

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**KNUST**

**ASSESSING THE ROLE AND EFFECTIVENESS OF GHANA AUDIT SERVICE IN  
THE LOWER-MANYA KROBO MUNICIPALITY**

**BY**

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## DECLARATION

I hereby attest that the research conducted for my MBA degree was completed solely by me, and that, to the best of my knowledge, the research does not include any information that has been previously published by any person or submitted for consideration for any university degree, except for instances where appropriate citation has been included in the text.

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## DEDICATION

I dedicate this dissertation to my family and loved ones. I love you deeply with all my heart.

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## ACKNOWLEDGEMENT

With a grateful heart, I express my sincere gratitude to God for His grace and mercy and for helping me undertake this project. I would like to express my deepest gratitude to Professor Joseph Magnus Frimpong, my supervisor, whose sincerity and encouragement I will never forget as he constantly provided support and pushed me to become a better version of myself. Finally, I would like to thank my family and friends for their support and encouragement.



## ABSTRACT

There has been coherent and growing concern with regards to efficient and transparent use of public resources by public entities. To fight corruption in the public sector and ensure value for money for the resources appropriated to covered entities, the government has established several anti-corruption agencies, and key among them is the Ghana Audit Service (GAS). To help control corruption, the GAS and other relevant agencies must become effective in their operations. This research therefore sought to assess the role and effectiveness of the GAS in the Lower-Many Krobo Municipality. Data was collected via questionnaires from 87 respondents and analysed using an Implementation Index (II), binary logistic regression, and Kendall's W test. For the level of implementation of audit recommendations, an overall II of 0.4755 was obtained for the 4-year period 2018 to 2020. The regression results revealed that aside Monitoring, all the other elements in the internal control system of the organisation were present and effective. Low staff strength and constant change in accounting standards were identified as the major challenges affecting the work of audit staff in the municipality. It is recommended that management of the Lower Many Krobo District Assembly ought to ensure that audit recommendations are thoroughly implemented and monitoring activities within the organisation in improved. Management of the Ghana Audit Service are also advised to conduct regular training programmes to keep staff updated on the accounting and auditing developments needed do their work effectively. It is also recommended that staff strength is augmented with new hires to ensure that the work of the service can be done effectively and efficiently.



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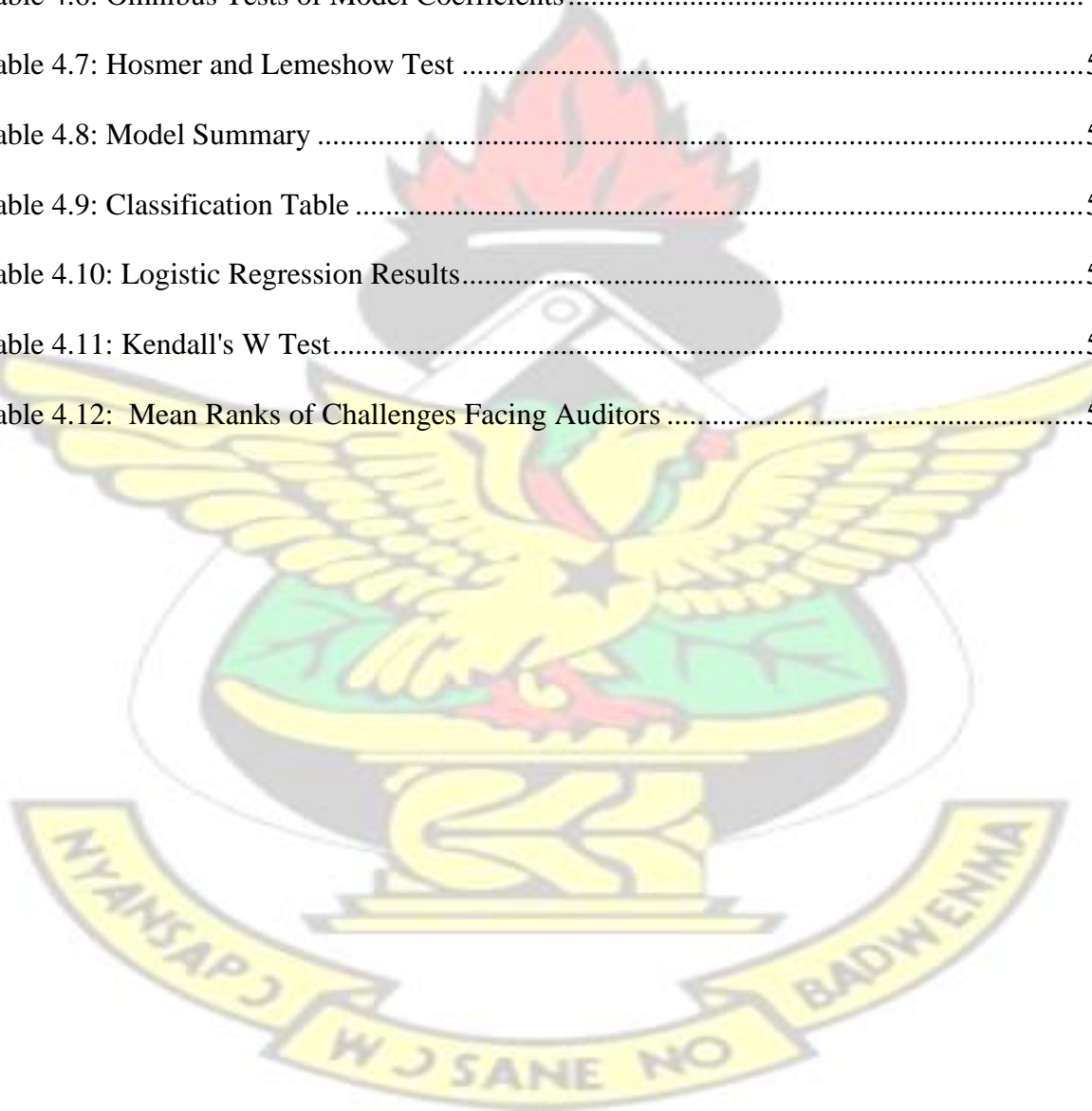
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## CHAPTER ONE

### INTRODUCTION

#### 1.1. Background to the study

There has been coherent and growing concern with regards to efficient and transparent public financial management especially in state-owned enterprises (Onumah, J.M & Yao Krah., 2012). Recent scandals include the alleged \$72 million used by the Social Security and National Insurance Trust (SSNIT) Benard Koku, A., (2018), a GH¢10,000,000 money laundering accusation against the National Lottery Authority (NLA) Manneseh Azure., (2020, pp. 1-88), the Auditor General impeaching GETFUND for illegitimately financing foreign scholarships Enerst Arhinful (2020), and a slew of other financial scandals that have stroked numerous SOEs in Ghana. The multiple financial scandals that have occurred in most Ghanaian state-owned firms speak to the fact that their internal and external auditing systems are ineffective Bratten(2013), pp. 1-88.

The term "audit" comes from the Latin word "auride," which means "to hear." Previously, if there was suspected fraud in a company's operation the owner of the firm would deploy someone to examine the accounts and listen to the explanations offered by the person in charge of that account Carson, (2013). That individual is now known as an "auditor," and the responsibilities of verifying and hearing are known as "auditing."

Internal auditing has been characterized as an impartial and objective activity that provides an organization with assurance and insurance on the degree of control it has over its activities however there exist Institute of Internal Auditors, (2000). The study seeks to assess the role and effectiveness of GAS in the Lower-Manya Krobo municipality by identifying the roles, how policies are implemented and challenges faced in the discharge of its duties.

In assessing the role of external audit (GAS), the Association of Certified Chartered Accountants (ACCA) Global Competency Framework states that, an external audit is an independent examination of financial records prepared by the entity. The key objective and purpose of external audit is to ascertain that the accounting records for a corporation consider providing a true and accurate portrait of the entity finances and that statements are prepared in compliance to the set laws and accounting standards Kassem, (2016). It also offers value by recognizing areas where organizational efficiency may be enhanced and controls and processes may be made more efficient Salehi, M. (2010). Highlighting the purpose and role of external audit, the auditor needs to formulate and execute audit procedures, scrutinizing accounts and financial databases and other appropriate documents, analyzing and evaluating financial reporting, forgery or operational risk management, preparing a final audit report which include making recommendations for advancements to systems and operations, discussing the finding and recommendations from the audit with clients Shumba, V. (2015). With the above duty, the auditor will need both high intellectual and inter - personal abilities as well as sound judgement and commercial awareness. Excellent project management skills are also required to plan and execute audit engagements and meet expected deadlines. Daroca, F., & Holder, W. (2010).

It must be noted that, an external auditor is a third-party professional who conducts an unbiased review of an organization's financial records Baabbad, M. A. & Shamharir, (2015). The Audit Service Act 2000 (Act 584) and the 1992 Constitution (Act 187, 188, 189) reinforce mandates made in the 1969 Constitution where the Auditor General is given the mandate to authorize any person or entity or institution to conduct an audit on his/her behalf is by law act independently in undertaking the duty.

They are in charge of auditing clients' accounts and financial statements and producing unbiased reports on their findings, including any anomalies. They will typically report to an audit committee comprised of senior management staff and make recommendations for



enhancement of the system. External auditors could also provide assurance in other areas of the business or assist companies in addressing specific issues such as health and safety, Information Technology (IT), and corporate responsibility Cushing, B. E., & Loebbecke, J. K. (2011).

In recent years, several firms and companies have sought a clean audit report yet have since gone out of business. This allegation may develop as a result of the constraint that auditors do not cross-examine all transactions and records, the view based on evidence frequently provided by management, and when numerous controls have been overridden by management (Eme, O., Izuchukwu, I. & Chidubem, E. E. 2017).

The external auditor is essential in establishing independent credibility to publish financial statements that serve as the basis for decision-making by creditors, investors, and other stakeholders about investments. According to Felix (2012), the perceived efficacy of external auditors in evaluating and reporting on financial statements has a major impact on the public's opinion of the reliability of financial reporting by listed businesses. While there are many factors to take into account when evaluating the effectiveness of external audits, it is crucial for maintaining public confidence in the accuracy of financial statements that external auditors operate and are seen to operate in a setting that encourages rational decision-making on important matters that have a significant impact on financial statements. Or to put it another way, the auditor needs to be impartial when it comes to the facts and the way they are presented. The significance of norms for auditor independence that are reasonable and thorough, rigorous, robust, and enforceable has been highlighted by several important corporate failures in which questions have been raised about the quality of financial reporting and, in particular, the independence of the auditor. As a result, the Technical Committee promotes national and international professional accounting bodies to continue working with regulatory authorities to strengthen existing national and international standards regulating independence (Kasambira,



S. Y. and Nyamuda, J. (2010). At the moment, the specific regulations and ethical standards governing auditor independence vary significantly from jurisdiction to jurisdiction.

Despite these discrepancies, the technical committee has seen a growing consensus among securities authorities on the nature of the dangers to an auditor's independence and the constraints on the amount to which those risks may be addressed by various forms of voluntary protections. Furthermore, there seems to be a growing understanding among securities regulators that in the absence of more specific prohibitions on behaviours and connections deemed unacceptable despite any safeguards used, a framework of principles governing independence is insufficient to safeguard investors.

## **1.2. Statement of the problem**

District Assemblies are created to bring development closer to the people within their jurisdiction and to advance the policies of the central government through the decentralization system. It is in this view the Lower Manya Krobo Municipal Assembly was created to address the developmental challenges of the people in the assembly's jurisdiction. The assembly is expected to efficiently and effectively carry out their mandate with the resources advanced to the assembly through the district assembly common fund, internally generated funds and donor funds. Unfortunately; goals are not always achieved as expected, because they have to be achieved in an environment of risk. Part of dealing with these risks includes the auditing function, which exists to examine and report on risk exposures and organization's risk management efforts Stewart and Subramaniam, (2010).

