) confidence in them. Much of these are owed to effective internal control policies and their effective implementation. A pre-requisite to the formulating effective internal control policies to some extent depends on the understanding of how to manage the people of the organization. To add to this, it is often the desire of top management of many organizations to remain focused and competitive, for Human resource factor constitute the number one asset of every business or organization without which all other assets of the organization cannot run. To achieve

this therefore, it is required of management to have a sound knowledge of how to acquire and maintain an effective workforce and a peaceful and conflict free working environment as well as how best to measure the human capital of the organization in the light of internal control measures in place for the effective and efficient operations of the organisation. In this direction therefore, the following specific suggestions and recommendations are made.

In designing effective internal controls mechanism of a public institution such as TMA, care must be taken in how management will ensure implementation of these controls. Would there be corporation from both parties to ensure the purpose of the internal controls are achieved. Professionals and supervisors can be used in the effective implementation of the internal control procedures.

According to Kreitner and Kinicki (2008), people are motivated to correct perceptions by changing attitudes and behaviours. In this regard therefore, employees of TMA are likely to agitate if controls are not working in their favor. It is recommended for management to endeavour to motivate its employees by educating them well on the functioning of internal controls procedures and also considering granting them incentive packages that will help boost their ego and make them give out their best at all times.

Regular training programs in the form of workshops and seminars need to be organized by management for employees and management staff as well to sharpen their skills and knowledge with regards to implementation of internal controls instituted by management. This will help TMA to improve as staff will be able to carry out their respective activities more efficiently with professional touch and in line with the established internal controls instituted by management. Such training programs should cover areas including grievance handling processes, conflict management, performance appraisals, succession

planning etc. Management commitment in terms of logistics and other resources are required for the effective implementation of this recommendation. It should therefore make the conscious effort to get this implemented in the interest of TMA.

The government through the Public Accounts Committee of Parliament (PAC) and other development partners and implementation agencies must develop a comprehensive internal control policy for local government services (for that matter public service institutions) particularly TMA with special focus on the control implementation. This will enhance their operations regarding revenue collection, and promote departmental goals of the Assembly and thus relief the central government of some of the burden of the various localities under the jurisdiction of the assemblies.

5.4 Recommendations for future research

The findings hold many suggestions for policy-makers on the effectiveness and effectiveness of internal controls in the public institutions. At the end of it all, the need for future studies that will address the following are recommended.

- The effects of various internal control measures on Quality Service Delivery (QSD)
- Assessment of the relationship between internal control practices and the performances of public service organizations in Ghana.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL OF BUSINESS,

RESPONDENT: MANAGEMENT AND STAFF OF TECHIMAN MUNICIPAL ASSEMBLY (TMA).

The following questionnaire is being administered by Mrs. Josephine Aduam, a final year student of the KNUST School of Business for a thesis project on the topic

“Assessing the Effectiveness of Internal Controls Mechanism in the Techiman Municipal Assembly.

Your kind corporation is hereby being sought to help answer these questions. Assurance is hereby given that any information provided would be treated with the necessary confidentiality it deserves and will be used solely for purposes of academic study.

Section A (Knowledge and awareness of Internal Controls in TMA)

1. Internal control is one of the major components of job satisfaction.
(a) Strongly agree (b) Agree (c) Neutral (d) Disagree (e) Strongly disagree
2. Do you know of any internal control procedures in TMA?
(a) Yes [] (b) No []
3. Do you understand and fully comprehend the procedures?
(a) Very well [] (b) Well [] (c) Vaguely []
4. Do you think the internal control procedures established by TMA are effective?
(a) Yes [] (b) No []
5. Have you ever breached any internal control procedure in TMA?
(a) Yes [] (b) No []
6. If yes, what was your breach about?
 - (a) Working conditions
 - (b) Wage and Salary
 - (c) Promotion
 - (d) Discipline
 - (e) Transfer

