**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI**

**COLLEGE OF HUMANITIES AND SOCIAL SCIENCES**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

# ASSESSING THE INTERNAL CONTROL SYTEMS OF INVESTMENT COMPANIES. A CASE STUDY OF INVESTMENT COMPANIES IN THE KUMASI METROPOLIS

**BY**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF**

**MASTER OF BUSINESS ADMINISTRATION (FINANCE) OPTION**

**AUGUST 2015**

## DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Finance) Degree and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree, except where due acknowledgement has been made in the text. This thesis was done under the supervision of Mr. Kwasi Poku of the KNUST Business School.

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## ABSTRACT

A system of internal controls is an important component of managing a company which serves as basis for the safe and sound running of all the Company. It plays a vital role in the achievement of corporate objectives and plays a significant role in making managers achieve their goals. Investment Companies play very important roles in the economic development of any country. The efficient utilization of the resources of these investment companies promote economic growth and development as well as achieving their objectivities, profitability and solvency. The methodology used was the purposive sampling. All the investment companies indicated that the internal control system has greatly improved upon their operation greatly over the years. This project is to assess the extent of failures caused by humans in the design and implementation of the internal controls in the investment companies with a particular reference to the Companies in Kumasi. Recommendations are made on the efficiency and effectiveness of internal control systems to help them improve upon their operations. Further similar researches could employ a blend of both financial and non-financial performance analysis tools in order to attain a much broader and fairer view of the internal control systems of these investment companies.

## ACKNOWLEDGEMENT

A lot of contributions have come from number of people since I embark on this program, I feel is time I acknowledge some of these contributors. I will like to express my heart-felt gratitude all.

My foremost gratitude goes to the Almighty God for sustaining my live to complete this programme. I also acknowledge my able Supervisor - Mr. Kwasi Poku, for his time, guidance and constructive criticisms which led to the production of this work. I say very big thank you to you, Sir.

I further express my profound gratitude to Mr. Edward Asamoah and Mr. Charles Amoah all of New Generation Investment Company, Mr. Prince Akyeampong and Mr. Eugene Grant of Prestige Capital Limited and Mr. Ralph Lumor of Utrak Investment Limited for feeding me with information leading to the completion of this work.

I also thank all lecturers of the KNUST Business School who tutored us during our two-year programme, I salute you all.

## DEDICATION

I dedicate this piece to my entire family and friends who have supported me in diverse ways in my life.

**TABLE OF CONTENT**

## LIST OF TABLES



## LIST OF FIGURES

## ABBREVIATIONS

| | |
|---|---|
| ACCA | Association of Certified Chartered Accountants |
| COBIT | Information Systems Audit and Control Foundation |
| CoCo | Criteria of Control |
| COSO | Committee for Sponsoring Organisations of the Treadway Commission |
| GAAP | Generally Accepted Accounting Principles |
| ICS | Internal Control System |
| IFAC | International Federation of Accountants |
| ISA | International Standards on Auditing |
| ISO | International Standard Organisation |
| PDCA | Plan Do Check Act |
| SAC | Systems Auditability and Control |

# CHAPTER ONE

## 1.0 Introduction

A system of internal controls is an essential part of running a company which serves as basis for the safe and sound running of all the Company. It assumes a crucial part in the accomplishment of corporate destinations and play a noteworthy part in those put in charge of governance achieve their aims thus the requirement for this study; assessing the efficiency and effectiveness of internal controls in investment companies in Kumasi. Chapter one of the of the study seeks to address the background of the study, statement of the problem, objectives of the study, research questions, justification of the study, scope, limitations and the organization of the study.

## 1.1 Background of the Study

According to Millechamp (2000), "Internal Control system is an independent appraisal function within an organization for the review of system of control and the quality of performance as a service in the organization. Internal control, therefore is a whole system of controls, financial or otherwise, established by the management in order to carry out the business of an enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of record. Investment Companies play very important roles in the economic development of any country. As an important component of the economic system, they redistribute scarce resources from surplus economic units to deficit units especially to corporate organizations for productive ventures. Thus, to an appreciable and reasonable extent, they have a lot of influence on the pattern and trend of economic development through their investment activities. The efficient utilization of the resources of these investment companies promote economic growth and development as well as achieving their objectivities, profitability and solvency. All the aforementioned benefits can exert on the economy as a whole can be achieved through an efficient and effective internal control system to regulate the industry players.

## 1.2 Problem Statement

The growth and development of the investment organisations are critically based on the effective and efficient management of its investment portfolio. The effectiveness of internal control is measuring how well the goals are achieved and how effectively the weaknesses are addressed is referred to as the effectiveness of an internal control system. Internal control structure is a plan determining how internal control consists of these elements. The concepts of corporate governance also heavily rely on the necessity of internal controls. In addition, there is a need to install controls to make sure that there is a need to put set up circumstances guaranteeing that the previously stated methodology will be executed as expected: right dispositions, professional competence and integrity, and checking by supervisors.

Internal controls are normally put in place to guarantee the compelling and proficient administrations caretakers of investment portfolios and optimum management of scarce resources. An internal control is not a guarantee that breakdowns cannot happen, however it give a certain level of assurance, not complete assurance. Human blunder, conscious circumvention, administration override, and inappropriate agreement among individuals who should be independent from all other staffs can result weaknesses in the internal control to get to its intended destination. OmaneAntwi (2008) indicates that proper internal control system is the only tool that can bring orderly and efficient running of the business; complying to administration strategies; safeguarding the resources and securing beyond what many would consider possible the fulfillment and exactness of the records; and thought of the probability of lapse in the arrangement of the system of internal control. Wolfgang (2006) also argues that a host of benefits can be derived through the implementation of an efficient and effective corporate internal control system. Wolfgang (2006) likewise contends that a large group of advantages can be determined through the usage of productive and viable corporate internal controls.

This project is to assess the extent of failures caused by humans in the drawing up the control system and putting in practice these controls in the investment companies with a particular reference to the Companies in Kumasi.  It would be expected that the proficiency and adequacy internal control systems will not be the same for every organization. These are central to the effective operation and normal running of a business and help an organization in accomplishing its destinations. The recent development of corruptions and misappropriation of institutional funds raises the following questions: What part does a system control play? Does administration of acknowledge, comprehend, and plainly react to this part? What internal control systems are as of now being used? Do they incorporate all the normal components of internal control frameworks? Are internal control systems satisfactorily documented and frequently overhauled as changes happen?

### 1.3 Objectives of the Study

The primary reason for this study is to examine the effectiveness of internal control system in Investment Companies in Kumasi. Specific issues to be examined in this study are numerated as follows:

1. To determine and assess the design of internal controls in selected investment companies in Kumasi;
2. To ascertain and evaluate the implementation and maintenance of internal controls in selected investment companies in Kumasi;
3. To determine the problems associated with internal control systems; and ascertain how the systems have been able to meet these objectives.

These objectives bring out a list of queries which will be replied in a later area of the study. The real issue is whether the system of control is viable. Specific research questions to be addressed are stated as:

1. What are the factors that informed the design of control systems of the chosen Investment Firms?
2. How are the internal controls implementations for its effectiveness in the Selected Investment Companies?
3. What are the likely problems connected with internal controls and how it help these firms to attain the capacity to meet the set goals?

### 1.4 Scope of the Study

The extent of study is restricted to the examination of internal control framework of three Investment Companies in Kumasi, the capital of Ashanti Region. Prestige Capital Limited, New Generation Investment Company and Utrak Investment Company Limited all situated in the business area of the second biggest city in Ghana.

### 1.5 Justification for the Study

The justification of this work is to survey the productivity and viability of the internal controls and its effective review and assessment by the management in preventing mis-management in investment Companies. The usefulness and the expected benefit of the study to the Investment industry entail the following:

It will help in knowing and studying how the principles of Internal Control Components or elements are used to prevent fraud. The study will also unveil the lapses and inadequacies within and outside the Company. It will also enhance customers" confidence and trust in the investment industry as a result of strong internal control being put in place. This study will ultimately help in promoting economic growth and development as a result of efficient mobilization of savings thereby enhancing profitability and solvency in the bank, all of which are achievable through implementation of strong systems of controls. In addition, the effective system of internal control would also safeguard all assets other than cash to prevent possible misappropriation by personnel. With reference to these significances, it will be disastrous if absence or weak internal controls have an effect on the activities and the operations of investment companies. Particularly, this study would be extremely useful to researchers, adds to existing body of knowledge as well as literature, and also to all organisations.

**1.6 Limitations**

One of limiting factors for this study is about how to obtain accurate and comprehensive information from officers in top hierarchies. In most cases, these officers are not willing to divulge vital information for one or other reason and in the view of this, the findings of the study may not be disputable.

The use of questionnaire and interview as a data collecting instrument is another limiting factor which will affect the study. This is due to the fact that respondents may be bias when answering the research questions and this will affect the validity of the data collected. Time constraint is also a principal factor which will affect the study. The three month period given for the completion of the project is inadequate. Looking at the nature of the project, the researcher should have been given about six months" time frame to ensure more effective execution of the research project.

**1.7 Organisation of the Study**

This research work is composed to cover five parts. The initial chapter deals with the general overview which is made up of the background of the study, statement of the problem, the objectives of the study, research questions, the justification of the study, scope of the study as well as limitation of the study. The second part describes literature review, which discusses and evaluates relevant issues about internal controls that have been undertaken by various authors and institutions who had expressed divergence opinions and perspectives on the subject matter. It also takes into consideration the definition, design, objectives, types of controls, components, importance, limitations, evaluation, audit test and effectiveness of internal controls.

The third chapter is mainly concerned with the various methodologies used in the study as well as the detailed information regarding the organizational profile. The methodology section includes research design, population, sampling size, sampling techniques, data collection methods and data analysis method.

Chapter four deals with the presentation and the analysis of the study. This is made up of introduction, findings and analysis. Chapter five looks at the summary of the findings, recommendations and conclusion.

