

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
(KNUST)**

**EXAMINATION OF ACCOUNTING PROCEDURES AND PRACTICES
ADOPTED BY GHANA WATER COMPANY LIMITED.**

BY

FRANK ACHEAMPONG

**A PROPOSAL SUBMITTED TO THE KWAME NKRUMAH UNIVERSITY
OF SCIENCE AND TECHNOLOGY (KNUST) IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION IN ACCOUNTING**

JULY, 2015

DECLARATION

I hereby declare that this submission is my own work and that to the best of my knowledge, it contains no materials previously published by another person or material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

FRANK ACHEAMPONG

.....

.....

Student's Name & ID

Signature

Date

Certified by:

EDWARD YEBOAH

.....

.....

Supervisor's Name

Signature

Date

Certified by:

DR. KINGSLEY O APPIAH

.....

.....

Head of Dept, Name

Signature

Date

DEDICATION

This work is dedicated to my parents for their support and Love.

ACKNOWLEDGMENT

I thank the almighty God for the amazing grace shown to me through guidance, protection and wisdom granted me throughout the study. I also express my appreciation to my supervisor, Mr. Edward Yeboah, for the guidance and support to see this work completed.

The advice and constructive criticism led to the success of this work. To him, I say: God bless you.

Ultimately, the organization which provided all the necessary information, Ghana water company limited. My heart felt gratitude therefore goes to entire of the finance and Audit Departments for their friendly and wonderful reception to me in writing this paper. Mr. Cosmos, your name will be always remembered.

Lastly, special mention must be made of the lectures and of Business school of KNUST, for their advice and encouragement during the period this study. God bless you all.

ABSTRACT

The issue of accountability and transparency remains resolutely important to governmental organizations as it is to the private sector. The study entailed the details and intensive analysis of a single case study design. Primary data were collected through the use of in depth interviews. Secondary data were also sourced through publications, and company's annual reports. The researcher selected the 14 officers of the accounts and internal audit department of Ghana Water Company Limited to represent the sample size of the study. Qualitative research analysis was employed in this study. Explanations and meanings were constructed from the data collected using descriptive, inferential statistics and rationalizations as well as graphical representations in the form of Bar Charts were used to help in exploring more into data collected on Accounting Procedures and Practices at Ghana Water Company Limited. From the data gathered, it were found out that the source documents kept by the Ghana Water Company for their accounting procedures and practices includes: procurement requisition form, invoices, local purchasing order (LPO) payment voucher (PV), cheque voucher and receipts. The internal audit department pre-audits all transactions before they are finally transferred into the books of accounts as compliance to the best standards. However, careful and thoughtful design which could have been in place to avoid or at least minimize bottleneck was not available. The knowledge base of the personnel in the standards and its implementation is abysmal and needs to be brought up to speed. This notwithstanding the accounting procedures and practices by the company is appropriate enough to mitigate fraudulent financial reporting. It is therefore recommended that more workshops and seminars should be organized for GWCL staff by accounting bodies in line with best stand accounting procedure and practices.

TABLE OF CONTENTS

| | |
|-------------------------------------|----------|
| DECLARATION | ii |
| DEDICATION | iii |
| ACKNOWLEDGMENT | iv |
| ABSTRACT | v |
| TABLE OF CONTENTS | vi |
| LIST OF TABLES | xii |
| LIST OF FIGURES | xiii |
| | |
| CHAPTER ONE | 1 |
| INTRODUCTION..... | 1 |
| 1.0 Background of the Study | 1 |
| 1.1 Statement of the Problem | 4 |
| 1.2 Research Objectives | 4 |
| 1.2.1 General objective..... | 4 |
| 1.2.2 Specific objectives..... | 4 |
| 1.3 Research Question..... | 5 |
| 1.4 Justification of the Study..... | 5 |
| 1.5 Scope of the Study..... | 6 |
| 1.6 Limitations of the Study..... | 6 |
| 1.7 Organization of the Study. | 7 |

| | |
|---|----------|
| CHAPTER TWO | 8 |
| LITERATURE REVIEW | 8 |
| 2.0 Introduction | 8 |
| 2.1 Definitions of Accounting | 8 |
| 2.2 Accounting History and Reference | 9 |
| 2.3 Basic Accounting Concepts | 10 |
| 2.4 Accounting Procedures and Practices in Public Entities..... | 11 |
| 2.4 The Basic Accounting Cycle,..... | 12 |
| 2.5. Accounting Standards and International Financial Reporting Standards..... | 14 |
| 2.5.1 Background and Development | 14 |
| 2.5.2 Scope and Application | 16 |
| 2.6 Adoption of IFRS by Ghana..... | 16 |
| 2.6.1 Application of Regulatory Frameworks Governing Public Financial Management. | 17 |
| 2.7. The Developments of Public Sector Accounting | 17 |
| 2.7.1 Regional Grouping of Associations | 18 |
| 2.7.2 Consultative Committee of Accounting Bodies (CCAB) | 18 |
| 2.7.3 The Use of Exposure Draft (ED) and Letter of Intent (LOI) | 19 |
| 2.7.4 Setting Accounting Standards | 19 |
| 2.7.5 Training, Workshop and Seminars..... | 19 |
| 2.7.6 Information and Communication Technology (ICT) | 20 |
| 2.8 Review of Relevant Theories of Accounting Procedures and Practices | 20 |
| 2.8.1 Business Entity Assumptions (BEA) | 20 |
| 2.12.2 Going Concern Assumption (GCA)..... | 21 |
| 2.8.3 Stable Monetary Unit Assumption (SMUA)..... | 22 |

