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**INTERNAL CONTROL SYSTEM: CHALLENGES AND EFFECTS ON
MANAGEMENT, STAFF AND CUSTOMERS OF AMANSIE WEST RURAL
BANK LTD.**

BY

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**A thesis submitted to the Department of Accounting and Finance in partial
fulfillment of the requirement for the award of degree of
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DEDICATION

This report is dedicated to my entire family, especially my wife **Rosemary** and son **Papa** for all their sacrifices.

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ABSTRACT

An effective internal control system has been described as a critical component of an organization's management (especially banks) and a foundation for safe, smooth and sound operations. It is also an essential tool for the realization of the goals of every organization especially financial institutions and banks where the risk of mistakes and fraud are prevalent and their consequences are upsetting. The nature of the internal control system and how it is implemented may have numerous challenges and effects. These challenges are hindrances to realizing the main objectives of the internal control system. This study investigate the challenges of implementing an effective and reliable internal control system and its effects on customers' perception to service quality rendered by Amansie West Rural Bank limited. The sample size was 60 employees and 45 customers of the bank selected from the 9 branches of the bank using purposive and random sampling techniques while questionnaires were used to collect data for the study. The findings suggest that there is some amount of weakness in the internal control system of the bank especially the control component of the internal control system. The findings also indicated that the internal control system of the bank in some part affects customers service delivery hence there is the need to improve upon it. This suggests that direct relationship should exist between the internal control practices and customer perception to service quality of the bank.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Rural banking institutions are recognized as occupying a focal position in the nation's financial service system as essential agent in the development process of the economy by way of extending financial assistance to the rural dwellers through the micro credit scheme. This is done by way of intermediating between the surplus and deficit spending units. Rural banks build the quantum of National reserves fund and ventures and hence national yield.

To have the capacity to work viably and contribute genuinely to the advancement of the country, the rural banking industry must be steady, protected and sound in its operations. To be able to meet these conditions there must be a sound accounting framework, which is supported by an affective internal control systems.

A viable internal control is the establishment of safe and sound banking practices. A well planned and reliably implemented framework helps a bank's board of directors and top managerial staff to safeguard the assets of the bank, produces financial report which is reliable, and ensure that laws and regulations are complied with in addition relevant standards. Again, it likewise lessens the probability of irregularities and significant errors and helps with their timely detection when they do happen (Comptroller's Handbook, January 2001).

The institute of Chartered Accountants of England and Wales (ICAEW), defines internal control as the entire system of control, financial or generally, established by management in order to carry on the business of a venture in a precise and viable manner, safeguard

the assets, guarantee adherence to management policies, and secure as far as possible, the completeness and accuracy of the financial records.

It is also the whole system of organizational structure set up, policies and practices to give reasonable certification that an entity's core business objectives will be proficient and ensure that undesired risk event will be forestalled considering compliance or management initiate concerns. (Awe, 2005).

Strong internal control can help to ensure that the objectives and goals of the bank will be met, accomplish long-term profitability or targets, maintain reliable and sound financial and managerial reporting. It can also guarantee that the bank will comply to relevant laws and regulations and additionally plans, policies, internal procedures and rules and to minimize the risk of unexpected fraud and losses which can damage the reputation of the bank.

A sound internal control will guarantee that transaction are: legitimate, properly approved, recorded, valued, classified, reconciled to subsidiary records and not carried through by a single employees (i.e. ensure separation of duties) (Adeyemo Kingsley A, 2012).

The well-known global corporate financial scandal that assumed near epidemic proportion for some past years were blamed on failure of internal controls. Prominent ones are Enron and WorldCom in the United States of America and Parmalat in Europe. Again, in South Africa, instances of accounting scandal have been recorded in Johnson Controls Incorporated (JCI) and Rand Gold and Exploration Companies. Similarly, in Nigeria, the Managing Director and Chief Financial Officer of Cadbury Nigeria Public 2 Limited Company (PLC) were sacked in 2006 for inflating the profit of the company for

some years prior to the company's foreign partners acquiring controlling interest (Emanga et. al. 2010).

Again, fraud, which is a rationale for setting up internal control framework, has over the years become a great threat to many rural and community banks in Ghana and that any rural or community bank with a weak internal control system is highly exposed to bank fraud.

These issues underscore the need to assess, examine, and formulate systems checks and balances to guide the actions and decisions of corporate executives since executives are mandated to ensure that periodic financial reports are in consonance with legal framework, reliable, accurate and informative.

The financial activities of rural and communities banks have become a little complex and diversified as compared to early years of 1980s when rural banking was introduced in Ghana. Since these activities involve high risk operational areas, the issue of effective and efficient internal control framework, corporate governance, accountability and transparency is significant to guarantee smooth performance of the banks.

Effective implementation of internal controls in the bank may be quite challenging to management and employees of banks. Simplification of transaction procedures may violate internal controls and expose the bank to risk of fraud but reduce transaction time. On the other hand, strict observation of the internal control procedures will prevent fraud but increase transaction or turnaround time.

Various research works have demonstrated that internal control systems in the financial service sectors can be linked to the profitability, sustainability, fraud detection and prevention as well as mitigating risk. It is against this backdrop that this research seeks to investigate the major challenges Management of Amansie West Rural Bank Limited, a

leading rural banks in Ashanti region and Ghana encounters in adopting and implementing internal control systems for its operations and whether the current internal control procedures affects customers' perception of the services of the bank.

1.2 Statement of the Problem

Internal control system has become contemporary academic and professional issue taking after fraudulent accounting scandal and misleading financial reporting in both the develop and developing economies. Hence, a proactive way to deal with the demand, a critical assessment of existing internal controls structure of firms and making the needed adjustments to ensure that the organization's internal control system is in consonance with the operational activities. Having an up to date internal control system is desirable. However, the implementation of such systems is usually challenging to management and staff. If internal control systems are not tactically implemented, it may affect customers' perception of the quality of services of a firm. This is because internal control systems will usually require management, staff and customers to follow laid down procedures and processes in one way or the other. The problem of this study is whether internal control poses some challenges to the day-to-day operations of employees of Amansie West Rural Bank limited and whether the internal controls procedures and processes affect customers' perception of the quality of service the bank renders.

1.3 The Objectives of the Study

The main objective of the study is to find out the impact of internal control system on the operations of Amansie West Rural Bank limited. To achieve this purpose, the researcher has set out the following specific objectives:

1. To identify the internal control systems that operates in the Amansie West Rural Bank (AWRB) and its effectiveness of reducing risks and monitoring compliance.
2. To ascertain the challenges management and other staff face in implementing the internal control system of Amansie West Rural Bank (AWRB).
3. To find out how the internal control system of AWRB affects customers' perception of service quality of the bank.

1.4 Research Questions

The objectives stated above raise various questions that need to be answered. These include the following.

1. What is the nature of the actual internal control systems in place of Amansie West Rural Bank and is it effective?
2. What are the major challenges encountered by management and staff of Amansie West Rural Bank in implementation of the internal control system?
3. Does internal control system of the bank affect customers' perception of the quality of service?

1.5 Justification of the Study

Internal control system is an indispensable tool for the achievement of the goals of every organization especially financial institutions and banks where risk of errors and fraud are prevalent and their consequences are damaging. Amansie West Rural Bank is a financial institution and therefore must operate within a well structured, effective and viable internal control framework. The nature of internal control system and how it is implemented may pose numerous challenges to the management and staff of the institution. The challenges are impediments to realizing the objectives of internal control system and must be known for appropriate redress. It is important to know the challenges

the internal control system poses to the management and staff of the bank since such information is relevant for effective and constructive review.

A study on the nature of the actual internal control system of the bank, the challenges it poses on the management and employees on the implementation and the effects of the internal control procedures and processes on customers' perception of service quality of the bank is therefore very valuable project.

1.6 Significance of the Study

This study is essential in different ways to the business, accounting, policy makers, shareholders and other stakeholders of the bank. To the management of the bank, the findings and results will provide more reliable scientific information on the challenges of internal control system of the bank. It will also help provide practical support for management's decisions in several critical areas of the bank's operations. Again, it will facilitate designing and implementing reliable and workable internal control procedures and processes to help create and deliver value to customers, achieve loyalty and customer satisfaction, build long-term mutual and beneficial relationship with profitable customers as well as achieving sustainable business growth.

To policy makers like the board of directors of the bank and the supervisory agencies such as the Bank of Ghana and Apex Bank, the findings and results of this study will give important bits of knowledge on why internal control procedures may sometimes be compromised and the challenges of operating internal controls in banks. Such information is important in formulating improved internal control policies. Finally, the study will seek to contribute to current literature on internal control practices of banks. Accordingly, the findings of the study will be relevant to future research.

1.7 Research Methodology

The population for the study would consist of management and staff across the nine (9) branches of Amansie West Rural Bank Limited as well as customers of the Bank. The sample size would be 60 management and staff and 45 customers of the bank by using purposive and random sampling techniques.

The researcher made broad utilization of both primary and secondary data. Primary data were obtained by administering well-structured questionnaires to the management and staff of institution under study. Apart from the primary data, secondary data such as policy documents in place were also used to confirm some filled questionnaires.

These responses would be critically analyzed so that a fair conclusion and recommendation could be drawn out of the research.

1.8 Limitation of the Study

The real limitations of this study are constraints of assets, access to important data and time variable. The financial and material resources required for a larger sample size for the study is not available. It is unlikely the researcher would have access to all questionnaires that are distributed to prospective respondents. Language is also a limitation to data collection as it is difficult translating some questions and statements into the local dialects perfectly since not all customers are literate who can read and understand the questions. This study is additionally compelled by time since it is conducted within a very restricted academic time span.

1.9 Organization of the Study

This report is composed of five sections. Chapter one gives a general presentation of the study and covers the background of the study, the statement of the problem, the purpose

of the study, the study questions, justification of the study, significant of the study, research methodology, limitation of the study, and organization of the study.

The chapter two is about the reviewing of relevant literatures relating to the topic. Chapter three deals with research methodology which includes the sources of data, the population size, the sample size, data collection method, research instruments or tools, and sampling techniques. Chapter four presents analysis and discussions of results of the study whilst chapter five gives a summary of real findings, conclusions and recommendations of the entire study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter covers a review of the relevant literatures on the topic under study. This will cover the following areas. Theoretical framework of the terms “Internal Control” and “Internal Control System”, the concept of internal control system, the problems of internal control systems, the components of internal control systems, the effects of internal control systems on customers perception of service quality and the concept of customer service quality.

2.2 Theory and Related Literature on “Internal Control” and “Internal Control System”

In the contemporary business world, the terms “Internal Control “and the “internal control system” have become vital to management of businesses for ensuring operational effectiveness and efficiency.

It is said that, fundamental to the success of any organization is the achievement of its objectives. The objectives could be profit maximization, maximization of shareholders’ wealth, cost minimization, and customer’s satisfaction and others. However, achieving the organizational objectives is one thing and the process that leads to achieving such objectives is another. This is more so in that the achievement of stated goals and objectives rest mainly on having an effective internal control system that ensures the organizational performance is according to policies and procedures put in place by management.

