

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

KNUST

**AN EVALUATION OF INTERNAL CONTROL SYSTEMS OF SECOND CYCLE
INSTITUTIONS IN GHANA**

BY

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DECLARATION

I hereby declare that this submission is my own work toward an MSc Accounting and Finance Degree and that to the best of my knowledge, it contains no material previously published by another person nor material that has been accepted for any other degree of this or any university, except where due acknowledgment has been made in the text.

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DEDICATION

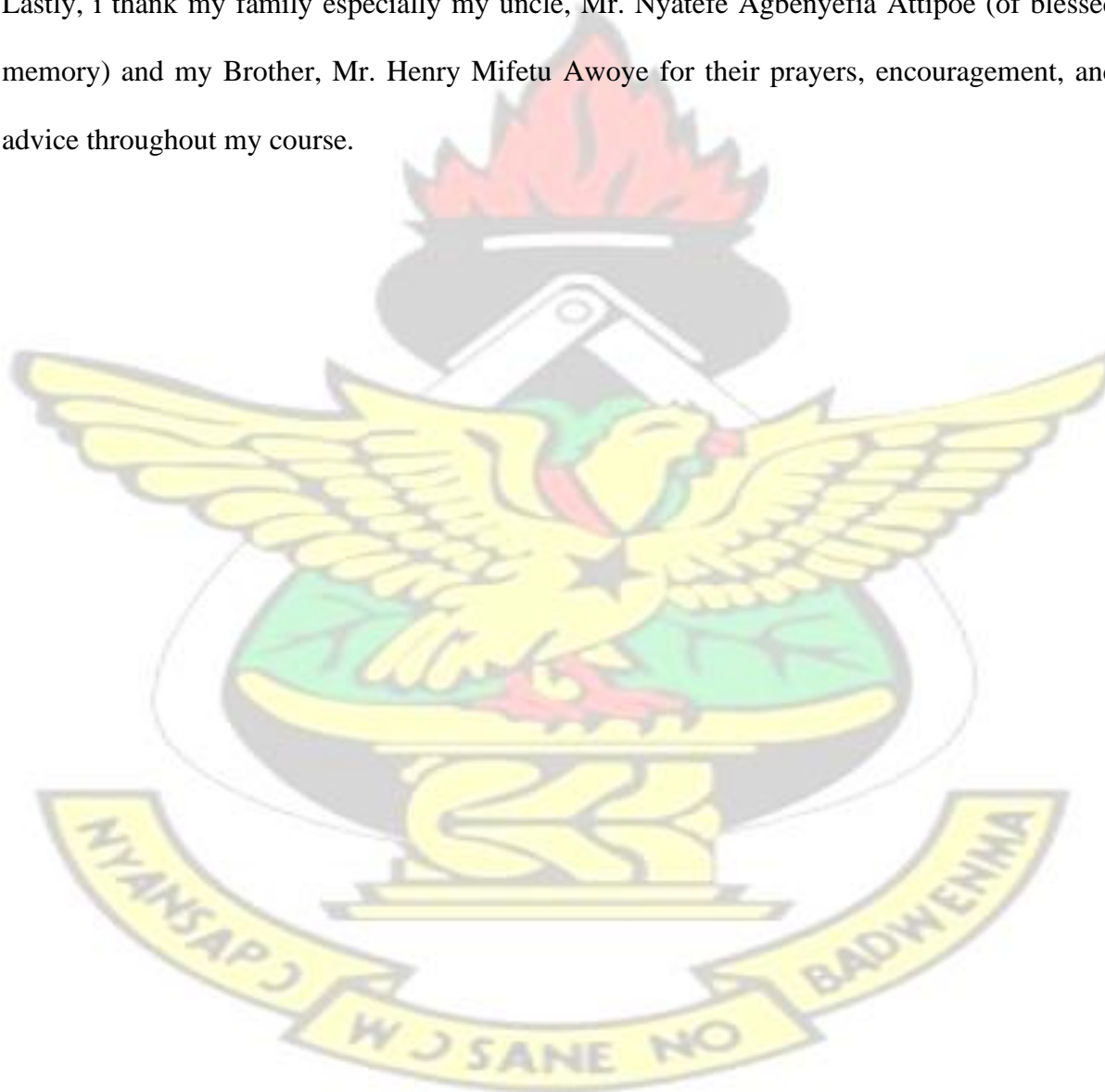
I dedicate this dissertation to God Almighty, my creator, my strong pillar, and my source of inspiration, wisdom, knowledge, and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my husband, Mr. Francis Kwaku Kalitsi, who keeps encouraging and supporting me in this endeavor. To all who played a significant role in making this dream a reality, i say, Thank you.



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Lastly, i thank my family especially my uncle, Mr. Nyatefe Agbenyefia Attipoe (of blessed memory) and my Brother, Mr. Henry Mifetu Awoye for their prayers, encouragement, and advice throughout my course.



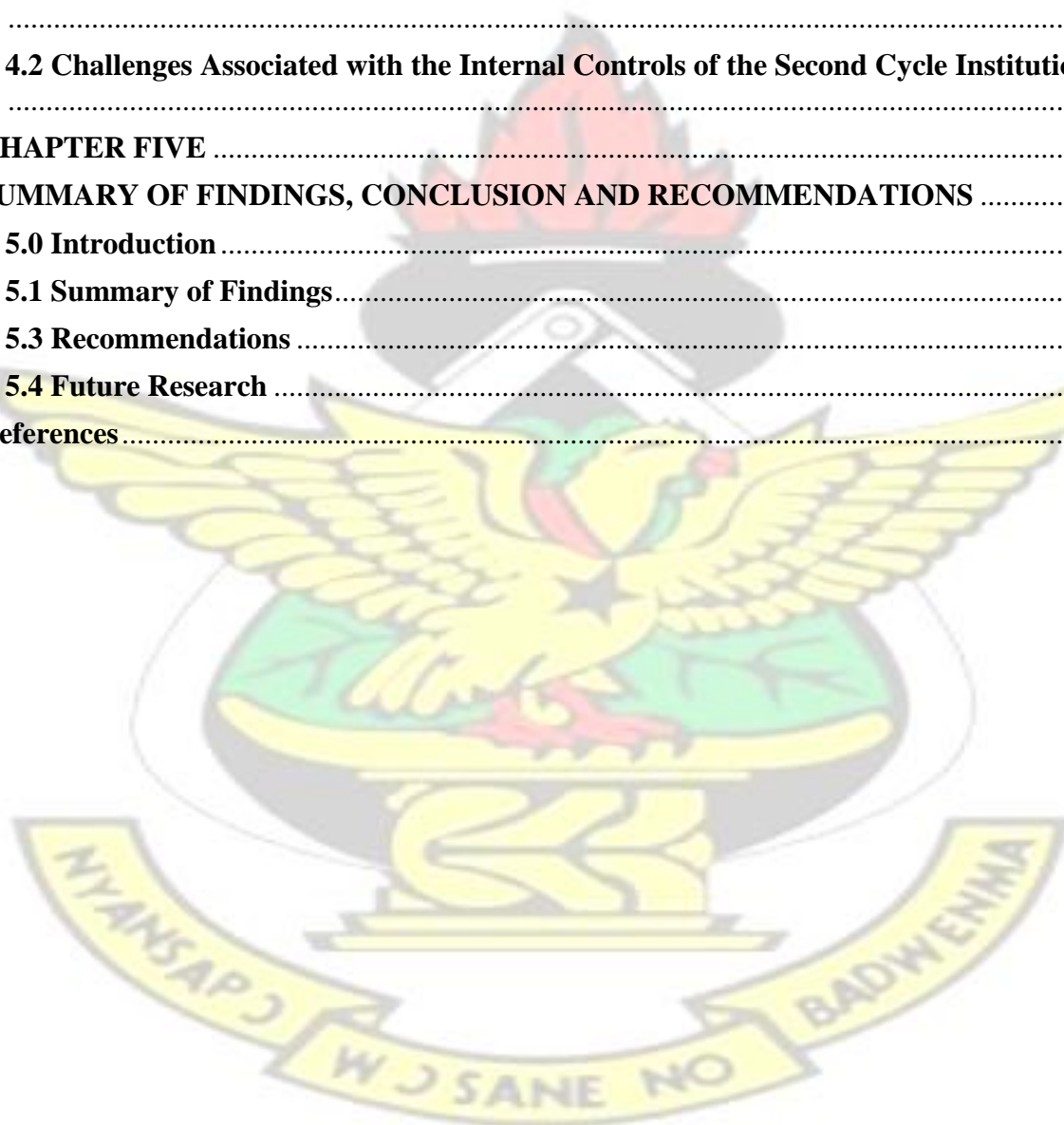
ABSTRACT

The main objective of this research is to study and evaluate the internal control systems in Second Cycle Institutions within the volta region. The study adopts qualitative data analysis. The researcher administers Questionnaires to staff and management of second cycle institutions. The researcher receives 83 questionnaires back from the respondents out of 100 were collected for analysis. Face to face interviews helps to get an in-depth understanding of the challenges of internal control in such organization. Aside the interview, the research relies on some secondary data and this data is analysed thematically. Based on the findings the study makes on the analysis, it concludes that internal controls are in place in second cycle institutions and such controls are consistent with international standards. However, the study identifies some challenges with the internal controls including lack of empathy on the part of supervisors and management staff, Manual Processes/Human Error, Lack of Accurate Data, Too Many Controls, Inconsistent Controls, Collusion/Fraud, Management Override of Internal Controls, Static Controls, Lack of Stakeholder Engagement with Reporting. The study recommends that Senior High Schools should continue to strengthen the internal controls of the schools in order to continue to prevent improper financial management and stealing of school assets. It also recommends for management to endeavour to motivate its employees by educating them well on the functioning of internal control procedures and also considering granting them incentive packages that will help boost their ego and make them give out their best at all times.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The ability to influence or steer the behavior of other individuals or the progression of events is one definition of control. The term "control" also refers to a person or thing that serves as a benchmark or comparison standard for the purpose of evaluating the findings of a survey or experiment. In order for any system to be considered effective, efficient, and successful in achieving its goal, it is necessary for that system to have the necessary controls in place (Zimmerman, 2013). Therefore, controls are responsible for determining the parameters for efficient operation, measuring results from a system, and tracking of performance. Control can originate from either within a system or from outside of it (Harish & Kumar, 2016).