7. For how long were you confronted/faced with the situation/condition that led to the breach?
- (a) less than 6 months
 - (b) more than 6 months
8. How much time did management take to resolve the breach?
- (a) less than 1 months
 - (b) more than 1 months
 - (c) pending to date
9. What do you think hinders your supervisor from satisfactorily solving your problem?
- (a) Disinterest b) Decision beyond them c) Lack of empathy
10. Are you satisfied with management decision regarding the handling of control breaches?
- (a) Strongly agree (b) Agree (c) Neutral (d) Disagree (e) Strongly disagree
11. Are there discrepancies in the handling of control breaches of similar nature in TMA?
- (a) Always (b) Sometimes (c) Never
12. Are you aware of any evaluation or monitoring mechanism and review of internal controls in TMA?
- a) Yes [] b) No []
15. If yes, state what you know.....
-
16. What do you think are some of the effects of internal control in place at TMA?
-
-
-
17. What measures will you recommend to curb internal control breaches and conflict situations within TMA?
-
-
-

Section B (Internal control Practices in TMA)

**(Training, Performance Appraisal, Career Planning, Employee Participation, Job
Definition and Selection)**

Using a scale of 1 – 5, with 5 being the highest and 1 the lowest in the ranking complete the applicable questions by circling the appropriate scale.

18. TMA conducts extensive training programs for its Employees with regards to internal control implementation. 1 2 3 4 5
19. Employees in each job category normally go through training Programs (on yearly basis.) 1 2 3 4 5
20. Training needs TMA employees are identified through a formal performance appraisal mechanism. 1 2 3 4 5
21. Formal training programs to teach new employees the internal controls they need to observe for the effective performance of their jobs 1 2 3 4 5
22. Training needs identified are realistic, useful and based on the business strategy of the TMA 1 2 3 4 5
23. Internal control functioning (performance) is measured on the basis of objective quantifiable results 1 2 3 4 5
24. Internal control systems in TMA are growth and development oriented. 1 2 3 4 5
25. Employees are provided with internal control performance based feedback and counseling 1 2 3 4 5
26. Every employee is aware of his/her career path in the organization. 1 2 3 4 5
27. TMA Employees are allowed to contribute to decisions relating to the instituting of internal controls as well as cost and quality. 1 2 3 4 5
28. Employees are provided opportunity to suggest improvements in the way things are done. (regarding internal control implementation) 1 2 3 4 5

29. The duties of every job are clearly defined in the scheme of service of TMA.

1 2 3 4 5

30. An up to date job description is designed for each job in the Assembly.

1 2 3 4 5

31. Internal controls pertaining to each job contains all the duties to be performed by individual employee.

1 2 3 4 5

32. In our organization, compensation is decided on the basis of competence or ability of the employee.

1 2 3 4 5

33. Selection procedures followed by TMA are highly scientific and rigorous.

1 2 3 4 5

34. In TMA, selection is done by HR managers and line managers.

1 2 3 4 5

35. Standardized tests are used when required in the selection process

1 2 3 4 5

36. Selection in TMA considers only those who have the desired knowledge, skills and attitudes

1 2 3 4 5

Demographic Information

Age (Please Tick your age Group)

☐ ☐ 20-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ 41-45
☐ ☐ 46-50 ☐ 51-55
Above 56

Please Tick applicable gender

☐ Male ☐ Female

Education (Please Tick your Education Group)

- ☐ Matriculation ☐ Intermediate ☐ Polytechnic HND
☐ Master ☐ Diploma ☐ Others

Total years of Work Experience (Please Tick your Experience Group)

- ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ 10-12 ☐ 13-15 ☐ 16-19 ☐ 20 or above

Total years of Work Experience with this Organization (TMA) (Please Tick your Experience Group)

- ☐ 1-3 ☐ 4-6 ☐ 7-9 ☐ 10-12 ☐ 13-15 ☐ 16-19
20 or above

Date

Designation.....

Department