Again, one of the fundamental instruments of big business control, which usage in current monetary conditions give conditions to accomplishing a competitive advantage over different endeavors is to make a viable and effective internal control framework.

In the business area, the market is continually changing, and this obliges changing the mentality to internal controls from treating it only in the financial aspect to the management of the control process. Inward control thusly turns into an instrument and method for risk control, which helps the enterprise to accomplish its objectives and to perform its assignments.

Only an effective internal control in the venture has the capacity to help objectively assessing the potential advancement and tendencies of big business performance. In this way, to recognize and eliminate the threats and risk in due time and also to keep up a specific altered level of risk and to provide for it reasonable security (Vaclovas Lakis and Lukas Giriūnas).

2.2.0 Internal Control

According to "Committee of Sponsoring Organizations of the Treadway Commission" (COSO 2013), internal control is a framework effected by an entity's Directors and Management as well as other work force, intended to give some level assurance with respect to the accomplishment of objectives by means:

1. Effectiveness and efficiency of operations (performance)
2. Reliability of financial reporting (information) and
3. Adhering to appropriate laws, standards and regulations (compliance)

This definition is likewise affirmed by ISA 315, as the procedure designed and effected by those charged with governance, management and other work force to give reasonable assurance about the accomplishment of the entity's goals concerning reliable financial

reporting, efficiency and effectiveness of operation and consistence with relevant standard, regulations and laws.

2.2.1 Internal Control Objectives

Performance objectives- This is concern with the adequacy and proficiency of the bank in utilizing its assets and safeguarding the bank from losses. The internal control procedures look to guarantee that all staff through the entity are working to accomplish its goal with integrity and effectiveness.

Information objectives- try to address the preparation of reliable, convenient, relevant reports which is by the organization for management decision- making. They additionally address the requirement for reliable annual records, financial statement, report to shareholders and related disclosures, directors, and interested external bodies. The information received by management, governing body, and shareholders should be of satisfactory quality and integrity that recipient can rely on in taking financial decisions.

Compliance objectives- are concerned with ensuring that every banking business conforms to standards, supervisory requirement, the organization's policies and procedures, and laws and regulations. This objective must be met keeping in mind the end goal to secure the bank's franchise and reputation (Basle 1998).

The American Institute of Certified Accountant (AICPA, 1963), internal control framework expands past those matters which relate specifically to the functions of accounting and the financial statement. Taking into account the Committee of Basic Auditing Concepts (1973), internal control is systematic techniques which will lead

evaluate the level of relationship between those set up criteria and the actual aftereffects of the entity.

It is also defined by the Auditing Practices Committee (APC, 1980), as an independent examination and certification from a supervisor named by the business to control the finances as indicated by the established legal framework every time.

From the various definitions enumerated on internal controls, ICAN (2006) categorized controls into three noteworthy groupings as follows:

Preventive Controls: These controls foresee potential problems, make adjustments before the problems happen. Likewise they prevent omissions or oversights, malicious act and errors from occurring. Example is using well-designed documents to prevent errors.

Detective Controls: These are designed to detect and report the occurrence of an oversight, malicious act and errors. An example is duplicate checking of calculations.

Corrective Controls: These are put in place to reduce the effect of threat identify the problem, correct errors emerging from the problem. They likewise rectify problems discovered by controls and adjust the problems.

2.2.2 System Theory

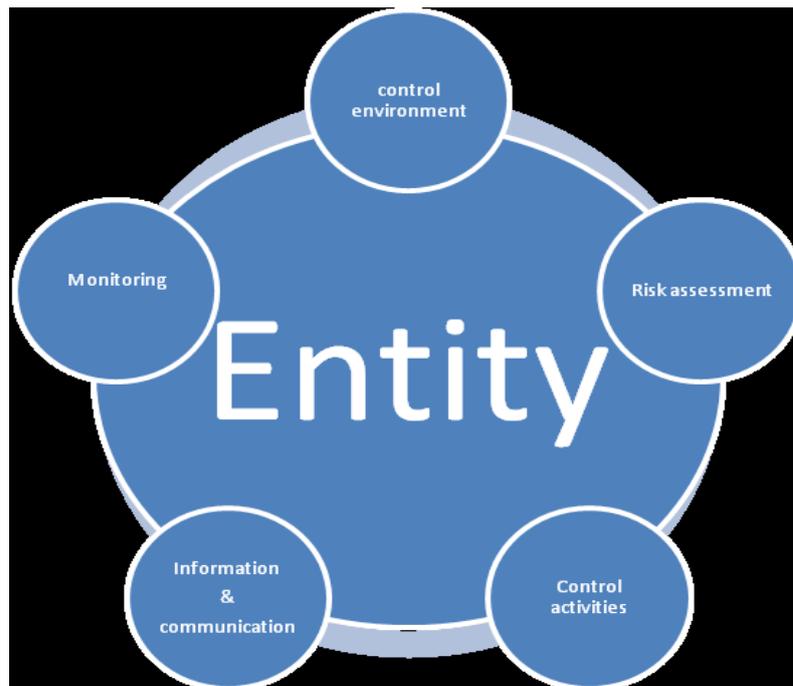
A system can be described as an arrangement of related and interrelated parts that cooperate in a manner to accomplish a set objective. These sub-systems or parts are inter-reliant and the failure of one component affects the entire systems. An organization is said to be a complex system which is divided in different sub-system (department, divisions, units or sections) and hence the divisions, units and departments require some level of controls for its efficiency, effectiveness and survival.

An effective internal control system is an integrated system with interrelated elements, which support standards and features. Brown et. al. (1998) recognized accounting system, control environment and processes as the significant segments of internal controls.

The COSO's 1992 paper adopted the integrated internal control framework. The introduction of The Committee of Sponsoring Organizations in 1980 by National Commission on Fraudulent Financial Reporting(the Treadway Commission), to investigate the cause of fraudulent corporate financial reports and make suitable recommendations, but has since developed to become a thought leader in internal control, fraud deterrence and enterprise risk management (ERM) (Amudo et. al. 2009).

In 1992, COSO published a historic point report on internal control: alluded to as "COSO" Integrated Framework. The framework classifies an organization internal control system into five integrated components which must be incorporated with business processes over the entire entity in its effort to accomplish objectives. These include; 1. Control activities, 2.risk evaluation, 3. Control environment, 4. Monitoring activities, 5.Information and communication, which would be discussed in detailed.

Fig.1: Integrated Framework of Internal Control for an organization



Pictorial outline of COSO'S Internal Control Framework (Source: author's design)

2.2.3 Internal Control System

Auditing Practicing Committee (APC) defined internal control system as the complete arrangement of controls, financial or otherwise, established by management in a productive and systematic way, safeguard the assets of an entity, guarantee adherence to management policies, and guarantee as far as possible the accuracy of the records and completeness.

As per International Standards on Auditing (ISA 240), internal control system implies every policy and procedure take on by the management of an organization to help with accomplishing management goal of guaranteeing, to the extent the precise and efficient conduct of its business, including the safeguarding of assets, management adherence to policies, the accuracy and completeness of the accounting records, the detection and prevention of fraud and error and the timely preparation of reliable financial information.

The objective of effective internal control system is in a general sense to ensure confirmation that things are working as planned, hence every establishment must institute controls that will capture both the operational and compliance viewpoints as:

1. Existence- this means that only authorized and valid transactions are processed at all times;
2. Occurrence- this is whereby transactions which occurred during the period are the only one to be captured;
3. Completeness- no transaction should be omitted within the period under review;
4. Validation- appropriate method should be used to capture transactions accurately;
5. Rights and obligations- the organization's assets ought to be properly identified and the commitments recognized in the book to guarantee complete booking of all times. The rights are the assets while the obligations are the liabilities which the organization owe outsiders;
6. presentation and disclosure- proper presentation of assets and liabilities and classification in the statement of financial position must be done;

The internal control system incorporates all procedures and policies (inside controls) which is adopted by management and directors of a entity to help with accomplishing their objectives, guaranteeing as far as practicable, the precise and efficient conduct of a business, including the safeguarding of assts, , the detection and prevention of fraud and error, adherence to internal policies, the completeness and accuracy of the accounting records and ensuring that reliable financial statement are prepared on time.(CIMA, 2006).

This review reveals that the meaning and what constitute internal control system continue to change with time with new developments in business operations. Therefore , an organization's internal control system assume a key part in the management of risk that significantly altogether influence the accomplishments of financial, operational, compliance reporting and objective.

In 1992, the Committee of Sponsoring Organizations popularly known as “COSO” came out with a framework of internal control system and the definition of internal control system in this framework became the most acceptable description of the concept of internal control. In fact all other definitions of internal control system fall under the definition of the framework. The definition of internal control system by COSO was an improved and integration of previous definitions of internal control.

COSO described internal control system as a process effected by an entity’s board of directors, management and all other personnel at various levels of operation to provide realistic assurance concerning the accomplishment of its objectives in three specific areas namely, reliability of financial reports, compliance with laws, regulations and standards, effectiveness and efficiency of operations.

The exceptional quality of the definition of internal control system by COSO is that it emphasized that internal control is not a functional concept but rather concerned and involved everybody at every level of an entity.

The well known COSO is an integrated internal control framework that was developed by the Treadway Commission of the United States of America in 1992. The framework was developed to help curb the fraudulent financial reporting in corporate accounting which resulted in mass business failure in the USA.

As indicated by COSO framework, internal controls are set up not just to help the organization achieve their missions and vision and reach profitability goals, but also to minimize unforeseen circumstances along the way. An internal control system empowers management to deal quickly with market changes such as changes in customer demand, economic and competitive environments, and priorities and restructuring.

The framework published in 1992 conceptualized internal control as a five-dimensional model. The five elements of the COSO framework as already stated are risk assessment, control environment, control activities, monitoring, information and communication. Furthermore, the Basle committee on Banking Supervision (September 1998) explains the major components of internal control systems as enumerated by the COSO framework as follows.

2.3.1 Control Environment

This component set out the tone for internal control in an organization. It is the control consciousness of management and staff of an organization. The Basle committee noticed that a strong control environment is key component of effective internal control system. This includes the set of structures, procedures, and standards that give the premise to carrying out internal control at all level of the organization. The directors and management set up the tone at the top with respect to the significance of internal control including expected standard of conduct. Administration strengthens expectations at the different levels of the organization.

The control environment also composes the ethical values and integrity of the organization that management displays both inside and outside the organization in their business dealings. The words actions and attitudes of the directors and management influence the ethics and integrity different aspect of the bank's control culture (Basle, 1998).

Again, it is the factor which helps the directors to carry out its governance oversight responsibilities, assignment of powers or authority, the organizational structure and accountability, the process of attracting, developing, and retaining competent individuals, and incentives, rewards and performance measures to drive accountability for performance.

Internal control is the responsibility every staff in the organization, since all workers produce information utilized as a part of the internal control or take different action necessary to effect controls. One of the essential components of a strong internal control system is to ensure that all employees recognize the need to communicate to the proper level of management, any problem in operations, to carry out their responsibility successfully, instances of non-compliance with the set of accepted rules, or unlawful activities that are noticed or other policy violations (Bank of England, 1997).