Over the course of the last few decades, there has been a shift in emphasis on the importance of internal controls within corporate institutions. The globalization of economies around the world, advances in technology, the intricate nature of economic activities, and suspicions of fraudulent financial reporting are all to blame for this shift in focus (Frazer, 2016). The cases of Enron and WorldCom stand out as particularly egregious examples of the kinds of catastrophic corporate failures that occurred as a direct result of lax or nonexistent internal control rules that are intended to bolster the operations of the companies in question (Carnegie & O'Connell, 2014).

According to the findings of the Treadway Commission study from 1987, many instances of fraudulent financial reporting are due to the absence of or weakness in the organization's internal control mechanisms. Both academicians and institutions have proposed a wide variety of definitions for the concept of internal controls (Bishop et al., 2019). This is due to the fact that there are an excessive number of views that can be taken while analyzing internal control. An organization's internal control is a vital component of its operations. It is a comprehensive

process that aims to effectively manage risks and ensure the achievement of the entity's mission and objectives. The United States' internal control standards committee (2010) has provided valuable guidance in this regard. The success of these actions is influenced by the management team and the collective efforts of all employees within the organisation. In order to ensure that your company's goals are being met, it is crucial for management to consistently analyse and evaluate the structures of your internal control. This approach aligns with the definition of internal control provided by the esteemed United States General Accounting Office (GAO). By regularly assessing your internal control mechanisms, you can establish reasonable assurance that your entity is on track to achieve its objectives (Gyebi & Quain, 2013). The primary objective of an institution's internal control is to strive for a commendable level of governance, management, work productivity, and adherence to the established rules and regulations.

The Ghana Education Service and second cycle institutions, just like any other organisation, must adhere to various regulations and acts to ensure the optimal utilisation of resources for the attainment of their objectives. The aforementioned components encompass the 1992 constitution, the education act, the new public financial management act (act 921), and the procurement act, among a myriad of others. The implementation of these controls is essential to ensure optimal utilisation of resources, thereby facilitating the attainment of organisational objectives in a highly effective and efficient manner. The implementation of these controls is essential for optimising resource allocation and maximising operational efficiency (Kimani, 2014).

Over the course of the past four to five years, it has come to my attention that the report of the esteemed Auditor General has consistently highlighted certain Second Cycle Institutions in our country for a range of infractions. The range of infractions observed encompasses various instances, including the purchase of items without proper routing through stores, unauthorised

payment vouchers, unaccounted for cash, and failure to adhere to procurement rules. The presence of these infractions suggests that there may be a lack of attention given to the existing systems, or that the systems in place may not be robust enough to effectively enhance and contribute value to their operations. In order to effectively address the control policies, procedures, and issues pertaining to the internal controls of second cycle institutions in Ghana, it is imperative to undertake thorough research. This research will provide valuable insights and enable a comprehensive investigation into the aforementioned aspects (Frazer, 2016).

The **control environment** helps to establish the tone for the organization, which in turn has an effect on the control consciousness of the individuals who work there. On top of this foundation, other aspects of internal control can be created, giving the organization the necessary discipline and structure. The term "control environment" refers to the collection of factors that have an effect on employees' levels of awareness regarding the organization's culture. The control environment is influenced by various factors such as employee discretion, values, and abilities, as well as the management philosophy and operational style of the board and managers. Additionally, the hiring and training of employees play a crucial role in shaping the control environment. It is also important to consider the concerns and guidance provided by supervisors and board members, as they can significantly impact the overall control environment. The control environment serves as the foundation for the other parts of the system. When employees are made aware of this, it boosts their confidence and improves their grasp of the constraints that are authorized for them to work within.

Risk assessment: The aims of financial reporting are established with sufficient clarity and by using adequate criteria in order to enable the identification of risks that may affect the reliability of financial reporting. This is done in order to ensure that financial reporting is accurate. The company finds and evaluates the potential threats to the accomplishment of the goals associated with financial reporting, and then, on the basis of these findings, it chooses a strategy for the

management of risks. When evaluating the potential dangers to the attainment of the purposes of financial reporting, it is imperative that explicit consideration be given to the possibility that fundamental misrepresentations could be the result of fraudulent activity. Recognizing the internal and external elements that prohibit goals from being achieved and evaluating the possible risk and impact of a number of circumstances is what is meant by the term risk assessment. The findings of this study provides organizations with useful information that can be used to build, modify, and put into practice necessary solutions for controlling organizational operations.

The term "**control activities**" refers to the process of building an all-encompassing control framework and establishing control procedures at every level. To maximise operational efficiency and accountability, it is imperative to diligently execute the directives provided by the board and managers. This entails carrying out tasks such as obtaining necessary approvals, authorizations, certifications, making adjustments, conducting periodic inventory checks, verifying records, assigning tasks to appropriate personnel, and ensuring the security of assets, projects, budgets, and benchmarking against past performance. In order to mitigate the dangers that could prevent the financial reporting objectives from being met, several preventative measures are implemented. When selecting and developing control activities, it is important to take into account the costs associated with those activities as well as the expected effectiveness of those activities in terms of reducing the risks that could put the accomplishment of the goals of financial reporting in jeopardy. The institution develops policies and processes for reliable financial reporting, which are then conveyed to the entire institution. Additionally, the institution carries out the procedures that are stated in executive directives. For instance, The Public Financial Management Act 2016, Act 921 requires every covered business to establish an internal Audit Unit. Section 83, sections 1 and 3a of that act states this need. An Internal Auditor working within a covered entity's Internal Audit Unit is required to evaluate and report

on the appropriateness of the controls that are in place within the covered entity, as well as how those controls are being applied. In addition, sections 21 and 22 of Act 921 of 2016, which governs the management of public finances, discuss the drafting and approval of a budget before any expenditures are made.

The objectives of an information system, also known as the results produced by the information system, are referred to as the **information system's targets**. These objectives include recognition, consideration, processing, and reporting. The system oversees both financial and non-financial information in order to ensure compliance with applicable rules, as well as operations and financial reporting.

The term "**communication**" encompasses not just the dissemination of information to a wide variety of individuals, but also communications both within and between organizations. From the point of production planning all the way through to the point of supervision, the internal control system requires information and provides a means for the person who needs specific information to receive it. Communication makes it possible to understand and implement the goals and processes of internal control, as well as the personal tasks on each level of the company. Communication also provides support for these endeavors.

Monitoring is the process of performing an audit on oneself as part of an internal control system. In order to optimise your business operations, it is crucial to assess the adequacy of your control environment, ensure timely and accurate risk assessment, evaluate the appropriateness and accuracy of control operations or activities, and verify that your information and communication systems encompass all necessary components. Monitoring can be conducted either continuously or on a case-by-case basis. The former pertains to the regular monitoring of operations, while the latter pertains to the monitoring conducted by internal auditors, supervisors, or the board of directors. Management will be able to determine whether or not there is an effective internal control of financial reporting if they rely on frequent or

individual assessments to come to their conclusion. The reporting of shortcomings of internal control are identified at the appropriate time and are informed to the parties responsible for corrective measures, as well as to the management and the supervisory body, if necessary. In order to assist management with decision making, reports are generated on continuing supervision, case assessments, and oversights.

In order to offer sufficient assurance for the fulfillment of organizational goals, assessing operational process, the efficacy of conditions, etc., relevance to binding laws and other legal acts and regulations, internal control has been carried out. Maintaining control involves monitoring the implementation of plans and making any required adjustments to those plans in order to ensure long-term viability and progress toward one's objectives. A comparison can be made between the system of internal control at a high school and that of a company. This is a process that is related with the growth of high schools and the planning, budgeting, implementing, and controlling of processes, as well as the collecting, analysis, and reporting of data, among other things, about the goals and viability of the institution (Walker et al., 2013). Maintaining a healthy equilibrium between the costs of control processes and the dangers they address is essential to an effective structure of internal control. The role of control in higher educational institutions is becoming increasingly important. The teachers, administration, and students can all receive input through the use of control, which is a technique. The author's research delves into the pivotal role of internal control systems within the study process at higher educational institutions. To accomplish this, the author draws upon the esteemed COSO model, which was developed by The Committee of Sponsoring Organisations of the Treadway Commission. The adoption and application of this paradigm have been extensively utilised across a range of real-world contexts (Sedziuviene & Vveinhardt, 2009). In order to optimise the development of an efficient internal control system, it is imperative to thoroughly evaluate and take into account a multitude of interrelated factors. The key facets encompassed within

this framework are the control environment, control activities or procedures, risk assessment, information and communication, monitoring, and continuous improvement. By addressing each of these elements, you can ensure that your internal control system is robust and capable of safeguarding your business operations.

1.2 Problem Statement

The significance of an internal control system in ensuring the smooth and optimal operation of an organisation cannot be overstated. Ensuring the implementation of a robust internal control system is crucial for the prosperity and longevity of any organisation. This system serves as the bedrock for enhancing operational efficiency and maximising overall effectiveness (Tetteh et al., 2022). The importance of an internal control system in an organisation cannot be overstated, as highlighted by Aduam (2018). Ensuring the effectiveness of an internal control system within your organisation is absolutely crucial in order to successfully achieve your goals and objectives. This system serves as a vital tool for measuring the performance of your organisation..

According to Ayagre & Osei (2019), it is crucial to recognise the significant impact that a breakdown in an internal control system can have on the overall success of an organisation. Their perspective emphasises the importance of maintaining a robust internal control system to mitigate the risk of failure. According to Ofori (2021), it is crucial and essential for an organisation to have a well-established and efficient internal control system in place in order to ensure smooth and effective administration.