| | |
|--|-----------|
| 2.8.4 Accounting Period or Periodicity Assumption (PA)..... | 23 |
| 2.8.5 Other Theories of Accounting Procedures and Practices..... | 24 |
| 2.8.5.1 Parent Company Theory..... | 24 |
| 2.8.5.2 Entity Theory..... | 25 |
| 2.8.5.3 Traditional/Hybrid Theory | 26 |
| 2.8.5.4 Multiple Theories of Accounting Procedures and Practices | 27 |
| 2.9 Problems of Accounting Procedures and Practices in Public Entities | 28 |
| 2.9.1 Cultural Diversity | 28 |
| 2.9.2 Language Barrier or Linguistic logy | 28 |
| 2.9.3 Early practitioners were not research oriented..... | 29 |
| 2.9.4 Disagreements between academicians and practitioners | 29 |
| 2.9.5 Diversity and Complexity in government policies..... | 29 |
| 2.9.6 Judicial Application and Interpretation of Business Transactions | 30 |
| 2.9.7 Money as a unit of measure..... | 30 |
| 2.9.8 Non-Unification of Various Ideological taught by various Bodies..... | 30 |
| 2.9.9 Illiteracy | 31 |
| CHAPTER THREE | 32 |
| RESEARCH METHODOLOGY AND PROFILE OF GWCL..... | 32 |
| 3.0 Introduction | 32 |
| 3.1 Research Approach | 32 |
| 3.2 Research Design..... | 32 |
| 3.3 Sources of Data Collection..... | 33 |
| 3.4 Population..... | 33 |
| 3.5 Sample Size and Sampling Technique | 33 |

| | |
|---|-----------|
| 3.6 Methods of Primary Data Collection | 34 |
| 3.6.1 Conducting the Interview | 34 |
| 3.7 Data Analysis | 34 |
| 3.8 Ethical Considerations..... | 35 |
| 3.9.2 Historical Perspective..... | 36 |
| 3.9.3 Governance structure of Ghana Water Company Limited..... | 37 |
| CHAPTER FOUR..... | 38 |
| DATA ANALYSIS AND DISCUSSION OF RESULTS | 38 |
| 4. 0 Introduction | 38 |
| 4.1 Nature of Accounting Procedure and Practices Adopted by Ghana Water Company Limited..... | 38 |
| 4.1.1 Source Documents..... | 38 |
| 4.1.2 Procurement Requisition Form | 39 |
| 4.1.3 Invoices | 40 |
| 4.1.4 Local Purchasing Order (LPO) | 40 |
| 4.1.5 Payment Voucher (PV) | 41 |
| 4.1.6 Cheque Voucher | 41 |
| 4.1.6 Receipts | 41 |
| 4.1.2 Books for Records Keeping | 42 |
| 4.1.2.1 General Ledger..... | 42 |
| 4.1.2.2 Cash Book | 42 |
| 4.1.3 Internal Controls Systems for Records Keeping. | 43 |
| 4.1.3.1 Personnel | 44 |
| 4.1.3.2 Authorization Procedures | 45 |

| | |
|---|----|
| 4.1.3.3 Segregation of Duties | 46 |
| 4.1.3.4 Physical Restrictions | 46 |
| 4.1.3.5 Accounting and Arithmetic | 47 |
| 4.1.3.6 Organization | 47 |
| 4.1.3.7 Supervision..... | 48 |
| 4.1.3.8 Monitoring Operations | 49 |
| 4.1.4 The Role of the Internal Audit Department | 49 |
| 4.1.5 The Role of External Auditors | 50 |
| 4.2 Standards and Regulatory Frameworks Adopted and Applied By GWCL..... | 50 |
| 4.2.1 Compliance with the International Financial Reporting Standards (IFRS) | 50 |
| 4.2.2 Basis for Keeping Financial Records | 52 |
| 4.2.3 Compliance with the Applicable Regulations of the Laws of Ghana | 52 |
| 4.3 Challenges in Accounting Procedures and Practices | 53 |
| 4.3.1. Failure to Identify /Quantify all Material Risks | 53 |
| 4.3.2. Failure to Obtain Multi-level Management Commitment..... | 54 |
| 4.3.3. Failure to Integrate the Programme Among all Functions | 54 |
| 4.3.4. A Failure to Provide Mechanism to Incentivize Employees..... | 54 |
| 4.3.5. Failure to Monitor Effectiveness of Pprogramme..... | 55 |
| 4.3.6 Failure to Properly and Thoroughly Train Employees..... | 55 |
| 4.3.7 Failure to Report Violation | 56 |