Due to the potential existence of spillages and misapplication of state funds, according to Flesher (1996), the internal audit activity monitors and evaluates the effectiveness of the organization's risk management system. According to Institute of internal Auditors (2012),

Internal Auditors identify inappropriate, inefficient, illegal, fraudulent, or abusive acts that have already transpired and to collect evidence to support decisions regarding criminal prosecutions, disciplinary actions, or other remedies. For instance, internal and external auditors (IA) have the responsibility to spot and prevent public corruption, including fraud, waste, or abuse, as well as other abuses of the authority and resources given to government officials.

However, with yearly auditing activities and the creation of the internal auditing unit, there are still reported cases of financial mismanagement, waste, irregularities and fraud in the MMDAs including Lower Manya Krobo Municipal Assembly. For instance, the total national irregularities emanating from cash irregularities, contract irregularities, tax irregularities and procurement irregularities increased from Ghc40,929,999.54 in 2017 to Ghc124,640,845.93 in 2019 representing 204.52%, then declined to Ghc66,130,366.12 in 2021. Cash, contract and procurement irregularities in 2021 were still higher than the 2017 levels. The Lower Manya Krobo is of no exception as the irregularities increased from Ghc150,000 in 2017 to Ghc506,000 in 2021 representing an increase of 237.33% with cash irregularities being the topmost. These findings also reflect the regional level irregularities of Ghc2,500,000 in 2017 to Ghc6,875,000 in 2021. The revenue leakages have reflected in the poor performance of Lower Manya Krobo Assembly in the district assemblies league table with an overall score of 48.0 based on the composite score in education, health, ICT, etc placing the assembly at 159<sup>th</sup> position in 2020 compared to an overall score of 65.0 in the 2018/2019 rankings which placed the assembly at 36<sup>th</sup> nationally (Unicef, 2020,2021). This therefore calls for urgent need to ascertain the real issues affecting the performance of the assemblies given the high level of irregularities in the last four years. The question why is the irregularities increasing given that the assembly is audited by external auditors every year coupled with the existence of the internal audit unit which are mandated to protect the public purse and ensure efficient

utilization of the state resources for the betterment of the population. It is against this gap this study seeks to examine the activities of Ghana Audit Service and its effect on corruption reduction in the Lower Manya District Assembly where the researcher works.

### **1.3. Objectives of the research**

The general objective of this research is to critically assess the activities of Ghana Audit Service and its effect on corruption reduction in Lower-Manya Krobo municipality.

To enable the achievement of the general objective of this work, the following specific objectives were examined in this research work:

- i. To identify the extent of implementation of GAS recommendations at Lower Manya Krobo Assembly to reduce corruption.
- ii. To examine the effectiveness of the internal control systems of Lower Manya Krobo Assembly.
- iii. To examine the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly.

### **1.4. Research questions**

In order to ensure the achievement of the objectives of this research work, the following research questions are pertinent since research questions are critical part of every research work.

1. What is the extent of implementation of GAS recommendations at Lower Manya Krobo Assembly to reduce corruption?
2. How effective is the internal control systems of Lower Manya Krobo Assembly?
3. What are the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly?



### **1.5. Significance of the study**

The contribution of Ghana Audit Service towards the proper functioning of the MMDAs is enormous by directing the activities of MMDAs towards realizing the developmental needs and goals of their jurisdiction.

This study highlights the critical role of Ghana's Supreme Audit Institution thus Ghana Audit Service in reducing corruption and also identify the challenges that need to be addressed to ensure a more efficient and effective GAS to fight corruption more aggressively. The study again identifies how policies, strategies and techniques are implemented by the GAS to effectively fight against corruption and those that need to be discarded and/or revised.

The study when completed will also highlight the adequacy and effectiveness of the internal control systems used by the Lower Manya Krobo District Assembly which is essential to ensure that activities of the assembly are carried out in an acceptable manner. It will also reveal the challenges faced by auditors in performing their work functions for the relevant stakeholders to address for a better internal audit work.

The outcome of this study is also intended to be a very critical source of information for decision making regarding supreme audit in Ghana. It is strongly believed that this work will expose some of the lapses inherent in the public financial management system which serve as a good fertile ground for breeding corruption in Ghana. Decision makers will therefore find this work very useful in the quest to make the work of the GAS more effective and ultimately reduce the incidence of corruption in all its forms.

Record keeping is a very essential aspect of public administration. Records serve a very useful purpose by being a point of reference. In this regard, this work is envisaged to serve as a reference material for both policy makers, students, other researchers and anybody having an interest in stopping corruption in Ghana and other countries.

## **1.6. Scope and limitation**

This work covers only the Ghana Audit Service and not all the anti-graft institutions established in Ghana. Institutions such as the Economic and Organized Crime Office (EOCO), the Office of the Special Prosecutor (OSP), the Police Criminal Investigation Department (CID), the Financial Intelligence Centre (FIC) of the Bank of Ghana (BOG) etc. are not the focus of this work. The work covers only the activities of the GAS and is limited to only Lower-Manya Krobo municipality in the Eastern Region. Again, the incidence of corruption covers both the public and the private sectors of the economy. This research work however, covers only the public sector of Ghana.

To avoid speculations, the limitations will be outlined after the completion of chapter four and five.

## **1.7. Organization of the Study**

This research work is structured into five chapters. Chapter one provides the general introduction to the work. Chapter two contains an extensive review of literature on the relevant areas of this research. The methodological approaches are contained in the chapter three and chapter four presents the results and discussions of the research and the work ends with chapter five which contains the conclusions and recommendations of the way forward.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Overview**

This chapter focuses on the concept of corruption exploring the forms of corruption, the levels of corruption, causes of corruption particularly in the public sector of Ghana and the role of the auditor in reducing corruption in public institutions. The chapter proceeds to explore the factors that inhibit the effectiveness of the Ghana Audit Service' (GAS) in reducing corruption in public institutions, the effective ways of curbing corruption in Ghana and concludes by discussing the theoretical and conceptual framework underpinning this research work.

#### **2.2. Conceptual Review**

##### **2.2.1. Introduction to Auditing**

Since the inception of auditing, a number of developments have occurred. These developments have alerted several authors and researchers to examine and update the already written data on auditing. According to Horngren, Sundem and Elliot (2002), auditing can be referred to as the verification of financial statement, and an institutions transaction by a person or organization independently through the application of auditing standards. This includes accounts and records examining and checking for the purposes of errors and irregularities detection.

The activity of auditing independently allows a person or an organization to tell the credibility and how reliable a financial statement of an institution, in order to determine whether it reveals the correct and fair view of the auditor. In the view of Adeniji (2012), examining and expressing a view on the state of an organizations finances by an independent person or organization in line with the guidelines of auditing can be termed as auditing. The conduct of auditing is usually done by an independent organization or person is said to be an "auditor". Significantly, an

auditor should be a person with both auditing and accounting knowledge. In that, auditors in large institutions normally start studying the system before beginning the whole process of auditing. However, the reasons for studying the system are to obtain knowledge and understand each department operations intended to be audited. Categorically, auditing can be grouped into two, and they are internal and external auditing.

Millchamp (1983:445), refer to internal auditing as the independent opinion established by an institutions management for the purpose of internal system control review as service to the institution. It explores, assesses and reports objectively on the adequacy of an institutions internal control as a contribution for a proper efficiency, effectiveness, and the economic usage of resources. Auditing internally means auditing carried out by an institution and its employees. Therefore, auditing internally is an element of internal system control set-up by an institutions management.

### **2.2.2. Internal controls**

By definition, internal system control composes of all the necessary methods, procedures and the control measures that are put in place by Board of Directors and the executive to ensure that operational activities are progressively moving in a proper fashion (PWC, 2008). Most especially, institutional measures for internal controls are merging into an operation that implies that they are simultaneously performed with working processes after or before work is carried out. Oppose to this view is INTOSAI (2004), who sees internal control system as an integral process that is affected by an organization's management, which is designed to address supreme risks, and provide an assurance that is in pursuit of the organization's mission. However, the objectives that would help in ensuring that these are accomplished include: completing orderly, ethical, efficiently, economical, effective operations, fulfilling accountability duties, conforming to laws and regulations applicable, and further safeguarding resources against misuse, destruction, and losses. Likewise, Bičiulaitis (2001) characterized

control as a way to ensuring potential outcomes to maintaining a strategic distance from a recognized and settle issue that may harm the organizations framework.

### **2.3. Forms of Financial Leakages**

In Ghana and many parts of Africa and by extension the world over, corruption is seen as one of the surest means to accumulate wealth within a very short period of time (Nduku & Tenamwenye, (2014). It manifests itself in many different forms and is seen to immensely contribute both poverty and misery to a large segment of the population in many African nations. Nduku & Tenamwenye (2014) point out that many allegations of corruption are leveled against people in authority mostly by NGOs, CSOs, government officials as well as private citizens, the media and even the international community.

#### **2.3.1. Bribery**

Bribery has many names such as palm greasing, kickbacks, pay-offs, sweeteners, gratuities, roger etc. It is any payment whether with money or in kind that is given or taken in any relationship fraught in corruption Damoah, et al., (2017). The Prevention of Bribery Act of Bahamas defines bribery as “any person who, without lawful authority or reasonable excuse, offers any advantage to a public servant as an inducement to or reward for or otherwise on account of that public servant’s performing or abstaining from performing or having performed or abstained from performing any act in his capacity as a public servant.” Several studies reveal that bribery is the major form of corruption in the public sector especially in developing countries Herrera, et al., (2007). In concurring with the position of Herrera, et al., (2007), the OECD advocates that the fight against corruption must start with eradicating bribery OECD, (2000).



### **2.3.2. Fraud**

Fraud encompasses a lot of things such as swindle and deceit, counterfeiting, racketing, smuggling and forgery CIMA, (2008). It refers to “any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss” (Chartered Institute of Public Finance and Accountancy, 2013). It is estimated that this form of corruption accounts for more than \$3 trillion losses to the economy, businesses, investors and the society Bekiaris & Papachristou, (2017).

### **2.3.3. Embezzlement**

This is explained simply as theft of public resources by officials in the public or private sector Litster, (2016). For the purpose of this work, embezzlement shall be considered as a situation where officials steal from public entities where they are employed as defined by Fan, et al., (2010). In Ghana, several public and civil servants have been found to have embezzled money running into several millions of Ghana cedis which has had severe negative effect on both private and public sectors. Several of these people have been found guilty and are serving various terms in jail. However, those who have escaped justice are not known and perhaps those who have not been caught may be far more than those caught.

### **2.3.4. Extortion**

It refers to the extraction of resources and in most cases money from people through coercion, violence or threat of violence, use of force or threat of use of force Abbasi & Pour, ( 2015). This practice is found to be indulged in by individuals but mostly by organized groups Spina, et al. (2013). In the Netherlands, studies have proven that extortion is a psychologically complex crime and very difficult to prove in a law court Putten ( 2012). In Ghana, several institutions are unfortunately noted for this kind of corrupt behaviour. Notably among such

institution are the Ghana Police Service and the Customs Division of the Ghana Revenue Authority.

#### **2.3.5. Favoritism**

This is a good example of abuse of power leading to bias in the distribution of opportunities and resources in the public sector. The effect of this type of corruption is that a level field is not created for everybody within the state. However, some people are of the firm that belief that this form of corruption is firmly rooted in the human being. It is inherent in the human being to have some degree of favouritism Nduku & Tenamwenye (2014). Their argument is that, every human being is inclined to favour their friends, family members and people close to them when the opportunities and resources are limited.

#### **2.3.6. Nepotism**

Nepotism is an extension of favouritism. With regards to this kind of corruption, a person in a position of trust exhibit preferences towards people from his own kin and family to give opportunities and resources to them (Pabia, 2013). In Ghana, this is very prevalent and is a major reason why corruption is pervasive. It is often very difficult to hold your own kinsman to account due to the cultural dispensation in our various communities. The defense often given by people who engage in nepotism is that those kinsmen are also Ghanaians and are equally qualified. The danger however is that it leads to situations where people are emboldened to perpetuate corrupt deeds knowing very well that they will be protected by their kinsmen who appointed them into such positions of trust in the public sector.