Lately, there has been a significant focus on the crucial matters of efficiency and effectiveness within public sector organisations. As a business coach, it is crucial for second cycle school managers and employees to understand the importance of accountability when it comes to the public resources they are entrusted with. Accountability is a fundamental aspect of effective

resource management, and it is essential for fostering trust and confidence among stakeholders. Managers and employees must recognise that they have a responsibility to ensure that public resources are utilised efficiently and effectively. This means being diligent in tracking and documenting the allocation and usage of these resources. By doing so, they can demonstrate transparency and demonstrate their commitment to responsible stewardship. Furthermore, accountability extends beyond just financial resources. It also encompasses the proper utilisation of time. On the flip side, the prevailing conditions surrounding the management of public institutions in Ghana are rather disheartening (Stupak et al., 2021). The public second cycle schools in Ghana have unfortunately encountered challenges that have tarnished their reputation, leading to negative accusations and perceptions surrounding their efficiency and effectiveness.

Ensuring the establishment of an efficient internal control system that aligns seamlessly with the mission and vision of your organisation is absolutely crucial for achieving long-term success. The alignment of the internal control system within second cycle organisations is intricately intertwined with the strategic framework implemented by the management to effectively oversee and streamline operational processes (Oseni, 2021).

Henceforth, it is imperative to recognise that the internal control system serves as a vital tool that empowers organisations to attain their goals and fulfil their fundamental duties with utmost effectiveness and efficiency (Oseni, 2021).

Over the course of the past four to five years, it has come to my attention that the report from the esteemed Auditor General has consistently highlighted certain Second Cycle institutions in our country for a range of infractions. The range of infractions encompasses various issues, such as items being purchased without going through proper store channels, unauthorised payment vouchers, untracked cash, and failure to adhere to procurement regulations, among other areas of concern. In order to optimise operational efficiency and mitigate potential risks,

it is imperative to thoroughly examine and evaluate the internal control mechanisms within your organisation (Vian, 2020).

Based on the information provided, the researcher has chosen to delve into the examination of the internal control system established by various acts, such as the public procurement act, the public financial management act, and the internal audit agency. The primary focus of this investigation is to determine if these acts have effectively and efficiently managed limited resources in alignment with the institution's objectives. Additionally, it is necessary in order to have an understanding of the difficulties that are involved with the implementation of these controls.

1.3 Research Objectives

The primary focus of this research endeavour is to thoroughly examine and assess the internal control systems implemented within Second Cycle Institutions.

The Specific objectives of the study are:

- i. To investigate selected Second Cycle Institutions' internal control policies and practises.
- ii. To look into the difficulties the second-cycle institutions' internal controls face.

1.4 The Research Questions

The following inquiries are intended to be used in this study. propose solutions to the goals:

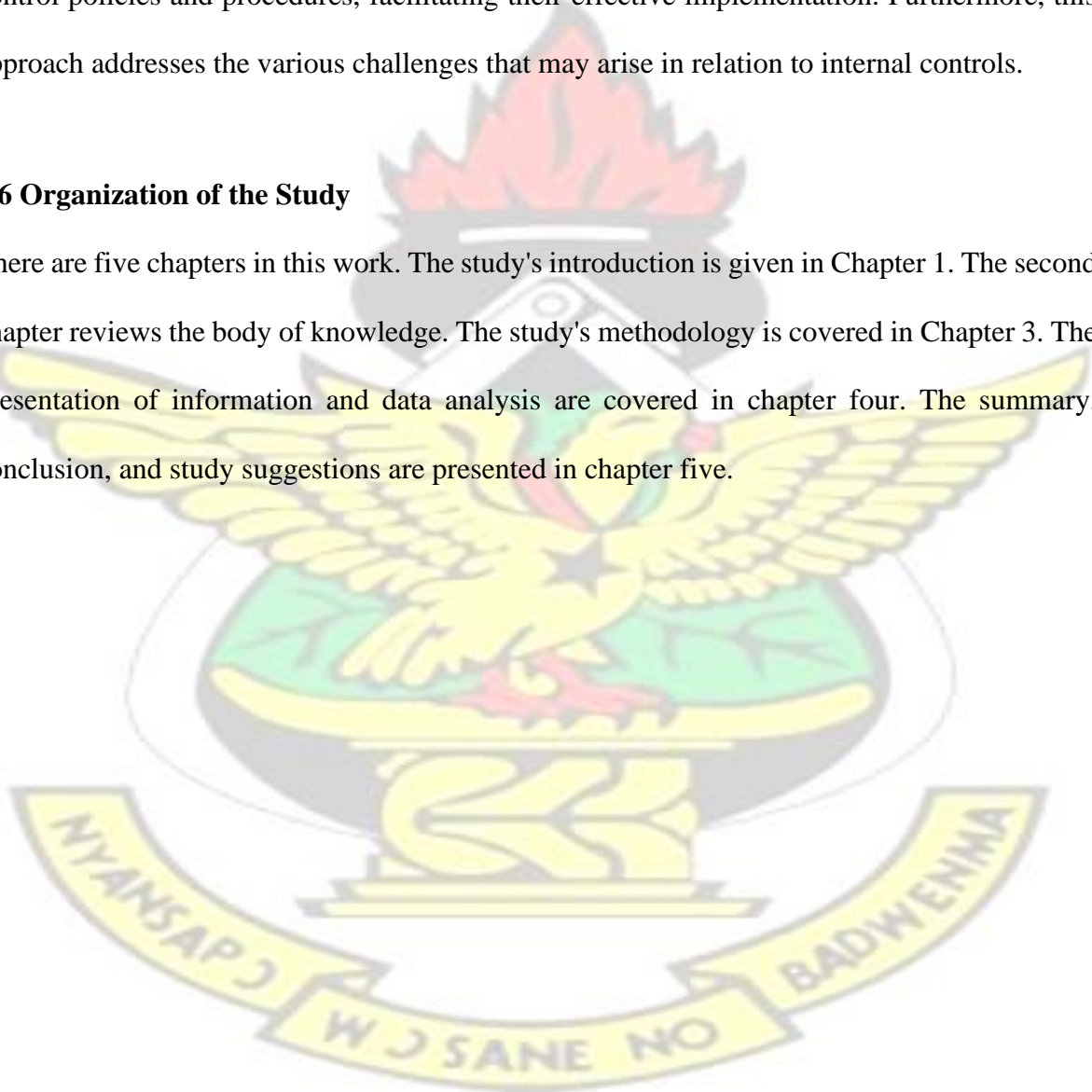
1. What internal control rules and procedures are in place at the second-cycle institutions you've chosen?
2. What are the difficulties with the second-cycle institution's internal controls?

1.5 Research Significance

This research serves as a valuable contribution to the existing body of literature, providing a roadmap for fellow researchers to delve into uncharted territories and expand the boundaries of knowledge. The formulation of enhanced policies in the realm of internal controls within Second Cycle Institutions is a valuable aid for policymakers. Additionally, it serves as a means for the management of said institutions to gain a comprehensive understanding of internal control policies and procedures, facilitating their effective implementation. Furthermore, this approach addresses the various challenges that may arise in relation to internal controls.

1.6 Organization of the Study

There are five chapters in this work. The study's introduction is given in Chapter 1. The second chapter reviews the body of knowledge. The study's methodology is covered in Chapter 3. The presentation of information and data analysis are covered in chapter four. The summary, conclusion, and study suggestions are presented in chapter five.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The present chapter delves into an extensive examination of pertinent literature that directly relates to the subject matter under investigation in this study, namely, internal control systems in second cycle institutions within the context of Ghana. The present chapter provides a comprehensive examination of the existing literature pertaining to the concept of internal control systems. It encompasses a thorough analysis of both theoretical and empirical perspectives, followed by a discussion on the conceptual framework. The primary objective of this chapter is to offer a thorough examination of the various theories and empirical studies pertaining to internal control systems within second cycle institutions in Ghana.

2.1 Conceptual Review

2.1.1 Definition of Internal Controls

There has been a variety of perspectives regarding the purpose and meaning of internal control ever since the topic was first brought up (Wang et al., 2018). Internal control, in the context of a firm, has been understood by some to be the practice of taking precautions against the theft of assets and the fraudulent presentation of financial statements. According to a bulletin that was distributed by the American Institute of Certified Public Accountants in the year 1936 (AICPA) and titled "Examination of Financial Statements by Public Accountants internal control refers to procedures and approaches accepted within the organization to safeguard the cash and other assets of the company as well as to check the clerical accuracy of the bookkeeping," internal control was defined as "the procedures and approaches accepted within the organization to safeguard the cash and other assets of the company." Internal controls may

be subject to clerical errors, which can lead to the loss of cash and assets owned by the company (Wang et al., 2018).

Based on the AICPA report on accounting and auditing for the fiscal year 2013/2014, it is recommended that internal control procedures encompass the strategic objectives of an organisation, along with industry-standardized procedures and measures. These measures are designed to safeguard the organization's assets and ensure the accuracy and consistency of its financial records. Furthermore, it has been observed that the implementation of this particular approach enhances operational efficiency, thereby resulting in a concomitant elevation of adherence to the established regulations and guidelines set forth by the esteemed institution (Fiteni, 2020).

As per Fiteni (2020), the multifaceted nature of the term "internal control" necessitates a contextual understanding to accurately interpret its implications. In a comprehensive perspective, it is important to acknowledge the significance of both accounting controls and administrative controls. The term "administrative controls" pertains to the strategies and protocols implemented by organisational management to exert oversight and regulation over various areas, including budgeting and financial performance. In contrast, accounting control encompasses the crucial aspects of transaction authorization, safeguarding of assets, and meticulous recording of economic activities.