## CHAPTER TWO

## LITERATURE REVIEW

### 2.0 Introduction

This section of the work looks at discussing and evaluating the conceptual and theoretical framework relevant to the adequacy and productivity the controls. The current and relevant literature will be sought for and thoroughly reviewed in addition to unfolding the important terms that will be used in this research.

Divergence opinions and perspectives on the subject matter will be considered. Areas such as definition, objectives, types of controls, components, importance, limitations, audit test, efficiency and effectiveness of internal controls will be given much focus.

### 2.1 The Definition of Internal Control

Internal control will be interpreted differently by different people which may sometimes cause confusion among stakeholders of business organization. The meaning of Internal Control has advanced over late years as every scholar tries to develop a model based on his or her individual perspective to internal control.

Internal Control is defined as all the arrangements and methodology embraced by those charged with governance of an entity to help accomplish their target of guaranteed, similarly as practicable, the methodical and effective behavior of its business, including adherence to internal approaches, protecting the entity"s resources, the counteractive action and discovery of cheats and slips, the exactness and fulfillment of bookkeeping records, and the opportune planning of solid money related data as proclaimed by Statement of Auditing standards (SAS,300). Millechamp (2000) likewise portrayed internal control system as an autonomous evaluation capacity inside an institution for the review of arrangement of control and the quality of performance.

The institute of chartered accountants of England and Wales (ICAE & W) characterize internal control as the entire arrangement of controls, money related otherwise instituted by top officials in order to do the matter of an enterprise in a methodical and productive way, guarantee compliance to entity‟s policies, shield it resources and secure beyond what many would consider possibly the completeness and exactness of information. Mayo and Bpp (2006) saw it as the means used by an association with the end goal of ensuring it assets against waste, extortion, wastefulness; guaranteeing precision and dependability in book keeping and working data; making sure the entity complies with its policies and assessing the level of execution in the section of the enterprise.

Additionally taking after the need to restore certainty and trust monetary reports of entities, Sarbanes Oxley focused on the significance of powerful controls, Sarbanes - Oxley Act of 2002 as the strategies and procedures for utilized by an institution to safely protect the resources, run data precisely and guarantee consistency with laws and regulation. Sarbanes Oxley obliges entities to keep up solid and powerful strategies and procedures over the recording of exchanges with the outside world and the preparation of accounts. Such controls are imperative on the grounds on the grounds that it stop extortion and avert deceiving monetary statements proclamations.

The Committee of Sponsoring Organization (COSO) 1992 also the Treadway Commission explained Internal Control as a procedure effected by an entity's top managerial officials and other staff certify to give a reasonable assurance with regards to accomplishments of goals in three classifications: adequacy and proficiency of activities, unwavering quality of money related reporting and agreeability with appropriate laws and regulation. Zabihollah (1995), Canadian Institute of Chartered Accountants distributed a paper , guidance on internal control, referred to as Criteria of Control (CoCo). CoCo portrays internal control as activities that encourage best result for an association. These activities, which add to the accomplishment of the association's destinations, revolved around: adequacy and effectiveness of operations, unwavering quality of interior and outside reporting and consistence with appropriate laws and regulations and inward approaches.

Whittington and Pany (2004), Systems of Auditability and Control defines internal control as an arrangements of procedures, capacities, exercises, sub frame works, and individuals who gather to deliberately isolate to guarantee the powerful achievements of set targets. The whole system: internal control can be seen as a whole or single system. The entire element is greater than the sum of its components which could be financial or not: qualification is however not essential. May be the money related would incorporate the utilization of control accounts and also physical access like workstation confinements. This is initiated by the top echelon with support from consultants (external auditors) or internal through internal audit. This is also to ensure adherence to policies of management which expresses approaches for example spending plans and compliance with this plan which can only be accomplished through for example reconciliations between the actual and projection.

Protecting resources in this manner to prevent damages or theft is inadmissible and techniques are dependably place to ensure this.

The term internal control incorporates every one of the routines, methodology and plans embraced by the Directors within an establishment to guarantee beyond what many would consider possible the protecting of advantages, the fulfillment, exactness and obligations of book keeping records and the advancement of operational efficiency and adherence to organizational policies (Okai, 1996).

Auditing Practices Committee of United Kingdom (1990) explained the term internal control system as the entire arrangements of controls, economics value and otherwise, settled on by directors so as to bear on the matter of the endeavour in a precise and productive way guaranteeing adherence to administration strategies, protect the benefits and secure quite far the completeness exactness of records. As indicated by International Federation of Accountants (IFAC), (1999) "an internal control system comprise of the considerable number of arrangements and techniques opted for by top level staff of an entity to enable the accomplishment of set targets as guaranteed as practicable, the organized and proficient behavior of its business; including compliance to management approaches, protecting entity‟s resources, aversion and identification of lapses, precision and completeness of the bookkeeping, and opportune readiness of dependable monetary data".

Omane-Antwi (2009: 55) points out that a control system refers to the totality of the plan of an entity and the underlying authorising, checking and recording procedure which a company adopts to safeguard its assets, carry out the decisions of management, provide an accurate information system and to run the business in an efficient manner. Ratcliffe and Charles (2009) also recognize the arrangement of controls is placed or set up maintain the entity onto course toward benefit objectives and accomplishments of its central goal and minimize mission and to minimize shocks along the way.

Notwithstanding the aforementioned explanation above to the above definitions, two different papers give internal control models.

The first one is the Institute of Internal Auditors Research Foundation's Systems Auditability and Control (SAC), published in 1991 and modified in 1994. The second is the Information Systems Audit and Control Foundation's Control Objectives for Information and Related Technology (COBIT), which was introduced in 1996. The Institute of Internal Auditors issued SAC gave a direction to reviewers ( internal and external ) on internal controls related data framework and data innovation - IT. The meaning of internal control comprised in SAC is: an arrangement of procedures, capacities, exercises, sub-frameworks, and individuals who are assembled together or deliberately isolated to guarantee the powerful accomplishment of goal and objectives. COBIT (1996) characterizes internal controls as the approaches, systems, practices, and authoritative structures which are intended to give sensible certification that business target will be accomplished and that undesired occasions will be anticipated or recognized and rectified. However, according to International Standards on Auditing (ISA) 315 (2010), internal controls alludes to the procedure composed, actualized and kept up by those trusted with administration, supervisors and other work-force to give sensible confirmation about the accomplishment of a substance's targets as to unwavering quality of money related reporting, adequacy and productivity of operations and consistence with appropriate laws and regulations.

It can be inferred from these definitions internal control includes the policies of an institution and all the harmonized methods and measures embraced inside, to protect its resources, check the exactness and unwavering quality of its bookkeeping information, advance operational proficiency and urge adherence to endorse directors" policies.

Internal control targets are channels towards guaranteeing adherence to managerial strategies and accomplish authoritative objectives. It also grasps internal monitoring, internal audit and the whole system of control, checks and parity set up by directors.

The meanings of internal control systems recognized the primary targets to be the affirmation that entity‟s resources will be put proficient use for the specific goals to be accomplished. While particular meanings of internal control contrast over the different models and definitions, various ideas are fundamentally the same over these models and designs. Specifically the definitions accentuated that controls are not just policies and procedures to help an entity hits its target but also a process or system effected by staff within the enterprise. In sum, it is seen as good business practices, procedures and policies which have been instituted by management of an organisation to assist the organisation achieve its goals and objectives effectively.

**2.2 Designing System of Internal Controls**

A number of authors have published papers about controls should be structured to enhance the activities and operations of an entity. Notable among them are Bushman (2007), McIntosh (2000) and Leitch (2003). Bushman (2007) emphasize on the three fundamental destinations an entity ought to follow in order to frame an appropriate internal control system to suit its purpose. The three goals as documented by Bushman are: reliability of monetary reporting, proficiency and viability of activities, and agreeability with applicable legislations. McIntosh (2000) likewise clarifies the configuration of controls system. According to McIntosh, designing control system implies arranging and comprehending the vivid activities of the entity. McIntosh (2000) added that the systems of operation must go through some processes. These processes include: survey each of the real procedures in your business, evaluate every progression of every procedure for shortcomings in control that would permit a chance to embezzle the entity‟s resources; change the techniques for those regions where you have evaluated feeble controls; record the new methodology completely and acclimate workers with them; lastly, execute an obligatory leave approach if it has not been part of the business.

Leitch, (2003) indicated in an article that internal controls are designed because people involved in the activities of organisation know from their learning curve that terrible things would occur and they have to take precautionary measures. He also added that stakeholders in organisation like Financial Controllers will be looking for reconciliation, directors will need reports not forgetting the information technology expert will also worry about hackers and viruses.

**2.3 Types of Internal Controls**

Many authors consider the types of controls from different perspectives. Millichamp (2000) for example, deems types of internal controls as: Safeguarding of Assets, Verification, Approval and Authorisation, Documentation and Reporting, Separation of Duties, Supervision. Other authors also indicate the types of controls to include Physical Control, Personnel Control, Arithmetic and Accuracy, Top level staff Control, Entity wide Control, Segregation of Activities, Acknowledgement and Budgeting.

However, the lion‟s share of writers for example Dr Lousteau (2006) and Di-Napoli (2005) have concurred that the groups of controls are Directive, Preventive, Compensating, Detective and Corrective. This work will however centre discussions on the controls proposed by Dr. Lousteau and many others.

### 2.3.1 Directive Controls

Directive Controls refers to approaches and methodologies set up by top echelon of an entity to advance compliance with set rules. To guarantee this, unmistakable, consistent information from top level staffs are essential and must be concise and reliable in to be complied with. Rittenberg et al (2007). They give prove that a misfortune has happened but does not prevent loss from occurring. Examples of detective controls are surveys, reviews, investigation, variance reconciliation, physical stocktaking and audits. However, this assumes a vital part in giving confirmation that the preventive controls are working and avoiding losses. Control activities include authorizations, physical inspection, reconciliation, and cross checking actual with budgeted, safeguarding of resources, assigning individual duties, and data controls frameworks (Di Napoli 1999).