| | |
|--|-----------|
| CHAPTER FIVE | 57 |
| SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS .. | 57 |
| 5.0 Introductions..... | 57 |
| 5.1 Summary of Findings | 57 |
| 5.1.1 Nature of Accounting Procedures and Practices | 57 |
| 5.1.2 Compliance to Best Standards..... | 57 |
| 5.1.2.1 Compliance with Applicable Financial Reporting Framework..... | 58 |
| 5.1.3 Challenges in Accounting Procedures and Practices | 59 |
| 5.2 Conclusion..... | 59 |
| 5.3 Recommendations of the Study | 60 |
| 5.3.1 Training, Workshop and Seminars..... | 60 |
| 5.3.2 Competencies of Personnel | 61 |
| 5.3.3 Information and Communication Technology (ICT) Implementations | 61 |
| 5.3.4 Improving Human Resources..... | 61 |
| 5.4 Further Research Studies..... | 62 |
| REFERENCE..... | 63 |
| APPENDICES | 68 |

LIST OF TABLES

| | |
|--|----|
| Table 4.1 Level of Knowledge in Manual System of Book Keeping | 44 |
| Table 4.2 Level of Requisite Knowledge of ICT for Computerized System of Bookkeeping. | 44 |
| Table 4.3 Working Experience of Staff | 48 |
| Table 4.4 Level of Knowledge of the Standards and Its Implementation | 51 |

LIST OF FIGURES

| | |
|--|----|
| Fig. 2.1: Accounting Cycle | 13 |
| Figure 4.1: A diagrammatic presentation of how source documents are chronologically Raised at Ghana water company limited. | 39 |
| Figure 4.2 Authorization Procedures of Transactions | 45 |
| Figure 4.3 Organizational Chart of the Accounts Department | 47 |
| Figure 4.4 Level of Supervision Relating to Working Experience..... | 49 |
| Figure 4.5 Requisites Professional Qualification (ICA, Accra) | 51 |

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

The issue of accountability and transparency remains resolutely important to governmental organizations as it is to the private sector. Accounting became serious from the time when corporations started emerging in the early 20th century even though for taxation purposes, hitherto, accounting had been practiced to some extent. For the separation between the owners and managers of enterprises, it became necessary that managers (agents) acted and reported their acts faithfully to the owners (principals) in order to maintain a tension free relationship between the two. Analogously, in the public sector, divergence between suppliers of monies (being taxpayers) and controllers of these resources (being the state and its organization) demands the same level of faithful reporting and accounting such that the taxpayer feels less burdened in honouring his tax liability.

For such accountability to prevail there must be strong accounting systems and procedures in place that would permit the public sector organizations to identify, record and report the effects of transactions and events executed by committing the state resources deployed to them. Admittedly and unfortunately such accounting procedures and practices, a component of internal controls, are usually found amiss given that many public sector organization officials in many countries especially the developing ones often are able to misappropriate state resources without being caught out or at least caught far later than desired. Even when accounting procedures and manuals exist, public sector entities have hardly developed these procedures to be so

comprehensive that they would allow them to stay desirably transparent. More so, these procedures are often not adhered to and practiced.

While the stake of corruption and fraudulent activities is increasingly high in the public sector, the sector continues to play many critical roles in national economies which causes it to control large proportion of the resources accruable in a country. Even in advanced regions such as the United States, the United Kingdom and European Union, the sector as at 2012 provides employment to at least 30%, 25% and 45% of the working age (Organization of Economic and Development – OECD, 2013) making it an important employer in the regions. Ultimately and incidentally, the sector receives and controls huge national assets, thus, rendering the issue of accountability and probity very critical. In particular, proper government accounting is required to ensure that state resources are properly kept and effectively, efficiently and economically utilized; that the state organization would be transparent and the performance of the organization and its workforce is properly assessed and evaluated.

In Ghana, public sector organizations are composed of the all Metropolitan, Municipal and District Assemblies (MMDAs); Ministries, Departments and Agencies (MDAs); government business enterprises and other state institutions (Mintah, 2011). Not different than other developing African economies, Ghana is considered as a country which many academics and practitioners claim to have deficient public sector accounting and financial management system and structure. In fact and rightly so, the prevailing underdevelopment of several economies has been partly caused and caused by the numerous deficiencies in the system required to allow for proper accounting and stewardship rendering (Rahaman and Lawrence, 2001). Large Ghanaian public organizations that are beneficiaries of foreign inflows and aids such the Volta River Authority, Ghana Water Company, Electricity Company of Ghana, among a lot more,

are alleged to have truncated disposition in their accounting functions as these tend to respect the transparency requirements of donors disproportionately to its commitment to account to the general populace whose monies substantially finance them. Perhaps this might be informed by the fact that donors usually specify these conditions of transparency (which they are able to enforce due to their ability and motivation) prior to disbursing monies to these organizations. Aside this, accounting for the rest of the resources remains a tussle to date. In particular, Ghana Water Company Limited has in recent past years and now come under serious criticisms for the disparate and erratic supply of water to its customers (Ghanaians). Almost invariably, the offered reason has been that the company lacks adequate resources to deliver up to customer's expectation. How close to right, if not untrue, it is for one to link this underperformance to acute "darkness into financial matters" which does not allow for efficient, effective and economical deployment of resources.