The analysis of the COSO Framework, titled "Internal Control – Integrated Framework," provides a comprehensive examination of the fundamental components of control. This process is initiated by an organization's governing body, management, and additional personnel, who collectively aim to provide reasonable assurance regarding the achievement of objectives within various domains:

1. Reliability of financial reporting
2. Effectiveness and efficiency of operations

3. Compliance with applicable laws and regulations.

The COSO definition of "internal control" emphasizes that "internal control" is a method that is implemented by people and is not limited to strategy makers' handbooks and processes (Chang et al., 2020). The inclusion of written manuals in COSO's model of control systems not only ensures a tolerable level of assurance that the system of government aims can be accomplished, but also signals that there is no absolute certainty for internal control audits. According to the definition, the rate that must be met before an organization can participate in a mechanism must not exceed the welfares that are expected to be the result. The explanations provided by COSO are exhaustive in the sense that they state the accomplishment of an objective regarding the most widely reported aspects of the economic system as well as its procedures and compliance with a set of laws and principles. The explanation is exhaustive in the sense that it details the accomplishment of objectives with regard to financial reporting, procedures, and conformity with statutes and regulations. The term encompasses methods through which the highest level of management authority assigns duties and responsibilities for various purposes, including commerce, purchasing, record-keeping, and production. The definition has been expanded to incorporate additional factors, including the implementation of a comprehensive system that facilitates the generation, validation, and allocation of information across various stages of management within large-scale organisations (Chang et al., 2020).

Internal control also includes the potentials of a reputable organization, is dependent upon people, and its success or failure is directly attributable to the amount of attention that is paid to it. With reference to Millichamp (2012), Internal control refers to the comprehensive framework of controls established by the governing board to effectively manage and operate an industry or enterprise in a prudent and efficient manner. Furthermore, it is crucial to note that the concept of internal control underscores the tangible manifestation of a cohesive effort

among individuals and their immediate environment to establish a sense of operational efficiency in relation to the likelihood of achieving organisational objectives and fulfilling its responsibilities. In addition to this, it ensures that managers follow the rules, that their assets are well maintained, and that they acquire facts that are as extensive and precise as they possibly can.

In almost all groups and organizations, the publication and definition of internal controls can take a number of different forms. For this reason, documentation of internal controls includes a variety of arguments. The majority of descriptions of internal controls are very comparable to one another. According to the researcher's perspective, internal controls encompass a range of strategies, plans, policies, and procedures that necessitate collaborative efforts from both management and employees. The primary objective of these controls is to ensure the effective accomplishment of tasks and uphold a consistent performance level within an organisation (Kaplan & Haenlein, 2019).

Internal controls encompass a comprehensive array of policies and procedures meticulously devised and implemented by an organization's astute management team. These measures are strategically designed to optimise the seamless and efficient functioning of the business. The comprehensive controls in place encompass a multitude of critical aspects, including strict adherence to internal policies, safeguarding valuable assets, proactively preventing and detecting instances of fraud and error, ensuring the utmost accuracy and completeness of accounting records, and facilitating the timely preparation of financial statements. These internal controls play a crucial role in ensuring the integrity and reliability of an organization's operations and financial reporting. The definition in question has been sourced from the esteemed Institute of Chartered Accountants of Ghana (2008).

According to Lee (2021), an insightful analysis was provided regarding the concept of internal control. The author emphasises that internal control serves as a systematic approach employed

by organisations to effectively manage, oversee, and evaluate their valuable resources. According to Trenerry (1999), the primary objective of an organization's internal control systems is to effectively identify instances of fraudulent activities and ensure the protection of its valuable assets. These assets encompass both tangible resources like land and machinery, as well as intangible assets such as the organization's reputation and intellectual property, including trademarks (Lee, 2021). The core focus of internal control lies in guaranteeing the dependability and precision of financial reporting, furnishing timely and pertinent information concerning the attainment of operational or strategic goals, and ensuring adherence to organisational standards and regulations.

In order to enhance the reliability of financial reporting and ensure the precise preparation of financial statements for external stakeholders, it is imperative to establish a comprehensive process. This process should be under the purview of the company's top executive and principal officers, with execution carried out by the board of directors, management, and other personnel. By adhering to this structured approach, the organisation can effectively safeguard the integrity of its financial information and meet the expectations of external parties, adhering to generally accepted accounting principles (Lombardi et al., 2019). As per Lander's analysis, the scope of this pertains to the set of policies and protocols governing the upkeep of records at a level of granularity that is deemed reasonable. These records are expected to faithfully and accurately depict the various transactions and dispositions of the assets held by the company.

In order to align with the prevailing standards and norms of the accounting profession, it is imperative to ensure compliance with generally accepted accounting principles. Furthermore, it is imperative to guarantee the precise recording of transactions to streamline the process of generating financial statements in alignment with the aforementioned principles. In addition, it is imperative to implement robust control mechanisms that guarantee the endorsement of the company's financial transactions by both management and directors. These controls will serve

the purpose of safeguarding against any unauthorised acquisition, utilisation, or disposal of the company's assets, which may potentially result in substantial consequences for the organisation. In conclusion, it is imperative to establish a robust framework that instills confidence in the accurate and meticulous preparation of financial statements, aligning seamlessly with the universally recognised principles of accounting (Lombardi et al., 2019). According to Simmons (2019), The definition of internal controls aligns with the one put forth by the Committee of Sponsoring Organisations in 1992 (COSO). The provided definition delineates a systematic procedure aimed at attaining a transparent disclosure concerning the accomplishment of objectives within the subsequent categories: a) Effectiveness and "efficiency of operations; b) Reliability of financial reporting; and c) Compliance with COSO regulations. The process is effected by an entity's board of directors, management, and other personnel.

2.1.2 The Control Environment

Control setting is evaluated as the foundation upon which all other components of the internal control structure are built, according to the COSO model from 2004. It contributes to the development and strategic planning of an organization. In addition to this, it includes the behavior, responsiveness, policies, and actions of management and board members in relation to the priority that is attributed to internal controls.

According to a report that was given by Messier, Glover, and Prawitt (2016), regulating the environment is to prepare the road for a business to educate employees about the control awareness. It serves as the foundation for the other modules of internal control, which all give structure and discipline. It was also pointed out by Castellan and Lightle (2015) that the way disrupts business doctrine by convincing top managers to react to situational forces. while presenting an internal budget for an anticipated profit goal. Control settings should be

supported by an ethical approach, for which superiors should provide the basis that enables an internal control system to prevent them from being overridden.

A strong general control environment tends to reinforce control process applied in activities/functions,". In addition to this, it was mentioned that "managing the environment" refers to the capacity and the concept of being able to both administration the entire personnel and the manner in which they carry out their responsibilities. This was also mentioned.

The control environment encompasses a comprehensive range of actions, preparedness measures, procedures, and activities diligently undertaken by the esteemed management and esteemed board of directors. These efforts are strategically designed to underscore and reinforce the utmost importance and value of internal control systems. According to the esteemed authors Messier, Glover, and Prawitt (2016), it is imperative to recognise the significant impact that an organization's control environment has on shaping the overall tone of the business and influencing the control consciousness of its personnel. The foundational element upon which the remaining components of internal control are constructed is known as the basis. This crucial element provides a framework that imparts both organisation and rigour to the overall system.

1. Integrity and Moral Values

An organization has a responsibility to build a set of moral and ethical standards that will serve as a deterrent to personnel considering engaging in behavior that could lead to unethical, illegal, or fraudulent actions. These standards need to be communicated in a clear and understandable manner through appropriate channels, such as formal rules, codes of conduct, and others as examples. In addition, they highlighted the fact that in order for management to be successful in lowering the frequency of inappropriate behaviors, the following must be observed:

Integrity should be demonstrated, and ethical behavior should be practiced in order to set the tone. Make sure that every employee is aware that the same standard of conduct is required of them. Make it clear to every worker that he or she is obligated to report any known or suspected infractions to a higher level in the company and that failing to do so would result in disciplinary action being taken against the offending employee.

Reduce the opportunities for individuals to be enticed to engage in dishonest, unlawful, or immoral behavior by eliminating the incentives and temptations that encourage such behavior.

Incentives that promote undesirable behaviour can manifest in various forms. One such form is the overemphasis on short-term outcomes or the pursuit of unrealistic performance benchmarks. Additionally, the provision of bonus and profit-sharing schemes, without adequate oversight, may inadvertently foster an environment conducive to fraudulent financial reporting practises. Additional instances of such incentives can be observed in situations where there is a disproportionate focus on attaining unattainable performance benchmarks. Temptations can manifest in various forms, one of which is the conspicuous absence of factors that are commonly perceived as crucial for establishing a robust control environment. One potential issue that could arise is the ineffectiveness of the board of directors. Another concern could be a lack of clarity in the assignment of authority and responsibility within the organisation. These are both examples of situations in which temptations can arise.

The leadership of an organization can instill ethical ideals in employees by developing and upholding a philosophy of morality and truth. Evaluation of the dishonesty risk and implementation of control measures are potential solutions to problems with internal controls.

2. Commitment to Competence

According to the research written by Whittington and Pany (2020), employees at every type of organization should have the knowledge and skills that would allow them to carry out their

responsibilities effectively. The management is obligated to give its staff with training programs covering vital subjects related to their specific areas of responsibility. For instance, larger public companies typically require exceptionally high levels of skill from both the Chief Executive Officer and the Finance Director in order to accomplish the goal of presenting monitoring reporting. In conclusion, a job description can also serve as a means of explaining the duties that are necessary to do the job.

3. Audit Committee of the Board

The Audit Committee is tasked with the responsibility of examining the management's work. They provide assistance to the management in the execution of their primary responsibilities and in the maintenance of good corporate governance. The following is a requirement imposed by the audit committee of publicly traded companies:

At least three independent, non-executive directors should serve on the audit committee. They should not report to management in any capacity.

It is important for the members to possess a diverse set of professional and business skills.

The members of the board ought to have a solid comprehension of the company despite the fact that they shouldn't have had any recent engagement in the company's direct management. The committee ought to have well-defined written terms of reference that lay out its responsibilities in addition to its authority.