### 2.3.2 Preventive Internal Controls

Preventive controls identify actions taken by an entity to discourage resistance to strategies and methods. They are proactive rather reactive to prevent a loss. Dr. Lousteau (2006) again indicated that these type of controls are put into instituted to keep blunders and abnormalities from occurring. Detective controls more often than not happen sporadically, preventive controls as a rule happen all the time. They extend from locking the offices and drawers before exiting to entering a secret code before finishing a concluding transaction. Other preventive controls include testing for arithmetic accuracy, backing up computer information, screening of staff for substances, medical testing of employee, organizing seminars and workshops, partitions of duties, compulsory leave, sufficient documentation of operations and physical access over resources, Dr Lousteau (2006).

### 2.3.3 Compensating Controls

Compensating controls are expected to compensate for an absence of controls somewhere else in the framework. Case in point is firms with an electronic database could keep up the printed list of all customers. Such a list would make up for downtime in the electronic frameworks and troubles in finding a customer in an electronic system. While the list would have to be reprinted from time to time to add new clients, this would alleviate a percentage of the out of date quality that exists with printed copies.

### 2.3.4 Detective Internal Controls

Goldman (2012) contends that detective controls aid the leaders to know when preventive controls have broken down, and they tend to be low cost and more solid. Detective controls are constructed to discover mistakes after they happen. These are controls which are targeted at finding and revealing issues for example embezzlement, inconsistencies and lapses after they have done. Despite the fact that, identification is fundamental avoidance is more alluring.

They serve as part of a check and balances in organizational structure and to decide how proficient strategies are. A surprise cash checking, stock taking exercise, supervision and authorization of accounting duties, audits, colleague re-performance and implementation of job descriptions and desires. Detective controls likewise help to secure resources, Goldman (2012).

### 2.3.5 Corrective Internal Controls

Simmons M.R (1995) The corrective controls are set up to address anything which is remote and each issue that has happened the system. As the name suggests, corrective controls are instituted to remedy any mistake that were found by the detective controls.

When a blunder occurs, workers ought to follow whatever method which have been established to remedy the mistake, example is telling the on - site senior about it. Preparing projects, dynamic order for slips, framework reconfiguration, follow ups and post reviews disciplines by administration for wrong doing are different cases of Corrective Controls (Di Napoli, 2005).

**2.4 Objectives of Internal Controls**

The goal of internal control for each organization will be stated differently, however at the end of the day all the differently stated objectives converge into the same things. Institutional bodies and authors all over the world express different perspectives about the objectives of internal controls. These objectives are however essential for the efficient running of organisations. Madhuriya (2010) for instance considers the objectives of internal controls as: reliability, confirming to regulation, avoid wastage, safety of material and information. Warren & Reeve (2007) reckon three principal internal control objectives as: safeguarding of assets; ensuring accurate business information; and meeting legislation of the entity. Besides these goals, the International Federation of Accountants (IFAC) (1999) also identifies some other objectives of internal controls as follows: guaranteeing as far practicable, the deliberate and productive conduct of business; adherence to firm strategies; securing of resources; aversion and discovery of fraud and error; precision and culmination of the bookkeeping records; and reliability of financial and budgetary data. In the addition to the objectives above, International Standards on Auditing (ISA) 315 (2010) clearly spell out the three fundamental objectives of the controls and these objectives have been corroborated by COSO (1992) and INTOSAI (2009). These objectives are: reliability of financial reporting; effectiveness and efficiency of operations; and compliance with the applicable laws and regulations. Based on the statements above, the objectives given by ISA, in my opinion, is more comprehensive since these objectives embody all other objectives. These objectives are: reliability of financial reporting, effectiveness and efficiency of operations and compliance with the applicable laws and regulations.

### 2.4.1 Reliability of Financial Reporting

The reliability of financial information can only be acquired through the usage of control procedures which are equipped with accurate documentation of every transaction entered into by the firm. Data objectives address the planning of convenient, reliable information needed for choice making in the institution. They again spell out the requirements for dependable yearly reports, other money related reports and other financial-related divulgences, including those for statutory requirements and outside uses.

The data obtained by those in charge, the governing body, shareholders and administrators ought to be of adequate quality and honesty that beneficiaries can depend on the data in decision making. The term reliable, as it relates to monetary reporting, alludes to the readiness of articulations that are exhibited reasonably and in the light of exhaustive and all round book-keeping principles and rules (INTOSAI, 2009).

The nature of this control can be focused by method targeted by means of Segregation of obligations, empowering a reasonable qualification to be made between recording obligations, operational obligations and maintenance obligations, Function depictions which ought to empower the source of the data arranged to be recognized, together with its beneficiaries and an accounting internal control system enabling to check that the activities have been done in accordance with general and specific requirements and been accounted to give reliable financial information in compliance with generally accepted book-keeping rules.

### 2.4.2 Effectiveness and Efficiency of Operations

This goal is to guarantee the right working of the internal procedures, especially those compromising the securing of resources. By resource, it must be clear that it is not the physical assets, but also the ones that cannot be seen or felt such as know-how, image or reputation. These resources can vanish in the incidence of burglaries, cheats, absence of profitability, blunders, or result of terrible decision by those in charge or lapses in internal control. Extraordinary consideration should be given to the similar procedures in these instances.

Operational, industrial, business and financial procedures are also concerned. Operational goals for the control relates to putting up of a mechanism of internal control. Internal control set up will ensure that monetary contracts carried out by the company are in reconciled with the operational exercise of the company. Internal control is of vital value as it ensures that cash is not stolen, lost, or there are no lapses in depositing cash (Madhuriya, 2010).

With the end goal procedure to work accurately, standards or working rules must be built up and execution spelt out. It also makes sure that the entity assets and other resources are secured from loss. The internal control procedure tries to ensure all staff through the organization are working to accomplish its targets in a clear way, without unintended or unreasonable cost or having a conflict of interest situation (ISA, 2010).

### 2.4.3 Compliance with the Applicable Laws and Regulations

This is applicable regulations and legislation to which the organisation is liable to. The laws and regulations in power focus on the behavioural measures align with agreeable goals. Compliance goals enable entity‟s operations to be in line with agreeable laws and regulations, oversight necessities, laid down approaches and regulations (Warren & Reeve, 2007). Compliance to the set approaches and regulations aid the association to make sound investments and to make great utilization of the association's cash. Likewise, consistence with the laws helps the association to evade any lawful issues and in addition sticking to the bookkeeping procedure utilized as a part of the planning of records for both interior and outer choice making (Madhuriya, 2010).

## 2.5 Components of Internal Control

Hohler (2005) Internal controls are classified mainly into control environment and control procedures or activities, Statement of Auditing Standards (SAS, 30). The parts internal control system in the auditor‟s guide includes: entities structure, division of duties, physical, approval, casting accuracy, and bookkeeping, work force, supervision and administration accounting, personnel, supervision and management as put out by Auditing Practices Committee of United Kingdom. The International Standards on Auditing (ISA), (2010) looks more at the control environment, data and correspondence, control exercise, risk appraisal, and observing the primary parts of system.

COSO (1999) and INOSAI (2009) supported the parts put out by ISA. The segments propose by the two think tanks are similarly vital. The main distinction is that the segments introduced by APC are more vivid whilst the ones by ISA exemplify all the other segments in a synopsis structure. Therefore the essential parts of internal control system are: environment of control, information and communication within the control, listed activities in the control, assessing the risk associated with the control and checking (monitoring) to ensure efficiency and effectiveness.

### 2.5.1 Control Environment

This sets the vibe for the entity, affecting the control awareness. It serves as the basis for every other part of internal control. The control environment mirrors the governing body and administration's dedication to internal control. It provides boundaries and limits to the control system.

Hevesi (2005) thinks the control environment to be a state of mind to internal control and cognizance built and kept by leaders and all workers. The ISA 315 (2010) additionally indicates that the control environment includes the dispositions, attention of the leaders in the company to the entity‟s internal control and its benefits. The control environment again comprises the directors and management duties that drive of the business, influencing the control awareness and foundation. If the foundation is solid internal control will assure discipline and sanity aid in accomplishment of the goals of internal control (Lannoye 1999).

Spilling out from the aforementioned the people in charge of governance should show commitment for respectability and moral qualities toward the controls. There must be a set of accepted rules and/or morals and which must be well convened all levels of the firm. Also the structure must be appropriate, which should not be dependable on one or couple of people and competent independent staff have the oversight responsibility (example audit committee within the board). Leaders should also put in place a components set up to frequently instruct and convey to management and employee the significance of the controls, and to increase their level of comprehension. Control environment components include: integrity and moral values, the dedication to ability, part-taking by Directors, leadership philosophy and task power, organogram of the entity, leaders logic and working style, the honesty, morals, and know-how of workers, impact from outsiders that effect the business activities and management practices towards risk, the lead and guide given by the board (including its sub-committees) and the viability of human resources approaches and methods.

### 2.5.2 Information and Communication

Umar (2009) defines information as data that is consolidated and condensed in view of pertinence to data prerequisite. The Purchase College State University of New York (2010) too defines communication "as the sharing of valuable data by people and entities to bolster choices and harmonize activities"". Inside an entity, information should be conveyed to all officials who require it in a media and within a specific time period that aid them complete their task. Information must have applicable, dependable data, both monetary and non monetary identifying to outsiders as well as insiders.

Hevesi (2005) confirmed that information and correspondence is key to viable controls. Information about an organization"s arrangement, control environment, risks, control activities, and execution must be conveyed up, down, and across an entity. Dependable and applicable information from both insiders and outsiders sources must be distinguished, captured, handled, and conveyed to the individuals who need it in a structure and time period that are helpful identified. Comptroller"s Handbook (2001), indicates that book-keeping, data, and correspondence framework capture and convey reliable and timely data in the shape that enables the all to complete obligation.