Just like private sector accounting, the procedures and practices adopted to account for the activities of public sector organizations in Ghana have been modelled after the Anglo-Saxon orientation (British-American style). While the quality and nature of accounting principles and standards followed in a country and entities are important, the personnel and other resources including computers, management support and supporting culture cannot be neglected if effective accounting procedures and practices are to be achieved. Thus, in this study, the effectiveness and robustness of accounting procedures and practices of Ghana Water Company Limited are construed within the context of their match with the global best practices (Western Accounting standards, principles and practices)

1.1 Statement of the Problem

Studies into accounting procedures and practices in public sector organizations have been enormous elsewhere. Whereas case study based evaluation of accounting systems offers the opportunity to obtain a broad-based appreciation of how accounting has evolved and been practiced to meet the specific philosophical stance of the single organization, it does have a limitation of not permitting inclusion of many subjects in the study. A single case study conducted by Rahaman and Lawrence (2001) into the deficiencies in the accounting procedures and practices at the Volta River Authority from three different lenses (technical, historical and sociological) revealed a lot of insights but many of such useful studies have not happened in Ghana.

This deficiency of literature on case study based examination into accounting procedures and practices of large Ghana public sector organization therefore informed this present study which sought to investigate into the accounting procedures and practices of a single large organization, Ghana Water Company Limited.

1.2 Research Objectives

1.2.1 General objective

The main objective of this research is to assess the accounting procedures and practices in the public sector organizations with Ghana water Company as a representative subject of inquiry.

1.2.2 Specific objectives

1. To identify the nature of accounting procedures and practice adopted by Ghana Water Company Limited
2. To assess whether the accounting procedures and practices meet best standards.

3. To find out any challenges faced by Ghana Water Company in its accounting procedures and practices.

1.3 Research Question

1. What is the nature of accounting procedures and practices adopted by Ghana Water Company Limited?
2. Do accounting procedures and practices of Ghana Water Company Limited meet best standards?
3. What are the challenges Ghana Water Company Limited faces in its accounting procedures and practices?

1.4 Justification of the Study.

Effective accounting procedures and practices help to ensure that there is effectiveness, efficiency and economy in the way resources are deployed. Therefore, the insights gained into the accounting procedures and practices of Ghana Water Company Limited will inform regulators such as the Public Utility Regulatory Commission (PURC) of Ghana and other overseeing bodies to act to strengthen the standard practices and fix flaws identified within the organization's accounting procedures and practices. By this way, Ghana Water Company Limited will at any time have in place good and accepted procedures and practices to account for its activities.

Again, the findings of this study will benefit other public sector organizations and their overseeing bodies to give deserved look into their accounting systems to ensure that they modelled in line with accepted standards.

The study will also provide early insights into the practical application of the IFRS by a large public sector organization. This will inform bodies such as the Parliament,

Public Accounts Committee, the Controller and Accountants General's Department, the Audit Service and the Institute of Chartered Accountants, Ghana (ICAG) to breathe out effective strategies that will permit proper implementation of globally acclaimed public sector version of the IFRS, the IPSAS.

Researchers stand to benefit from the findings of this research. The findings will set the premise and the ball rolling for future similar studies to be carried out on a higher organizational level of this same organization and other similar important public sector organizations.

1.5 Scope of the Study

Even though the research study was about assessing accounting procedures and practices at the Ghana Water Company Limited, the examination was limited to just a branch of the whole organization. This concentration nonetheless permitted to gain deeper insights into the issue and moreover, the branch in the Kumasi Metropolis seems large enough to see various dynamics of the issue across the whole organization.

1.6 Limitations of the Study

Conspicuously, for focusing on only one public sector organization and in fact just a single branch the study findings suffer external invalidity. Perhaps, a survey approach could have been followed to allow for such generalizability of the findings. However, a case study approach allowed me to gain deep understanding into the phenomenon in question by using triangulation of collection methods which would not be discernibly possible to do by picking several study cases. Such deep insight is the focal point of this study rather than picking superficial responses to pure questionnaire based study.