Obviously, this is something that might be challenging to accomplish at times. On the other hand, the goal is to establish a committee that is capable of performing the duties assigned to it, is impartial, and is free from any form of bias. From the perspective of good corporate governance in general, the primary goal linked with the establishment of Audit Committees is to publish financial reports that are clear of any serious inaccuracies and are of significant interest to the general public. In order to uphold the integrity and accuracy of the internal audit

function, it is imperative for the Audit committee to establish robust procedures and maintain a high level of independence from both the Board and business leadership. This ensures that resources are effectively valued while preserving fairness and truthfulness within the organisation. Audit committees play a crucial role in maintaining vigilant oversight over the financial reporting and auditing activities of the service on behalf of the Council.

4. Management moral values and functions

Whittington and Pany (2014) state that the management philosophy and operating style of different organizations are different from one another. Some managers are very aggressive in the financial reporting. They exert pressure, expect bigger earnings, and make estimates in addition to these activities. These kinds of managers may venture into potentially profitable but high-risk regions in the hope of maximizing their returns. Others have an anti-danger and conversionalist stance. These different functions of management may affect the overall consistency of the preparation of financial reports depending on their respective moral standards. In lieu of a formal system consisting of written policies, performance indicators, and exception reports, reliance is placed on informal face-to-face interactions with senior managers stance about the processing of information, the accounting functions, and human duties. Written policies, performance reports, and exception reports are preferred by management that values effective controls over verbal policies and face-to-face contact with employees as a means of controlling the various operating operations of the business (Kaplan & Haenlein, 2019).

5. Organizational Structure

Whittington and Pany (2020) find that having a well-defined organizational structure contributed much more to the success of the company in meeting its objectives.

The organizational structure contributes to the division of tasks in such areas as authorizing events, maintaining records of transactions and protecting properties and assets. The delegation of authority to employees throughout the organization in relation to the specific duties of their jobs is made easier by the presence of an organizational structure. As a result of the organizational structure, employees have access to explanations of their work carriers, in which references are made, as well as other linked tasks to accomplish, which gives them the authority to fix faults or implement improvements when the situation calls for it.

According to Whittington and Company (2020), several factors can upset the control atmosphere. The factors under consideration encompass the adherence to truthfulness and moral values, the commitment to ensuring fitness, the presence of an Audit committee within the management boards, the prevailing attitude and functional style, the existing legislative arrangements, and the personnel practise of assigning duties and responsibilities.

2.1.3 Assessment of risk

All businesses can benefit from doing risk assessments for their internal control objectives. It is taken into consideration while auditors are formulating their opinion, which is then used as the foundation for a report that is given to management. When doing audit work, the COSO framework cannot be deviated from under any circumstances (Akhmetshin et al., 2018).

Akhmetshin et al (2018) underline that in order to have successful risk management, an organization must have good internal control. According to Akhmetshin et al, doing a risk assessment entail conducting an evaluation and identifying areas in which the resources of an organization are being mismanaged or fraudulently obtained. Risk is the process of identifying possible areas that are essential and relevant to the presentation of financial data. The implementation of controls by auditors in the process of identifying high danger areas, on the basis of which a report is provided to management, is an extremely important step.

2.1.4 Accounting Information System to Financial Reporting

According to Gyasi (2015), accounting information systems provide managers at all levels with information regarding the financial resources available to the company in order to enable the making of economically viable decisions. Information that is accurate, relevant, reliable, and comprehensive is provided to managers by an organization's accounting system, which is an integral part of the overall information system. This information is necessary for managers to make decisions that are suitable for the present in order to fulfill their managerial functions within an organization.

It does not matter the kind or type of an organization, including whether it is public or private, the management of the organization needs to be aware of the fundamentals of the financial control systems. The rationale behind the preservation of recorded information varies in accordance with the specific internal control mechanism implemented. The maintenance of financial data serves multiple purposes, with a primary focus on equipping managers with the necessary information to efficiently and competently manage their organisations (Grossi et al., 2019). In addition, Bolten (2014) According to the literature, it is widely acknowledged that the availability of pertinent and reliable accounting information is crucial for decision makers to effectively evaluate and make informed decisions. This necessitates the acquisition, documentation, and timely presentation of such data. By ensuring the accuracy and timeliness of accounting information, decision makers can enhance their ability to make sound judgements and choices. For optimal organisational performance, it is imperative that an organisation possesses the capacity to effectively categorise, apprehend, and transfer both internal and external information across different time intervals. The implementation of this approach will enable employees to direct their attention and efforts towards the core responsibilities they are assigned. According to research findings, it has been observed that

employees exhibit enhanced comprehension of organisational structures when they are exposed to communication methods that are both suitable and efficient.

The COSO framework of 2014, with its subsequent amendments, encompasses several key elements of internal controls. These elements are derived from the framework and include the control environment, risk assessment, control activities, information and communication controls, and monitoring of controls.

2.1.5 Control Activities

The policies and procedures implemented for information systems management are designed to provide a level of confidence and involvement in order to attain the objective of a controlled environment (Farooq & de Villiers, 2019).

The COSO Report that was handed in in 1992 outlines the several areas of concern to business and firm managers in order for them to carry out their responsibilities. There is abundant evidence pointing to the fact that management at the highest level is the source of that knowledge for the purposes of making strategic decisions. In addition to this, there is the requirement for good communication with many outside stakeholders, most notably include customers, suppliers, regulators, and shareholders.

2.1.6 Types of Control Systems

Preventive Controls

The implementation of controls serves as a mechanism to facilitate informed estimations and mitigate the occurrence of errors, omissions, and deliberate acts of operational and input manipulation. The scope of this encompasses various aspects, such as identifying and rectifying errors, addressing omissions, and implementing measures to prevent the occurrence of hateful

acts. However, it is crucial to ensure that any control measures undertaken involve an adequate segregation of tasks and access to physical facilities.

Detective Controls

These are the types of controls that can detect both an omission and a malicious act after they have taken place. The primary purpose of it is to pinpoint errors and their prevalence. For example, it includes the reproduction, analysis, and summarization of periodic presentation reporting that has discrepancies in totals.

Corrective Control

These are a series of pedals that, in conjunction with the detective controls, work to mitigate the effects of potential threats linked with the source while also resolving any issues that may arise. It entails making a change to one's standing and dealing with system(s) in order to lessen the likelihood of future occurrences.

2.1.7 Monitoring

The COSO framework, introduced in 1992, put forth the notion that continuous monitoring of internal control systems is essential for assessing the effectiveness and sustainability of the system's performance over a period of time. This requirement remains in effect today. This is done to guarantee that monitoring is a continuous activity that takes place throughout the normal course of business activities. The term "monitoring" refers to the ongoing management and supervision of both the actions and inactions of staff as they carry out their responsibilities. The probability of different assessments taking place and their actual occurrence will mostly be determined by an analysis of the risks involved and the efficiency of the monitoring processes. Deficits in internal control should be reported on in a timely manner, and major problems should be addressed to top management and the board (Moffitt et al., 2018).

2.2 Theoretical Review

The agency theory serves as the starting point for the theoretical foundation of this study. This theory is important to consider when attempting to understand company performance. The principal-agent relationship is at the center of agency theory, as is the question of how to handle the problems that arise from having such a relationship.

2.2.1 Agency Theory

The agency theory explores the optimal framework for organising interactions between two parties: the shareholder/principal who sets the objectives, and the manager/agent who is entrusted with executing the tasks. In the context of this particular form of collaboration, the principal assumes the role of engaging an agent to execute a designated task on their behalf or to fulfil responsibilities that the principal is either incapable or unavailable to undertake independently (Davis et al., 2018). For instance, the principals of a corporation are the shareholders, and they delegate authority to the company's agent, which is the board of directors, so that the board can carry out responsibilities on their behalf. This suggests that the agency theory's assumptions are founded on the preferences and motivations behind human behavior, when ownership is divorced from management, there is a greater potential for agent and principal to have goals that are incompatible with one another (Payne & Petrenko, 2019). The idea also proposes that the agents are free to make their own decisions and are likely to prioritize expanding their own personal profits over those of the principals. This suggests that various people will have different motivations and will exert all effort possible to accomplish those motivations. The agency theory posits that the behaviour of both the agent and the principal is influenced by their respective self-interests, potentially leading to a misalignment with the interests of the other party. Payne (2019) According to the literature, it has been posited

that the agency theory postulates the potential emergence of knowledge asymmetry between the agent and the principal. This knowledge asymmetry is believed to stem from the distinct treatment of ownership and control as separate entities. The existence of information asymmetry results from one party to a transaction possessing more accurate information than the other party has (Lang, 2016). In most cases, the agents are better knowledgeable than the principals about the day-to-day operations of the company that they represent. Therefore, the theory contends that principals do not have reasons to believe that agents will behave in their best interest because of information asymmetry and the self-interest of agents. This is due to the fact that principals do not know what is in the agents' best interest (Bonazzi, & Islam, 2017). Agency loss is the result when there is not a proper alignment between the acts of the agent and the interests of the principal, which ultimately leads to a decline in the performance of the organization. Asare (2016) states in his contribution that in order to minimize the possibility of agency loss, people who are in charge of governance are tasked with the responsibility of developing and putting into practice internal controls with the specific intention of achieving organizational goals. In order to reduce the cost of the agency, management interests ought to be aligned with those of the organization (Payne & Petrenko, 2019). The achievement of this objective can be facilitated through the implementation of management controls, which encompass the utilisation of monitoring systems and internal controls. In addition, it is crucial to align the interests of management with the overarching objectives and goals of the organisation. According to El-Mahdy and Park (2013), the establishment of robust internal mechanisms within an organisation plays a crucial role in aligning the interests of agents and principals. This alignment ultimately mitigates the likelihood of information asymmetries and opportunistic behaviour. As a result, it can be observed that these mechanisms yield favourable outcomes in terms of enhancing firm performance. The statement is supported by the existence of strong internal mechanisms that efficiently align the interests of agents with those of