Effective correspondence must happen in a broader sense, from down, across and up the entity. All personnel must get concise information from top management that control the obligation must be considered important. They must comprehend their own part controls and also how singular exercises identify with the work of others.
They must have a method of conveying huge data upstream (Internal Auditors, Kansas State University, 2012). As indicated by Omane-Antwi (2008), information framework significant to monetary related goals which incorporate the monetary framework. They must have a method for conveying huge data upstream (Internal Auditors, Kansas State University, 2012). As indicated by Omane-Antwi (2008), data framework significant to money related reporting goals which incorporates the monetary framework, comprise of the methodology and records built up to start, record, process, and report substance exchanges (and in addition occasions and conditions) and to keep up responsibility for the related resources, liabilities, and equity.

### 2.5.3 Control Activities

The ISA (2010) characterize control activities as the strategies and the system that assist ensure that leaders mandates are completed, for instance, that vital actions are made to address risks that the accomplishment of the targets set. There are the approaches and strategies that help ensure that managers" directives are done correctly and in a timely fashion. Lamoye (2005) indicated that they control exercises, for example, execution surveys, data handling, physical controls, and division of obligations, these exercises are actualized by administration to guarantee achievement of authoritative goals and the alleviation of the likelihood of risk. Di Napoli (1999) the control activities are the instructions, rules, methods and decisions established over various activities by management to prevent or reduce risks that affect the organization in achieving its objectives. The control activities as indicated by ISA are: performance review, information processing, physical controls and segregation of duties. INTOSAI (2009) also spells out that control activities are the exercises and strategies built up be to check risks and deliver results.

### 2.5.4 Monitoring

Monitoring is the appraisal of internal control execution over a time period; it is achieved by continuous observing exercises and by isolated assessments of understudy control, for example, self - evaluations, associate surveys, and inner reviews. The motivation behind observing is to figure out if inner control is enough composed, appropriately executed, and powerful. Monitoring as expressed by INTOSAI (2009) is achievements through regular exercise, separate assessment or a mix of the two. Continuous checking of internal control is built into the ordinary repeated, working exercise of an entity. It incorporates regular checks and supervisory exercises, and different moves staff make in performing their obligations. Continuous monitoring cover each of the inside control segments and include activity against sporadic, dishonest, uneconomical, wasteful and ineffective control frameworks.

### 2.5.5 Risk Assessment Process

Department of Finance and Management of Vermont (2012) argue that risk assessment is the identification, analysis, and management of risks relevant to the achievement of the department‟s goals and objectives. Risks include internal and external events or circumstances that may occur and adversely affect operations. Once risks are identified, management should consider their impact (or significance), the likelihood of their occurrence, and how to manage them.

The Internal Auditors of Kansas State University (2012) likewise perceive that each substance confronts a mixed bag of dangers from outside and inward sources that must be evaluated. A precondition to hazard appraisal is foundation of goals, connected at diverse levels and inside steady.

### 2.6 Importance of Internal Controls

According to the ACCA Audit and Assurance Handbook (2008), safeguarding of company"s assets; prevention detection of fraud; and safeguarding of shareholders" investment are the most important reason for implementing internal controls in an organisation. Brookins of University of Baltimore in an undated article identifies the prime importance for establishing internal control in organisation as the following: establish protocols and procedures, prevent fraud, separation of duties, organise information and reduce fraud.. In addition to this, Omane-Antwi (2008) states that well structured internal control system will ensure: chronological and useful means in running of the business; adherence to management procedures; securing the assets and ensure the exactness of records; and consideration of the likelihood of error in the system of control. Michele in an undated article comments that division of duties is the most important reason for implementing internal controls in organisation. Michele again states that separating similar tasks more than a single individual responsible for related activities, especially those activities that involve easily pilfered assets. Wolfgang (2006) argues that a lot of advantages can be obtained through the putting to use a well planned control.

## 2.7 Limitations of Internal Control

Internal control frameworks cannot promise that an entity will meet its targets. Rather, internal control can only give sensible confirmation that an organization's goals will be met. (Hughes - 2007). The adequacy of internal controls depends on the know-how and reliability of the organization's people. Shortfalls of internal control include defective human assumptions, misconception of guidelines, slips, administration override of controls, and collusion. (Loustea, 2006); Further, as a result of money saving advantage contemplations, not every single conceivable control will be executed. As a result of these natural impediments, internal controls cannot promise that an association will meet its goals.

There are natural restrictions to any system of control. In the execution of the controls systems, lapses because of misconception, guidelines, oversights of judgment, inconsiderateness, or other individual components. Control strategies which oblige an isolation of obligations can be evaded by conspiracy. So also, control techniques can be evaded purposefully by heads of entities. Over duration of time, with evolving conditions, control systems may break down or get to be insufficient (Abdullah, (2011). Omane-Antwi (2008) indicates that it will be extremely wrong to assume that elaborate internal control system will automatically guarantee efficient administration and the completeness and the accuracy of the records. It also natural that company personnel holding positions of the authority or trust could deliberately with or without fraudulent motive subject the system of controls to several abuses thus posing a great danger to the completeness and accuracy of the records. Omane - Antwi (2008) attributed limitations of internal controls to human error, collusion and resource constraints. Effective internal control system, according to International Federation of Accountants, can only ever give sensible certification that an oganisation's working framework, monetary controls, reporting and different procedures are working adequately. Regardless of how all around planned and work done, internal control frameworks cannot give outright affirmation that company‟s goals have been, and will keep on being met

Financial Accountability Handbook Issued on January 2010 attributed the limitations of internal control to: inadequate skill, knowledge or ability; resource constraints; lack of systems flexibility; unintentional errors; and faulty judgments. The Internal Audit of Kansas State University (2012) likewise bring up that there is no such thing as a perfect control framework. Staff size confinements may hinder endeavors to appropriately isolate obligations, which requires the usage of remunerating controls to guarantee that goals are accomplished. Intrinsic constraints in any framework are the component of human mistake, mistaken assumptions, weakness and anxiety. Workers are to be urged to set aside earned leave to keeping in mind the end goal to enhance operations through training while empowering representatives to overcome or maintain a strategic distance from anxiety and weakness. From the affirmations above, impediments of inward control can be sorted into: resource constraint, human mistake, intrigue, absence of preparing, correspondence and administration support. Regardless of how well inward controls are composed, they can just give sensible certification that goals have been accomplished.

**2.8 Evaluation of Internal Controls**

Di-Napoli (2009) expressed clearly the meaning of assessment which is the process leaders uses to find out whether an organization's operations are effective in accomplishing the central goal. The reasons of assessment are to furnish administration with a sensible affirmation that, the entity‟s controls are working successfully, and they can recognize both risk and ways to develop the system. IFAC (2011), stated that the key principles of evaluating and improving controls includes the following: supporting the goals; deciding parts and obligations connecting to individual execution; ensuring reasonable competency; promoting the culture of the entity; reacting to risk; conveying information consistently; observing and assessing controls; and providing for accountability and transparency.

### 2.9 Types of Audit Test

Audit tests are very vital to the activities of an entity, as they assure leaders of standard and satisfactory execution of internal control, looking for deficiencies, weaknesses and improving more efficient activities. Authors the world over categorise audit test into different classifications. Botsio - Appiah (2002) classifies audit test into: Walk through Test, Compliance Test, Substantive Tests, Evaluation Test and Rotational Test. Omane Antwi (2008) also reckons Compliance Test,

Substantive Test, Depth Testing and Test Check as types of audit test. However, McIntosh (2000) considers compliance and substantive tests as two main audit tests.

In the light of the propositions above, audit test may be grouped into compliance and substantive tests.

#### 2.9.1 Substantive Test

Omane - Antwi (2008) points out that substantive test are design to prove the accuracy of balances in the financial statements or accounting records. However, according to McIntosh (2000), a substantive test is a direct test that approves a financial statement balance. Substantive testing usually requires an extensive deal of recalculating, confirming, and vouching. For example, if a substantive test is done on inventory, the auditor will go to the stores, run reports and physically count each stock item on a sample basis.

### 2.9.2 Compliance Test

McIntosh (2000) comments that compliance audits ensure that the company follows specific legislation, contractual commitments or meet standard of quality. An audit reviews the company manual and potential contracts to decide what decision to take, and if the company is following laid down approaches. According to Botsio (2002), compliance tests are performed to find out whether the internal control procedures instituted by management for the purpose of regulating financial affairs of the business, ensuring orderly administration and safeguarding the assets of the business are fully applied before all business transactions and operational activities are carried out.

## 2.10 Effectiveness of Internal Control Systems

Norman (2012) thinks that an effective internal control system gives a sensible certification with respect to accomplishment of an entity"s goals. To have a successful arrangement of inner control identifying with one, two, or every one of the three classes of targets each of the five segments must be available and work together in a way that lessens, to an adequate level, the danger of not accomplishing a goal. In evaluating if control system is effective, a management members and the board of directors determine the degree that standards and the relating properties connected with every segment are available and working.

As per the article distributed by Institute of Chartered Accountants in England and Wales, IT Faculty, July 2004, an Internal Control System (ICS) is principally to any business. In little entities the „supervisor‟ does all by himself or herself. Whilst a framework would be useful, it is not a necessity. In larger bodies it is key and in substantial firm that centre level supervisors are in charge of the system. William and Brewer in their undated article perceived that the adequacy of the ICS includes measuring the time it takes to discover errors and the time taken to redress the harm.

This measure is entirely under the control of the organisation using other measures. Chambers (2009) demonstrates that general signs of an effective system of control comprise controls: are intended to achieve goals which are very precise; have consideration for competition; empower and make sure execution can be measured; unsuitable result are addressed promptly; gives indication that work are completed on time; very low in monetary terms; are put in place in the beginning to make it practical, thus the controls; are "preventative" rather been "corrective".

# CHAPTER THREE

# METHODOLOGY

## 3.0 Introduction

This section focused on the exercises and procedures for undertaking the study. It presents accounts on data collection and processed into a research document. The research methodology is concerned with the methods of collecting data for this research work for the purpose of this work all the necessary techniques of data collection were by way of primary and secondary sources.

This chapter looks at methodology which includes: research design, population, sample size, sample technique, data collection method, data analysis method and ethical considerations about the study.