This can be done and achieved when there is a well documented operational procedures and made available to relevant personnel at all levels of the organization. It is also imperative that all personnel within the bank engage actively in the process of internal control.

Banking organizations should maintain a strategic distance from strategies and practices that may accidentally give motivations or enticements to wrong activities in strengthening ethical values. Samples of such strategies and practices include undue accentuation on other operational results or performance targets, especially transient ones that overlook longer-term risk; ineffective segregation of duties or different controls that could permit the abuse of resources or concealment of poor performance; compensation schemes that excessively rely on short-term results. Albeit having a stronger internal control culture does not ensure that an organization will achieve its objectives yet the

non-presence of such culture gives more prominent chances to lapses to go undetected or for improprieties to happen at different sections of the entity (Basle, 1998).

2.3.2 Risk Recognition and Assessment

Every entity faces a varied degree of risks from internal and external sources and Banks are not exception as indicated by the Basle Committee on Banking Supervision. Consequently, it is necessary that, as part of an internal control system measures, these risks are recognized and persistently assessed. Risk is defined as the possibility that an event will occur and adversely affect the achievement of the organizational objectives. Risk assessment involves an iterative and dynamic process for identifying and assessing risks to the achievement of objectives. It thus forms the basis for determining how risks will be controlled.

Moreover, from an internal control point of view, risk evaluation should recognize and assess both internal and external factors that could adversely influence the accomplishment of the banking organization's information as well as compliance and performance objectives. This procedure ought to cover all risk faced by the bank and operate at various levels.

A requirement to risk evaluation is to establish objectives, connected at distinctive levels of the organization. Management determines goals within categories relating to operations, compliance and reporting, with enough transparency to be recognized and analyze risk to those objectives. Evaluation of risk also requires management to consider the effect of possible changes within its own business models and external environment that may render internal control ineffective (Basle, 1998).

According to the Basel committee on Banking supervision, 1998, effective risk assessment considers internal and external factors like the nature of the bank's activities, the complexity of the organization's structure, organizational changes, the quality of personnel and employees turnover. Again, it also considers external factors, for example, fluctuating economic conditions, and technology advances and changes in the industry that could affect the bank negatively in accomplishing its objectives and goals. The assessment of risk ought to be performed at all level of individual organizations and over the wide continuum of activities and auxiliaries of the merged banking organizations.

This can be accomplished through diverse strategies. A non-quantifiable part of risk and effective risk evaluation addresses both quantifiable and measures cost of controls against the advantages they give.

The risk evaluation procedure additionally incorporates evaluating the risk to find out which are controllable by the bank and which are most certainly not. The bank must assess whether to accept those risk that are controllable or alternately the degree to which it wishes to mitigate the risk by way of control techniques and the risks that are uncontrollable, the bank must choose whether to withdraw from or to accept these risk or decrease the level of business activities involved.

For internal control risk assessment to remain effective, senior management needs to persistently assess the risk affecting the accomplishment of its goals and respond to changing conditions and circumstances. Internal controls might therefore need to be reviewed to attend to any new or previously uncontrolled risk appropriately (Basle, 1998).

2.3.3 Control Activities and Segregation of Duties

These components are those set up through procedures and policies that help ensure that management directives to mitigate risk to the accomplishment of objectives are completed

The control activities are carried out at all levels of the entity, over the technology environment and at various stages within business processes. These may be detective or preventive in nature and may cover a range of automated activities and manual activities like approvals, authorizations, business performance reviews and reconciliations. To enhance the effectiveness of these activities, they should be integrated as closely as possible with business processes (Basle, 1998).

Again, the control activities include staff at all levels in the bank, including senior management and front line work force. Other examples of control activities can further be discussed about are as follows:

Top level reviews- Directors and Management regularly ask for presentations and performance reports that enable them to analysis the progress of the bank toward its objectives. Case in point, reports indicating real financial related results to date versus the budgeted may be reviewed by senior management. The responds that may be given by lower level management upon inquiries that management produces as a result of this review represents a control activities which may detect problems, for example, error in financial report control weaknesses, or fraudulent activities (Basle, 1998).

*Activity control-*division or sectional level management receive and review standard performance and exception report a day by day, week after week or month to month basis. On the other hand, practical review happen more as often as possible than top-level review and for most part are detailed. For instance, a director of commercial

lending there may be reviewed of week by week report details regarding, payment received, delinquency and interest earned on the portfolio. But, the senior credit officer may assess comparative reports on month to month basis and in a more summarizes form that includes every single lending area (Basle, 1998).

Physical control-This is for the most part centered on limiting access to substantial resources, including securities and cash. Control activities typically incorporate physical dual custody, physical limitations and occasional inventory.

Compliance with exposure limits-Reasonable limit are established on risk exposures as an essential part of risk management. For instance, different counterparties and compliance with limit for borrowers reduce the bank's concentration of credit risk and help to diversify its risk profile. Thus, it is imperative to review compliance and make follow-up on cases of non-compliance as part of the internal control process (Basle, 1998).

Approvals and authorizations – Requirement of approbation and approval for transaction over specific limit ensures that a proper level of management is aware of the occurrence of transactions and help to establish accountability.

Verifications and reconciliation-Detail verification of transactions, activities and the output of risk management models utilized by the bank are important control activities. Those ought to be periodic reconciliation, such as statement and comparing cash flows to account records, may identify activities and records that needs correction. Subsequently, for the purpose of quick responds, the results of this verification should be reported to the appropriate management level and whenever problems or potential ones are detected (Basle, 1998).

In assessing real cause of bank losses by poor internal controls, supervisors normally find that, the significant reasons for such losses is the absence of satisfactory segregation of duties. Assignment conflicting roles and duties to one individual, for instance, responsibilities regarding both the front and back office schedules of a trading function, gives the individual access to resources of worth and the capacity to control financial information for individual gain or cover losses. Hence, certain obligations within a bank ought to be split among different people with a specific goal to reduce the risk of massaging financial data or misappropriation of assets.

Segregation of duties can likewise bring about major problem when there are no proper controls, in those instances where an individual has responsibilities regarding:

1. customer and propriety account;
2. fund approval and the actual payment;
3. any different areas where significant conflict of interest emerge and are not mitigated by other factors and
4. assessing the sufficiency of loan documentation and monitoring the borrower after credit begin

Potential conflict areas ought to be identified, minimized, and must be monitored by an independent third party. Periodically there should be review of responsibility and function of key people to forestall concealment of appropriate action (Basle, 1998).

2.3.4 Information and Communication

According to COSO report, 2013, information is essential to carry out the entity's internal control responsibilities to support the accomplishment of its targets. Management gets or produces and uses quality and relevant information from both

internal and outside sources to carry on the functioning components of internal control.

Communication is the persistent, sharing, and obtaining the necessary information.

Internal communication is the means by which information is disseminated throughout the organization, streaming up, down, and across the entity. Clear message from senior management to other work force on control responsibilities must be considered important. External communication enables the organization to receive relevant information from external parties in response to requirement and expectations (COSO, 2013).

Sufficient information and effective communication are indispensable to the proper functioning of internal control system. Information includes internal operational, compliance data and financial, in addition to external business information about conditions and events that are significant to decision making. An effective internal control system requires that every critical activities of the bank are covered by reliable information systems.

The establishment and maintenance of management information system is an important part of the bank that should all the activities of the bank. Ordinarily, this information is given through both manual and electronic means.

Notwithstanding control and risk, inherent risk naturally exists that are related with the loss or extended interruption of service caused by factors beyond the control of the bank. In compelling cases, delivery of customer and corporate service represent key strategic, reputational, transactional, and value-based issues, such problems could cause serious difficulties and even endanger their capacity to lead key business activities.

The organization is obliged to set up business contingency and resumption plan utilizing an option off-site facility, since there can be external interruptions of critical business

operations. The Business continuity plans (BCM) must be tested periodically to ensure that the plan functions in case of unexpected events and disasters (Basle, 1998).

2.3.5 Monitoring Activities and Correcting Deficiencies

The Monitoring procedure includes assessing the quality of control system set up after some time. This can be accomplished through monitoring activities, separate assessment or both.

The Monitoring procedure includes assessing the quality of control system set up after some time. This can be accomplished through monitoring activities, separate assessment or both. Effective monitoring of the internal control system of the bank ought to be done on a progressing premise.

Key risk areas ought to be checked as part of the bank's day -to- day activities and in addition periodic appraisal by internal audit on business lines. Since banking is rapidly evolving and dynamic service industry, banks should persistently monitor and assess their internal control system in the light of changing internal and external conditions, and must upgrade these systems as important to keep up their viability.

Effective monitoring of internal control should be possible in all the areas including financial control, internal audit and business functions by personnel. Hence, is imperative that management makes it clear which work force are in charge for which monitoring function.

Monitoring of activities continuously can give an advantage by detecting and correcting error, oversights and deficiencies in the internal control system. This can be effective if it is incorporated into business and produces regular report for audit (Basle, 1998).

The Basle Committee on Banking Supervision (1998) recommends that, internal audit should be thorough and effective by properly trained, competent and operationally independent. The internal audit should report directly to the board of directors or audit sub-committee and copy to management as a major aspect of monitoring the system, since it gives an independent evaluation of compliance with, the adequacy of, the established policies and procedures.

The COSO framework holds that these five elements of internal control system are essential for the organization to achieve three internal control objectives - performance objective (efficient and effective operations), compliance objective (adhering to rules, regulations and applicable laws and standards) and reliability objective (reliability of financial reports) (COSO 2013).

Tuttle and Vandervelde (2007) noted that “by conceptualizing internal control framework in this manner, control framework is intended to accomplish three objectives:

1. Ensure completeness in coverage
2. assist in identifying high risk areas and
3. Help to accurately assess the impact of control”.

Despite the high level of acceptability and adoption of the COSO’s framework, its weakness is not far fetching. Critics of COSO hold that it is only relevant to large companies since small companies may not be able to bear the cost and operational complexity of COSO framework of internal control. It is argued that small firms management may not oblige formal control system for the unwavering quality of records and efficiency and effectiveness of operations as a result of their close and individual involvement in the operations of the firm.

The COSO framework failed to recognize the probable fact that the internal control system of small firms may not need to be complex as the internal control of large firms to be effective (Amudo and Emenga 2010).

Another area of concern of COSO is that it is said to be highly abstract with insufficient specific objectives and processes to support the design of Audit test. Moreover, COSO is criticised for not addressing the complexity and risk inherent in information technology (IT) (Amudo and Emenga 2010, Colbert and Bowen 1996).

In today's business and corporate world, IT is crucial in every aspect of operations. In service firms like banks, IT is the most powerful tool of internal control as IT is used in initiating, authorizing, recording and processing transactions. The last criticism against COSO is that it may not be conceivable to develop an empirical test about its internal conceptual consistency because it fails to address technology in today's audit environment and it expresses its components at a very high level of abstraction. (Tuttle and vandervelde 2007).

The achievement of the COSO framework relies on the following objective which is also important to strong internal control systems that are efficient and effective of operations, comply with applicable laws, regulations and standards, reliability of financial reporting,(Ramos, 2004).