#### **2.3.7. Influence Peddling**

Influence peddling is sometimes considered as bribery which involves the use of money, wealth, personal undertaking or gifts to buy some desirable outcomes from public officials (Shantz, 2018). The distinction between influence peddling and bribery is that influence



peddling involves paying third parties to ensure that they influence a person or entity to make a decision favorable to you. On the other hand, bribery does not necessarily involve third parties. A recent case of influence peddling was the one involving the former president of the Ghana Football Association Mr. Kwesi Nyantakyi who was caught on tape by the famous Investigative Journalist Anas Aremiyau Anas. In the video titled 'Number 12', Lawyer Kwesi Nyantakyi was captured supposedly taking \$65,000 (£48,000) from an undercover reporter pretending to be a businessman. On the tape, Mr. Nyantakyi was seen in a position in which he claimed to have the capacity to influence the President of the Republic of Ghana and the Vice President to take certain decisions which were to inure to the benefit of the supposed investor. Subsequently Nyantakyi was charged by the Criminal Investigation Department of the Ghana Police Service and is under trial at the High Court (Ayamga, 2020).

### **2.3.8. Payroll Corruption**

The payroll of public entities can also be manipulated in order to produce some benefits to certain specific individuals within the organization. Payroll corruption/ fraud are one of the major challenges facing the GAS currently. As recent as May 2020, it was reported that the GAS has detected 7,823 names in the public sector payroll which are not supposed to be on the roll as reported by [www.myjoyonline.com](http://www.myjoyonline.com) on 18<sup>th</sup> May, 2020 under the heading “Ghana loses GHC564m to “ghost” workers on MDAs payroll”. This form of corruption takes place in the nature of ghost names added to the payroll, staff of public sector entities placed at salary levels they are not qualified to be, workers taking multiple salaries from multiple entities they are not employees of, workers taking allowances they are not entitled to, workers being promoted to positions in the payroll they are not due etc. Another classical case of payroll corruption in Ghana occurred in the year 2015 involving some 163 staff of the National Service Scheme (NSS) where “ghost” names were added to the payroll of national service persons and were withdrawing the allowances for their own benefit as was reported by [www.citifmonline.com](http://www.citifmonline.com)

on 17<sup>th</sup> October, 2015 under the caption “163 NSS staff dismissed over “ghost name” fraud”. But for the vigilance of the Ghana Audit Service, this fraud could still have been persisting and the country would still be losing several hundreds of thousands cedis of public funds.

#### **2.4. Ghana Audit Service**

In Ghana, the Supreme Audit Institution (SAI) is the Ghana Audit Service (GAS). This important public organization was first established by the British colonial rulers in 1910 and was then known as the Audit Department (Ghana Audit Service, 2018). During this time, the department was headed by a director. The name of the institution was eventually changed to the Auditor-General’s Department in the 1950s. In order to provide the institution with more independence and to empower it more to carry out its mandate, the Constitution of the Second Republic of Ghana in 1969 changed the name from the former name to Audit Service and it was headed by the Auditor-General (Ghana Audit Service, 2018).

Upon the coming into effect of the Fourth Republic and the 1992 Constitution of Ghana, Articles 187, 188 and 189 further gave more powers to the Audit Service of Ghana to enable it have more expanded independence to carry out its mandate of auditing public institutions. The legal regime of the Service was again widened in the year 2000 when the Parliament of the Republic of Ghana passed the Audit Service Act, Act 584 to give further affirmation to the then existing legal provisions backing the Service.

Currently, the Vision Statement of the GAS reads “...to become a world class Supreme Audit Institution, delivering professional, excellent and cost-effective auditing services.” And the Mission Statement also reads as “...promote good governance, transparency, accountability and probity in Ghana’s public financial management system by auditing to recognized international standards and reporting our audit results and recommendations to Parliament” (Ghana Audit Service, 2018). Analyzing both the Vision and Mission Statements, it can be

realized that the focal point is the protection of the public finances of the state from unlawful dissipation by unscrupulous politicians, public and civil servants. In other words, the Ghana Audit Service is a very important public institution mandated to vigorously fight corruption in the public sector and by extension the private sector as well where the private sector has access to public funds for their activities.

#### **2.4.1. The Role of the Auditor in Fighting Corruption**

To effectively fight corruption, it requires a multi-faceted approach. Actions such as formulation of appropriate legislation, establishing a code of conduct for public officials, awareness campaigns, capacity building for staff, stiffer internal controls, protection of whistleblowers and severe sanctions for perpetrators of corruption are some of approaches to fighting corruption (Khan, 2019). The following table summarizes the role of the auditor in reducing corruption according to Khan, (2019):

**Table 2.1: Role of the Auditor in Fighting Corruption**

No.	Situation	Role of the Auditor
1	Lack of Documentary Evidence	Point out the Opportunities for Corruption
2	Collusion between Contractors and Public Officials	Resort to Participative Auditing
3	Collusion between Citizens and Public Officials	No role for the Auditor
4	Discretionary Powers of Public Officials	Insist on Public Disclosure of Guidelines for the Use of Discretion



5	Detection of Corruption	No role for the Auditor
6	Investigation of Corruption	Cooperate with Investigators

Source: (Khan, 2019)

Awuni, (2016) explains that the work of auditors ensures that there is promotion of credibility, equity and making sure that public officers' conduct themselves in appropriate manner. At the same time, audits are configured to have wider objectives than simply the detection and prevention of fraud and corruption and other infractions of the law. The auditor's role among other things is to produce reports that inform the citizens about the financial activities of public institutions (Colbert & Jahera, 2017).

This role has been demonstrated by the Ghana Audit Service recently when they conducted audit of the Ghana Scholarship Secretariat and their report informed the general public about how scholarships meant for needy Ghanaians have been virtually appropriated by politicians and their children as reported by [www.citinewsroom.com](http://www.citinewsroom.com) on 24<sup>th</sup> February, 2020 under the caption "Auditor General Indicts GETFUND for illegally Funding Foreign Scholarships". In that news report, it indicated that "from the period between 2012 to 2018 the secretariat spent GH¢425,698,937 on scholarships on 3,112 beneficiaries out of which 2,217 persons were unlawfully granted scholarships to study abroad". Notable politicians who were mentioned to have unlawfully benefitted from these scholarships include the current Education Minister, Hon. Mathew Opoku-Prempeh and the current Procurement Minister and Deputy Majority Leader in Parliament, Hon. Sarah Adwoa Sarfo (Asomah, 2018).

Another important role of the auditor is to give assurance that financial transactions entered into by public institutions are transparent and the officers involved in such transactions are held accountable for their decisions and actions. This leads to effective utilization of public funds

and ensures sound public financial management. Again, the auditor proposes legislations which are implemented to bring more efficiency in the public financial management system in the country as well make proposals to the public entities as to how internal controls within these institutions can be made to work effectively (Forson, et al., 2016).

In Ghana, the Auditor General has the power to surcharge public officials who engage in ineligible expenses and this is a big deterrent to public officials to engage in corruption. A clear example is the recent case involving the Senior Minister of Ghana Mr. Osafo Marfo who was surcharged by the Auditor-General an amount of One (1) million dollars in the Kroll Associates deal as reported on [www.modernghana.com](http://www.modernghana.com) on 5<sup>th</sup> November, 2019 under the headline “Auditor General Surcharges Osafo-Marfo \$1 million Over Kroll Contract”.

## **2.5. Theoretical Framework for the Study**

The theoretical framework is based on the framework of Awuni, (2016) who proposed that there are four theories that must guide the work of the auditor. These four theories are: The Policeman Theory, Lending Credibility Theory, The Theory of Inspired Confidence and Agency Theory.

### **2.5.1. The Policeman Theory**

This theory assumes the auditor to act as a police officer in the cause of normal operations. The auditor is thus expected to focus on the arithmetical accuracy of the financial records and to detect and prevent the incidence of fraud and other forms of malfeasance (Salehi, 2010). This theory however appears to be losing its relevance since it is unable to explain role of verification of truth and fairness of the financial information the entity provides (Mironiuc & Robu, 2012). In concurring with Mironiuc & Robu, (2012), some researchers believe that the Policeman Theory has not been able to stand the test of time since it has lost the power it had during the 1940s (Salehi, 2011). There are however critiques who believe that so long as



auditors will continue to check the arithmetic accuracy of financial statements and also to detect and prevent fraud, then the theory will remain relevant (Ateya & Kukreja, 2015).

## **2.6. Empirical Review**

### **2.6.1. Effectiveness of internal control systems**

- iv. Effectiveness of the internal control system of any organization rely on how stable the system relate with itself and how loaded the processes of business organization (Amudo and Inanga, 2009). In acquiring internal control effectiveness, the organization should understand the components operations, the reason for the principles and assumptions underlying the operations of the control components and how they are applied across the waste management industry (Amudo and Inanga, 2009). The waste management sector's effective internal controls include the maintenance of good accounting records, employee accountability, timely reporting on financial matters, risk mitigation by internal employees, effective communication among employees, effective and efficient utilization of non-financial and financial resources and information and communication technology in waste service delivery" (Emasu, 2007) The effectiveness of these components within the waste management sector helps to ensure that the companies are unnecessarily bought to light to avoid financial risks and that financial knowledge used within the business and for publication is reliable. Below are the variables that found out the effectiveness of internal control systems and are also explained; To identify the extent of implementation of GAS recommendations at Lowe Manya Krobo Assembly to reduce corruption. To examine the effectiveness of the internal control systems of Lower Manya Krobo Assembly. To examine the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly.

### **2.6.1.1. Control Environment**

According to Messier (1997), Sri Lanka Auditing Standards (2013) have stated that control environment is an approach geared toward internal control and control awareness greater and maintained by the management and the employees of an organization. It may be looked at as the beginning for other components of internal control providing discipline and structure. With direct control frameworks compelling Millichamp (2002) revealed that control environment ought to describe the overall tendency, consciousness and activities of executives and administration in respect to internal controls and their importance in the substance. The best possible working of control environment is influence by seven variables and these include management's philosophy and operating style, integrity and ethical values, a commitment to the competence, board of directors or audit committee, organizational structure, assignment of authority and responsibility and human resource policies and practices respectively (Ofori, 2011; Douglas 2011; Whittington and Pany 2001).

### **2.6.1.2. Risk Assessment**

The second serious aspect for internal control systems effectiveness is risk assessment. Risks are the activities that desire the attainment of objectives. They affect an organization's skills or talent in achieving its task. Risk assessment is the procedures of differentiating, evaluating and deciding the success of this thing. There are both inward and outer dangers that could keep the successful achievement of built up targets at each level in the organization. Thus, for internal control to be compelling, management ought to take relevant activities to keep these dangers as it may be, some of the time administration want to maintain a strategic distance the hazard from happening. In these conditions, administration seeks to decide if to acknowledge the hazard, lessen it up to the adequate levels, or dodge. So, administration ought to guarantee that

each hazard is surveyed and take care of valid accomplish its goals Millichamp 2002; Amudo and Inanga 2009; Whittington and Pany 2001).

#### **2.6.1.3. Information and Communication System**

The Information and Communication emphasized on nature and quality of knowledge needed for effective control over the systems used to develop such information that is necessary to reports for effective communication. Information is needed at all levels of organization to assist management in achieving the organization's objectives. The information is used by both inside and outside parties. Internal control system is effective when communication channel is from top to down level to help the users to carry out their duties. Internal control system is regarded effective if the information its provide is quality and can be used by outside parties such as customers, suppliers and regulators.it should be able to communicate information about an organization's plans, control environment, risks, control activities, and performance up, down, and across an organization. Reliable and important information from both internal and external sources must be recognized, captured, processed, and communicated to the people who need within a form and a timeframe that is useful. The literature brought to light benefits of significance, timely and effective internal and external communication: To improve communication about expectation, obligation and objectives of an organization: Improve decision making: Decrease dependence on individual employees who help in the stopping and detection of frauds (Ofori, 2011; Dougles 2011).