**3.1 Research Design**

The blueprint for conducting a sound work of research is known as Research design. It regulates the outline for collection, measurement and analysis of data. This hold the entire research work together A design is used to structure the research, to demonstrate how the majority of the real parts of the work come together to answer the main questions.

The area concentrates on how the research was conducted to ensure that the three principal objectives according to ISA 315 regarding reliability of financial reporting, effectiveness and efficiency of operations and compliance with required laws and regulations were achieved. This study, utilizes case studies as the principal research strategy. Robson (2002:178) characterizes case study as "a strategy which involves an empirical investigation of a particular contemporary phenomenon to confirm or otherwise of a real life situation with different tools as evidence". Yin (2003) likewise highlights the significance of setting. The information gathering procedures utilized under contextual analysis may be different and these incorporate meetings, perception and polls. The contextual investigation system can create answers to inquiries, for example, why, what, and hence, it is regularly use in logical and exploratory examination. A contextual investigation method was utilized for this study on the grounds that it served to increase rich understanding as respects the adequacy of interior controls in the Investment Companies chose from the Kumasi Metropolis. Likewise, the study explored points of interest of genuine marvel utilizing numerous wellsprings of proof. The wellsprings of confirmation from which information was gathered are: polls, meetings, and narrative examination.

### 3.2 Population

Mason et a1. (2007) asserted that the population of a research is the accumulation of persons who have considerable interest in the subject matter. The target population for this study comprised all staff from Prestige Capital Limited, New Generation Investment Services Limited, Utrak Investment Services Limited. The population from these Companies‟ for the purpose of this study was in the region of 60. Greater care was exercised to ensure that data collected from staff was used purposely for the study.

### 3.3 Sampling Size and Sampling Technique

Sample size for the study was drawn from the population of 60 selected around all the three Investment Companies selected, from the capital of Ashanti Region and the sample size represented twenty four (24) per cent of the entire population. Sixty personnel (24 per cent) were considered as the sample size due to:

1. limited funds to contact the whole population; 2.

insufficient time to study the entire population; and

3. the urgency of the study results.

Henry (1990), for instance contends that that using sampling makes possible for a higher accuracy than census. Examining outline additionally gave a scope of strategies which served to lessen the measure of information required, by considering just information from a subgroup instead of every single conceivable variable from the populace.

Purposive example is frequently utilized when working with little specimens, for example, on the off chance that study research, furthermore when you wish to choose cases that are especially educational (Neuman, 2000). Purposive examining systems empowered the scientist to utilize his judgment to choose test that met the study's targets.

Judgment to choose test that met the study's targets.

Saunders et al (2003: 215) state that the five most appropriate sampling techniques to obtain a representative sample are: simple random, stratified random, systematic sampling, purposive and quota sampling. This study nonetheless, employed purposive sampling technique. Purposive sample is often used when working with very small samples such as in case study research, and also when you wish to select cases that are particularly informative (Neuman, 2000). Purposive sampling techniques enabled the researcher to use his judgment to select sample that met the study"s objectives.

### 3.4 Method of Data Collection

Saunders et al (2003:131) noted that qualitative and quantitative techniques are the two traditional approaches for data collection. Examples of these techniques include: questionnaire, interview, published data focus group, observation and the host of others. This study made good use of qualitative method for data collection. However, the findings and the results of this study was quantified by means of frequency tables.

Saunders et al (2003) yet again categorised data into primary and secondary data. The study invariably used primary and secondary methods for generating the research data. Primary data was collected through interview and questionnaire from the staff of the Companies, the Clients and Auditors. Interview as an instrument for data collection helped to establish personal contact with the selected persons. Data was obtained through the use of questionnaires by asking respondents to respond to set of questions in predetermined order. This assisted the researcher to ascertain whether the respondents had actually answered the questions posed.

### 3.5 Method of Data Analysis

In analyzing the data, statistical tables and data display were used as the analytical techniques. This procedure involves summarizing and simplifying data collected by focusing on the essential parts of the data. It also includes organizing and assembling condensed data into diagrammatic and visual display. In addition this, computer assisted programmes and statistical analysis software such as Excel were used to analyze data. Quantitative data was presented to justify the qualitative explanations.

From these suitable proposals was made on the discoveries of the examination. The outcomes are displayed in part four of the study. From these suitable proposals was made on the discoveries of the examination. The outcomes are displayed in part four of the study.

#### 3.5.1 Reliability

Reliable information is determined by how the researcher carries out the work. For the measures to be dependable, it is essential that the specialist is exact. For unwavering quality to be high there must likewise be a portrayal of how the apportions were conveyed and that they were exact and precise. The next necessity is that the researcher obtains evidence for every work done. Other researches will utilize the data obtained from this work. The consistency of the researcher will result in the reliability of data as stated by Cook and Campbell, 1979. Regarding the matter of the investigation of the information gathered, the analyst can say that different understandings may give different results since surveys were done, on the grounds that different scientists may get distinctive answers from the respondents despite the fact that they have utilized the same poll because of changes in the operations of the organization, new principles and regulations yet the information is prepared precisely.

### 3.5.2 Validity

Legitimacy of information for research is controlled by the quality of conclusions, deductions or suggestions according to Cook and Campbell, 1979. Information is measured with a specific end goal to have significance and legitimacy for the issue that is analyzed. The main truth is whether the information gathered or accumulated is pertinent to the issue being examined and whether the study led to a response to the issue. In this study the specialist will say that the hypothetical comprehension of danger administration and inner control is the same as in the operational sense and to that degree, there is consistency between these. The analyst sees clear association between the hypothetical and commonsense thought of danger administration and inward control and hence can say that she had substantial information.

## 3.6 Ethical Considerations

The permission of all respondents were sought and the necessary protocols were adhered. A formal letter was sent to all the Investment Companies involved in research.

# CHAPTER FOUR

# DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

## 4.0 Introduction

This part of the research looks at information system embraced, strategies utilized to present the data, summary and analysis. The reactions from the respondents are portrayed, investigations, and inductions made to build up connections. Findings from respondents were critically examined and interpreted to draw conclusions.

## 4. 1 Background of Respondents

Questionnaires were used to ask for vital information from respondents in respect of their age, gender, educational background and position. Data tables and bar charts were used in breaking down the data obtained from the participants of this work.

### 4.1.1 Age of Respondents

Question one (1) was structured to identify the age group of the respondents. It surprisingly came to light that greater proportion of the respondents (50%) falls within the age category of 25 - 35, 30 per cent falls within 36 – 45, 14 per cent falls within 46 – 55 and 6 per cent falls within 56 - 65. This is represented in the table 4.1. The presentation of data from the table also 4.1 highlights that 50% of the respondents falls within the age group of 25 – 35, 30 per cent falls within the range of 36 – 45 and 14 per cent of the age group of the respondents falls within the range of 46 – 55 and 6 per cent within 56 - 65 .

Greater number of the respondents found within the age category of 25 – 35, is evident of the fact that the activities and the operations of the Investments Company require energetic young personnel to achieve the organisation„s objectives. Personnel in their prime age are needed since most of the operations require both brain as well as field work. Generally, majority of personnel visit private companies and small enterprises to sensitize them on investment products available in the industry and also provide investment advisory services.

**Table 4.1 Ages of Respondents**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| 25 – 35 | 30 | 50 | 50 |
| 36 – 45 | 18 | 30 | 80 |
| 46 – 55 | 8 | 14 | 95 |
| 56 – 65 | 4 | 6 | 100 |

| Total | 60 | 100 | 100 |
|---|---|---|---|

**Source: From Field Report 2015**

### 4.1.2 Gender of Respondents

Question two (2) on the questionnaire collected data on each respondent‟s gender. The results from the data collected revealed that vast majority of the respondents (70 per cent) represent male whereas 30 per cent of the respondents represent female. Enquires were made to ascertain the justification for these representations but no reasons were offered to explain the gender imbalance. This is further confirmed in the table 4.2.

**Table 4.2 Gender of Respondents**

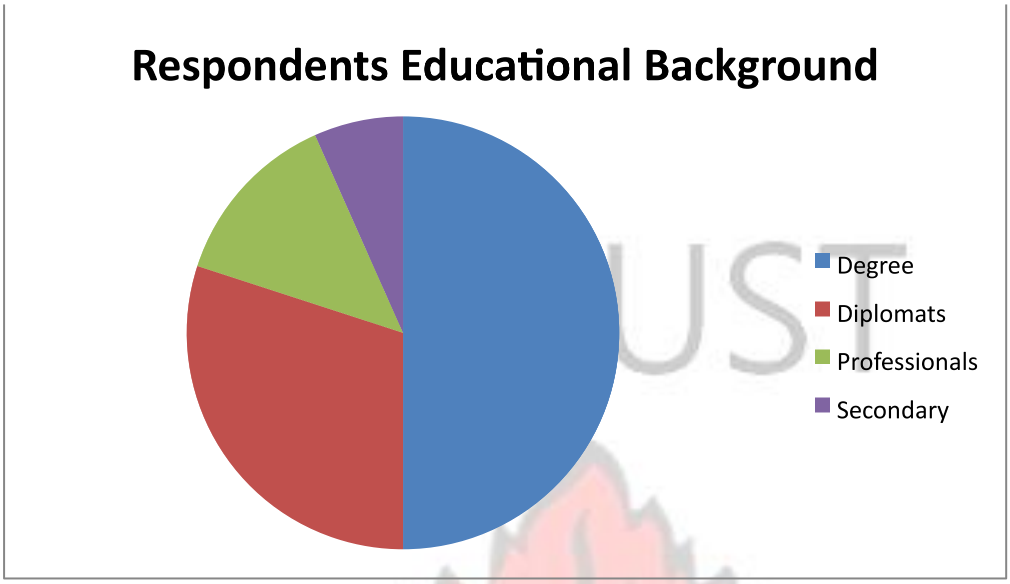
| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Male | 42 | 70 | 70 |
| Female | 18 | 30 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

### 4.1.3 Respondents' Educational Background

Question 3 on the questionnaire was to ascertain the academic qualification of the respondents working in the selected investment companies in the Kumasi Metropolis. Of the total respondents, 50 per cent represented degree holders, 30 per cent were diplomats, and 14 percent were professionals and 6 per cent represented secondary graduates. This is illustrated in the diagram 4.1.