Its principal conceptual model proposes that internal control objectives are accomplished by focusing on five segments of control (1) risk assessment (2) the control environment,(3) control activities, (4) information and communication, and (5) monitoring and correcting deficiencies as already discussed in detailed effectively talked about in point by point.

Moreover, the general nature of COSO framework does not address the multifaceted nature and inherent risk in information technology (IT), given the dependence on technology within most organization, there is the need for a framework to address technology in today's audit environment. Hence, organization and auditors in computerized environment should adopt a particular system, for example, “**Control Objectives for Information and Related Technology**” (CobiT), to support COSO framework.

CobiT's essential conceptual model attests that to satisfy business requirement, information must meet seven criteria: Efficiency, Availability, Confidentiality, Compliance, Effectiveness, Integrity and Reliability which demonstrated that there are clear linkages between the CobiT information criteria and COSO's.

Therefore accomplishing the CobiT information criteria has critical ramification for financial statement assertions and in addition more extensive implication for the effectiveness and efficiency of operations.

2.4 Evaluation of Internal Control System by Supervisory Authority

Supervisors of all banks, regardless of size, must have an effective system of internal controls that is reliable with the multifaceted nature, and inherent risk in their on-and off balance sheet activities which responds to changes in the bank's conditions and environment.

Despite the fact that the directors and management bear the ultimate responsibility regarding an effective internal controls system, supervisors ought to evaluate the control in place at individual banks as a component of their continuous supervisory activities. They should determine if prompt consideration is given by management of individual bank to any issue of concern identified through the internal control process. They should not just assess the effectiveness of the general system of internal controls, but assess the

controls over high-risk areas (example, areas with attributes like, rapid growth, new business activities, and unusual profitability).

On-site examination which is conducted by supervising bodies like the Bank of Ghana and ARB Apex Bank to review the internal control system is an indispensable part of making sure that the controls are in place and working. These exercises include both reasonable level of transactions testing and review of the business process in order to obtain an independent verification of the bank's internal control processes. An appropriate level of transaction testing ought to be performed to check:

1. whether there is adherence to internal policies, procedures and limits,
2. if financial records and management reports are complete and accurate,
3. whether specific controls identified as key to the internal control component being assessed are reliable.

2.5 The Responsibilities and Roles of External Auditors

The external auditors by their engagements have a critical impact on the quality of internal controls review activities including discussions with management and recommendations for improvement to internal controls.

Despite the fact that they are not part of banking organizations and therefore are not involve in its internal control system, they provide a vital feedback and check and on the effectiveness of internal control systems of the institution.

Although the basic role of the external auditors function is to express an independent opinion on the financial statement of the institution, they must choose whether to rely on the effectiveness of the institution's internal control system. Because of this, they have to get an understanding of the internal control system to verify the extent to which they can rely on in determining the scope, the nature and timing of their own audit procedures.

According to the Basle Committee on Banking Supervision (1998), the external auditors' role and the processes they use vary from one country to another. Professional auditing standards in many countries demand that, the audit is planned and performed to obtain reasonable assurance that financial statements are free from material misstatement and conform to applicable laws and standards.

Auditors on a test basis also examine the fundamental records and transactions supporting financial statement balances and disclosures. The auditors also assess the accounting policies and principles used and significant estimates made by management and evaluate the overall financial statements presentation.

It is expected that external auditors would gain an understanding of a bank's internal control processes to the extent that it relates to the accuracy of financial statement of the bank and also attention should be given to the internal control system of the whole institution. It is by and large expected that material weaknesses identified by the auditors would be reported to management in confidential management letter to the supervisory authority.

2.6 Challenges of Internal Controls Systems

In general, internal control system is intended to specify the procedures, rules and form of operations, evaluate and monitor the conduct of operation. While it is very difficult to conform, it is easy to digress. Obviously, there would be challenges in the implementation of any internal control systems.

The fundamental factor of internal control is the creation of the control environment under the COSO framework, therefore Management would have to put in measures to influence people to be control conscious. In many entities this is the biggest difficulty

particularly rural and community banks. This may be because of the way that individuals are unwilling to adhere to simple laid down procedures.

Much of the time Management may do all it requires to create effective control environment but not be prepared to be control conscious which would be difficult to enforce it. The elements of an internal control system may be considered when developing effective system but the success of any such system may be frustrated by some challenges. COSO (2013) recognized some of the limitations as follows:

1. The objectives set as a precondition to internal control is suitable.
2. The human judgment in decision making can be subjected to bias and imperfection.
3. Control systems can breakdown due to human failure such as simple mistakes and errors.
4. Internal control can be override by management.
5. Through collusion by management, other staff and third parties, the internal controls can be circumvented.
6. External factors and events which the organization may not have control over it.

These limited factors may hinder the board and management from having total assurance that the attainment of the entity's objectives will be materialized. Internal control can provide reasonable but not absolute assurance in the realization of the organization's objectives. Management should be conscious of these inherent limitations when developing, selecting and deploying controls that minimize these limitations as practicable.

Steinhoff and Franzel (2006) noted that the major challenges of internal controls and causes of accountability malfunctioning are:

1. Desire of the management to achieve certain reporting results.

2. Executive compensation arrangement which is inappropriate and unreasonable.
3. Inappropriate and unreasonable executive compensation arrangement.
4. Misunderstanding over who is responsible for internal control.
5. Lack of clear segregation of duties.
6. Personal interest overriding that of the public one.
7. Complying with rules and regulations as against values and principles.
8. The issue of substance as against legal form
9. Rapidly changing business environment.

They noted that the implementation of even the most comprehensive control system will not be free from these challenges. The success of a control system largely depends on how these challenges are managed.

Another enemy to internal control is collusion. Collusion frustrates every aspect of the control process and presents risky situations as less risky as also reiterated by COSO 2013. Most of the financial crises in the west are attributed to collusion.

2.7 Effects of Internal Control System on Customers

Internal control system may have some form of effects on customers and clients of organizations. Customer is a term used in marketing literature to describe end-users of a product. The end-user of a product is called a customer. Hayes (1997) opines that "Customers' is a generic term alluding to anyone who receives a service or product from some other person or group of people." Customers may be classified as internal and external customers representing staff or employees in an organization and stakeholders of an organization. The external customers can be categorized into clients, suppliers, constituents and consumers.

It is therefore imperative to identify the kind of customers surveyed when reporting on customers satisfaction results. For this report, the customers concern are the individual consumer or users who subscribe to the service of any branch of Amansie West Rural Bank in the Amansie West district, Obuasi and Bekwai municipalities and Kumasi metropolis.

2.8 Service Quality

In measuring the impacts of internal controls system on service quality, it is significant to look at the service quality concept, together with its significance and the dimensions it has. The definition of service quality is intangible in the context of marketing. This is on the grounds that many attributes can be associated to quality, for example, the image, value, the evidence of service, the experience of the service encounters and others. These form the general perception of service quality, satisfaction and value to the customer.

In addition to customer satisfaction, one contributing factor is service quality, however, service quality excellence is essential to create customer loyalty and satisfy customers completely, that make client unwaveringness (Kasper et al., 1999).

As indicated by Zeithmal and Bitner, 1998, service quality is the delivery of excellent or service relative to customers or clients' expectation. The basic principles underpinning the service quality include the following factors.

1. Customers are able to evaluate the quality of goods and service very easy.
2. Customers perception of service quality is based on the outcome of the service and their assessment of procedure by which the service was performed.
3. Customer expectations before the service and the perceived level of service received result from the examination of customers perception of service quality (Kurtz and Clow, 1998).

Consequently, customers used service quality to evaluate the service organization, service processes and to distinguish between competing services.

2.9 Components of Service Quality

The components can be identified as follows; technical quality, functional quality and corporate image (Palmer, 1994).

Technical quality-or what is offered to customers elude the relative piece of service. It is a key reason for judging quality because both the customer and the service provider can determine or not the service was performed correctly, on time and as promised. The inseparability qualities of service show that the result of the service is dependent on the communication between the service provider and the customer.

Function quality- or how a service is performed, is not objectively quantifiable, but instead gives as unmistakable proof of customers thought and feelings concerning the service performance. The attitude of the workers, employees' appearance and the atmosphere of the service environment will impact clients' impression of the service delivery. Accordingly, functional quality implies the impact which specialized quality had on customers (Palmer, 1994).

Corporate picture- is considering both the functional quality and the specialized quality of service. It concentrates on the surroundings in which the service was provided, the real service performance and the picture passed on by service providers. The purpose of service organization is to impact customers to recollect the corporate image as the organizations expect them to remember (Palmer, 1994).

2.10 Measuring Service Quality

Zeithaml and Bitner, 1996, point out that customers consider empathy, tangibles, responsiveness, reliability and assurance as the five quality dimension which particularly

apply to service organization. These measurements consider clients subjective judgment on the quality they receive from the service.

Table 2.1 Dimensions of service quality (Zeithaml and Bitner, 1996)

Dimension	Definition
Reliability	To have the capacity to perform the service precisely and reliably as promised.
Responsiveness	Capacity to help customers and give prompt service.
Assurance	Employees are able to inspire trust and confidence through knowledge and courtesy.
Empathy	Good communication, easy access caring, customer understanding and individualized attention given to customer.
Tangibles	Appearance of personnel, equipment, written materials and physical facilities.

Despite the kind of service being evaluated, customers recognize all the five dimensions of service quality as key components. For example, credibility and security are vital to exhibit the good reputation of the bank and to explain the safety for the customers to access the bank's premises during working hours and to feel save during the service delivery (Walker et. al.1995).

Levesque and McDougall, (1996) noted that empathy is a key factor that enables customers to deal with their banks more easily.

Communication is an important aspect in the banking sector on the grounds that when customers compliant, the bank manager should be interested and willing to listen to the customer with respect to their complaints through legitimate channels of communication.

Tangibility is another important dimension for bank because customers are likely to make inference about the service quality on the premise of tangibles of the bank (the design of structures and machines) that makes up the service environment.

Reliability is also important in the banking sector. For instance, bank officers should honor their promises to get back to a customer in a specified time.

Responsiveness is another dimension which seeks to show how the bank is able to resolve customers problems quickly and which is not common in our banking sector.

Competence is also an essential factor to which show, how the bank staff process transactions without making any mistake.

Courtesy is another factor which requires the bank staff to show a pleasant behaviour and politeness consistently when interacting with various customers of the bank.

2.11 The service employee

Again, the service employees have direct influence on the five dimensions of service quality since customers regarded them as; the service organization and the, marketer of the service (Zeithmal & Bitner, 1996).

Table 2.2 Proposed service quality dimensions and their instruments.

Dimensions	Quality instruments
Reliable	Accuracy of records, convenience of service, dependability and credibility
Responsiveness	Frontline staff general conduct to help customers and give prompt service.
Assurance	Staff knowledge, ability to communicate, courtesy, Politeness of staff, Trustworthiness and confidence, especially to new or unknown entrant to banking premises.
Empathy	Individual attention and Customer understanding
Tangibles	Location, Staff 's professional appearance and dress of service employees

For the success of the service process, service organizations rely on employees to deliver the service. To build a service minded workforce, customer oriented, who will guarantee quality service delivery, organization should ensure that:

1. right employees are recruited
2. employees should be train and develop to deliver quality service,
3. employees should be provided with the needed support
4. employees should be retained to deliver satisfy service to customers.