#### **2.6.1.4. Control Activities**

Control activities are both manual and automated tools that help stop or mitigate the risks that can impede accomplishment of the organization's objectives and mission. Effective internal control systems have control activities that efficiently and effectively accomplish the organization's objectives and mission. The work of Messier (1997) mentioned that control



activities are the policies and steps that help ensure that necessary actions are taken to address the risks involved in the achievement of the entity's objectives. Internal control systems must have following the significant activities for audit reasons: Performance review: Information processing: Physical control: and: Segregation of responsibilities.

According to Amudo and Inanga (2009) they saw that approval, isolation of mandate, and check before making the instalments, control over the right or access to property, compromise, survey operations and supervision as the control exercises in any organization and must be available in each internal control framework. Management must put in place control activities that are effective and efficient. According to Walker (1999) control activities occur at all levels and functions of the entity. He stated the following as example of control activities: Top level reviews of actual performance: management at the functional or activity level is reviewed: Management of human capital: Controls over information processing: Physical control over vulnerable properties: Establishment and review of performance measures and indicators: Segregation of responsibilities: genuine execution of transaction and program: and: exact and timely record of transactions and events (Ofori, 2011).

## **2.7. How Policies are Implemented to Reduces Cases of Corruption in the Municipality.**

To confront the menace of corruption in a sustained manner, Awuni, (2016) quotes Gyimah-Boadi, (2002) that corruption fight can only succeed if there is a comprehensive and integrative approach that combines prevention, education and punitive elements. Any attempt to curb corruption must take into consideration impunity of public officials, reforms of public administration and financial management, promotion of transparency and access to information, citizen empowerment and closing international loopholes (Transparency International, 2016). Impunity means that it is important to ensure that officials who fall foul of the law are severely dealt with to serve as deterrent to others. In situations where such



culprits are left off the hook, it emboldens others to also engage in such activities. Reforms of the public administration and financial management regimes must be aligned to focus on improving financial management and strengthening the role of auditing institutions like the GAS and the Internal Audit Agency. Such reforms must ensure that there are adequate disclosures of budget estimates which can lead to reduction in wasteful expenditures and misappropriation of public resources. Corruption is an activity that usually thrives in the dark (Desai, 2013).

To successfully curb it, there must be transparency, openness and easy access to relevant information. Access to information strengthens responsiveness of public agencies and reduces the incidence of corruption. Empowering citizens enable them to demand in strong terms accountability from public officials (Abjorensen, 2014). When citizens are empowered, it puts them in a position to demand information from leaders and such information can expose incidence of corruption. Close international loopholes mean that a lot of public officials especially the politicians are able to exploit loopholes in the international financial system to launder money, steal from their countries and effectively hide such ill-gotten wealth in other countries. Closure of such loopholes would render these officials with nowhere to hide such wealth and this fact is a great disincentive to engage in corruption (Smith, 2011).

The World Bank on the other hand proposes three main approaches to curbing corruption in their member countries. The first approach is by “meeting corruption at the gate” (World Bank, 2018). This approach requires implementing institutional systems which mitigate and detect potential areas of risk and also addressing any weaknesses identified in the institutional framework. The second approach is prevention. The anti-corruption approach must be so robust so as to deter potential corrupt officials from engaging in the corrupt activity. The deterrence can be designed to include both criminal proceedings and civil action against the corrupt official. The third approach is understanding and influencing the social and cultural norms and

standards that have the tendencies to strengthen public institutions and inculcate positive attitudes in public officials to abhor corrupt tendencies (World Bank, 2018).

## **2.8. Challenges Ghana Audit Service faces in the Discharge of its Duties.**

According to Williams K., (2013), there are several factors that mitigate the efforts of the Ghana Audit Service's attempt at ensuring effective auditing in the public sector. Key among these factors is political interference. There are numerous instances where the auditor detects infractions but is unable to recommend for punitive actions to be taken against the culprits all because a highly placed politician or senior public official does not want the culprit to face the law. Even at the highest level, the previous Auditor-General (Mr. Daniel Domelevo) had cause to complain of political interference in his work from the chairman of the Audit Service Council as reported on [www.ghanaweb.com](http://www.ghanaweb.com) on 12<sup>th</sup> September, 2018 under the caption "Auditor General petitions Nana Addo over interference from Board Chair."

Another serious issue that impedes the work of the auditor is unclear role definition in the public sector. In a lot of these institutions, there are no clear reporting lines and a considerable number of organizations have officers performing roles which conflict with other officers (Firouz & Attaran, 2013). There are public entities which have for instance, Audit Committees, Finance Committees, and Performance Committees etc. All these various committees perform almost the same task. It therefore implies that the overlapping roles pose serious challenges to the auditor since the auditor may not know which particular committee is responsible for specific infringements (Khan, 2019).

The independence of the auditor is paramount in the discharge of the work of the auditor. Without independence, the auditor is unable to hold management accountable since they will be under the influence of management. There are instances where staffs of the GAS are compromised due to issues of tribalism, favouritism and even political influence leading them

to engage in unethical audit practices thereby rendering them ineffective in the discharge of their responsibilities (Eisenhardt, 1999).

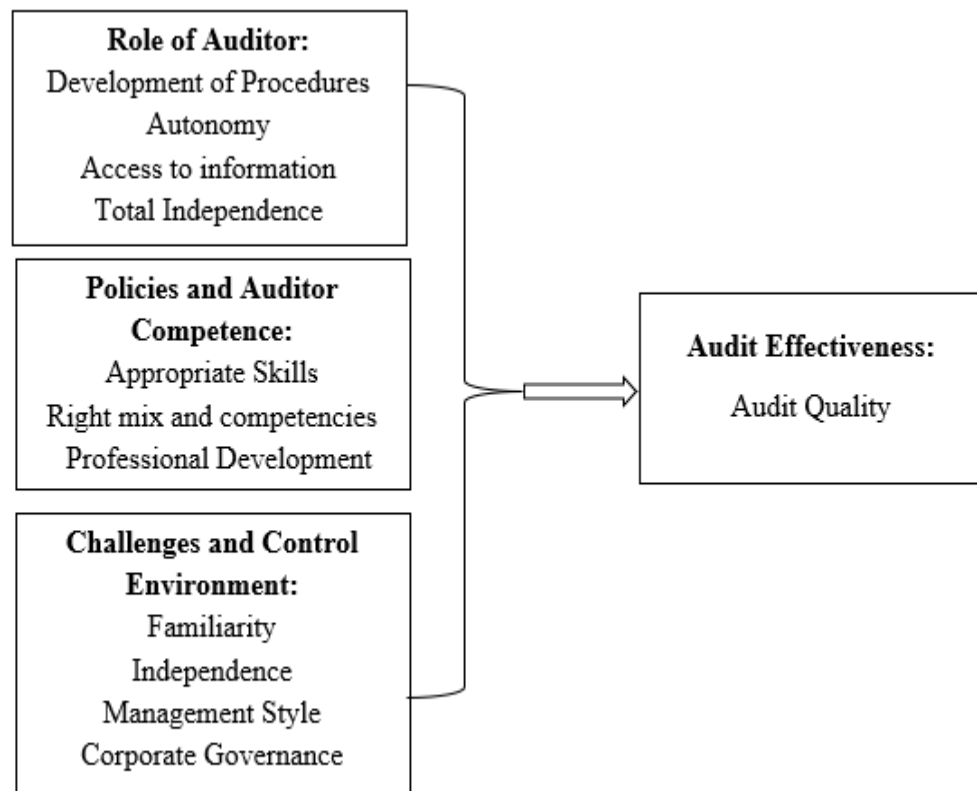
The staff strength of the GAS is woefully inadequate. This situation makes it very challenging in performing functions in all the public sector organizations within a year. In view of this, the GAS is forced to sample organizations to audit yearly. Again, this challenge means that only entities considered as high risk are the ones regularly audited. It can take organizations such as Parks and Gardens, Community Development, Information Service Department up to three years before they are audited (Eme, et al., 2017).

Coupled with the inadequate staff is the capacity of the staff the GAS currently has. Accounting is not a static area. Constantly, the standards keep changing. The public sector accounting regulations and the tax laws are dynamic. These factors combine to make continuous professional development and capacity building imperative. However, due to limited budgetary allocation to the GAS, it makes it challenging to give all the staff capacity building training (Colbert & Jahera, 2017).

## **2.9. Conceptual framework**

Figure 2.2 shows the network between the dependent (internal audit effectiveness), and independent variables (audit independence, audit competence, and control environment).

Figure 2.1: *Conceptual Framework*



Source: Author's Construct (2022)

## 2.10. Literature Gap

Extant studies on MMDAs have not paid much attention to the roles of auditing on ensuring efficient and effective utilization of MMDAs funds. This continue to exacerbate misapplication of the funds allocated to the MMDAs on yearly basis amidst auditing. It is therefore important to undertake this empirical study to provide empirical evidence for policy makers in order to address the challenges facing Lower Manya Krobo District Assembly.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The chapter three of the study discusses the methods adopted in carrying out this work. According to Oteng-Abeyie (2011) research methodology refers to the theory of how research should be undertaken. It answers the question what goes into the research process. The purpose of this section is to introduce the research strategy adopted by this study and the empirical techniques applied. The strategy includes research design, population, sample size and sample procedure, data types, sources and collection tools and techniques, data analysis and reliability.

#### **3.2. Research Design and Approach**

The design of a research is often aimed at providing the needed framework within which a study is conducted. The study employed mixed research approach. Mixed approach is the combination of qualitative and quantitative study. Research that focuses primarily on the construction of quantitative data follows a quantitative method (Kent,2007). The study looks at the relationship of some variables in a situation and emphasized “on quantification in the collection and analysis of the data collected (Bryman et al, 2003). This study seeks to quantify variable such internal control system and create an index for data analyses regarding specific objective one and two. The qualitative aspect focused on identifying and analyzing non numerical data such as the challenges faced by Ghana Audit Service. According to Creswell (2008), qualitative approach allows a researcher to analyses phenomenon subjectively and helps in subjecting non numerical data into a better contextual analysis. Since the objectives are made of up both quantitative and qualitative variables the mixed approach is good for this study as suggested by Creswell (2008) and Bryman et al (2003) (Shorten & Smith, 2017).

### 3.3. Population

In research, a population indicates all the individuals with same features and which interests the person conducting the study (Banerjee & Chaudhury, 2010). The person undertaking the research is obliged to clearly target and gather appropriate data to be from the population to be used in the research work (Abawi, 2013). The target population for this study is made up the staff of Lower Manya Krobo District Assembly which include 10 Internal Audit Officers, the District Chief Executive, One (1) District Coordinating Director, the Presiding Officer and 11 others. It also includes the 31 Assembly Members, 50 external auditors, 30 suppliers and three (3) civil society organizations. The estimated total population is 148.

### 3.4. Sample Size

According to Keller (2009) “a sample is a set drawn from the population”. The sample size for this study with an estimated target population of 216 is determined by the formula below. The formula applied in determining the sample size of the study was based on Krejcie and Morgan (1970 revised in 2006) statistical format:

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where :

n = sample size

$X^2$  = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

$$n = \frac{3.841 \times 148 \times 0.5 \times (1-0.5)}{(0.05 \times 0.05) \times (148-1) + (3.841 \times 0.50 \times (1-0.5))}$$

$$= 107$$

The study total sampled size made of approximately 88 is required to have fair representation for this study at 5% margin of error.

### **3.5. Sampling Technique**

Sampling is the process of electing participants for a study to get a sample quota of the study population (Finn et al., 2000). Also, Finn et al. (2000) proffered that prior to the sampling process; the researcher chooses who would be involved in the sample with regards to demographic profiles such as age, gender, occupation, income or nationality. The main objective of using sampling instead of census is the cost component. Statistically, conclusion can be drawn about the entire population based on sampling (Keller, 2009). A study has enough power to identify statistical significance through a good sample size.

The study employed purposive and stratified sampling technique. Purposive sampling was employed to select respondents with in-depth knowledge in the subject area. These are head and deputy Internal Auditors, the District Chief Executive, the District Finance Officer, district budget director, presiding member, district head of Ghana Audit service and Coordinating Director. The stratified was employed to group the remaining respondents into homogenous group and appropriate sample was randomly selected from each stratum (Nirel & Glickman, 2009).