**Figure 4.1: Respondents Educational Background**



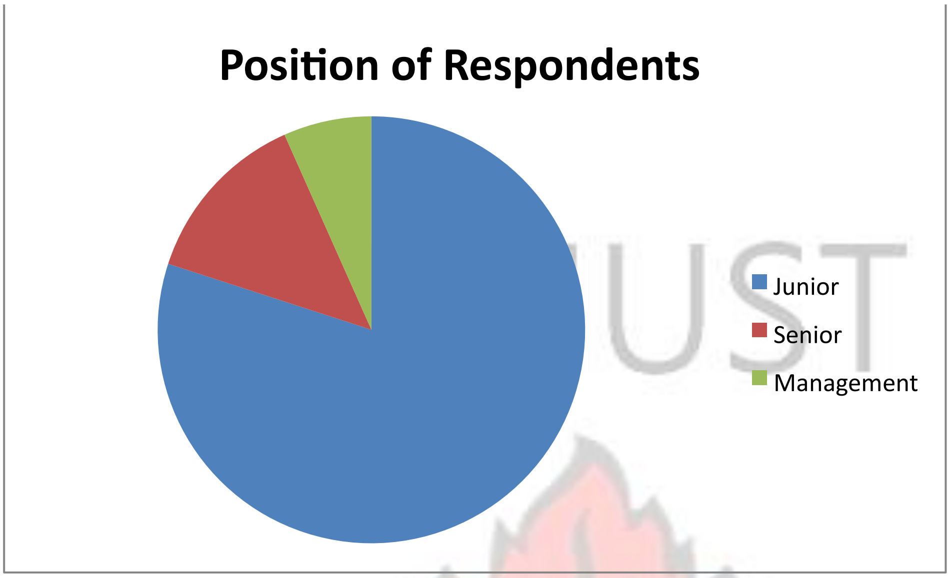

**Source: From Field Report 2015**

The results from the table above clearly give emphasis to the fact that degree holders form the majority of respondents (50 per cent). This is followed by diplomats who constitute 30 per cent of the total respondents. Professionals and Secondary School graduates also represent 14 and 6 per cent respectively of the entire respondents.

### 4.1.4 Position of Respondents

Data collected from question 4 was to determine the various positions of the respondents. It came out of the study that a greater number of the respondents were Junior Level staff. This is depicted in the diagram 4.2.

**Figure 4.2 Position of Respondents**




**Source: From Field Report 2015**

The data presented in Diagram 4.2 actually indicates that a greater number of respondents (80 per cent) constitute junior level staff whereas senior level staff and Managers, form a smaller representation (20 per cent) of the whole respondents. The junior level staffs represent a larger proportion of the total respondents because the activities and operations of investment companies require the services of many marketing officers. For example, the junior level staffs go out to prospective clients on a daily basis with senior level staff usually following up on very promising clients to close them. In addition, they visit the clients to educate them on the financing options available in case any of them require financing from an investment company.

### 4.2. Ascertainment and Evaluation of the Design of Internal Control Systems

Questionnaires and interviews were used to gather relevant data in connection with the following: internal controls system, operation of the system of controls, types of controls, control procedure over assets, design and implementation of control system and the possibility of any influence over managements. Question number 5 was then designed to find out whether there was internal controls system in the various investment companies. All the respondents who answered the question acknowledged and responded that there are indeed internal control systems. This illustrated is in the table 4.3.

**Table 4.3 Internal Controls System**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Yes | 60 | 100 | 100 |
| No | 0 | 0 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

The data gathered on the table above evidently indicates that there are internal controls in the activities and the operations of all the investment companies. This is indicative of the fact that all the respondents who represent 100 per cent answered positively to the question posed. Following from this response, the researcher went ahead to ascertain if indeed there is internal control system in the organisation. It became evident from further search and observations that there is control system. The staffs of some of the companies were further interviewed to find out how the control system operates in their organization. The researcher was however directed to refer to the detailed operation of the system from the organisation‟s manual. Having gone through the manuals of the investments companies, the researcher identified the following system of operations that were common to all. The description of the system is detailed below.

1. Approval of disbursement of funds by two independent management members;

2. Recalculation and verification of payments before approved;

3. Interest calculation on investments approved by investment committee in consultation with compliance;

4. Placements of funds also discussed at the investment committee level;

5. Placement of idle funds in call account pending a decision by the investment committee on where to invest;

Question number 7 was then administered to ascertain if there are control procedures over revenue generated, value books and other assets. It became evident from the study that about 95 per cent of the respondent answered that there are control procedures over the organisation‟s asset. To substantiate this response, the researcher went through the orgainsation‟s policy manual to find out if these controls are really documented. The researcher none the less, found the following control procedures clearly documented in most of the operational manuals.

**Controls over Revenue**

1. All funds receive for a day must be banked intact.

2. Receipt is issued for funds received.

3. Total cash collections received after banking hours kept in a safe.

4. Accountant or Senior Schedule Officer reconciles the cashier‟s cash book, receipt issued and deposit slips.

5. Any shortage or excess cash reported to the accountant for appropriate action to be taken.

**Controls over Books**

1. Value books are printed with security features to reduce risk of duplication.
2. Accounting system restricted by means of passwords and user signature indicated on all entries.
3. District Managers approve and endorse the requisition form.
4. Upon the receipt of the value books from regional office, the district accountants register and distribute them to the appropriate offices.
5. Value books are kept under lock to prevent unauthorised officers from tempering

   with the books.

Although most of the investment companies had asset registers, there was evidence to suggest that the register is updated frequently. Item number 8 on the questionnaire was afterward used to collect significant data on the type of controls in place to ensure that these assets are well protected. It was revealed from the evidence adduced that most of the respondents who answered the question posed opted for preventive controls whilst the others decided on corrective and detective controls. This is further explained in the table 4.4.

**Table 4.4 Types of Control**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Preventive | 41 | 68 | 68 |
| Detective | 13 | 22 | 90 |
| Corrective | 6 | 10 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

Data presented in the table 4.6 clearly indicates that majority of the respondents identify preventive control as the most influential type of control in the selected investment companies. This is evident from the fact that 61 respondents who represent 68 per cent opted for preventive control. 22 per cent of the respondents decided on detective controls whilst 10 per cent opted for corrective. This is in line with what Dr. Lousteau (2006) said. According to him, preventive control is the most important type of controls which helps to keep errors and irregularities from happening. Also, question was further posed to the respondents to test the level of their understanding regarding the types of controls. For instance, the personnel were asked to state the type of internal control which can help to forestall misappropriation of cash. Surprisingly, approximately 40 per cent of the respondent opted for corrective control. This vividly implied that some of the personnel do not understand the concept of controls well. Staffs were subsequently interviewed to ascertain those who were responsible for design of internal controls. All the respondents who were contacted opined that top management was in charge for the design of effective control systems.

This is depicted in the table 4.5.

**Table 4.5 Design of Internal Control System**

| **Category** | **Frequency** | **Per cent** | **Cumulative Per cent** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Management Level Staff | 60 | 100 | 100 |
| Senior Level Staff | 0 | 0 | 100 |
| Junior Level Staff | 0 | 0 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

The results of data presented in the table 4.5 really indicate that all respondents perceive top management are in charge for the design of the control systems. This is indicative of the fact that 90 respondents who represent 100 per cent were of the opinion that top management were responsible while none indicates otherwise. This confirms what Warren & Reeve (2007) commented and according to them, administrators are in charge of instituting internal controls in any entity. To authenticate this assertion, the researcher consulted the policy manual to find out what the manual states about management. It was therefore confirmed from the manual that design of internal control systems is a primary responsibility of those charged with governance. Interview was again conducted to determine whether managements of the companies were influenced in any manner when and implementing internal controls. On the whole, 90 respondents who constitute 100 per cent were of the view that management are not influenced in anyway. This is demonstrated in table 4.6.

**Table 4.6 Influence over Management**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Yes | 0 | 0 | 0 |
| No | 60 | 100 | 100 |

| | | | |
|---|---|---|---|
| Sometimes | 0 | 0 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

Questionnaires were also administered to find about the reason for designing and implementing internal controls system in these investment companies. Most of the respondents interviewed believed that internal control systems are implemented to ensure that internal policies and procedures such as authorisation, approval, reporting system and execution of functions are strictly followed. Some too were of the opinion that internal control systems are implemented to prevent managers and other senior officials from causing any form of loss that can be quantified financially. Yet again, others expressed the opinion that the implementation of internal controls enhances supervision since segregation of responsibilities is encouraged at every level of hierarchy in the organisation. Omane Antwi (2008) also comments that internal controls do not only achieve the objectives above, but also ensure orderly and efficient running of organisation. Apart from this importance, interview was conducted to ascertain if internal controls systems have increase the efficiency and effectives of the operations of the companies involved. It emerged from the study that internal controls which had been established helped to prevent fraud and theft. The table below highlights this assertion.