These proposed dimensions are adopted for this study and other relevant dimensions that may be affected by internal controls will be used to measure the effects of internal control system of the 9 branches of A.W.R.B. on their customers especially with respect to their perception of service quality of the bank.

2.12 Internal Controls and Customers Perception of Service Quality

The committee of Sponsoring Organization of the Treadway Commission (COSO) described internal control system as a process effected by an entities directors, management and all other staff, at various levels of operation to provide reasonable assurance with respect to the achievement of its objectives in three particular regions:

1. reliability of financial reports,
2. effectiveness and efficiency of operations, and
3. compliance with applicable laws, regulations and standards.

A critical comparison of these objectives to the dimensions of service quality already discussed, revealed that the achievement of the three internal control objectives will directly lead to the achievement of reliability, assurance and responsiveness dimensions of service quality described in Table 2.2 which invariably affect service quality to customers.

However the activities that will lead to the achievement of the internal control objectives may negatively affect factors such as timely service and comfort which are inherent in the reliability dimension of service quality.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlines the methodology used in achieving the objectives of the research. The section includes detailed discussions of the research design, sources of data, sampling techniques, research instruments and data analysis.

3.2 Research Design

The research is focused on a case study. The reason being that, the report explores details of real observable fact using multiple sources of evidence. Since the study involves an investigation of whether internal control systems established by the A.W.R.B. Limited, are effective or not base on operational transformation that has taken place within the bank, the case study method is used because it aims at the comprehensive understanding of a single, distinctive case. The case study strategy is relevant if the researcher wish to enrich his understanding of the perspective of the research and the processes being act out (Eisenhardt and Graebner 2007).

This is where questions generated from ‘why’? as well as ‘what’? are answered. Because of this, the explanatory and exploratory research is often used for case study strategy.

Quantitative or qualitative methods may also be used and many cases design use a mix of these methods to collect and analyse data. These may include interview, documentary analysis, observation and questionnaires. To be able to observe and analyse a phenomenon, a single case is selected because it provides the researcher an opportunity that few have considered before.

Babbie (1998) support the choice of case study method contrary to others by noting that most research points directly to general understanding. Though most research endeavors to restrict the quantity of variables considered, the case study seeks to augment them.

Two research approaches are identified by Saunders et al. (2012): deductive and inductive. Inductive approach first collects data and develop theory based on the results of data analyzed. However the deductive approach, explains causal relationships between variables.

Since this study investigates the effects of internal control on customers, a relationship will be established between internal controls and customers perception of the service quality of A.W.R.B. The study also investigates the state of the internal control system of the bank. Thus both inductive and deductive approaches are applied in this study.

3.3 Population

The population for the study consists of all the categories of employees and customers of Amansie West Rural Bank limited in the Ashanti Region. The population is a composition of males and females of different ages and levels of education and experiences.

3.4 Sample and Sampling Technique

The sample size was 60 employees and 45 customers of the bank selected from the 9 branches of A.W.R.B. in the Ashanti Region using purposive and random sampling techniques. According to

Saunders et al. (2012), purposive sampling is frequently utilized when working with small sample sampling, for example, when one wish to choose cases that are particularly informative and in case study research.

All the nine (9) management members were selected as well as nine (9) branch managers while the forty-two (42) were randomly selected from operations, customer service, credit department and tellers across the nine branches of the bank.

Again, five (5) customers were selected from each of the nine branches to respond to the questionnaires while three (3) each were interviewed to solicit additional information to support the questionnaires.

3.5 Data Collection Instruments

Collection of data was done through questionnaires as sources of evidence. Questionnaire guides were used to collect data on management, staff and customers' view of the variables of effective internal control (control environment and activities, risk assessment, information and communication, as discussed at chapter) that would be considered in the study.

3.6 Data Collection Procedures

The researcher used administered questionnaires, interviews and document analysis were used to collect primary data mainly from field survey. The data was gathered by giving the questionnaires to the respondents to complete and return it within five days. This was to give ample time to respondents so that they could respond appropriately per the work that they do. However, in order not to inconvenient the customers, they were guided on the spot to respond to the questionnaires since some may take weeks and months before they would come back for transaction. The respondents were informed about the purpose of the questionnaire guide so that they could feel free to respond to the questionnaires. Relevant documents were also obtained and analyzed for evidence of effective internal control.

3.7 Analysis of Data

The data was quantitatively presented in tables. Descriptive statistics such as percentages crosstabs and chi-square test were employed to analyze the collected data. Data was transformed and recorded and analyzed using Statistical Package for Social Science (SPSS)

3.8 Historical Background of Amansie West Rural Bank Limited (AWRBL)

Amansie West Rural Bank Limited with its Head office at Antoakrom in the Amansie West District of Ashanti is licensed by Bank of Ghana and established on 22nd October 1983.

The bank currently has nine (9) branches located in four areas of the Ashanti Region, namely Amansie West district, Bekwai and Obuasi Municipalities, and Kumasi metropolis. Its staff strength currently stands at 126.

The vision of the bank is “to become the most efficiently managed rural bank in Ghana” and the mission is to provide domestic and international banking services with a strategic focus on micro financing, SME financing and assisting both public and private salary workers.

Amansie West Rural Bank is playing a positive and innovative role in offering the best banking services to the business community.

In carrying out its mission, the bank has set out the following objectives, among others:

1. To ensure sustained growth in profitability and payment of reasonable returns to shareholders through capital appreciation and reasonable dividend.
2. To ensure effective and efficient service delivery to reduce customers’ turnaround time.
3. To institute effective training programs for staff and Directors on modern trends in banking.

4. To improve the standard of living of its customers' through innovative and rewarding products.
5. To invest in the communities and build relations as part of its corporate social responsibilities (CSR).
6. To offer most rewarding banking services to the general public.
7. To be the preferred and successful rural bank.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the internal control systems and challenges on management, staff and customers. It deals with the presentation and analysis of data collected from 60 questionnaires administered on the selected sample. The results were presented in tables in the form of frequencies, percentages and mean. The results were discussed under the theme to the various research questions that were formulated to guide the study

Questionnaires were administered sixty (60) respondents which were made up of management, staff and customers. Out of the sixty questionnaires distributed, all the 60 questionnaires were answered correctly and returned.

4.2 Profile of Respondents

These section presents gender, age, marital status, number of years worked at the bank, sections in the bank, academic qualification, knowledge on internal control of the bank and update on controls.

Table 4.1: Demographic Characteristics of the Respondents

Variable	Frequency	Percentage
Gender		
Male	27	67.5
Female	13	32.5
Age		
Below 20	2	5
20-29	13	32.5
30-39	20	50
40-49	1	2.5
50 and above	4	10
Marital status		
Single	16	40
Married	24	60
Number of years worked the bank		
1-5	17	42.5
6-10	13	32.5
11-15	6	15
16-20	1	2.5
Above 20	1	2.5
Missing	2	5.0
Section in the bank		
Internal audit	6	15
Operation	19	47.5
Customer service	6	15
Credit	5	12.5
Teller	3	7.5
Others	1	2.5
Missing		
Academic/Professional Qualification		
Technical/Post-secondary	1	2.5
Diploma/HND	14	35
Bachelor degree	19	47.5
Post graduate diploma/Masters	4	10
Professional certificate	2	5
Position Held		
Top management level	2	5
Head of Department	5	12.5
Branch manager	6	15
Branch accountant	25	62.5
Other	1	2.5
Missing	1	2.5
Knowledge on internal controls of the bank	24	60
Very well	8	20
Well	2	5
Average	5	12.5
Not all	1	2.5
Update on internal controls	26	65

Yes	8	20
No	6	15
Missing		

Source: Field study (2015)

With reference to gender distribution in table 1, 27 of the respondents representing 67.5% were males while 13 participants representing 32.5% were female. The results show that majority of the respondents were male.

Concerning the age distribution, it was revealed that 2 of the respondents representing 5% were below 20 years, 13 of the respondents representing 32.5% were between 20-29 years; 20 of the respondents representing 50% were between 30-39 years; 1 of the respondents who represent 2.5% were between 40-49 years; while 4 individuals representing 10% were 50 years and above. The result indicates that most of the respondents were between 30-39 years.

In terms of marital status, it was revealed that 16 individuals representing 40% were single while 24 respondents representing 60% were married. The results show that majority of respondents were married.

With reference to the number of years the respondents have worked for Amansie rural bank, the study reported that 17 of the participants representing 42.5% have worked with the bank between 1 to 5 years, 13 of the respondents representing 32.5% have been working with the bank for 6 to 10 years, 6 of the participants representing 15% have worked with the bank for 11 to 15 years, only one person representing 2.5% has worked with the bank for more than 20 years. Two of the participants representing 5% did not answer this question.

Out of the 40 respondents for the study, it was revealed that 6 of them representing 15% are in the internal audit, 19 of the individuals who represent 47.5% worked with the operations department. Exactly 6 respondents representing 15% worked with the

customer service department. It was also reported that 5 individuals representing 12.5% worked with credit the credit section, 3 individual representing 7.5% worked as teller's teller. One respondent did not answer this question.

With respect to the academic and professional qualification, 1 of the respondents representing 2.5% had Technical/Post-secondary, 14 individuals representing 35% hold Diploma/HND, 19 respondents representing 47.5% hold bachelor degrees; 4 individuals representing 20% hold post graduate diploma/masters while 2 of the respondents hold professional certificate. The result indicates that majority of the respondents hold bachelor degree.

With reference to the position held, 2 of the respondents who represent 5% hold top management level, 5 of the respondents representing 12.5% were head of department, 6 of the respondents representing 15% were branch managers, 25 of the participants representing 62.5% were branch accountants while one of the respondents hold other positions. One of the respondents did not answer this question.

4.3 Nature of Internal Control System of Amansie West Rural Bank

In order to assess internal controls systems of Amansie Rural Bank Limited the views of the management and staff were sought using a four–point likert scale and the degree of their responses were measured on the scale: Strongly disagree =1, Disagree=2, Agree=3, Strongly agree =4 These responses are as shown in table 1 below.

Table 4.2 Control Environment

Control Environment	N	Missing	1	2	3	4	Mean
Management demonstrate commitment to integrity and ethical values	39	1	3(7.5)	7(17.5)	21(52.5)	8(20)	2.87
Top managers support integrity and ethical values	39	1	3(7.5)	7(17.5)	21(52.5)	8(20)	2.87
Responsibilities are delegated and no follow up action is made to get feedback on results of performance of tasks delegated	40	0	6(15)	18(45)	15(37.5)	1(2.5)	2.28
The management and staff of the bank do no practice honest and fare dealings with all stakeholders for their mutual benefit	40	0	14(35)	18(45)	8(20)	0(0)	1.85
Board of directors demonstrate independence	35	5	1(2.5)	9(22.5)	20(50)	5(12.5)	2.83
Responsibilities and roles are clearly stated for all employees	40	0	3(7.5)	6(15)	16(40)	15(37.5)	3.08

Source: Field study (2015)

The responses in table 4.2, try to confirm the nature of internal control system of Amansie West rural bank with reference to the control of the environment.