### **3.6. Data types and Sources**

The study used two types of data, namely primary and secondary data. Data for the study were collected from both primary and secondary data sources. Primary data were obtained using questionnaires that were personally delivered to respondents. This gave the researcher the opportunity to explain issues that did not appear clear or apparent to respondents. Secondary data which is seen as the already used data was sourced from auditor general's report, books, journals, publications, public records, internet, the assemblies report on controls and finances.

### 3.7. Data Collection Tools

Research instrument refers to the item that a researcher uses to collect data for a research project (Kent, 2007). The study employed closed and open-ended questionnaire to solicit the primary information from the respondents. The questionnaire categorized into management level questionnaire and non-management questionnaire. Management level questionnaire was administered to the respondents purposively selected to solicit key information from the respondents with in-depth knowledge of the study area. The focus of questionnaire administered was to solicit information on the background information of the respondents, level of the implementation of audit service recommendation, the effectiveness of the internal control systems and challenges facing the audit among others.

### 3.8. Data Analysis

The background information of the respondents shall be analyzed using descriptive statistics such as mode. The specific objectives stated in chapter shall be analyzed as follows:

#### **Objective one: Extent of implementation of GAS recommendations at Lower Manya Krobo Assembly to reduce corruption**

In order to assess extent of implementation of GAS recommendations at Lower Manya Krobo Assembly to reduce corruption the study employed quantitative approach in achieving this objective. The Relative Importance Index proposed by Lim and Alum (1995) in their work was modified to ascertain the level of implementation index. The various functions identified by Cristina and Cristina (2009) and key functions of the Ghana Audit Service Act in relation to the implementation of recommendation were measured using five points Likert Scale where 4=Fully implemented, 3=Highly Implemented, 2=Moderately implemented, 1=Slightly implemented and 0=No implementation. The extent of the implementation of Ghana Audit Service recommendations was measured on the following dimensions as suggested by Cristina



and Cristina (2009) and Audit Act. These dimensions involve monitoring the necessary period of time for the solving of audit findings measured by looking at:

1. The number of deficiencies solved in established time
2. The number of deficiencies solved with delay
3. The number of deficiencies unsolved

The Relative Importance index was adjusted to Implementation Index as

$$\text{Implementation Index (II)} = \frac{4n_4 + 3n_3 + 2n_2 + n_1 + n_0}{4N}$$

Where:

$n_4$  = Full implementation;  $n_3$  = High Implementation;  $n_2$  = Moderate Implementation;  $n_1$  = Slight Implementation;  $n_0$  = No implementation; and  $N$  = number of respondents.

The implementation Index categorized the implementation of the audit service recommendation into high implementation, partial implementation and no implementation where  $II = 1.00$  means full implementation of the recommendation;

$II = 0.1-0.99$  means partial implementation of the recommendation and

$II = 0$  means No implementation of the recommendation

### **Objective two: To assess the effectiveness of internal control systems of Lower Manya Krobo Assembly**

Through the literature review, five key variables were identified to make internal control systems effective if they are present and functioning properly. These variables are control environment, risk assessment, control activities, information and communication and monitoring. However, the presence and proper functioning of each variable is influenced by certain factors, these factors were identified and five points Likert scale was used to determine respondents level of agreement or disagreement. Composite score of the items were computed.

### **Objective Three: Examining the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly**

The study will first solicit information on the challenges facing the Ghana Audit Service in the Lower Manya Krobo District from the respondents. The identified challenges will be examined by grouping them into appropriate themes and Kendall's Coefficient of Concordance will be applied to further rank the challenges to ascertain the most pressing challenges that required urgent attention and improvement.

#### **3.9. Ethical issues**

It is generally accepted that to undertake any research work which involves humans and to some extent even animals, the researcher is expected to treat such creatures with a high level of dignity (Farrimond, 2017). This requires that ethical considerations must be paramount in the conduct of such research work. For research to pass the ethical mark, the following issues must be considered critically (Creswell, 2012). The consent of the respondents will be sought by disclosing the purpose of this study and the study's commitment to confidentiality.

#### **3.10. Conclusion**

The chapter discussed the population on which the study was conducted on, the sampling techniques used to obtain the sample from the population and the research tools used to collect and analyzed data. In addition, the ethical considerations that guided this research was also discussed.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1. Introduction**

This chapter presents an analysis of the data that was collected to answer the research questions. The also obtained is also discussed in light of previous empirical literature. The results are also presented in accordance with the objectives set out in the first chapter of this work. The demographic data of respondents are however presented first, followed by the results on the various objectives of the study. The objectives of this work are restated below:

- i. To identify the extent of implementation of GAS recommendations at Lower Manya Krobo Assembly to reduce corruption.
- ii. To examine the effectiveness of the internal control systems of Lower Manya Krobo Assembly.
- iii. To examine the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly.

#### **4.2. Demographic Characteristics of Respondents**

The demographic data of the respondents are presented in Table 4.1 below. In respect of gender distribution among the research respondents, there were 51 males and 36 females. This represents 59% and 41% respectively. The highest respondent group in terms of age were those aged 18 to 30 years and those aged 51-60 years who each had 25 respondents each. Together, they represent a total of 58% of all the respondents. Those aged 41 to 50 years represented 25% (22) of total respondents and those within the 31-to-40-year group had 15 (17%) respondents.

Table 4.1: *Demographic Data of Respondents*

Variable	Categories	N	%
<b>Gender</b>	Males	51	59%
	Females	36	41%
<b>Age Distribution</b>	18-30 years	25	29%
	31-40 years	15	17%
	41-50 years	22	25%
	51-60 years	25	29%
<b>Educational Status</b>	Diploma	7	8%
	HND	15	17%
	Degree	37	43%
	Post Graduate	28	32%
<b>Which Group do you belong to?</b>	Internal auditors	4	5%
	External auditors	15	17%
	Assembly member	21	24%
	Staff of MMDA	20	23%
	CSO	9	10%
	Supplier	18	21%

Source: *Field Survey, 2023*

For educational status, most of the respondents were found to be first degree holders which represented 43% (37) of the total number of respondents. Those with post-graduate degree qualifications constituted the second highest group at 32% (28). HND holders and Diploma holders were 17% (15) and 8% (7) respectively.

#### 4.3. Extent of Implementation of Audit Recommendations

This section presents the results for the first objective of this research work. The audit recommendations for four years from 2018 to 2022 were presented to research respondents, and they were asked to indicate their opinion on a scale of 1 to 5 in respect of the degree of implementation. As mentioned in the previous chapter, the data regarding this was processed using the Relative Importance Index formula to obtain an overall Implementation Index (II) for the recommendations. Three key information are presented: (1) The II for each audit



recommendation; (2) the average II for each year; and (3) the overall II for all the years taking as a whole. The results are presented in Table 4.2 below.

Table 4.2: *Implementation Index for Audit Recommendations*

<b>Year</b>	<b>Total</b>	<b>4N</b>	<b>II</b>	<b>Avg. II</b>	<b>Interpretation</b>
2018	298	348	0.8563		Partial Implementation
2018	348	348	1.0000		Full Implementation
2018	0	348	0.0000		No Implementation
2018	348	348	1.0000		Full Implementation
2018	171	348	0.4914		Partial Implementation
2018	348	348	1.0000		Full Implementation
2018	296	348	0.8506		Partial Implementation
2018	0	348	0.0000		No Implementation
2018	0	348	0.0000		No Implementation
				<i>0.5776</i>	
2019	41	348	0.1178		Partial Implementation
2019	52	348	0.1494		Partial Implementation
2019	48	348	0.1379		Partial Implementation
2019	268	348	0.7701		Partial Implementation
2019	307	348	0.8822		Partial Implementation
2019	0	348	0.0000		No Implementation
2019	0	348	0.0000		No Implementation
				<i>0.2939</i>	
2020	216	348	0.6207		Partial Implementation
2020	0	348	0.0000		No Implementation
2020	213	348	0.6121		Partial Implementation
2020	122	348	0.3506		Partial Implementation
				<i>0.3958</i>	
2021	221	348	0.6351		Partial Implementation
2021	304	348	0.8736		Partial Implementation
2021	257	348	0.7385		Partial Implementation
2021	163	348	0.4684		Partial Implementation
2021	159	348	0.4569		Partial Implementation
				<i>0.6345</i>	
<b>Overall Average</b>				<b>0.4755</b>	<b>Partial Implementation</b>

Source: *Research Data, 2023*

It can be observed from Table 4.2, out of the 9 audit recommendations made by the GAS in 2018, 3 of them were totally not implemented ( $\pi = 0.0$ ) at all. Again, 3 of these recommendations received a full implementation ( $\pi = 1.0$ ) from management of the organisation, and 3 also were partially implemented ( $\pi = 0.86, 0.49, 0.85$ ). The average II for the year 2018 was 0.5776 which indicates that, overall, the district assembly only did a partial implementation of the audit recommendations presented to it by management. Those factors that were ranked 0 (no implementation) and 1 (full implementation) means all demographic groups ranked them equally. For the three that were partially implemented, gender and age groupings were not an issue as both males and females and the various age groups ranked it fairly equally. For education, most people who ranked it as strongly agree and agree were found within the first degree and post-graduate degree holders' bracket. Also, for the groupings in terms of relationship to the district assembly, external auditors, staff of the MMDA, and CSOs were those who mainly indicated a low level of implementation among the recommendations that had been made by the audit service.

In 2019, out of the 7 recommendations made, 2 of them were not implemented ( $\pi = 0.0$ ) while 5 were only partially implemented ( $\pi = 0.12, 0.15, 0.14, 0.77, 0.88$ ). None of the recommendations was fully implemented. Comparing the 2019 year to the prior year, management's compliance with the audit recommendations was quite minimal and this can be seen in the very low ( $\pi = 0.2939$ ) overall II for the year. In terms of the distribution of responses across the demographic, the result is quite similar to that of the year 2018 above. The rankings of those factors that received partial implementation seem to have been fairly distributed across all the various groupings in terms of gender, age, level of education, and type of work group. This was probably the case because of the obvious low level of implementation for 3 out of 4 of the recommendations made during the period.

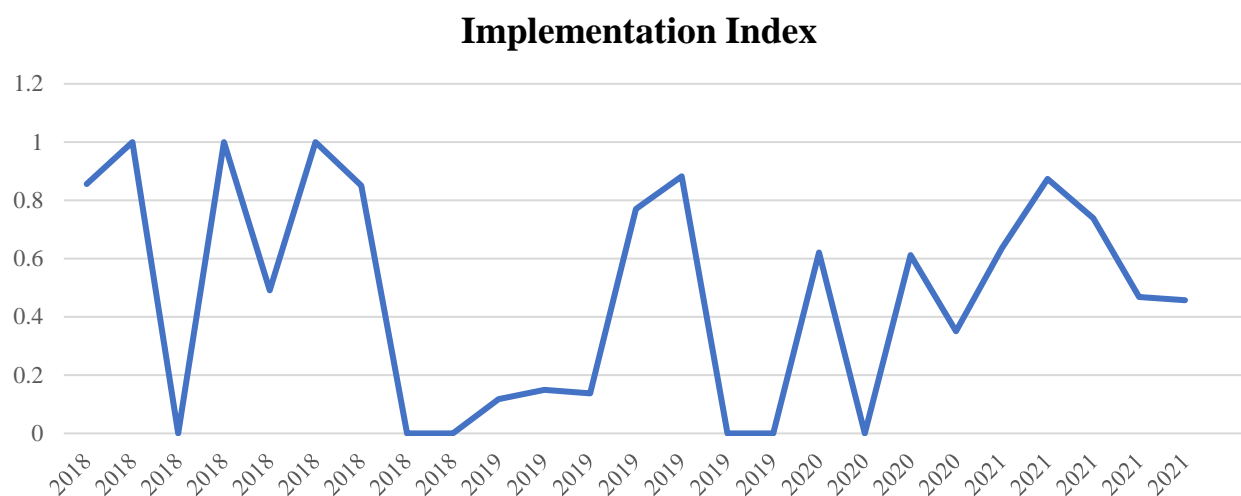
For the 2020 audit year, only 4 recommendations were made. 3 of them received partial implementation while 1 was not implemented at all. None of the recommendations was therefore fully implemented. Overall, the average II for the year was 0.3958 which was a slight improvement over the year 2019. It was still a quite poor performance in comparison to the year 2018.