**Table 4.7 Fraud and Theft Cases**

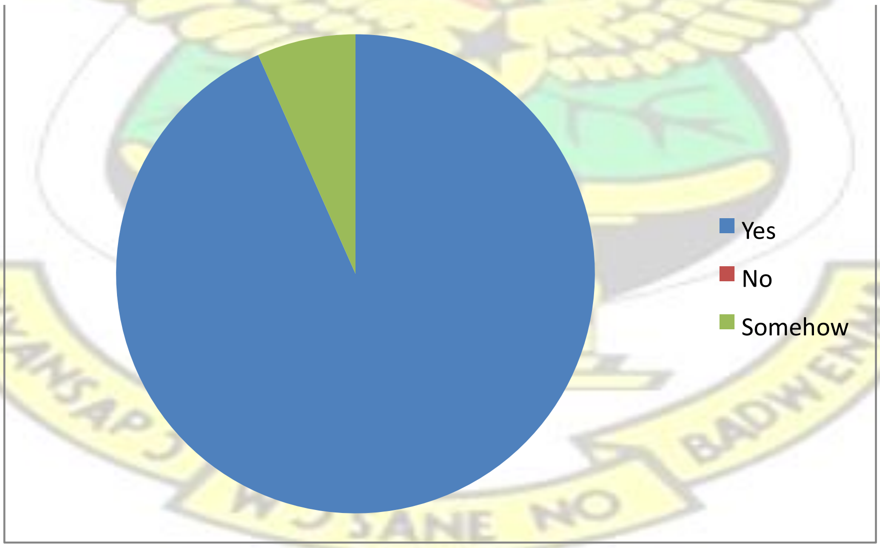
| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Yes | 54 | 100 | 100 |
| No | 6 | 0 | 100 |

| | | | |
|---|---|---|---|
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

It can be deducted from the table 4.7 that all the respondents who represent 100 per cent gave a positive response to the assertion above. A good number of respondents were of the opinion that controls techniques such as regular reconciliation; recalculation of interest expense, among others had brought fraudulent activities under control. The researcher upon investigation confirmed that the system has helped to reduce fraudulent activities under control. Besides, additional questionnaire was administered to establish whether internal control systems were appropriately and adequately documented to ensure easy understandability of the system. It appeared from the study that vast majority of the respondents affirmed to this assertion that the controls are well documented. This is depicted with diagram 4.3

**Figure 4.3: Documentation of Internal Control Systems**




**Source: From Field Report 2015**

Data demonstrated in diagram 4.3 noticeably lay emphasis that vast majority of the respondents‟ perceived adequate documentation of controls which is evident from the fact that 94 per cent of the respondents responded positively to the question posed whilst minority of the respondents who represent 6 per cent answered negatively. In spite of this response, additional search was conducted by the researcher to confirm this assertion. It was however revealed that internal controls systems are properly codified in all the companies considered in the study. Moreover, interview was conducted to identify whether there is regular update of internal control system as changes occur. Response given by most of the respondents indicated that internal control systems are reviewed as and when the need arises. The table 4.8 clearly gives further explanation.

**Table 4.8 Update of Internal Control System**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Yes | 55 | 92 | 98 |
| No | 0 | 0 | 98 |
| Sometimes | 5 | 8 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

The results of data presented in the 4.8 show that 92 per cent of the respondents who represent majority gave a positive response to the question asked while on the contrary, 8 per cent of the respondents gave negative impressions about update of internal control systems. As a follow up to this response, additional search was conducted by the researcher to establish this fact. It was confirmed from evidence adduced that control systems are updated when the need arise.

### 4.3 Ascertain and Evaluate the Implementation and Maintenance of Control Systems

The import of question number 15 was to inquire about the implementation of internal controls of the investment companies. Data collected from the study revealed that supervisors are required for the implementation of the controls. In addition, the respondents once more gave a positive impression in about the implementation of internal controls. According to the respondents, the implementation of internal controls have really helped to minimize errors, enhance record keeping, reduce fraud and theft, ensure compliance with laid down procedures and improve checks and balances among others. The available records checked by the researcher also confirmed the above assertion. Questions about maintenance of internal control system were also posed to respondents. Information gathered from available records as well as from respondents indicated that management was responsible for continuous updating of internal control system. Occasionally breakdowns in the system of controls was normally attributed to lack of adequate training to newly engaged personnel and also to miscommunication of laid down procedure from managers to subordinates. However, such breakdowns were quickly dealt with. Abdullah (2011) also said that misunderstanding of communication can prevent systems of controls from running efficiently. Besides, interview was conducted to ascertain if the there is an Internal Audit Department in the investment companies. All the respondents interviewed acknowledged that there are Internal Auditors in the various investment companies. However, most of these internal audit duties had been outsourced. These tests of controls is to make sure that the laid down policies and procedures have been complied with. In addition to this function, the Operational Manuals also indicates that Internal Audit Department must ensure the following:

1. Effective and efficient design and processes of controls to safeguard resources of the entity.

2. All monies realized are precisely entered and quickly deposited with the entity"s bankers.

3. Regular verification of all inventories of the investment companies to detect and prevent possible malpractices.

4. Detect and put an end to frauds and other comparative anomalies among others.

### 4.4 Problems of Internal Controls

Questionnaires were prepared to ascertain matters relating to: training on new control procedures, theft cases, and misappropriation of funds and manipulation of records. Question 23 was then designed to find out if personnel were given enough education when new control policies are implemented. Response given by the respondents confirmed that personnel are given some amount of education whenever there are changes in laws and existing control policies of the Securities and Exchange Commission. As indicated by respondents, education on new procedures is imparted to workers in the form of basic professional training courses, seminars and workshops. After going through the records available at the various companies, it became evident that the personnel usually go for training programmes. These training programmes are organised for the staff with aim of equipping them with the learning, aptitudes and demeanors needed for the accomplishment of the goals of the investment entities. Table 4.9 gives further illustration as to how the respondents answered the questions asked.

**Table 4.9 Training on Implementation of New Control Procedure**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Always | 60 | 100 | 100 |
| Not at all | 0 | 0 | 100 |
| Sometimes | 0 | 0 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

Data illustrated in the table above clearly showed that all the respondents gave affirmative response to the question posed. This is due to the fact that all 90 respondents who represent 100 per cent were of the opinion that adequate education is given to the workforce on every occasion new policies are implemented.

### 4.4.1 Report on Theft Cases

Question 24 sought to gather relevant data in connection with financial malfeasances issues in these investment companies. Of all the respondents contacted, none of them answered affirmatively about rampant cases of financial malfeasances among personnel. Data from table 4.13 clearly indicates that 90 personnel who represent 100 per cent of respondents answered no, to the question asked. According to the respondents, theft cases are not rampant due to the system of internal controls instituted. To substantiate this assertion above, Audit Report of two of the companies for 2013 and 2014 were examined by the researcher. However, the report did not show any financial irregularity. This is further illustrated in table 4.10.

**Table 4.10 Report on Theft Cases**

| Category | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Yes | 0 | 0 | 0 |
| No | 60 | 100 | 100 |
| **Total** | **60** | **100** | **100** |

**Source: From Field Report 2015**

### 4.4.2 Misappropriation of Funds

Question number 25 on the questionnaire was designed to collect relevant data regarding funds misappropriation cases in the investment companies in the Kumasi Metropolis. Data gather from respondents showed that misappropriation of funds cases is not rife because of strong control procedures. To substantiate the assertion above, the Audit Report of 2011 and 20113 for two of these investments were examined by the researcher. However, the reports examined did not give any indication of any case misappropriation.

### 4.4.3 Manipulation of Records

Question 26 was administered to ascertain whether falsification of records and documents to commit theft and fraud are common among the staff of these investment companies. Data collected from respondents indicated that falsification of records by workers to commit theft is not common.

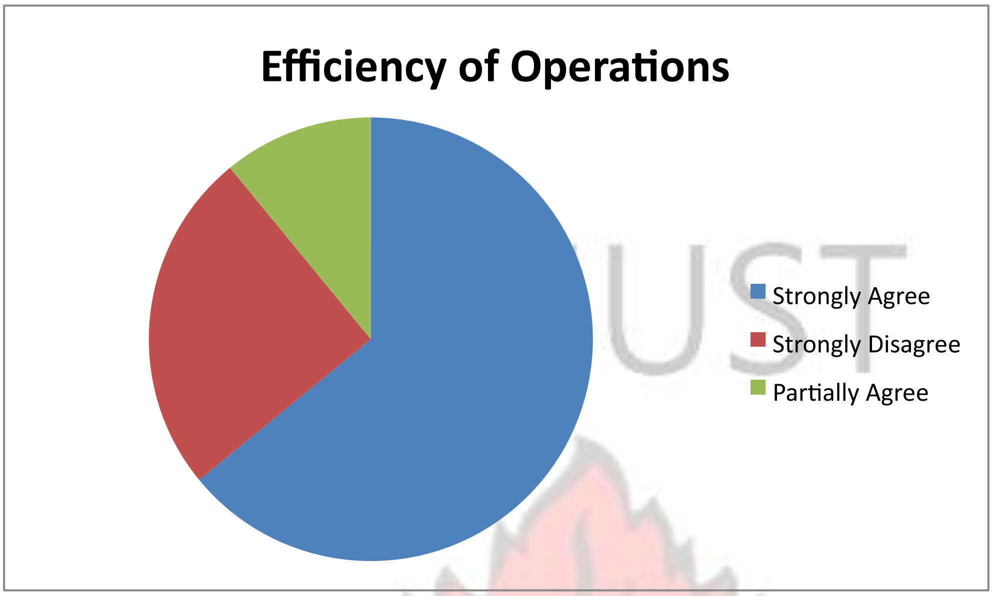
### 4.5 Achievement of Objectives

Questionnaire was designed to determine whether organisation was able to achieve its objectives in connection to enhancement of effectiveness of operation, unwavering quality of money related data and efficient service to their clientele.

#### 4.5.1 Efficiency of Operations

Item number 23 on the questionnaire was intended to ascertain if the implementation of controls has led to the enhancement and efficiency of activities and operations of these investment companies. Empirical evidence from available records shows the implementation of controls has enhanced reconciliation. For instance, actual revenue generated by these companies was very tremendous. The improvement in revenue generation was attributed to the control systems in the companies. Following from this, the researcher went through the records to establish if efficiency in these companies‟ operation. It was noted that, the instituting of control system has also improved duties like cash collection, good record keeping, revenue generation and the hosts of others. These activities are in line with the companies‟ objects to improve collection of revenue and reduce cost to the bearest minimum. Responses given by the respondents also confirmed the level of improvement because of the controls as shown in diagram 4.4.

**Figure 4.4 Efficiency of Operations**




**Source: From Field Report 2015**

From diagram 4.4, it is evident that all the respondents who represent 100 per cent express the opinion that internal controls have brought about efficiency in the activities and operations of the organisation.