When the respondents were asked whether management demonstrate commitment to ethical values and integrity , 10 of the respondents representing 25% indicated “disagreed” as against 29 (72.5%) who agreed. The break down indicates that majority of the respondents believe that management demonstrate their commitment to integrity and ethical values. A computed mean value of 2.87 supports this observation.

Furthermore when the respondents were asked whether top management support integrity and ethical values, it was revealed that 10 of the respondents representing 25% disagreed to this statement while 29 respondents representing 72.5% agreed. The findings show that top management support integrity and ethical values of the bank. A mean value of 2.87 confirms this observation.

In another response received, it was reported that 24 respondents representing 60% disagreed that responsibilities are delegated and no follow up action is made to get the feedback on results of performance of tasks delegated while 16 of the participants representing 40% agreed. A mean value of 2.28 confirms this observation. This findings show that majority of the respondents were of the view that when responsibilities are delegated and follow up action is made to get feedback on results of performance of task delegated.

The study revealed that 32(80%) and 8(20%) of the respondents disagreed and agreed that respectively that the management and staff of the bank do not practice fair and honest with all stakeholders for their mutual benefit. The breakdown analysis show that majority of the respondents believe that management and staff of the bank practice fair and honest dealings with all stakeholders for their mutual benefit. A computed mean value of 1.85 confirms this observation.

The sample opinion in response to whether board of directors demonstrates independence, it was revealed that 10 of the respondents representing 25% disagreed while 30 of the respondents representing 75% agreed. The result shows that most of the respondents agreed the board of directors demonstrate independence. A mean value of 2.83 confirms this observation.

The sample opinion in response to whether the responsibilities and roles are clearly stated for all employees of the bank, it was reported 9 of the respondents representing 22.5% disagreed while 31(77.5%) agreed to this statement. Based on this analysis, it shows most of the respondents support the notion that responsibilities and roles are clearly stated for all the employees of the bank. A computed mean of 3.08 supports this observation.

4.3 Risk Assessment

Risk Assessment	N	Missing	1	2	3	4	Mean
The risk of doing business with the bank is high	40	0	17(42.5)	12(30)	7(17.5)	4(10)	1.95
Management has not put in place mechanisms for mitigation of critical operational risks that may arise	39	1	8(20)	18(45)	11(27.5)	2(5)	2.20
Duties are separated so that no one individual has complete authority over an entire financial transaction	39	1	6(15)	7(17.5)	20(50)	6(15)	2.70
Demonstration of commitment to attract, develop, and retain competent individuals is in alignment with objectives	39	1	3(7.5)	5(12.5)	22(55)	9(22.5)	2.95
Human resource function has helped to define competence and staffing levels by jobs roles, development and facilitating training.	40	0	2(5)	5(12.5)	22(55)	11(27.5)	3.05
Staff that performs the reconciliation separate from the staff that initiate and finalizes transaction	39	1	4(10)	5(12.5)	16(40)	14(35)	3.03

Source: Field Study (2015)

With reference to table 2, the study revealed that 29 of the respondents representing 72.5% and 11(27.5%) of the participants respectively disagreed and agreed that the risk of doing business with the bank is high. This result shows that most of the respondents believe that the risk of doing business with bank is low. A mean value of 1.95 supports this observation.

In another response received on whether management has not put in place mechanisms for mitigation of critical operational risks that may arise, it was reported 26 of the respondents who represent 65% disagreed with this statement while 13 of the respondents representing 32.5% agreed. The findings clearly show that most of the

respondents were of the view that management has put instruments in place to check critical operational risks that may arise in the bank.

Furthermore, the study revealed that 13(32.5%) and 26(65%) of the respondents respectively disagreed and agreed that duties are separated so that no one individual has complete authority over an entire financial transaction. The findings show that majority of the respondents support the above statement. A computed mean value of 2.7 confirms this observation.

From table(3), 8 of the respondents representing 20% and 31of the respondents representing 77.5% disagreed and agreed that there is demonstration of commitment to attract, develop, and retain competent individuals in alignment with objectives. The findings show that majority of the respondents were of the view that they are in favour of this statement.

When the respondents were asked whether human resource function has helped to define competence and staffing levels by job roles, development and facilitating training, the study revealed that 7(17.5%) disagreed to this statement while 33(77.5%) agreed. The finding shows that most of the respondents were of the view that human resource section of the bank function very effectively.

When the respondent were asked whether staff that performs the reconciliation are separate from the staff that initiates and finalizes transactions, the study revealed that 9 of the customers representing 22.5% indicated that they disagree to this statement while 30 of the respondents representing 75% agreed to this assertion. The findings indicate that reconciliation and finalizing transactions are done by different people who are staff.

Table: 4.4 Control Activities

Control activities	N	Missing	1	2	3	4	Mean
It is possible for unauthorized transaction to be carried out in the bank	39	1	13(32.5)	7(17.5)	14(35)	5(12.5)	2.3
Collusion is possible in the bank	40	0	10(25)	7(17.5)	21(52.5)	2(5)	2.4
There is effective job rotation at the branches and department	39	1	5(12.5)	12(30)	16(40)	6(15)	2.6
There is effective calling over of operational transactions at your branch or departments	38	2	1(2.5)	6(15)	23(57.5)	8(20)	3.0
The bank has transfer policy which does not allow to spend more than four (4) years at one branch to mitigate fraud and error	40	0	8(20)	13(32.5)	16(40)	3(7.5)	2.4
Bank officers may sometimes overlook verification of transactions to please to reduce customers waiting time	40	0	8(20)	12(30)	16(40)	1(2.5)	2.3
Individuals are held accountable for their internal control responsibilities in the pursuit of objectives	37	3	4(10)	8(20)	19(47.5)	6(16)	2.7
Management responds to reported fraud and action taking on those involve in these activities	37	3	2(5)	4(10)	18(45)	13(32.5)	3.1
Management action on fraud related cases are deterrent enough to prevent such incidence	38	2	3(7.5)	10(25)	15(37.5)	10(25)	2.8

Source: Field Study (2015)

When the respondents were asked whether it is possible for unauthorized transactions to be carried out in the bank, the study reported that 20 of the respondent representing 50% disagreed with this statement while 19 representing 47.5% agreed with this statement.

When the respondents were asked whether collusion is possible in the bank, the study revealed that 17 of the respondents representing 32.5% disagreed that collusion is possible in the bank while 23 of the respondents representing 57.5% agreed that collusion is possible in the bank. The finding shows that collusion is possible in the bank.

In another response, the study revealed 17 of the respondent representing 32.5% disagreed that there is effective calling over of operational transactions at their branch or departments while 22 of the participants representing 55% agreed to this assertion. The findings indicate most of the respondents were of the view that there is efficient calling over of operational transactions at their branch.

When the respondents were asked whether the bank has transfer policy which does not allow one to spend more than four years at one branch to mitigate fraud and error, the study revealed that 21 representing 52.5% disagreed to this statement while 19 of the respondents representing 47.5% agreed to this statement. The findings show that majority of the respondents were of the view that they disagree with this statement. A computed mean value of 2.4 confirms this observation.

In another response received, 20(50%) and 17 (42.5%) disagreed and agreed respectively with the statement that “Bank officers may sometimes overlook verification of transaction to reduce customers waiting time. The findings show that most of the respondents disagreed to this statement.

When the respondents were asked whether individual are held accountable for their internal control responsibilities in the pursuit of objective, the study revealed that 12 of the respondents representing 30% disagreed while 25 representing 63.5% agreed. Based on this analysis it can be inferred that majority of the respondents believe that individuals held accountable for their internal control responsibilities in the pursuit of the objectives of the bank.

When the respondent were asked whether management responds to reported fraud and action taking on those involve in these activities, the study revealed that 6 of the respondents representing 15% disagreed to this statement while 31 respondents

representing 62.5% agreed. The finding shows that majority of the respondents were of the view that management always take action whenever an employee or staff does something wrong.

In another response received, the study revealed that 13 of the respondents representing 32.5% disagreed with the statement that management action on fraud related cases are deterrent enough to prevent such incidence while 25 (67.5%) of the respondents agreed. The findings show that management actions on fraud are deterrent enough to prevent occurrence.

Table: 4.5 Information and Communication

Information and Communication	N		1	2	3	4	Mean
The bank has provided enough opportunities for customer complains	38	2	5(12.5)	12(30)	13(32.5)	8(20)	2.6
Complaints and disputes by customers and suppliers are not resolved in a timely manner	37	3	7(17.5)	19(47.5)	10(25)	1(2.5)	2.1
There is effective communication to all category of staff	37	3	4(10)	6(15)	21(52.5)	6(15)	2.8
Most often general meetings are held to deliberate and disseminate important operational issues	36	4	1(2.5)	16(40)	17(42.5)	2(5)	2.6
The bank has processes in place to communicate relevant and timely information to external parties	37	3	0(0)	9(22.5)	24(60)	4(10)	2.9
The codes of conduct, or other policies, expressly prohibits override of internal controls by management	37	3	1(2.5)	13(32.5)	15(37.5)	8(20)	2.8

Source: Field Study (2015)

When the respondents were asked whether the bank has provided enough opportunities for customer complains, the study revealed that 17 of the respondents representing

42.5% disagreed with this statement while 21 representing 52.5% agreed. The finding shows that majority of the respondents believe that management of the bank has put in the necessary measures in place to deal with customer complains.

The response in the table tries to affirm whether complains and disputes by supplies and customers are resolved in a timely manner, the study revealed that 26 of the respondents representing 55% disagree with this statement while 11 representing 27.5% agreed. The result show that most of the respondents believe that complains by supplies and customers are resolve on time. A calculated mean value of 2.1 confirms this observation. When the participants were asked whether there is effective communication to all categories of staff 10 of the respondents representing 25%d disagreed with this statement while 27 respondent representing 67.5% agreed. The breakdown analysis depicts that there is effective communication to all staff.

When the respondents were asked whether most often general meetings were held to deliberate and disseminate important operational issues, the study revealed that 17 of the respondents representing 42.5% disagreed while 19 representing 47.5% agreed. The findings show that most of the respondents were of the view that general meetings are held to purposefully spread relevant operational issue.

When the participants were asked whether the bank has processes in place to communicate relevant and timely information to external parties, the study revealed that 9 of the respondents 22.5% disagreed while 28 participants representing 70% agreed. The finding shows that most of the respondents believe that the bank has put the appropriate measures in place so long as effective communication is concerned.

When the respondents were asked whether the code of conduct or other policies expressly prohibits override of internal controls by management, it was realized that 14 of the respondents representing 34% disagreed while 23 of the participants representing 57.5% agreed.

Based on this analysis, it can be deduced that majority of the respondents were of the view that, the code of conduct, or other policies, expressly prohibits override of internal controls by management.