The 2021 audit year saw the highest overall level of implementation of the audit findings. On average, the II for the year was 0.6345. 5 audit recommendations were made by the GAS, and all 5 received partial implementation ( $\pi = 0.64, 0.87, 0.73, 0.47, 0.46$ ). For the years 2020 and 2021, there were no significant differences in the responses of respondents on the basis of age, gender, and education level. External auditors, CSOs, and internal auditors in the type of work done group, were those who ranked the recommendations as having the least level of implementation.

Furqan *et al.* (2020) undertook a similar study in Indonesia and found evidence similar to the results of this study. In respect of the implementation of audit findings in the public sector, Furqan *et al.* (2020) concluded a low implementation of audit findings and recommendations. It was concluded therefore that a poor implementation of audit findings negatively affects the quality of public services and financial report.

Asiedu and Deffor (2017) studied how effective implementation of internal audit recommendations can help fight corruption in the Ghanaian public sector. Asiedu and Deffor (2017) finds similarly that there is a poor implementation of audit findings in the Ghanaian public sector. They conclude that a strict adherence to the implementation of guidelines and recommendation could contribute significantly to the fight against corruption.

Figure 4.1: Graphical Representation of the yearly Implementation Index



Source: Research Data, 2023

Table 4.3: Ranking for the average II in years

<i>Year</i>	<i>Avg. II</i>	<i>Ranking</i>
2021	0.6345	1
2018	0.5776	2
2020	0.3958	3
2019	0.2939	4
<b>Average</b>	<b>0.4755</b>	

Source: Research Data, 2023

The Table 4.3 above presents the average II for each of the years and has been ranked in terms of the extent to which the audit recommendations were implemented in the respective years. It is observed from the Table that 2021 had the highest II and 2019 had the lowest II. Despite the sharp decline from 2018, the little steady year on year increase from 2019 to 2021 could indicate an increase in the level of management's compliance to audit recommendations' implementation.



Overall, the average II for the entire 4-year period was 0.4755. According to the scale of interpretation, the organisation therefore achieved a partial implementation of the audit recommendations.

#### 4.4. Effectiveness of Internal Controls at the Lower Manya Krobo District Assembly

The second objective was to assess the level of effectiveness of internal controls at the Lower Manya Krobo District Assembly. The data collected was analysed using binary logistic regression. For this objective, two hypothesis were set:

H<sub>0</sub>: Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are present in the internal control systems (INC) of the MMDAs.

H<sub>a</sub>: Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are not present in the internal control systems (INC) of the MMDAs.

The results from the data analysis are presented in Tables in the sections that follow.

Table 4.4: *Case Processing Summary*

Unweighted Cases <sup>a</sup>		N	Percent
Selected Cases	Included in Analysis	87	100.0
	Missing Cases	0	.0
	Total	87	100.0
Unselected Cases		0	.0
Total		87	100.0

Source: *Research Data, 2023*

Table 4.5: *Dependent Variable Encoding*

Original Value	Internal Value
Internal control exists	0
Internal control does not exist	1

Source: *Research Data, 2023*

In a binary logistic regression, the dependent variable is encoded into a binary form. In this research, respondent opinions were obtained in respect of whether they believe internal controls are present or otherwise within the organisation. Identifying internal controls as present was encoded with the value zero (0) and identifying internal controls as absent was encoded with a value of one (1).

Table 4.6: *Omnibus Tests of Model Coefficients*

		Chi-square	df	Sig.
Step 1	Step	24.636	7	.000
	Block	24.636	7	.000
	Model	24.636	7	.000

Source: *Researcher Data, 2023*

This Omnibus Tests of model coefficients is used to test goodness of fit and it helps to determine whether the model adequately describes the data. If the model is significant, it shows that there is a significant improvement in fit as compared to the null model, and the model therefore shows good fit. As seen from the results above, the goodness of fit test results is significant and therefore shows that the regression model used for this research is a good fit for the data.

The Hosmer-Lemeshow test was also used to test the goodness of fit for the model. Contrary to the Omnibus test, for this result to indicate a good fit between the model used and the data, the p-value has to be insignificant. That is, the Hosmer-Lemeshow statistic will indicate a poor fit if the significance value is less than 0.05. As observed from the results in the Table below, the model shows adequately fits the data.

Table 4.7: *Hosmer and Lemeshow Test*

Step	Chi-square	df	Sig.
1	4.622	8	.797

Source: *Research Data, 2023*

Table 4.8: *Model Summary*

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	73.498 <sup>a</sup>	.369	.698

Source: *Research Data, 2023*

*a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.*

The model summary shows the Pseudo R-Square. It is called pseudo because, it does not technically explain the variation between the dependent variable as a result of the impact of the independent variable(s). However, they are utilized as a rough variation of the criterion variable.

The table presents both the Cox & Snell R-Square and the Naglekerke R-Square. However, the Nagelkerke R-Square is normally used as it is an adjusted version of the Cox & Snell's R-Square. The Nagelkerke R-Square adjusts the scale of the statistic to cover the full range of 0 to 1. The preceding table shows that the predictor variables in the model are responsible for 69.8% of the change in the dependent variable.

Table 4.9: *Classification Table<sup>a</sup>*

Step 1	Does the organisation have an internal control system	Internal control exists	72.7
		2	69.8
	Overall Percentage		71.3

Source: *Research Data, 2023**a. The cut value is .500*

When predictors are included in the study, the classification tables show how well the model is able to predict the correct category. In other words, it assesses how well the independent variables can predict the category of the dependent variable. In total, 71.3% of cases can be correctly classified using this model. Therefore, 71.3% of the time, the model will be able to classify whether internal controls are effective or not.

Table 4.10: *Logistic Regression Results*

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	Control Environment	.140	0.386	1.705	1	.005	1.452	.917	1.449
	Risk Assessment	.086	0.255	0.569	1	.036	1.290	1.018	1.538
	Information and communication	.117	0.346	2.114	1	.002	.530	.342	.820
	Control Activities	.303	0.265	1.305	1	.008	.739	.653	.937
	Monitoring	.177	0.332	1.286	1	.229	.837	.437	1.604
	Constant	1.338	0.453	0.834	1	0.361	1453.24		

Source: *Research Data, 2023*

*a. Variable(s) entered on step 1: Control Environment, Risk Assessment, Control Activities, Information and communication, Monitoring.*



The Table above presents the binary logistic regression results that was used to test whether the internal control system in the Lower Manya Krobo district assembly is present or otherwise. The data collected was analysed using IBM SPSS statistics software version 25. The results presented have significant parameter estimates of 0.05.

The hypothesis were:

$H_0$ : Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are present in the internal control systems (INC) of the MMDAs.

$H_a$ : Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are not present in the internal control systems (INC) of the MMDAs.

It is observed from the Table that four variables: control environment ( $p = 0.005$ ), risk assessment ( $p = 0.036$ ), information and communication ( $p = 0.002$ ), and control activities ( $p = 0.008$ ) were found to be significant and therefore present within the internal control framework of the organisation. A significance value of less than 0.05 implies that these variables have a significant contribution to the model's predictive ability. Results for the final variable, Monitoring, was however found to be statistically non-significant.

Not surprisingly, all the significant variables have positive beta coefficients, which indicate that an increase in any of them will lead to an increase in the strength of the overall internal control system. On the basis of the results, the null hypothesis is not rejected since as it is observed that 4 of the independent variables have a significant impact on the internal control system of the organisation and therefore contributes to the presence and effectiveness of the internal control framework within the Lower Manya Krobo Municipal Assembly.

Owusu-Ansah (2019) investigated the effectiveness of internal control systems within the district assembly system in Ghana, using the Adenta Municipal Assembly as a case study. Similar to the findings in this work, it was found that an internal control system in the Adenta Municipal Assembly exists, and is very effective in contributing to the realisation of the Assembly's organisational goals and objectives. Undertaking a similar study in the Ghanaian private sector, Ayagre, Appiah-Gyamerah and Nartey (2014) found that overall internal control framework was effective, with very strong controls existing in the control environment and monitoring activities. This however slightly contradicted the findings in this work as monitoring activities were found to have no significant impact on the effectiveness of internal controls in the MMDA. Tenbele (2019) also undertook a similar study in Kenya using the same variables under the COSO internal control framework but found evidence contrary to what is found here. His work found that only the control environment in the framework was effective, and that the other four elements were only moderately effective. He therefore concluded that although a system has been designed for a proper operation of internal controls, there was a lack of adequate enforcement which has created an ineffective overall internal control system.

#### **4.5. Challenges Facing the Ghana Audit Service in Lower Manya Krobo**

The final objective of this work was to identify the challenges that GAS staff in the Lower Manya Krobo district face in the discharge of their duties. A Kendell's W test was done to identify the most pressing challenges to help management and relevant authorities take the right steps in addressing them.

In a Kendell W's test, a null hypothesis is formulated and tested:

$H_0$ : That the rankings of the various challenges are independent of each other.

$H_a$ : That the rankings of the various challenges are dependent of each other and therefore correlated.

Where the p value of the test is more than 0.05, you reject the null hypothesis.

The value of the Kendall's W, is always between 0 and 1. Where the figure is 0, it means all the research respondents ranked the list differently from each other. Where the figure is 1, it implies that all the respondents ranked the challenges in the same way (Siegel, 2012).

The results from the Kendall's W Test for this work is presented in Table 4.11 below. The Kendall's W is 0.872 as seen from the Table, which is a quite closer to 1 than the opposing end of the spectrum (which is 0). This therefore means that there is a high level of agreement between respondents in terms of the challenges that affect their work. Again, the test is statistically significant ( $p = 0.000$ ) which means that the null hypothesis is rejected. That is to say that the rankings of the challenges are not independent of each other.

Table 4.11: *Kendall's W Test*

N	15
Kendall's W <sup>a</sup>	.872
Chi-Square	303.598
Df	4
Asymp. Sig.	.000
Monte Carlo Sig.	Sig. .000 <sup>b</sup>
	95% Confidence Interval
	Lower Bound .000
	Upper Bound .003

Source: *Research Data, 2023*

a. *Kendall's Coefficient of Concordance*

b. *Based on 1000 sampled tables with starting seed 299883525.*

To identify the challenges that pose the biggest threat to the work of auditors, the researcher used the mean values of the scores given to each challenge on the 5-point Likert scale. These means were generated as part of the Kendall W's calculation. Because responses were taken using a 5-point Likert scale, the mean values were interpreted as follows: (Al-khresheh,

Mohamed, & Asif, 2022); Pihie, Bagheri, & Sani, 2012): 1-2.33 (low); 2.34-3.67 (moderate); and 3.68-5 (High). Each factor was therefore scored accordingly on the basis of its total mean

Table 4.12: *Mean Ranks of Challenges Facing Auditors*

	Mean Rank
Constant change in accounting standards	4.11
Low staff strength	3.99
Political interference	1.89
Lack of auditor independence	1.52
Unclear definition of roles	1.48