principals. Based on the results of this study, it is evident that the implementation of a meticulously crafted internal control system can yield favourable outcomes for organisational performance. The underlying rationale for this phenomenon can be attributed to the inherent motivation that such a system instills within managers, compelling them to actively partake in endeavours that are congruent with the ultimate objectives and welfare of shareholders. According to Arwinge (2013), it is recognised that internal controls have a significant impact on reducing agency costs and improving agency performance. Despite this, Arwinge emphasizes that the simple design or implementation of internal control systems does not bring about a reduction in agency costs. Arwinge contends that the most critical component is the responsibility holders' willingness to put their plans into action. Both COSO (2013) and Gyasi (2013) asserts that improved overall performance is a direct result of careful planning and execution of the organization's internal control systems, respectively. Effective internal control systems are crucial for businesses to successfully achieve their operational, financial reporting, and compliance objectives. In a similar vein, empirical investigations have been conducted to assess the theoretical foundations of the agency theory and its underlying assumptions. In a recent study conducted by Vitolla et al. (2020), the researchers employed the agency theory framework to assess the efficacy of accounting practises and the disclosure of internal controls (Vitolla et al., 2020). They found that the agency theory was the most effective method. They made the observation that excellent internal controls mitigate the negative effects of information imbalance by improving reporting. Transparency in reporting is increased while costs are cut at the agency thanks to quality internal controls. When agency costs are lowered, they make a positive contribution to performance since they have a negative impact on returns. The research conducted on the impact of internal controls on the performance of manufacturing companies in Ghana incorporated the agency theory as a pivotal hypothesis under examination. The agency theory, while presenting persuasive theoretical arguments on the influence of

internal control on business performance, has faced scrutiny due to certain assumptions that have been called into question. Vitolla (2020) posits that the notion of self-interest among agents can be perceived as an overly simplistic assumption. The focal point of their emphasis lies in the recognition that the self-interest assumption inherent in principal-agent relationships renders the attainment of aim congruence an unattainable expectation. The perception of self-interest varieties should not be unilaterally deemed negative, as opposed to the portrayal presented by the agency theory. If-interest could also have a positive consequence, and they emphasized the fact that self-interest is unavoidable, as well as the possibility that people are motivated by factors other than money alone, given that they exhibit needs for achievement, recognition, and responsibility (Kostova et al., 2018). It's possible that the performance of companies will improve as a result of these exhibitions. Critics of the agency theory claim that the theory does not take into account the role that firms play in relation to competitive realities, the different environments in which they operate, or the requirement to reallocate resources within an organization so that it can continue to grow. Additionally, Lubatkin (2015) contends that the agency theory is unable to address the challenges that are faced by real-world businesses. In layman's terms, real-world businesses broaden their focus from the interests of shareholders to the notion of stakeholders, as well as how the business and the concept influence one another. Our organisation has thoroughly explored the agency theory, delving into its underlying assumptions and addressing the objections raised. The primary objective of our study is to analyse the impact of this theory on business performance by focusing on the establishment and implementation of robust internal control systems. The following section begins by providing an explanation of the contingency theory, a paradigm that presents a broader and more comprehensive framework in comparison to the agency theory. The contingency theory outperforms the agency theory by providing valuable insights into how organisations can strategically optimise their internal control systems to proactively respond to

unforeseen circumstances. This strategic design approach enables organisations to enhance the efficiency of their control systems, ultimately leading to improved overall organisational performance.

2.3 Empirical Review

A number of earlier studies have demonstrated the requirement for the implementation of internal control systems in the administration of productive resources (Jabbour et al., 2020). Their research showed that the management of public institutions are unable to circumvent the internal control systems. Furthermore, the regulations governing the internal control systems are made public and disseminated to staff to ensure that they are in place. In a similar vein, earlier studies conducted by Kostova (2018) demonstrate the requirement for internal controls in order to guarantee the proper financial administration of resources.

According to a previous study conducted by Asika (2018), it has been suggested that the implementation of internal control mechanisms plays a crucial role in upholding international standards. Furthermore, the findings of a prior study conducted by Ikeja and Wiston (2016) support the notion that management of institutions cannot bypass the importance of internal controls. The aforementioned researchers arrived at this particular conclusion in their respective previous studies. The study conducted by Salihu and Adama (2015) in various countries also sheds light on the existence of internal controls that are implemented to facilitate the achievement of organisational objectives.

According to the findings, the management of the organization demonstrates a commitment to the systems of internal control by playing an active role in the supervision and monitoring of the operations carried out by the schools (Koutoupis & Pappa, 2018). Mawanda (2018) reveal a substantial association between a company's financial success and its system of internal control.

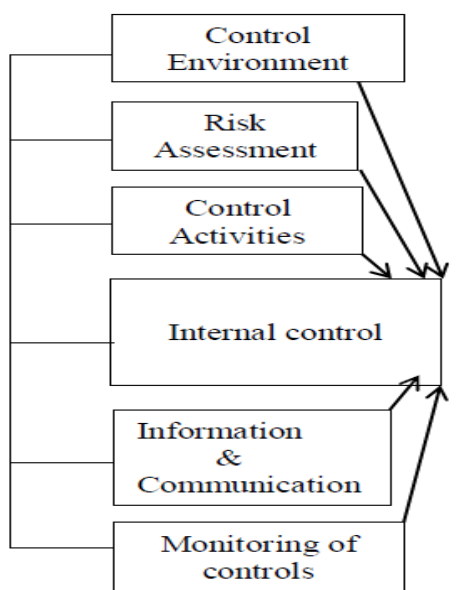
Noel (2022) uses a 5-point Likert scale to evaluate the constructs of control environment, which included management integrity and ethics, audit committee quality, competence levels, and corporate culture. According to the established scoring system, a rating of 1 signifies a strong disagreement with the given statement, whereas a rating of 5 signifies a strong agreement with the statement. Disclosures and transparency are deliberately selected as constructs of accountability within an organisational framework. Similarly, internal checks, reconciliations, and audits are strategically employed to effectively fulfil the functions of monitoring structures. Noel (2022) finds a connection between control environment and levels of liquidity. Chebungwen and Kwasira (2017) carries out a study which reveals, upon closer inspection, a discrepancy between the objective and the methodology, particularly with regard to the analytical tool. According to Khan (2022), finds out that a good internal control system positively affects the financial performance of organizations.

In Nigeria, a parallel study was conducted by Fiteni (2020) to explore the impact of internal control measures on the overall performance of tertiary institutions in the country. The research project is strategically situated at the esteemed Cross River State College of Education in Akamkpa, thereby leveraging its unique position to drive impactful outcomes. Fiteni (2020) astutely notes the presence of a discernible demarcation of duties within the finance department of the institution, specifically pertaining to control operations. The empirical evidence once again highlights the significant advantages that faith-based nongovernmental organisations in Ghana derive from the adoption and execution of robust internal control mechanisms. Furthermore, based on the findings of the research, it is evident that the internal control systems have demonstrated satisfactory performance in four out of the five components of the COSO model. However, it is important to note that there is room for improvement in the risk assessment component, as the procedures in place have been identified as severely deficient.

2.4 Conceptual framework

The conceptual framework of this study is developed using previously published material, with consideration given to the aims of the investigation and the types of constructs that are used. The study adopts the COSO framework which includes: the control environment (CE), risk assessment process (RA), control actions (CA), information and communication (IC), and monitoring of control. The framework is shown in Figure two.

Fig. 1: Conceptual Framework



CHAPTER THREE

METHODOLOGY

3.0 Introduction

The following section elucidates the methodological approach employed in the execution of the research study. The document provides a comprehensive overview of the research methodology employed, including the chosen approach and design, the characteristics of the target population, the determined sample size, and the specific sampling technique or instruments utilised in the study. The comprehensive framework encompasses a diverse array of data sources and data gathering instruments, alongside an intricate data collection process and meticulous data analysis procedures.

3.1 Research Strategy and Design

This study uses the survey method. The researcher selects the survey research design because it is most suitable for this research work and it enables the researcher to observe and describe the data collected from respondents.

3.2 Population

The target population of this research is the second cycle institutions specifically in the Volta Region.

3.3 Sample and Sampling Procedures

The research methodology employed in this study involves the utilisation of the stratified sampling technique. Stratified sampling is a widely employed sampling technique in research methodology, wherein the entire target population under study is partitioned into distinct and homogeneous subgroups, commonly referred to as strata. The formation of strata is predicated

upon the identification and grouping of individuals within a population who share common characteristics.

So, a total of One hundred (100) respondents out of the staff of the ten (10) cases is included in the study. This number comprises ninety-five (95) staff and five (5) management members. A total of 10 senior level managers is interviewed (at least 1 from each institution) due to their time schedules and other responsibilities.

3.4 Data Collection Techniques

Sources of Data

The study has successfully collected both primary and secondary data for analysis and evaluation. The utilisation of both primary and secondary data is employed by the researcher in order to gather comprehensive and reliable information for the study. The primary data in this study is primarily derived from the administration of questionnaires and conducting interviews.

Data Collection Instruments

The study employs questionnaire as the main data collection instrument. The questionnaire collects data from both junior and senior staff in accounting and finance and internal audit departments and the interviews to gather data from senior level managers.

3.5 Data Analysis Techniques

The researcher edits, codes, and keys into SPSS the data collected. Frequency distribution tables are obtained. The min, max, mean and standard deviations are used to interpret the results.

3.6 Ethical Consideration

The policies that the institution has in place about how research should be carried out are followed to the letter when carrying out this study. In light of this, the respondents are given the assurance that the information they supply is only used for academic purposes and not shared with any other parties. In addition, the instruments have been designed in such a way that they do not include any personal information, such as a participant's name or address, which may be used to track them down afterwards. In order to avoid causing any problems to the participants, the process of filling out the questionnaire is kept straightforward and uncomplicated. In addition, the participants in the study are given the freedom to choose whether or not they to take part in the research, and they are given the option to withdraw from the study at any point in time based on their own preferences.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

The subsequent section of this report encompasses the findings and subsequent analysis derived from the conducted study. The present study utilises data acquired through an interview guide administered to a carefully selected group of respondents hailing from ten second cycle institutions situated within the Volta Region. The researcher collects, analyses data by comparing the responses in line with the COSO framework.