4.3 Customer View on internal control system and Challenges

Table 4.6 Customer view on internal control system, Challenges and effects

Bank branch	Frequency	Percent
Manso Nkwanta	2	10
Bekwai	5	25
Central Market	3	15
Akrokerri	2	10
Antoakrom	3	15
Ahodwo	2	10
Manso Adubia	1	5
KASS	2	10
Total	20	100

Source; Field study (2015)

With reference to the bank branches of Amansie West Rural Bank, the study revealed that 2 of the customers representing 10% saved with the Manso Nkwanta branch. Exactly 5(25%) had an account with Bekwai branch. The study revealed that 3 of the customers who represent 15% had an account with the central market branch. Exactly 2 of the customers representing 10% kept their accounts with Akrokerri branch. Three of the customers who represent 15% had an account with Antoakrom branch. Ahodwo also had 2 customers who represent 10% kept their accounts with them. The study reported one of the customers kept their account with Manso Adubia and finally 2 of the customers representing 10% had accounts with KASS.

When the respondents were asked whether the branch staff keeps them informed about matters of concern on issues such as changes in the bank's policies, BOG and Apex bank directive, it was revealed that 13 of the customers representing 65% were of the view that the branch staff keep them informed of matters of importance to the customers believe that the bank staff kept them inform of matters relevant to them.

In a sample opinion of the customers, it was revealed that 15(75%) of the customers were of the view that there is effective monitoring of operation of the bank that give them trust in accuracy of information concerning their accounts, however, 6 of the customers representing 25% disagreed with this assertion.

When the customers were asked whether the account statement issued by the branch they operate is clear, simple and understandable, it was revealed that 17 of the customers representing 85% indicated "yes" while 3(15%) indicated "no". The finding shows that the account statement by the branch is clear, simple and understandable.

When the customers were asked whether branch staff demonstrate commitment to integrity and ethical value, 16 of the customers representing 80% indicated "yes" while 4(20%) indicated "no". some of the customers who indicated "yes" were of the view that the bank staff have time for them. When the customers were asked whether the staff practice honesty and fairness when they undertake their transaction, it was revealed that all the 20 customers representing 100% were of the view that indeed the bank staffs are truthful and fair.

In another response received, it was revealed that 11 of the customers who represent 55% were of the view that they get reliable and fast service because of the bank's software and IT system. Exactly 9 of the customers representing 45%, however, were of the

opinion that they do not get fast and reliable services at their branch so long as the banking software and IT systems are concerned.

In another development, when the customers were asked whether they spend more time whenever they undertake transaction as a result of thorough verification procedure, 8 of the customers representing 40% indicated “yes” while 12(60%) indicated “no” Those who indicated “yes” were of the view that they waste much time at the banking hall when they undertake transactions.

When the customers were asked whether they feel comfortable in reporting or complaining about matters of concerns because there are clear roles and responsibility for all staff, it was revealed that 13(65%) indicated “yes”, 5(25%) indicated “no” while 2(10%) indicated “to some extent”. The studies revealed that majority of the customers were of the view that they feel satisfied in complaining of matters of concern.

When the customers were asked whether the segregations of duties by the bank has contributed to service quality at their various branches or not, it was revealed that 19 of the customers representing 95% indicated “yes” while 1(5%) indicated “no”.

When the respondents were asked whether they like the general banking environment and staff appearance at the various branches, it was revealed that 16 of the customers representing 80% indicated “yes” while 2 of the respondents representing 10% indicated “no” while 2(10%) indicated to some extent. The customers who indicated “no” were of the view that the staff appearance is not uniform most of the time. Some of the customers even complain that there are shortages of chair in the banking hall where they save their money.

When the respondents were asked to give any additional contribution for the improvement of service quality of the bank, it was revealed that the bank have to network all their branches and introduce ATM as part of their banking services.

4.4 Perception of Customers Reliability Dimension of Service Quality

In order to assess internal controls system, challenges and effects on customers of Amansie Rural Bank Limited the views of the customers were sought using a six –point likert scale and the degree of their responses were measured on the scale: Very poor =1, Poor=2, Average=3, Good=4, Very good=5 and Excellent=6 These responses are as shown in table 1 below.

Table 4.7 Customer Perception of Reliability Dimension of Service Quality

	N	1	2	3	4	5	6	Mean
The branch staff keeps you informed about matters as a customer, example changes in policies, BOG and Apex bank directives	20	1(5)	2(10)	1(5)	6(30)	4(20)	6(30)	4.4
Effective monitoring of corporation of operations give you trust in accuracy of information concerning your account	20	0(0)	2(10)	2(10)	4(20)	5(25)	7(35)	4.65
You are able to check the accuracy of transactions perform by the staff at your branch because of charity	19	1(5)	0(0)	3(15)	5(25)	3(15)	7(35)	4.58
The account statement issued by the branch is clear, simple and understandable	19	0(0)	1(5)	2(10)	2(10)	5(25)	8(40)	4.73
The branch staff demonstrate commitment to integrity and ethical value	18	0(0)	0(0)	2(10)	4(20)	4(20)	9(45)	4.94
The staff practice honesty and fairness when you undertake your transaction	19	0(0)	0(0)	2(10)	6(30)	5(25)	6(30)	5.05
Assessment of the general conduct of staff at the branch	19	0(0)	0(0)	2(10)	6(30)	5(25)	6(30)	4.79

Source: Author's construct (2015)

With reference to table 7, when the respondents were asked whether the branch staff keep them informed about matters of concern as a customer 3 of the respondents representing 15% indicated “poor”, 10 of the respondents representing 50% indicated “good”, 6 of the customers indicated “excellent” while 1(5%) indicated “average”. This finding show that majority of the customers were of the view that the bank keep them inform of changes in pertinent policies of the bank, Bank of Ghana and Apex directives. A computed mean value of 4.4 confirms this observation.

In another response received, the study revealed that 4 of the respondents representing 20% indicated “poor”. Exactly 2(10%) indicated “average”, 9(45%) indicated “good” while 7 of the respondents who represent 35% indicated “excellent” when they were asked whether the bank has effective monitoring of operation that gave them trust in accuracy of information concerning their accounts. The findings show that most of the respondents were of the view that they support the statement above. A mean value of 4.65 confirms this observation.

The sample opinion of the sample selected revealed that 1 individual representing 5% “poor”, 3 of the participants representing 15% indicated “average”, 15 of the respondents representing 30% indicated “good” while 7 of the customers representing 35% indicated “excellent” when they were asked whether they are able to check the accuracy of transactions perform by the staff at their branch for clarity. The results indicated most of the respondents were of the view that they were able to check the accuracy of transactions performed by staff of Amansie West Rural bank. A computed mean of 4.58 confirms this observation.

When the respondents were asked whether the account statement issued by the branch where they operate is clear, simple and understandable, it was revealed that one customer

who represent 5% were of the view the account statement is poor, 7 of the customers who represent 35% believe that it is clear simple and understandable, 8 of the respondents who represent 40% were of the view that it is excellent.

In another response received, it was revealed that 2 of the respondents indicated “average” 8 respondents representing 40% indicated “good” while 9 of the customers representing 45% indicated “excellent” when they were asked whether the branch staff demonstrate commitment to integrity and ethical value. The findings show that most of the customers were of the view that branch staff demonstrates commitment to integrity and ethical value. A mean value of 4.94 confirms this observation.

When the respondents were asked whether the staff practice honesty and fairness when you undertaking their transaction with them, the study revealed that 2 of the respondents representing 10% indicated “average”, 11 of the respondent’s representing 55% indicated good while 6 customers representing 30% indicated “excellent”. This finding suggests that the respondents believe that the staffs of Amansie West Rural bank are sincere and reasonable when they undertake their transaction for the customers.

The sampled opinion from the respondents shows that when the respondents were asked to assess the general conduct of staff at the branch, the revealed that 2 of the respondents representing 10% indicated “average”, 11 customers who represent 55% indicated “good” while 6 of the respondents representing 30% indicated excellent. This results show that majority of the customers were of the view that the general conduct of the staff of Amansie West Rural bank is general good. A calculated mean value of 5.05 laid credence to this observation.

Table 4.8 Customer Perception of Reliability Dimension of Service Quality

Statement	N	Missing	1	2	3	4	5	6	Mean
We get reliable and fast service because of our banking software and IT system	19	1	0(0)	1(5)	6(30)	2(10)	5(25)	5(25)	4.11
Spend more time when you undertake transactions because of thorough verification procedures	18	2	0(0)	1(5)	5(25)	2(4)	4(20)	5(25)	4.33
Feel comfortable in reporting or complaining about matters of concern because there are clear roles and responsibility for all staff	19	1	0(0)	2(10)	2(10)	2(10)	6(30)	7(35)	4.74
Segregation of duties resulted staff promptness, alertness in attending to customers or service delivery	18	2	0(0)	0(0)	3(15)	2(10)	4(20)	9(45)	5.06
General banking environment and staff appearance at your branch	18	2	0(0)	0(0)	2(10)	1(5)	4(20)	11(55)	5.33

Source: Author's construct (2015)

In another development, when the respondents were asked whether they get reliable and fast service as a result of good IT system of Amansie West rural bank, it was revealed that one individual representing 5% were of the view that the services rendered by the staffs of Amansie West rural bank are poor, 6(30%) of the customers indicated “average”, 8 of them representing 40% indicated “good” while 5 of the customers who represent 25% indicated excellent. The breakdown analysis show that majority of the

respondents were of the view that they get reliable fast services as a result of the banking software and IT system of the bank. A mean value of 4.11 confirms this observation.

When the respondents were asked whether they spend more time when they undertake transaction because of thorough verification procedures, it was revealed that 1(5%) indicated “poor”, 5 customers representing 25% indicated “average”, 6 of the respondents representing 30% indicated ‘good” while 5 individual who represent 25% indicated “excellent”. The findings clearly show that most of the respondents were of the view that they spend less time when they undertake transactions.

In another response received, it was revealed that 2 of the respondents representing 10% indicated “poor” 2 respondents representing 8% indicated “average” 8 of the customers representing 40% indicated “good” while 7 of the respondents representing 35% indicated “excellent” when they were asked whether they feel comfortable in reporting or complaining about matters of concern because there are clear roles and responsibility for all staff..The findings show that most of the respondent were of the view that they feel at ease in reporting matters of concern when due necessary.

The study again revealed that 3 of the customers representing 15% indicated “average”, 6 of the respondents representing 30% indicated “good” and 9 of the customers who represent 45% indicated “excellent” when they were asked whether segregation of duties has led to staff promptness, alertness in attending to customers or service delivery. The findings show that majority of the customers support this statement.

When the respondents were asked whether they like the general banking environment and staff appearance at their branches, the study revealed that 2 of the respondents representing 10% indicated “average” 5 customers who represent 25% indicated “good while 9 respondent representing 45% indicated “excellent”. The findings show that most

of the respondents were of the view that they like the general banking environment and staff appearance at their branch. A computed mean value of 5.33 confirms this observation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the main findings, conclusions, recommendations and areas for further study. The main objective for this study is to investigate the internal control system, challenges and effects on management, staff and customers of Amansie West rural bank. The specific objectives of the study is to identify the internal control systems that operate in the Amansie West Rural Bank , to ascertain the challenges management and other staff face in implementing the internal control system and to find out customers perception of the quality of service of the bank. The main findings of the study are summarized along with the specific objectives formulate to guide the study.