Source: *Research Data, 2023*

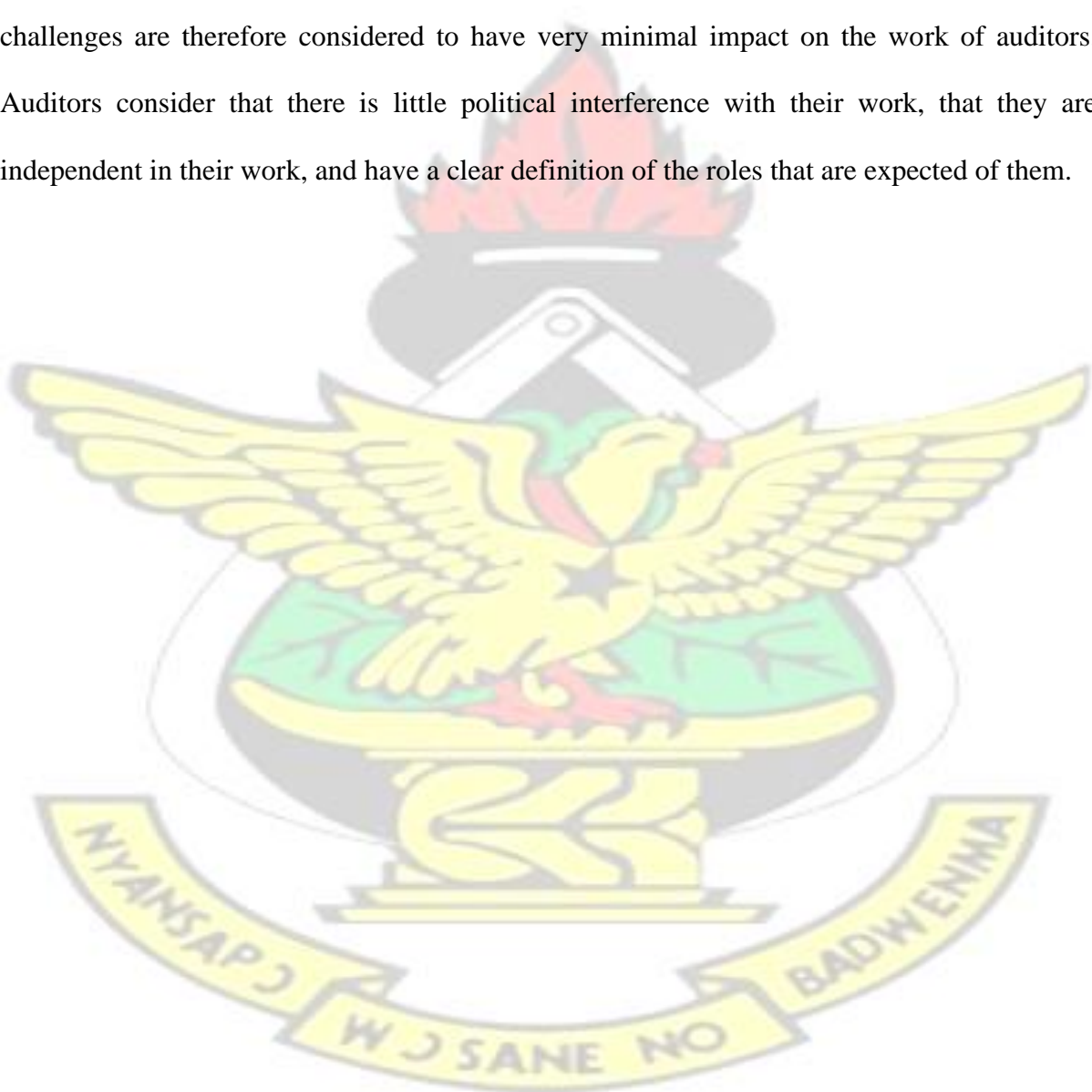
It is evident from the Table that the factor that auditors consider the most challenging is the constant change in accounting standards. As new standards are issued, auditors have to become abreast with them to be able to stay up to date in their work. This challenge received a mean ranking of 4.11 which places it in the ‘High’ category on the interpretation scale. The public sector uses the International Public Sector Accounting Standards (IPSAS). Therefore, the GAS will be more focused on applying this in their line of work. Agyemang and Yensu (2018) studied the challenges that have slowed the implementation of the IPSAS in Ghana. They conclude that the level of training and education required to be able to apply the IPSAS is a major challenge to the implementation of the standards. Agyemang (2017) also concluded from his study that the level of accounting training and education poses a major difficulty to the use of IPSAS.

The next challenge that was ranked high by the auditors was low staff strength. There are only 15 audit staff who are in charge of the entire Lower Manya Krobo district. This increases the



work load of staff, which could ultimately impact their focus and efficiency levels. With a mean value of 3.99, this challenge is also ranked high by the auditors. The Special Budget Committee of the Parliament of Ghana in its report on the GAS in 2019 noted low staff as one of the main challenges impinging the work of the service.

All the other 3 challenges: political interference, lack of auditor independence, and unclear definition of roles all received low ratings of 1.89, 1.52, and 1.48 respectively. These challenges are therefore considered to have very minimal impact on the work of auditors. Auditors consider that there is little political interference with their work, that they are independent in their work, and have a clear definition of the roles that are expected of them.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS, RECOMMENDATIONS

#### 5.1. Introduction

This chapter presents the summary and conclusions of this study. It also makes policy recommendations on the basis of the findings obtained from the data analysis. The summary is presented first, followed by the research conclusions, and then finally the study recommendations.

#### 5.2. Summary of Findings

The principal objective of this work was to assess the role and effectiveness of the GAS in the Lower-Manya Krobo Municipality. To achieve this, three specific objectives were formed:

- i. To identify the extent of implementation of GAS recommendations at Lowe Manya Krobo Assembly to reduce corruption.
- ii. To examine the effectiveness of the internal control systems of Lower Manya Krobo Assembly.
- iii. To examine the challenges, the Ghana Audit Service faces in the discharge of its duties in the Lower Manya Krobo Assembly.

The study applied a quantitative survey approach. Primary data were therefore collected via questionnaires from 87 respondents which were analysed using SPSS to answer the research questions.

For the first objective, it was found that the overall level of implementation of audit recommendations in the Lower-Manya Krobo Municipality was only partial. Overall, audit recommendations were scored to have been implemented on a scale of 0 to 1 at 0.4755, which is even lower than 50%. The implementation of audit recommendations therefore in the district

is quite low. For the specific years, the implementation index were as follows: 2018 (0.5776); 2019 (0.2939); 2020 (0.3958); and 2021 (0.6345). The rate of implementation was quite high in 2021, and it is hoped that the trend would continue into the future.

For the second research objective, a binary logistic regression was performed to determine whether the elements of the COSO Internal control framework are present within the study organisation. The following hypothesis were formulated:

H<sub>0</sub>: Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are present in the internal control systems (INC) of the MMDAs.

H<sub>a</sub>: Taken as a whole control environment (ENV), risk assessment (RASS), control activities (CONT), information and communication (ICOM), monitoring (MON) are not present in the internal control systems (INC) of the MMDAs.

Aside monitoring ( $p = 0.229$ ), all the other 4 elements had a statistically significant influence on internal controls: control environment ( $p = 0.005$ ), risk assessment ( $p = 0.036$ ), information and communication ( $p = 0.002$ ), and control activities ( $p = 0.008$ ). Unsurprisingly, all the significant variables have positive beta coefficients, which indicate that an increase in any of them will lead to an increase in the strength of the overall internal control system. On the basis of the results, the null hypothesis is not rejected since as it is observed that 4 of the independent variables have a significant impact on the internal control system of the organisation and therefore contributes to the presence and effectiveness of the internal control framework within the Lower Manya Krobo Municipal Assembly.

For the final objective, it was noticed from the Kendall's W test ( $W^a = 0.872$ ) that the respondents agreed to a large extent on the challenges that have an impact on their work. This therefore means that there is a high level of agreement between respondents in terms of the challenges that affect their work. Again, the test is statistically significant ( $p = 0.000$ ) which means that the null hypothesis is rejected. That is to say that the rankings of the challenges are not independent of each other and are therefore highly correlated. For the challenges that have the biggest impact on the work of auditors in the Lower Manya Krobo Municipality, constant change in accounting standards ( $\pi = 4.11$ ) and low staff strength ( $\pi = 3.99$ ). All the other factors – political interference ( $\pi = 1.89$ ), lack of auditor independence ( $\pi = 1.52$ ), unclear definition of roles ( $\pi = 1.48$ ) were found to have very minimal impact on audit staff as far as challenging their work was concerned.

### **5.3. Conclusion**

The main purpose of this research work was to assess the role and effectiveness of the Ghana Audit Service in the Lower Manya Krobo Municipality. Overall, it was found that the level of implementation of audit recommendations was low as audit recommendations from 2018 to 2021 had an overall implementation index of 0.4755. Audit recommendations in the year 2021 however received the highest implementation index of 0.6345. On the issue of whether or not an internal control system is present within the Lower Manya Krobo Municipal Assembly, the study concludes that an internal control framework exists within the organization. However, monitoring, as an aspect of internal controls was found to be statistically insignificant, and therefore ineffective. For the challenges that affect the work of auditors in the municipality, constant change in accounting standards and low staff strength were identified to be the most challenging and pressing ones.



#### 5.4. Recommendations

The following recommendations are made to the management of the GAS and the Lower Manya Krobo Municipal Assembly.

- i. Management of the municipal assembly should ensure that they pay particular attention and importance to the implementation of the audit service recommendations. This is to both ensure that they operate within the confines of the law and also to improve the efficiency of their operations.
- ii. Management of the municipal assembly are also encouraged to target a 100% (II = 1) implementation of the recommendations of the GAS. A partial implementation is never to be desired, because any recommendation raised is always very important.
- iii. To strengthen their internal control framework, management of the municipal assembly must ensure that monitoring and evaluation by the various heads of departments becomes effective. Supervisors must constantly monitor the work activities of subordinates and reported on to management.
- iv. The management of the Ghana Audit Service must ensure that regular training and development programmes are conducted to train and retrain staff on existing and new developments within the International Public Sector Accounting Standards. This is to help ensure that they stay continuously abreast with developments in the sector.
- v. Lastly, the government should ensure that the Ghana Audit Service is adequately staffed to allow them carry out their duties effectively.

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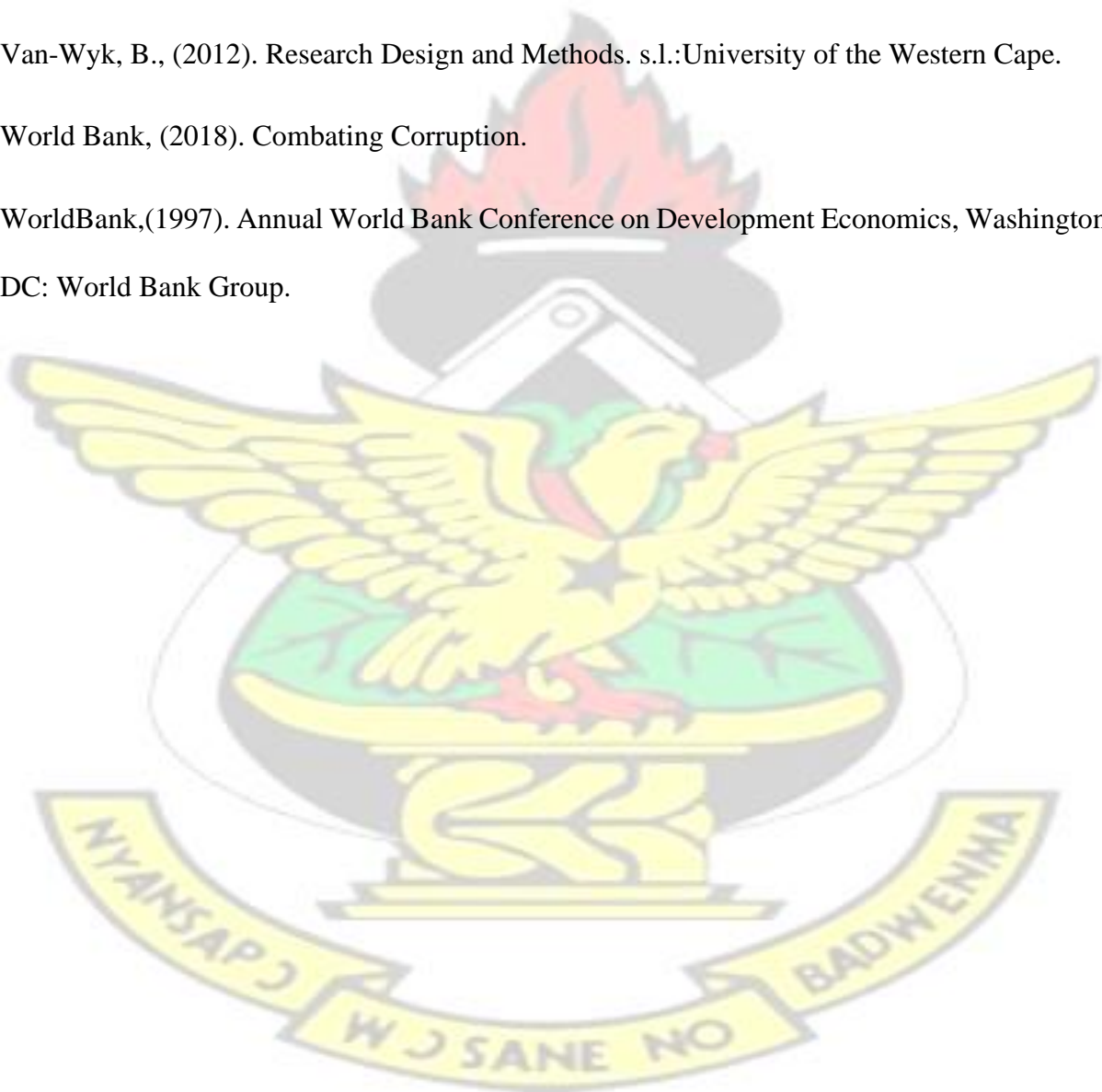
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**APPENDIX A – QUESTIONNAIRE USED FOR DATA COLLECTION**