1.7 Organization of the Study.

The research is organized into five main sections. These are the introduction, literature review, methodology, the data analysis, and the conclusions and recommendations. The introduction captured the background of the study, the problem of the study, research objectives, justification, the scope of study, limitations of the study and organization of the study. The literature review is a review of the current literature that highlights the objectives of the research. The third chapter presented the choice of method, the research approach followed by the case study used in the research. Furthermore, a description of the method utilized throughout the empirical part was presented as well as a discussion on trustworthiness of the information gathered as well as the means of data analysis.

The fourth chapter denoted the empirical findings from the case study institution pursued by the information gathered from the interviewed. The chapter also showed the combination of the theories and the empirical findings in order to analyze and offer justifications to the questions at hand.

In the fifth chapter which was also the final chapter, was the sum up of all the output of the analysis and offer the readers with a comprehensive conclusion and recommendations. The conclusion is conducted with the objective to explore whether the purpose of this investigation was accomplished. Furthermore, recommendations for management and future studies were presented in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains finding of the review of secondary sources of data relating to the research topic. Information for the literature review was obtained from relevant articles, textbooks, journals, speeches, websites and other important sources of information. This chapter also contains the works that have been done by other researchers which were considered relevant for the subject of study. For the sake of clarity and flow of thought, this chapter highlights definitions, history and importance of accounting, its basic concepts, procedures and practices, accounting standards and international financial reporting standards, internal control system, as well as public sector organizations.

2.1 Definitions of Accounting

According to Wood and Sangster (2008), “accounting is the process of identifying, measuring and communicating economic information to permit informed judgment and decisions by the users of the information” The American Accounting Association (1996) also defines accounting as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of the information.

Accounting can also be define as, classifying and summarizing in significant manner and in terms of money, transactions and events which are in part at least of a financial character and interpreting the results thereof.” Accounting can also be defined as the practice and body of information concerned primarily with methods of recording

transactions, keeping financial records and performing internal audit, reporting and analyzing financial information to management, and advising on taxation matters.

In 1970, the Accounting Principle Board (APB) of America Institute of Certified Public Accountants (ACIPA) enumerated the functions of accounting to include the provision of quantitative information, primarily of financial nature, about the economic entities that is needed to be useful in making economic decisions.

Keiso and Weygand (2001) observed Accounting as;

1. The activities which provide financial information to assist make decisions regarding deployment and use of resources.
2. A descriptive or analytical discipline which defines, measures, classifies and summarizes data relating to economic transactions
3. An information system which collects and communicates economic information about an economic activity to a variety of concerned people.

2.2 Accounting History and Reference

Accounting is in an age of rapid transition. Its environment has undergone vast changes. Much of what is accepted as accounting today would not have been recognized as such as fifty years ago, and one may safely say that in fifty years time the subject will bear unlike semblance to what it is today in both social attitudes combined with devilment in information technology. Accounting as a process of record keeping and financial statement information preparation which involves procedures and practices has become an area of interest since the inception of the idea of corporate governance of both public and private organization. Accounting began because people needed to record business transactions, know if they were bringing financial success, and know how much money they owned and owed (Wood and

Sanger, 2008). Accounting developed in the fifteenth century and its genesis can be traced to Double Entry

Bookkeeping which is said to have been fashioned by Fra Luca Pacioli (About 1445-120), the multi-talented mathematician and philosopher of Vanice (Murkher Jee and Hanif, 2007). There is a evidence of accounting being practiced in a Egypt, China, India, Greece and Rome. The first national Institute of Chartered Accountants of Scotland was formed in 1854 and other national bodies emerge gradually throughout the world,while the first US National accounting body was in 1887. Ghana Institute of Chartered Accountants has also become part of this evolution as the regulator of accounting practice in the country. Accounting is a language of business and the main purpose of a language is for communication. It communicates the results of business operations to various parties in the business, that is. proprietor, creditors, investors, the government and other agencies (Mukherjee and Hanif, 2007). The resources available can also be accounted for through the same use of accounting.

2.3 Basic Accounting Concepts

There are certain procedures that an accountant should track while recording business transactions and preparing accounts. These are called accounting concepts. T (Dyckman, 1998). The four fundamental concepts are:

1. **Accrual Concept:** Revenue and expenses are taken into account and it is recorded immediately they occur but not when cash is paid or received.
2. **Consistency Concept:** Once an entity has chosen an accounting method, it becomes a policy and it should continue to use it for some period of time.
3. **Going concern:** It is expected that the business entity for which accounts are being prepared is solvent and viable and will continue to be in existence into the foreseeable future.

4. **Prudence concept;** Revenue are profit which are included in the balance sheet only when they are realized (or there is reasonable “certainty” of realizing them) but liabilities are included when there is a reasonable possibility of incurring them (Nobes and Parker, 2004).

According to Roger et al (1992), the establishment of accounting concepts is very important to the development of a theoretical framework for an organization.