5.2 Summary of findings

The studies revealed that majority of the respondents believe that management exhibits their commitment to ethical values and integrity. Most of the respondent's majorities were of the view that when responsibilities are delegated and follow up action is made to get feedback on results of performance of task delegated. Majority of the respondents believe that management and staff of the bank practice fair and honest dealings with all stakeholders for their mutual benefit.

It was revealed that directors demonstrate independence. Most of the respondents believe that the risk of doing business with bank is low. The study revealed that management has put in place appropriate mechanisms to check critical operational risk that may arise in the bank. It came out that no individual has complete authority over an entire financial transaction. The study revealed that Human resource section of the

function very effectively. It was discovered that reconciliation and finalizing of transaction are done by different staff members of the bank.

It was revealed that collusion is possible in the bank. It was revealed that employees of the bank are held accountable for their internal control responsibilities in the pursuit of the objectives of the bank. Appropriate measures are put in place to deal with customer complains. It came out that the code of conduct, or other policies expressly prohibit override of internal controls by management.

The study revealed most of the respondents have opened an account with Bekwai branch. The study revealed that the bank staff keep customers informed of matters of importance. The account statement issue by the banks is clear, simple and understandable. It was also revealed that staff demonstrates commitment to integrity and ethical value. The bank staffs are trustful and fair. It was also revealed that there are slow and unreliable services at some of the branches of the bank. There are shortages of chairs in the banking Hall. It was also revealed that all the branches of the bank should be network.

The study revealed that the bank keep customers inform of changes of relevant policies of the bank. Majority of the customers were of the view that the effective monitoring of operation by the bank gave them trust in accuracy of information with respect to their accounts. The study also revealed that most of the respondents were of the view that statement issued by the bank is clear, simple and understanding. The customers were of the view that they spend less time when they undertake transaction.

5.3 Conclusion of the study

The study focuses on the internal control system and challenges on management, staff and customers. The study concludes that management exhibits commitment to truthfulness and ethical values. The task for every staff is clearly stated. The study can

also conclude that collusion is possible in the bank. The study again can conclude that the bank staffs are honest and fair; however, the services rendered by some of their staffs in other branches are slow and unreliable.

5.4 Recommendation of the study

Based on the findings of the report, the following recommendations are proposed:

Internal control system of the bank should be streamlined in such a way that, it would not unduly affect customers when they undertake transactions at various branches of the bank.

Management should put in place appropriate mechanisms to check and mitigate collusion in the bank or among staff by way of making job rotation paramount at all branches and departments while the staff transfer policy should be enforced to all categories of staff.

The software and IT systems of the bank should be improved in order to deliver fast and reliable banking services to customers in order to increase customer turnaround time.

Customers should feel very comfortable whenever they enter a banking hall. It therefore recommended that management provide enough customer seats at the various branches of the bank and also take steps to deploy Automated Teller Machines (ATMs) to enhance the service delivery of the bank.

Lastly, an incentive for people to do the right thing is vital, management of the bank is therefore admonished to package reasonable incentive for the performance of every facet of internal control system of the bank. In this case transparency is an important tool to ensure that people do the right thing. Effective accountability mechanisms are also crucial especially where there is the possibility that people would not do the right thing.

5.5 Areas for further research

This study was limited to only Amansie West Rural Bank Ltd. In order to generalize the findings, it is suggested that a similar study should be carried out in other rural banks in the Kumasi metropolis and also extended same to other regions in the country as a whole. Also, it can look at all the five internal control components that will investigate internal control effectiveness, since this study considered three.

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APPENDIX 1: DATA COLLECTION INSTRUMENTS

QUESTIONNAIRE FOR MANAGEMENT AND STAFF OF AMANSIE WEST

RURAL

BANK LIMITED AT ALL BRANCHES AND DEPARTMENTS

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This is an MBA thesis questionnaire on **Internal Control System: Challenges and Effects on Management, Staff and Customers of Amansie West Rural Bank Limited (AWRBL)**.

It is purely for academic purpose and that any information received from you will be treated with utmost confidentiality in line with research and ethical codes of KNUST.

Your candid opinion on the questions or statement below will enhance the quality of the final outcome of the thesis.

SECTION A

Respondent's Profile

Please tick [√] the appropriate box for your answers.

1. Please what is your gender? Male [] Female []
2. Please select your age group. Below 20 years [] 20 – 29 [] 30-39 [] 40 – 49 [] 50 and above []
3. Marital status? Single [] Married [] Divorce/Separated []
4. How long have you worked for this bank? 0 - 5 [] 5 - 10 [] 10 –15 [] 15 - 20 [] 20 and above []
5. What is your section in the bank? Internal audit [] operations [] customer service [] credit [] teller [] others []
6. Select your highest academic or professional qualification? **Select only one**
WASSCE [] Technical/Post-secondary [] Diploma/HND [] Bachelor's degree [] Post-graduate Diploma/Masters [] Professional cert. []
7. Position Held: Top management level [] Head of department [] Branch manager [] Branch accountant [] Others []
8. How well do you know about internal controls of the bank? Very well [] Well [] Average [] Not all []
9. Are you often updated on internal controls of the bank? Yes [] No []

SECTION B

Nature of Internal Control System of AWRB

The following statements concern the Internal Controls of your firm. Please indicate the extent to which you agree or disagree with each statement by ticking in the box corresponding to a number from 1 to 4 that represents your level of agreement or disagreement.

Parameters

1	2	3	4
Strongly Disagree	Disagree	Agree	Strongly Agree

	1	2	3	4
Control Environment				
1. Management demonstrate commitment to integrity and ethical values				
2. Do top managements support integrity and ethical values				
3. Responsibilities are delegated and no follow up action is made to get feedback on results of performance of tasks delegated				
4. The management and staff of the bank do not practice honest and fair dealings with all stakeholders for their mutual benefit.				
5. Board of directors demonstrate independence				
6. Roles and responsibilities are clearly stated for all employees				
Risk Assessment				
1. The risk of doing business with the bank is high				
2. Management has not put in place mechanisms for mitigation of critical operational risks that may arise.				
3. Are duties separated so that no one individual has complete authority over an entire financial transaction?				
4. Demonstration of commitment to attract, develop, and retain competent individuals in alignment with objectives				
5. Human resource function has helped to define competence and staffing levels by jobs roles, facilitating training and development				
6. Is the staff that performs the reconciliation separate from the staff that initiates and finalizes transactions?				
Control activities				

1. It is possible for unauthorized transactions to be carried out in the bank				
2. Collusion is possible in the bank.				
3. There is effective job rotation at the branches and departments				
4. How effective is calling over of operational transactions at your branch or department				
5. The bank has transfer policy which does not allow spending more than four (4) years at one branch to mitigate fraud and error.				
6. Bank officers may sometimes overlook verification of transactions to please to reduce customers waiting time				
7. Individuals are held accountable for their internal control responsibilities in the pursuit of objectives				
8. Management responds to reported fraud and action taking on those involve in these activities				
9. Management action on fraud related cases are deterrent enough to prevent such incidence				
Information and Communication				
1. The bank has is yet provide enough opportunities for customer complains				
2. Complaints and disputes by suppliers and customers are not resolved in a timely manner.				
3. Is there effective communication of important operational information to all category of staff				
4. How often do general meetings held to deliberate and disseminate important operational issues.				
5. The bank has processes in place to communicate relevant and timely information to external parties.				
6. The Code of Conduct, or other policies, expressly prohibits override of internal controls by management.				

APPENDIX 2: DATA COLLECTION INSTRUMENT

QUESTIONNAIRE FOR CUSTOMERS OF AMANSIE WEST RURAL BANK

LIMITED AT

ALL BRANCHES

.....

.....

This is an MBA thesis questionnaire on **Internal Control System, Challenges and Effects on Management, Staff and Customers of Amansie West Rural Bank Limited (A.W.R.B.Ltd.)**.

It is purely for academic purpose and that any information receive from you will be treated with utmost confidentiality in line with research and ethical codes of KNUST.

Your candid opinion on the questions or statement below will enhance the quality of the final outcome of the thesis.

SECTION C

Customer Perception of Reliability Dimension Of Service Quality

In your opinion, how do you assess the service quality of your AWRB branch? Does it meet your expectations in terms of following dimension? Use these responses from 1-6 to answer, where: 1- very poor 2 – poor 3 - average 4 – good 5 – very good and 6- excellent. Kindly TICK one option

	1	2	3	4	5	6
1. Does the branch staff keep you informed about matters of concern as a customer, examples changes in policies, BOG and Apex bank directives?						
2. Has effective monitoring of operations give you trust in accuracy of information concerning your accounts?						
3. Are you able to check the accuracy of transactions perform by the staff at your branch because of clarity?						
4. The account statement issued by the branch is clear, simple and understandable.						
5. Does the branch staff demonstrate commitment to integrity and ethical value?						
6. Does the staff practice honesty and fairness when you undertake your transaction?						
7. How do you assess the general conduct of staff at the branch						
8. Do you get reliable and fast service because of our banking software and IT systems?						
9. Do you spend more time when you undertake transaction because of thorough verification procedures?						
10. Do you feel comfortable in reporting or complaining about matters of concern because there are clear roles and responsibility for all staff?						
11. Has segregation of duties resulted to staff promptness, alertness in attending to customers or service delivery?						
12. How do you like the general banking environment and staff appearance at your branch?						

APPENDIX 3: DATA COLLECTION INSTRUMENT

**KWAME NKURUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
(KNUST), KUMASI**

Interview Guide

Topic: Internal Control System, Challenges and Effects on Management, Staff and Customers of Amansie West Rural Bank Limited.

.....
.....

1. Which of the Bank's branches do you have your account?

.....
.....
.....

2. Does the branch staff keep you informed about matters of concern as a customer, examples changes in the bank's policies, BOG and Apex bank directives?

Yes [] No []

3. Has effective monitoring of operations give you trust in accuracy of information concerning your accounts?

Yes [] No []

4. If yes, please give examples

.....
.....
.....

5. Is the account statement issued by the branch clear, simple and understandable?

Yes [] No []

6. Does the branch staff demonstrate commitment to integrity and ethical value?

Yes [] No []

7. If yes, please give example

.....
.....
.....

8. Does the staff practice honesty and fairness when you undertake your transaction?

Yes [] No []

9. Do you get reliable and fast service because of our banking software and IT systems?

Yes [] No []

10. Do you spend more time when you undertake transaction because of thorough verification procedures?

Yes [] No []

11. If yes, how does it affect you?

.....
.....
.....

12. Do you feel comfortable in reporting or complaining about matters of concern because there are clear roles and responsibility for all staff?

Yes [] No []

13. How has segregation of duties contributed to service quality of your branch?

.....
.....
.....

14. Do you like the general banking environment and staff appearance at your branch?

Yes [] No []

15. If yes/no, how?

.....
.....

.....
.....
.....

16. Any other relevant comment or additional contribution

.....
.....
.....
.....

Thank you