4.1 Internal Control Policies and Procedures in Existence in Second Cycle Institutions

The primary aim of this research is to ascertain the specific internal control policies and procedures that are currently being employed by second cycle institutions in Ghana. This finding addresses the primary objective of the research, which is to determine the existing internal control policies and procedures implemented within the second cycle institutions.

4.1.1 Internal Control Policies and Procedures in Existence in Second Cycle Institutions

The purpose of this part is to determine the extent to which Second Cycle Institutions possesses its own internal systems, as well as the manner in which those systems are directed towards the accomplishment of its stated goals. The study provides the analyses and discussions pertaining to such a goal.

According to the information the study gathers, the control system leads to more efficient operations. The internal controls at the second cycle are, without a doubt, geared towards the accomplishment of the institution's stated goal and the upholding of its internal control rules. Again, the internal controls are able to protect the assets of the second cycle institutions.

However, the study cannot confirm to the detection of deception. From the foregoing, it is possible to draw the conclusion that the second cycle institutions have internal controls that helps it achieve the objective for which it is intended.

4.1.2 Consistency of Internal Control Systems with Internationally Acclaimed Standards, Contained on Committee of Sponsoring Organizations (Coso) Framework.

The core focus of this study revolves around assessing the congruence between internal control systems at Second Cycle Institutions and the globally acknowledged standards delineated in the Committee of Sponsoring Organisations (COSO) framework. The assessment aims to ascertain the extent to which second cycle institutions adhere to international standards of compliance. The current discourse has undergone a thorough analysis, resulting in the identification of various discrete elements. These elements include the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

Control Environment

The primary goal of this section is to acquire a comprehensive comprehension of the control environment present within the second cycle institutions. The primary component of internal control, as delineated by the esteemed Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework, concerns the control environment. The primary function of this component is to establish the necessary conditions for optimal performance and growth of the remaining components within the system.

The findings proves that the control environment has been effective, robust and can be relied upon. The findings of the application of control environment practices point to a robustness in this sector. Specifically, there is competence on the part of employees in terms of delegating duty.

As an illustration, in accordance with the information, the process of asset procurement and purchase is carried out by people who have been recruited and who have more experience in this field. The findings, taken together, imply that there is sufficient data to conclude that the control environment practice is successful.

The control environment of the second cycle institutions is effective in general due to the clear reporting structure; proper comprehension of rules and programmes by employees; and the achievement of defined objectives as a result of the effectiveness of an internal control to achieve those objectives.

Risk Assessment

This section discusses the risk assessment of second cycle institutions. To revisit some of the most important concerns in conducting an accurate risk assessment, it should be noted that management is responsible for carrying out this function. Management needs to identify and evaluate the control risk that is brought on by a breakdown in internal control. There have to be tactics for locating Risk, systems for reacting to risk, and procedures for mitigating risk. The results of the investigation have shown that the risk assessment carried out by second cycle institutions are extremely negative. The institutions have not adequately created an effective strategy for recognising risk, and they do not have a system that has been adequately designed to react to risk. Despite the fact that it is the management's responsibility to recognise, assess, and react to risks, the management at these institutions are not carrying out the necessary risk assessment tasks. If the risks aren't assessed, the institutions could be put in a position where they face control risk. As a result, drawing the conclusion that the institutions of the second cycle conduct an adequate risk assessment is completely and utterly untenable.

Control Activities

The third component of internal control under the COSO framework is the control activities. This measures the existence of this component in the second cycle institutions.

Control activities are the particular processes and procedures that make up an organization's internal control system. An efficient system of internal control will have a list of the processes and procedures that need to be carried out in a consistent manner. The study finds that providing credible financial reports can be accomplished through the implementation of transparent rules and procedures. A further beneficial practise is that the expenditures of the second cycle institutions are appropriately authorised by authorised personnel. In order for control actions to be effective, there have to be distinct protocols for the acquisition and sale of assets, in addition to an asset register that is kept up to date and a distinct separation of accounting responsibilities.

On the other hand, these are areas of flaws that the study discovers from the evaluation, and one of them is that the method for the acquisition and disposal of assets is not followed strictly under the institutions programme. The other issues with control procedures includes the institutional heads do not have an asset register that is kept up to date and did not adequately separate their accounting operations from one another. In certain institutions, staff who are authorised to conduct accounting functions are also undertaking such duties themselves, as the internal auditors explains in some practical examples. It is abundantly obvious from the two sets of results that the control activities and methods used in the are ineffective.

Information and Communication

The activities of information and communication play a pivotal role in the internal control activities of second cycle institutions. Based on the research findings, it has been observed that second cycle institutions incorporate information and communication as a vital element within

their internal control system. The presence of reliable and credible information is crucial in ensuring the effective functioning of various internal control components.

A robust and dependable information system plays a pivotal role in the success of an organisation as it effectively guides and facilitates the operational processes. According to the Committee of Sponsoring Organisations of the Treadway Commission (COSO, 1992), reports produced by information systems encompass a wide range of data, including operational, financial, and compliance-related information. These reports play a crucial role in facilitating the efficient functioning and regulatory oversight of an organisation. Information systems produce these reports. Information ought to be disclosed to all relevant parties. According to the findings, there is awareness of the importance of communication in determining how effectively the guidelines of the IT is important that transactions be documented as soon as possible, and an effective internal control system will disseminate information to all stakeholders.

Nevertheless, the findings suggested that the information is not shared with all of the relevant parties. The second cycle institutions do not keep a timely record of their financial activities, and there is a lack of information regarding certain cash sources and the process by which funds are distributed.

Monitoring Activities

The purpose of this part is to evaluate the monitoring operations of second cycle institutions in light of international standards. Based on the findings, it appears that the organisation participates in monitoring operations.

The findings for the various control activities indicates that they are present. The findings imply that there are monitoring operations taking place in the institutions of the second cycle.

Monitoring is essential to an efficient internal control system since it allows for constant evaluation of whether or not the system is operating in accordance with the design. When taking corrective actions in response to a breach of internal control, managers should also take into account the findings of either the internal or external auditors who examined the situation. On a continuous basis, the staff should examine the various systems of internal control and make updates, modifications, or enhancements wherever necessary.

The results also indicates that the monitoring component of the internal control system significantly better than the other components.

4.2 Challenges Associated with the Internal Controls of the Second Cycle Institutions

The primary focus of the second objective of this study is to thoroughly examine and analyse the various challenges that are commonly encountered in relation to internal control systems within the Second Cycle Institutions. By conducting a comprehensive investigation, we aim to gain a deeper understanding of the specific obstacles and difficulties that these institutions face in effectively implementing and maintaining robust internal control systems. Through this research, we endeavour to shed light on the key issues and complexities that hinder the successful operation of internal control systems in the context of Second Cycle Institutions. Results from the questionnaires and interviews indicates the following as the challenges that are associated with internal controls.

The following challenges have been identified:

1. Manual Processes/Human Error

Internal controls best practices can be compromised if you rely on manual intervention to capture and report on data. The utilisation of spreadsheets and other outdated data-capture techniques for documenting internal controls is deemed inefficient, as it possesses the potential

for human error. Moreover, such methods may fall short in providing the required level of rigour and assurance.

2. Lack of Accurate Data

This has been a side-effect of manual, fallible data gathering processes. If internal controls aim to identify and remediate out-of-tolerance readings swiftly, accurate data is a non-negotiable component. Inaccurate or incomplete data jeopardizes your entire internal controls process.

3. Too Many Controls

Incomplete data have been an issue, but so can too much. Having and testing too many controls instead of focusing on key control as a problem that can lead to unexpected deficiencies in the effectiveness of internal control.

4. Inconsistent Controls

The presence of intricate and inconsistent controls testing methodologies across organisations can be attributed to factors such as mergers and acquisitions (M&A) or divergent historical practises within different departments. The task of effectively managing, quantifying, and reconfiguring the control environment presents a formidable challenge.

5. Collusion/Fraud

Internal controls frequently utilise a segregation of duties methodology as a preventive measure against potential fraudulent activities. This approach aims to mitigate the risk of fraud by ensuring that no individual employee possesses sufficient authority or control over multiple processes, thereby reducing the likelihood of fraudulent activities taking place. Collusion, a phenomenon where multiple individuals collaborate in order to subvert established controls, has the potential to undermine regulatory measures. According to research findings, it has been observed that internal controls, despite their effectiveness in mitigating various risks, may not

be entirely foolproof in preventing instances of employee collusion aimed at perpetrating fraudulent activities across different stages of a given process.

6. Management Override of Internal Controls

One of the inherent limitations associated with internal controls pertains to the potential for management to exercise their authority and override the established controls, be it for fraudulent activities, reporting purposes, or other motives. The efficacy of manual internal controls is subject to limitations and vulnerabilities, as they are susceptible to human error and potential manipulation.

7. Static Controls

One notable constraint associated with internal controls is their inherent static nature. Internal controls must be adaptable to the evolving regulatory and risk environment. The enactment of the Sarbanes-Oxley Act of 2002 (SOX) prompted organisations to implement substantial modifications in the design and oversight of their internal controls.

8. Lack of Stakeholder Engagement with Reporting

The utilisation of reporting methods that are not user-friendly can have a detrimental impact on the engagement of key stakeholders, who play a crucial role in the internal controls process. In order to effectively achieve objectives such as acquiring additional resources, showcasing accomplishments, or garnering backing for your strategy, it is imperative to possess comprehensive reporting that effectively illustrates the various facets of internal controls testing and management.