2.4 Accounting Procedures and Practices in Public Entities

According to the Price Water House Coopers (2013), the term Public Sector refers to national governments, regional (e.g. state, provincial, territorial) government, local (e.g. city, and town) governments and related government entities (e.g., agencies, boards, commissions and enterprises). All public entities and NGOs other than government business enterprise qualify as a public entity to use International Public Sector Accounting Standards (IPSAS) issued by International Federation of Accountant’s International Public Sector Accounting Standards Board (IPSASB). Among the Government Business Enterprises (GBEs) include both trading enterprises, such as Ghana Water Company (GWC) Electricity Company of Ghana (ECG), and financial enterprises or institutions such as Ghana Commercial Bank, National Investment Bank, Agricultural Development Bank. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. Most GBEs have to comply with IFRS due to the regulatory requirements such as the Security and Exchange Commission (SEC), Bank of Ghana (BoG), (Price Water House Coopers, 2013).

Accounting procedures are the methods needed to put accounting concepts into practice sometimes taken to mean the concept themselves (Dyckman, 1998). Accounting procedures are used to prepare, present, and report the financial status of companies. Countries develop standardized procedures to enable companies to report their financial status in a way that useful to potential investor.

According to Roger et al (1992), accounting procedures are the process by which financial transactions are systematically placed in accounting records. They therefore categorize the procedures into recording transaction, classifying transaction, reporting transaction and interpreting report. This also categorized into three by Wood and Sangster (2008)

Accounting practices can also be referred to as day – to -day implementation of the accounting policies of an organization. Policies are specific principles applied by an entity in preparing and presenting financial statements (Greuning 2005). Accounting practices may vary among organizations. However, there are certain basic accounting practices which are relevant for proper record keeping in every organization.

2.4 The Basic Accounting Cycle,

Accounting cycle refers to the steps involved in the business activities during the period. The cycles refers to the arrangements of data as recorded and processed until financial statement stage. The cycle is depicted diagrammatically;

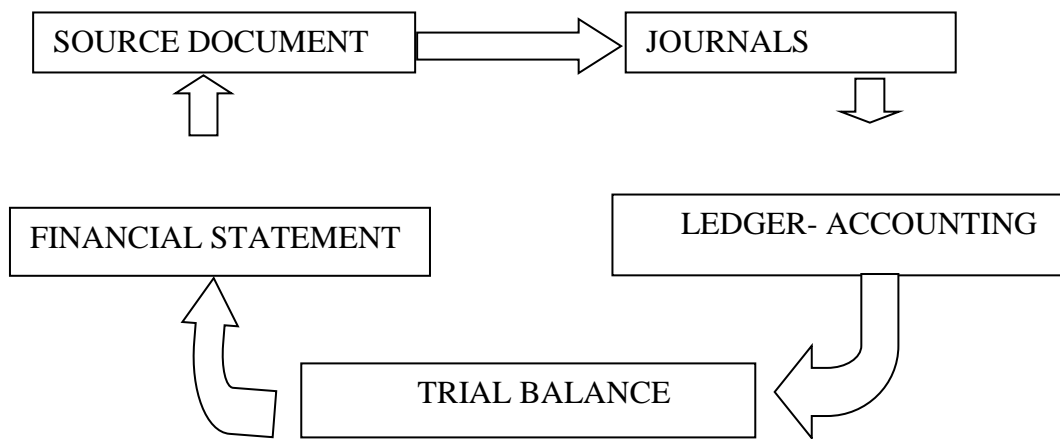


Fig. 2.1: Accounting Cycle

SOURCE; Accounting – basics for students.com

SOURCE DOCUMENTS: These are documents such as cash slips, invoices, and receipts that form the source of proof for a transaction. It is the first documents that relate to a transaction. These includes cheque counterfoils, Bank deposit slips and internet payment confirmation. However, according to Edward and Hermanson (2010), many companies now a days send and receive source documents electronically, rather than on paper. In such an electronic computer environment, source documents might exist only in the computer databases of the two parties involved in the transaction.

JOURNALS: These are chronological (data) records of transactions entered into by a business. They are that first basic entry of debit and credit for transaction.

LEDGER (T-ACCOUNT): This is a collective term for the accounts of a business. The accounts is in the shape of a “T” therefore referred to as “T” accounts.

TRIAL BALANCE: This is a sheet showing all the accounts of a business, drawn up as a trial (test) of whether the total of all the debit side balances are equal to the total

of credit side balances. The trial balance is prepared as a final check just before the financial statements are drawn up.

FINANCIAL STATEMENT: It is most important reports of a business. They are prepared from the data collected in the trial balance. And the main purpose is to show the financial position, general performance and cash flow statements of the business. They are prepared at the end of the year and consist of income statement, statement of changes in owner's equity, statement of financial position, cash flow statement and auditors report where necessary.

AUTHORISATION: Prior to authorizing a major purchase and periodically for routine purchases, the availability of budget appropriations should be verified. In an electronic system, application controls should be built into the software to prevent the approval of a requisition or the issuance of a purchase order if sufficient appropriations are not available. In other systems, the budget officer should be consulted to determine the availability of appropriations (DiNapoli, 2010).