### 4.5.2 Reliability of Financial Information

Question number 24 was administered to ascertain if the organisation has been able to achieve its objectives with reference to reliability of financial information. It became evident from the study that the organisation keeps proper records in relation to revenue, and accurately account for them by preparing and submitting report on quarterly basis to the Securities and Exchange Commission.

### 4.5.3 Efficient Service to the Shareholders

Data collected from question 25 was to ascertain if the organisation were able to render effective service to the shareholders. Most of the staffs interviewed at these investment companies indicated that the shareholders were happy with their output.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

## 5.0 Introduction

This part of the work comprises three sections namely: summary of findings, recommendations and conclusion. The summary section looks at the most important findings of the study. The recommendations section presents a number of suggestions to be put into operation to address the problems that are revealed from the study. The conclusion section also presents the main outcome of the study.

## 5.1 Summary of Findings

A careful break down of findings and information obtained from chapter four revealed the following: Larger part of the respondents said the control frameworks are preventive which and placed esteem on pertinent data with respect to enactment, administrative improvements, financial developments, economic changes, variations in operation and other outer element that may influence the organization are the main basis of the preventive control system. The research found out that 68% of the respondents opts for preventive controls, 22% decides on detective controls whilst 10 % opts for corrective controls.

Administration was seen as being singularly in charge for setting up internal control and that no one specific individual was in control of choices or exercises. Dominant part of the respondents did demonstrate that administration oversight obligation regarding internal control was the yardstick to enhance compliance, and that it was the responsibility of management to make sure that control strategies and methods are adhered to. Management are not influenced in any manner when implementing internal control system; Compliance of laid down procedures is the major function of internal control system. Internal control systems are well documented in these investment companies according to the research.

Guarantee that control strategies and methods

Again the separation of duties as per the internal controls has enhanced specialization and performance of personnel which has brought about effectiveness and efficiency in the managing of the resources available. Adherence to internal policies and regulation has improved due to the implementation of controls. There is strict adherence to the approaches and laws of these investment companies.

The research found out the review of these controls is undertaken as when the need emerge especially when the Internal Audit Departments or the external auditors detect inherent risks in the control system. Again it was found out that dynamics of the economic environment can also cause a review of the internal control system. The majority of the respondents saw the auditor inside the entity as the one in charge of consistent application of the controls. However the frequency of the internal audit departments of the various investment companies in the Ashanti Region was not the best.

**5.2 Conclusion**

The study concluded that internal control system in investment companies in the Kumasi Metropolis was effective. Nevertheless, there were some vital deficiencies that came up for deliberations. Examples of these include: the systems not frequently reviewed to improve its efficiency, lack of continuous internal audit exercise and inability of the investment companies to strictly comply with all the guidelines of the

Securities and Exchange Commission. These deficiencies have been discussed and appropriate recommendations that would help address and tackle these weaknesses were also presented in the study.

The discoveries concurred with the statement of the Treadway Commission (COSO), that those charged with governance are responsible for the setting up of the controls and that the auditor‟s role is to assess the adequacy of the controls or not. But for the control system to be portrayed as top –notch, it should not be under one person‟s influence. When a situation like this occurs that individual can easily thwart requirements of the controls. The main goal is to figure out if the internal controls can contribute to an entity‟s optimal performance. It turned out that the adequacy of the controls depends on both auditors (internal and external) to ensure compliance.

**5.3 Recommendations**

Although, majority of the respondents indicate that the controls in the investment companies are sound, there are some weaknesses and deficiencies such as the systems not frequently reviewed to improve its efficiency, lack of continuous internal audit exercise and inability of the investment companies to strictly comply with all the guidelines of the Securities and Exchange Commission. These weaknesses have been discussed to help curb and reduce the causal factors which might have been accounted for these problems. The following recommendations are therefore laudable for consideration.

**Frequency of Internal Control System Review**

The internal control system ought to be looked into all the time to align them with the ever changing corporate environment. There is a tendency that a very efficient internal control system this year may become inefficient the following year. Management therefore needs to review the control system every time an audit report is presented to address issues address in the reports.

**Frequency of Audit**

The rate at which internal audit activities are conducted in these investment companies is unsatisfactory in the view of the sensitive operations and these companies thrive on public trust in them, management should therefore encourage internal audit exercise to be carried out monthly to streamline their operations.

**Compliance with SEC Guidelines**

The study revealed that most of these investment companies did not comply strictly with all the provision incorporated in the guidelines of the SEC. For example a number of these investment companies were not complying with the following guidelines on Commercial Paper (CP)

a. That Commercial Papers (CP"s) be given to only limited liability companies.
b. That a compliance Officer be employed to report to SEC on the activities of the Company.
c. CP duration be limited to 270 days (9 months)

d. Non compliance of some of the requirements of Know Your Customer Forms (KYC), for example No Certificate of registration on investment made by Charismatic

Assembly and Family Love Assembly

Non-compliance with regulatory issues may result in sanctions been leveled against the Company, by the regulator. This will ultimately affect the reputations of the Company negatively resulting in the decrease in their operations. The researcher suggests that management of these investment companies should operate in accordance with all the regulations governing the company‟s operations especially the commercial paper guideline from their regulator.

**Staff Motivation**

There is a need to provide better living condition for the junior level officers. In fact, the disparity in the level of remuneration with the senior and management levels of some of these investment companies was very wide. The junior level staffs require a better condition of service in order to increase their team spirit to execute their functions professionally.

**Mechanism to check irregularity**

Corruption and fraudulent activities have obliterating impacts not only on these companies, but also on the nation all in all. This ulcer in the society is one principal explanation for retarding economic growth and development. The following measures must be implemented to discourage irregularities. Management at the helm of affairs must implement new regulations; strengthen existing controls to help reverse any negative trend. A viable anti-corruption methodology must incorporate examination, capture and arraignment of people observed to be at fault of these lawless acts thereby making corruption a costly activity.

In addition to all existing controls, management should put in place appropriate mechanism to ensure strong financial management. For instance, value books like receipt should be kept under strict supervision. Also clients of these investment companies account balances should be reconciled from time to time to help them confirm their balances at each point in time. Segregation of duties for authorization, recording and custodian functions should be undertaken by separate staff. Also, there should daily processing of cash receipts and timely deposit of these receipts from the clients.

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**QUESTIONNAIRE:**

**KWAME NKRUMAH UNIVERSITY SCIENCE AND TECHNOLOGY**

**COLLEGE OF HUMANITIES AND SOCIAL SCIENCES**

This questionnaire is on the research topic, efficiency and effectiveness of internal control in investment companies, case of selected investment companies in the Kumasi Metropolis. I would be very grateful if you could provide appropriate response to the questions below. The information you provide will be treated with strict confidence as expected.

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

**A. PERSONAL DATA**

1. Sex: Male [ ] Female [ ]

2. Age: 19 or less [ ] 20–29 [ ] 30–39 [ ] 40–49 [ ] 50 or more [ ]

3. Educational Background

    First Degree [ ]

    HND [ ]

    First Degree & Professional Qualification [ ]

    HND & Professional Qualification [ ]

    Others (specify) …………………………………..

4. Marital status Married [ ]

Single [ ]

5. Which staff category do you belong?

Junior Level staff [ ]

Senior Level staff [ ]

Management Level [ ]

**B. CONTROL ENVIRONMENT**

6. Management decisions are made collectively and not controlled by one dominant individual.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

7. Codes of conduct or ethics policies exist in the company

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

8. Policies regarding the importance of internal controls and appropriate conduct are communicated to all staff.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

9. Audit or other control systems exist to periodically test for compliance with codes of conduct or policies.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

10. Management periodically reviews policies and procedures to ensure that proper controls are in place.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

**C. RISK ASSESSMENT**

11. The company has clear objectives and these have been communicated so as to provide effective direction to employees on risk assessment and control issues.

    Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

12. Management appropriately evaluates risk when planning for new product or activity.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

13. There are sufficient staff members who are competent and knowledgeable to manage company activities and they have been provided with adequate resources.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ] 14.

Technology issues are considered and appropriately addressed.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

15. Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

**D. CONTROL ACTIVITY**

16. Policies and procedures exist to ensure critical decisions are made with appropriate approval.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

17. Processes exist for independent verification of transaction (to ensure integrity)

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ] 18.

There is a system in place to ensure that duties are rotated periodically.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

19. Processes are in place to ensure that policy overrides are minimal and exceptions are reported to management

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

20. People in the Company have the knowledge, skill and tools to support them in their duties in order to effectively manage risk and achieve company objectives. Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ] 21.

The company has employed security guards.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

**E. INFORMATION AND COMMUNICATION SYSTEMS**

22. There are effective reporting procedures in communicating a balanced and understandable account of the company‟s position and procedures.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

23. There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ] 24.

All staff understands their role in the control system.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

**F. MONITORING OF INTERNAL CONTROL SYSTEMS**

25. The Company routinely evaluates the overall effectiveness of your internal control system.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

26. The Management and its representatives have complete access to all Company‟s records.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

27. Reports on significant failings or weaknesses are reported to management on a timely basis.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

28. All staff receives relevant information regarding legislation, regulatory developments, economic changes, or similar external factors that may affect your organization.

29. Key information about your organization's operations are identified and regularly reported.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ] 30.

The Company communicates its organization's standards and expectations to key outside groups or individuals.

Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

31. Complaints from staff are taken seriously, investigated, and acted upon. Strongly agree [ ] Agree [ ] Not Sure [ ] Disagree [ ] Strongly Disagree [ ]

32. Does the Company have an internal audit unit?

a. Yes [ ] b. No [ ]

33. How many times did the internal audit issue a report to your outfit last year? a.

Once [ ]

b. Twice [ ]

c. Trice [ ]

d. Other……………………………………

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

Compliance

b. Detective

c. Preventive

d. Other …………………………………..

35. To whom does the internal auditor report?

a. Audit report implementation committee

b. Management Team [ ]

c. CEO [ ]

d. Other …………………………………….

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

Audit report implementation committee

b. Management Team [ ]

c. CEO [ ]

d. Other …………………………………….