The findings of the study suggest that a significant majority of employees tend to refrain from engaging in discussions with their supervisors regarding their complaints and challenges encountered during the implementation process. Employees frequently exhibit hesitancy when

it comes to expressing their difficulties and complaints pertaining to internal controls to their superiors. This reluctance can be attributed to various factors, including supervisors and management displaying disinterest in addressing their concerns, a lack of empathy exhibited by supervisors and management personnel, and the realisation that supervisors themselves encounter comparable challenges.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The present chapter encapsulates a comprehensive overview of the study's empirical discoveries, coupled with its consequential deductions and strategic suggestions, all aligned with the study's original intent. The chapter has been strategically organised into three distinct sections, each serving a specific purpose and contributing to the overall structure and coherence of the content.

5.1 Summary of Findings

The primary objective of this study is to evaluate the efficacy of internal controls mechanisms within the context of Ghana. The primary objective of this study is to evaluate the efficacy of internal controls implemented within second cycle institutions located in the Volta Region of Ghana. The findings from the analysis and examination of existing literature indicate that internal controls are strategically devised and executed by organisational management with the primary objective of facilitating optimal utilisation of resources, adherence to legal and regulatory requirements, and the generation of dependable financial reports. Numerous studies have been conducted in this domain to shed light on the paramount significance of internal controls for both internal and external auditors.

The research findings indicate that second cycle institutions have implemented internal control mechanisms to ensure the protection of public interest with regards to resource utilisation. According to the research findings, it has been determined that the internal control policies and practises in question align with globally recognised standards as outlined in the Committee of Sponsoring Organisations (COSO) framework. Research plays a crucial role in informing and benefiting all stakeholders involved in public institutions within the country.

Furthermore, the findings of the study suggest that there exist certain obstacles related to internal controls. These obstacles encompass a hesitancy to effectively communicate challenges and grievances pertaining to internal controls, a lack of empathy exhibited by supervisors and management personnel, the presence of manual processes and the potential for human error, a deficiency in accurate data, an excessive number of controls, inconsistencies in the implementation of controls, instances of collusion or fraud, instances where management overrides internal controls, the utilisation of static controls, and a lack of stakeholder engagement in reporting.

5.2 Conclusions

The main objective of this research is to study and evaluate the internal control systems in Second Cycle Institutions within the volta region. The study adopts qualitative data analysis. The researcher administers Questionnaires to staff and management of second cycle institutions. The researcher receives 83 questionnaires back from the respondents out of 100 were collected for analysis. Face-to-face interviews have been found to be an effective method for gaining a comprehensive understanding of the challenges associated with internal control within an organisation. In addition to the primary data gathered through interviews, this research also incorporates the utilisation of secondary data. The secondary data is subjected to a thematic analysis in order to derive meaningful insights and draw relevant conclusions. Based on the comprehensive analysis conducted, it can be inferred that second cycle institutions have implemented internal controls that align with international standards. The study findings indicate that these controls are effectively in place within the institutions under examination. The internal controls within the organisation have been subject to several challenges that have been identified. These challenges encompass a range of issues, including a notable absence of empathy exhibited by supervisors and management personnel.

Additionally, the reliance on manual processes and the inherent potential for human error pose significant obstacles to effective control implementation. Furthermore, the lack of accurate data hampers the ability to establish robust control mechanisms. The presence of an excessive number of controls, coupled with inconsistencies in their application, further compounds the challenges faced. Collusion and fraudulent activities also represent noteworthy concerns, as they undermine the integrity of internal controls. Moreover, the potential for management to override established control measures introduces an additional layer of vulnerability. The reliance on static controls, which may not adapt to evolving circumstances, further exacerbates the difficulties encountered. Lastly, the limited engagement of stakeholders with reporting processes contributes to the overall challenges associated with internal controls.

5.3 Recommendations

The study recommends that Senior High Schools should continue to strengthen the internal controls of the schools in order to continue to prevent improper financial management and stealing of school assets. Policy makers should demonstrate a vested interest in the advancement of second cycle institutions by implementing measures to enhance their efficiency, stability, and productivity. This proactive approach will contribute to fostering a sense of trust and confidence in these institutions. A significant portion of these achievements can be attributed to the successful adoption and execution of robust internal control policies.

It is advisable for management to proactively engage in employee motivation strategies by providing comprehensive education on internal controls procedures. Additionally, management should explore the implementation of incentive packages aimed at bolstering employee morale and fostering optimal performance.

In order to enhance the proficiency and expertise of both employees and management staff in implementing internal controls, it is imperative for management to arrange regular training

programmes in the form of workshops and seminars. These initiatives aim to provide individuals with the necessary tools and knowledge to effectively execute the internal control measures established by management.

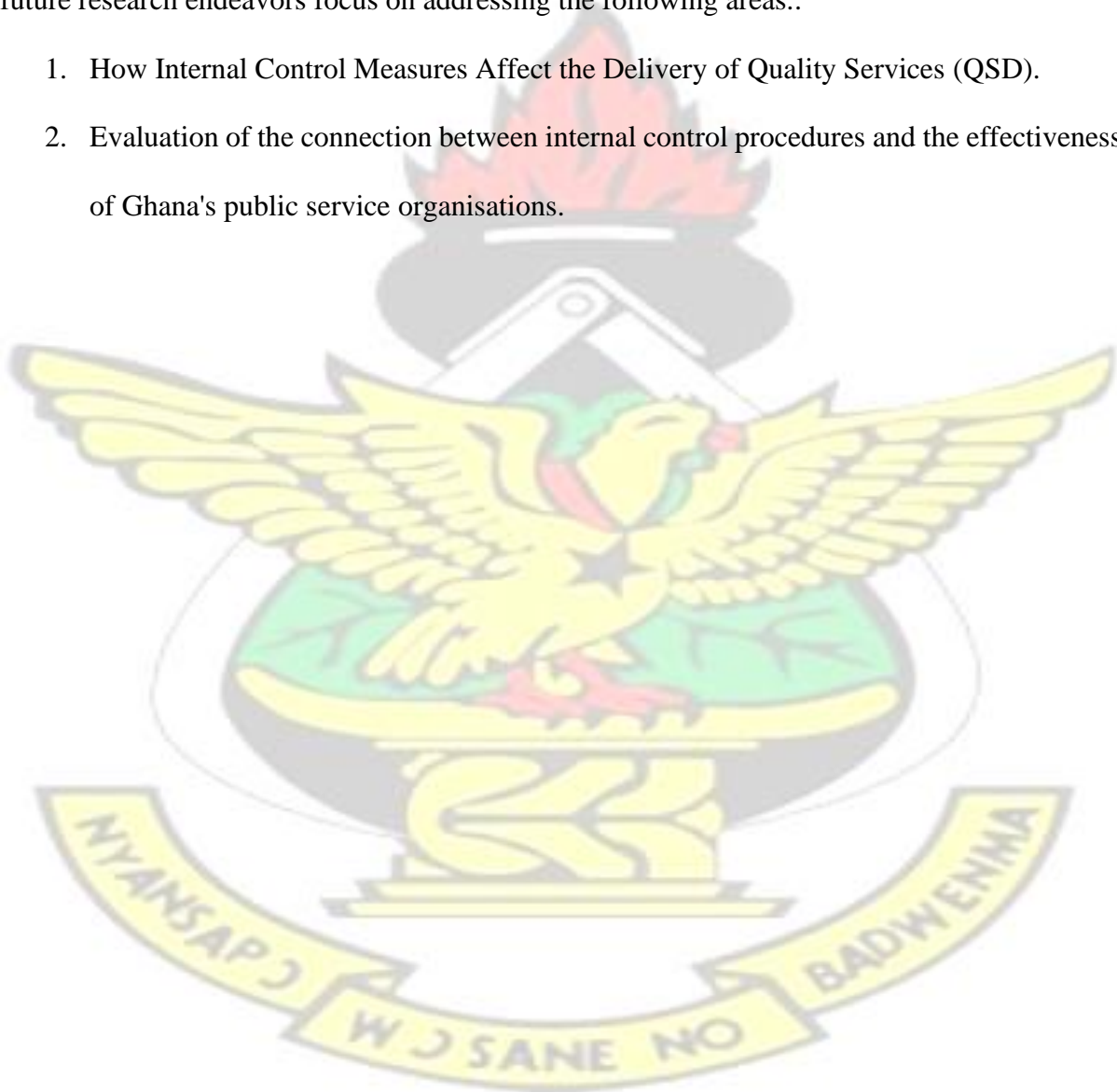
The imperative for the government, particularly the Ministry of Education, along with other development partners and implementation agencies, lies in the formulation of a comprehensive internal control policy for second cycle institutions. This policy should primarily emphasise the effective implementation of control measures. The proposed solution aims to mitigate the existing challenges faced by educational institutions in effectively executing policy initiatives. The challenges identified in this context encompass several key areas. Firstly, there is a notable lack of empathy exhibited by supervisors and management staff. This can have detrimental effects on the overall work environment and employee morale. Another challenge is the prevalence of manual processes, which are prone to human error. This can lead to inefficiencies and inaccuracies in various operational tasks. Additionally, the lack of accurate data poses a significant challenge. Without reliable and up-to-date information, decision-making processes may be compromised, hindering the organization's ability to achieve its goals effectively. The presence of too many controls can also be problematic. While controls are essential for maintaining compliance and mitigating risks, an excessive number of controls can lead to unnecessary bureaucracy and hinder operational efficiency. Furthermore, inconsistent controls pose a challenge. Inconsistencies in the implementation and enforcement of controls can create vulnerabilities and increase the organization's exposure to risks. Collusion and fraud are additional challenges that organisations must address. The potential for employees to engage in unethical behaviour or collude with others can undermine the integrity of internal controls and compromise the organization's financial well-being. Management override of internal controls is another concern. When management has the ability to bypass or manipulate controls,

it can undermine the effectiveness of To optimise their operational efficiency and advance the achievement of departmental objectives.

5.4 Future Research

The results of the study offer valuable insights for policymakers regarding the efficacy of internal controls within second cycle institutions. In conclusion, it is highly recommended that future research endeavors focus on addressing the following areas..

1. How Internal Control Measures Affect the Delivery of Quality Services (QSD).
2. Evaluation of the connection between internal control procedures and the effectiveness of Ghana's public service organisations.



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