Where practical, the approval to purchase goods or services should be authorized by personnel other than the employee requesting the purchase; the approval to purchase should also be segregated from the receiving of goods and services (DiNapoli, 2010).

2.5. Accounting Standards and International Financial Reporting Standards.

2.5.1 Background and Development

Accounting standards are authoritative statements of how particular types of transactions and other events should be reflected in the financial statements. Compliance with accounting standards will normally be necessary for financial statements to give a true and fair view (Journal of Accounting standards 1996/1997). Financial Reporting standards are rules that must be applied to all financial statements

in order to provide a true and fair view of the firm's financial position, and a standardized method of comparison with financial statements of the firm.

The term international reporting standard has both a narrow and broad meaning. Narrowly, IFRS refers to the new numbered series of pronouncement that the International Accounting Standards Board (IASB) is issuing, as distinct from the International Accounting Standards (IAS) issued by its predecessor, International Accounting Standards Committee (IASC). More broadly, IFRS refers to the entire body of IASB pronouncement, including standards and interpretations approved by the IASB and IAS and Standing Interpretation Committee (SIC) interpretations approved by the predecessor, IASC.

During the 1960s, the accountancy profession was under increasing pressure to impose standardized procedures upon its members to avoid inconsistencies between companies and to improve generally the quality and usefulness of the financial statement. As business developed, it became necessary for international financial reporting standards to be established to ensure comparability of results between firms in different countries. The IAS was therefore issued between 1973 and 2001 by the board of IASC.

Many of the standards forming part of IFRS are known by the older name of IAS. It is not surprising that anything that narrows the area of individuality available to accountants should be welcomed by users and preparers of accounts. This is not to say that the standards themselves have been untroubled by controversy; there have been and remain specific areas of difficulty. Despite these, however, SSAPS, IAS, and the more recent IFRS are likely to remain of benefit to users, preparers and auditors of accounting statements for many years to come.

2.5.2 Scope and Application

Accounting standards are applicable to financial statements of a reporting entity that are intended to give a true and fair view of its state of affairs at the balance sheet date and of its profit or loss for the financial period ending on that date.

Some of the scope and application deals with small firms and does not touch on every possible transactions or event to be reflected in the financial statement because the cost of complying with some standards exceeds the benefit to be derived from them. Others too are designed for all entities irrespective of size and this has resulted in the debate for differential reporting. For example, in Ghana, prior to the introduction of IFRS, the Ghana National Accounting Standards (GAS) has regulated the accounting processes.

2.6 Adoption of IFRS by Ghana

Because of technical difficulties, companies could not fully comply with International Financial Reporting Standard. In the year 2005, the Institute of Chartered Accountants Ghana became a member of the International Federation of Accountants (IFAC). And advised all member countries to adopt IFRS. This was proceeded by an earlier study by the World Bank on the Observance of Standards and Codes in Ghana. In that report, the World Bank recommended accounting reforms in order to boost investor confidence in line with the global trends of business. These two events largely triggered the adoption of IFRS in Ghana. Given their relatively small size to own accounting standards, it was necessary to wholly adopt IFRS without any delay. Unfortunately, it was rather too quick as compare to larger countries like Brazil, Russia, Nigeria, and India. There are 15 countries in Africa using the standard now, they includes, Ghana, Botswana, Egypt, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Sierra Leone, South Africa, Tanzania, Zimbabwe, Swaziland,

and Uganda. In West Africa Sub-Region, only Nigeria is currently making plans and consultations to adopt in 2016.

2.6.1 Application of Regulatory Frameworks Governing Public Financial Management.

The regulatory framework refers to the laws, regulations, Acts of parliament, Legislative Instrument, directives and circulars that govern and control the management of public funds or resources. Besides, there are departmental accounting instructional manuals that have been approved based on these enactments to assist in ensuring good financial management practices in the public sector.

The legal framework includes

1. The 1992 Constitution
2. The Financial Administrative Act(2003) ACT 654
3. The Financial Administrative Regulation (2004) LI, 1802
4. The Internal Revenue ACT.
5. Internal Audit Agency ACT 2003 (658)
6. Public Procurement ACT 2003 (ACT 663)
7. Any other regulation that parliament may enact from time to time

Every institution of the government is covered by laws and regulations. Laws are enabling acts but regulations which emanate from the law guide the day to day activities of the institutions (Institute of Chartered Accountants, Ghana, 2015).

2.7. The Developments of Public Sector Accounting

Accounting in recent years, has made significant impact on socio-economic and political development especially on recording, preparing, interpretation, auditing and management and investment. Other impacts include merger, acquisition, planning,

controlling, and storage of business operation. Above all, is the impact on the decision making process, (Remi, 2006).