**QUESTIONNAIRE FOR DATA COLLECTION**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**BUSINESS SCHOOL**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Questionnaire Number**

**Date ...../...../20.....**

**Organization: .....**

***TOPIC: ASSESSING THE ROLE AND EFFECTIVENESS OF GHANA AUDIT SERVICE IN THE LOWER-MANYA KROBO MUNICIPALITY***

I am a post-graduate (MBA) student of the KNUST, and I am undertaking a study on the topic “Assessing the Role and Effectiveness of Ghana Audit Service in the Lower-Manya Krobo Municipality”. It is a project work in partial fulfilment of the requirement for the award of Master of Business Administration Degree in Finance by the KNUST. This research is purely for an academic purpose and therefore your honest response will determine the validity of the findings. Any information provided will ONLY be used for academic research purposes, and it will be treated with the utmost CONFIDENTIALITY and ANONYMITY.

**Instruction:** Please, fill in the needed information by ticking like this (√) in the appropriate box ☐ or write down your answer as appropriate to each item as the question or statement may require.

### SECTION A: PRELIMINARY INFORMATION

1. Gender a. Male ☐ b. Female ☐
2. Age a. 18-30yrs ☐ b. 31-40yrs ☐ c. 41-50yrs ☐ d. 51- 60yrs ☐ e. Above 60years ☐
3. What is your highest level of education? a. Diploma ☐ b. HND ☐ c. Degree ☐  
d. Postgraduate ☐ e. Others ☐
4. Have you been involved in auditing activities before?  
Yes ☐ b. No ☐
5. Which group do you belong to? a. Internal audit ☐ b. External audit ☐ c. Assembly  
Member d. Civil society organization ☐ e. Suppliers ☐ f. CSOs ☐  
g. Others .....

**SECTION B: EXTENT OF IMPLEMENTATION OF GAS RECOMMENDATIONS  
AT LOWER MANYA KROBO ASSEMBLY TO REDUCE CORRUPTION**

6. The following are the number of audit deficiencies that were identified in the respective audit years:

**2018: 9**

**2019: 7**

**2020: 4**

**2021: 5**

The detailed audit findings are presented below. Please use the scale as indicated in question 7 to provide your opinion of the level of implementation or otherwise for each finding.

7. Based on your understanding of auditing and the under listed items, **rate on the scale of 0-4 the extent at which auditing recommendations have been implemented in the following years where:**

**4= Fully implemented**

**3=Highly Implemented**

**2=Moderately implemented**

**1=Slightly implemented**

**0=No implementation.**

2018 AUDITING YEAR	Implementation RATE
List of Recommendations and Implementation	
Under Retained Retention: GH¢7,457.70. The Finance Officer should ensure retention monies are accurately prepared and retained. Management has ensured that correct computations are now done on the retention from contract payment.	
Issues of Items without Distribution List: GH¢106,480.70. Member of Parliament should provide signed distribution lists of the beneficiaries. Management has provided the distribution list of the beneficiaries	
Abandoned Projects - GH¢439,648.98. Recommended all ongoing projects should be completed. Management did not take any action	
Unearned salary GH¢2,197.00. The salary should be recovered from the officer. Amount recovered from the officer.	
Poor collection of property rate – GH¢672,619.00. Management should ensure all defaulter payment amount owed. Proposal for privatization is tabled before finance committee.	



Unpaid rent GH¢12,605.00. Management should collect the amount owed by the tenants.  Amount owed collected from the occupants.	
Non-collection of public toilet fees – GH¢6,600.00. Management should make every effort to collect amount involved. All the operators as mentioned in the report have paid.	
Non-performing investment GH¢72,473.75. We recommended management to withdraw balances from the ministering banks and prosecute defaulters. Action yet to be taken	
Official vehicles without road worthy and insurance certificates. No action taken yet	
<b>2019 AUDITING YEAR</b>	
Excessive cash payments- GH¢25,384.00. We recommended to the Municipal Coordinating Director and the Finance Officer to desist from the practice of excessive cash payments and ensure that they issue cheques to the respective bank accounts of the service providers. Management said they have resolved not to make payment by cash again	
Failure to pay revenue operating fee –GH¢24,045.00. We recommended to management to immediately recover the amount of GH¢24,045.00 from the defaulters failing which they	

should be sanctioned. An amount of GH¢4,380.00 has been recovered out of the total amount of GH¢24,045.00.	
Failure to procure from VAT registered entities - GH¢2,348.00. We advised management to comply with the law and procure from VAT registered entities only. Management paid GH¢75.00 out of the total amount of GH¢402.60.	
Failure to declare Asset and Liabilities. Management should ensure the submission of Assets and liabilities declaration forms to the Auditor-General to avoid sanction. Assets and Liabilities declaration form completed.	
Use of wrong VAT invoice - GH¢ 13,490.00. We recommended that the Finance Officer refund the amount GH¢1,780.75 to the Assembly. Amount recovered and paid to GRA.	
Failure to provide land title and other records on Ghana First projects for inspection. We recommended that, the Coordinating Director and the Hon. Chief Executive should make available the records by 24/01/20 for our verification. No action taken by management.	
We recommended to the Municipal Coordinating Director of the Assembly to ensure that they involve the Social Services Sub-Committee in setting up of a criterion for the selection of beneficiaries to ensure transparency. No action taken	

<b>2020 AUDITING YEAR</b>	
Unsupported payments– GH¢12,400.00. We recommended that, the amount of GH¢12,400.00 should be properly accounted for by the Finance Officer. Additional documentation provided by management.	
Non-allocation of funds to sub-structures - GH¢14,514.98. Finance Officer, Messrs. Selom Tibu and Thomas Dzebu to remit the total amount of GH¢14,514.98 to the substructures, without delay. No action taken by management	
Failure to produce distribution list on Covid-19 items - GH¢24,000.00. We requested the Coordinating Director to ensure that, the distribution list is provided for our verification or the total amount of GH¢24,000.00 involved be refunded. Management have provided the distribution list for our verification	
Unsupported payments – GH¢14,875.00. We requested the Finance Officer to properly account for the amount, failing which the Coordinating Director and the Finance Officer should be held accountable for the refund of the amount involved. Additional documentation provided by management.	
<b>2021 AUDITING YEAR</b>	
Payment without supporting Documents – GH¢41,500.00. We recommended that the amount of GH¢41,500.00 should be recovered from the Coordinating Director and the Finance	

Officer. All the supporting documents have been attached and are available for audit verification.	
Non-Allocation of Funds to Sub-Structures - GH¢14,134.70. We recommended to the Coordinating Director and Finance Officer to remit the total amount of GH¢14,134.7 to the substructures, without delay. The amount involved was remitted to the various substructures.	
Unsubstantiated expenditure on training of staff - GH¢45,684.82. We recommended that Management should substantiate the payments with evidence of sign sheet and invoice or a recovery of the amount of GH¢45,684.82 from the Coordinating Director and the Finance Officer of the Assembly. Management has taken note of the recommendation and documents requested was available for audit verification.	
Revenue Debtors – GH¢21,935.74. We recommended to management as a matter of urgency to recover the total amount of GH¢21,935.74 from the defaulters. Management explained that they will send some of the defaulters to Court.	
Failure to pay toilet operating fee - GH¢5,800.00. We recommended that management should immediately recover the amount of GH¢5,800.00 involved from the defaulters. Efforts are being made to recover the amount involved from the defaulters.	



**SECTION C: ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS OF LOWER MANYA KROBO ASSEMBLY**

9. Please rate by (ticking) your level of agreement and disagreement of the following under-listed. Please choose the most appropriate scale between 1 – 5 with 5- strongly agree; 4- agree; 3- Neutral; 2-disagree; 1-strongly disagree.

<b>Control Environment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There is the presence of behavioral and ethical standards such as code of conduct, official policy at the auditing MMDA and are well communicated					
The staff of the auditing MMDAs have the required skills, knowledge, experience, and qualification to perform my work and I am well supervised					
Management members and audit committee are independents, experienced and possess the required qualification to execute their functions					
Management teams and heads of department ensure due processes are followed when performing their functions					
The auditing organization are well structured with authority and responsibilities clearly delineated					
My job or responsibilities are clearly specified					
<b>Risk Assessment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
I am aware of the objective(s) of the internal control system					

Internal control systems of my MMDA are able to exposed factors that may cause deviation from the objectives					
Management and heads of department are able to manage and deal with the deviation factors					
The users' level of training on the use of the computerized software affects the quality of the financial reports generated					
The quality of the information fed on the computerized accounting system affects the quality of the financial reports generated					
The accounting software is robust and produces accurate report when fed with accurate information.					
<b>Control Activities</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Control systems of my MMDA are regularly reviewed by Management and Heads of the Assembly					
Management and Heads of department personally monitor and observe the activities in my MMDA to give control directives					
Work activities/ duties in my MMDA are segregated					
There is availability of general controls (covering access, software, and system development) and application controls (systems which prevent, detect and correct errors) in my MMDA					
<b>Information and Communication</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The control system is able to identify and capture information needed for undertaking activities in my MMDA					

The internal control systems in my Assembly provide information in a form and timeframe needed to carry out my responsibilities					
The control system produces reports, containing operational, financial, and compliance-related information, that make it possible to run and control the business of the Assembly					
There is a clear channel of communication and free flow of information from up to down and down to up in my MMDA					
The control system communicates internal controls and risks areas to staff in my MMDA.					
<b>Monitoring</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
My immediate supervisor regularly monitors my work activities					
There is separate and frequent evaluation of my work activities and other work activities within my department					
The monitoring system is built into the infrastructure in my MMDA					

**SECTION D: EXAMINING THE CHALLENGES, THE GHANA AUDIT SERVICE  
FACES IN THE DISCHARGE OF ITS DUTIES IN THE LOWER MANYA KROBO  
ASSEMBLY (FOR AUDIT SERVICE STAFF ONLY)**

10. Please rate by (ticking) your level of agreement and disagreement of the following under-listed as the challenges faced by Ghana Audit service in the discharge of their duties. Please choose the most appropriate scale between 1 – 5 with 5- strongly agree; 4- agree; 3- Neutral; 2-disagree; 1-strongly disagree.

Challenges	1	2	3	4	5
There is political interference in the performance of auditing duties					
There is unclear role definition in the public sector					
The staff strength of the GAS is woefully inadequate					
The audit staffs are not fully independent					
The constant changes in accounting and auditing regulations					

**THANK YOU FOR YOUR TIME.**