2.7.1 Regional Grouping of Associations

Glautier and underdown (2001), observed that regional grouping of accounting associations indeed developed accounting principles, peculiar to their culture, religion, government policies, political and socio-economic environment. These were later absorbed into International Accounting Standards Committee work plan. This approach assured determination and comparability of profit, revenue, expenses, net assets, and liability internationally. Accounting bodies now regulate and ensure compliance to the application of GAAP, (Adeniyi, 2004).

2.7.2 Consultative Committee of Accounting Bodies (CCAB)

The institutional structure of accounting profession made possible the formation and amalgamation of various accounting bodies in 1965. By 1970, ICAEW formed an Accounting Standard Steering Committee (ASSC) now called Accounting Standards Committee (ASC). Early Committee members include; Institute of Chartered Accountants of Ireland (ICAI: 1970), Association of Chartered Certified Accountant, (ACCA, 1973) Institute of management Accountants, (ICMA, 1976) and the Chartered Institute of Public Finance and Accountancy (CIPFA: 1976). Others include Financial Accounting Standard Board (FASB); European Economic Community (EEC) now European Union (EU) Security and Exchange Commission (SEC), Financial Reporting Standard Board (FRSB). They were saddled with the responsibility of reviewing standards on Financial Accounting and reporting and to publish consultative documents on maintaining and advancing accounting standards. Also to propose to the councils the best statements of standard accounting practice. Consultation was usually made with representatives of finance, commerce, industry,

government and other persons concerned with financial reporting. This however, resulted to uniform accounting standards and practice all over the world, (Nwoko1990).

2.7.3 The Use of Exposure Draft (ED) and Letter of Intent (LOI)

Justification and application of (ED) and LOI said Mootze (1970) is to enable various professional associations and users of financial statements all over the world to first analyze the accounting implication and adopt a uniform position before the publication of Generally Accepted Accounting Principle (GAAP). This however, will encourage uniformity, comparability and convertibility of financial statement in different currencies across national boundaries, -Robert, (1999) and Adeniyi (2004).

2.7.4 Setting Accounting Standards

Postulates, assumptions, tenets, principles, rules, laws, and theories said Mootze, (1970), constitute the basis of practicing accounting. Violation of GAAP may result in qualifying the financial reports. Treatment of incomes, expenses, assets and liabilities, should adhere to the normal accounting standards. Otherwise there will be no basis of truth and fairness in the financial report (Robert, 1999). The concept of double entry or accounting equation ($A=C+L$) shows why trial balance or balance sheet must always balance, (Nwoko 1990).

2.7.5 Training, Workshop and Seminars

Institutions of higher learning in different regions have adopted the training programmes and researches for the development and improvement of accounting standards. This process is to ensure uniformity in the treatment of business transactions, (Stoner et al, 2002). Workshops and seminars are being organized in different regions by accounting bodies including governmental and non-governmental

organizations. The objective is to enlighten, educate and inform users on how to prepare credible financial statements, especially on transparency and public accountability. Nwoko (1988) did observe that continuous training and development have made great impact on public cost consciousness and accountability.

2.7.6 Information and Communication Technology (ICT)

Millichamp (1990) views accounting information as data processed from source documents. The source documents usually include receipts, vouchers, invoices, Local purchase order (LPO), cheques stubs and books of original entry which must be tested for proof of arithmetical accuracy (trial balance) for the preparation of final accounts, (trading and profit and loss account, balance sheet). Other information that are statutorily communicated to the users are": note to the accounts, auditors report, cash flow statement, value added statement and group accounts, produced either in hard copy or by electronic device. The Internet service or on-line system has made accounting reports to be produced and communicated on time to users with high degree of accuracy (Robert: et al 1990).

2.8 Review of Relevant Theories of Accounting Procedures and Practices

In preparation of Income Statements, there are underlining theories that are material in the structuring and determination of what is considered as Income. The theories of real income can be considered under the following four perspectives:

2.8.1 Business Entity Assumptions (BEA)

Husband (1954), contends that business can be separated from its owners and the environment in which it operates is necessary in order to set a boundary to the accounts. Only the transactions directly affecting the entity are recorded in financial statement. Omolehinwa (2003) also observed that the separate legal personality is

assumed as business has a right to acquire assets and incurs liabilities as distinct from its owners. The business has right to sue and be sued like any other person. Both agreed that it can sometimes be somewhat arbitrary, particularly for small and medium enterprises where the affairs of the owners and the businesses are often inextricably interwoven. This process would however give rise to distortion in real income determination, especially where information are not readily available about private expenses of the owners as distinct from the firms.

Early advice and proper accounting records will however eliminate the pending danger of not separating private expenses from business expenses. However, what Husband (1954) and Omolehinwa (2003) did not recognized was the inability of the court to imprison the entity as individual can be sentenced and imprisoned, except those who acting in that capacity.

2.12.2 Going Concern Assumption (GCA)

This means that in drawing up financial statements; the entity will continue to exist in its present form into the indefinite future (perpetuity) (Fremgen, 1968). It is further stresses by (Fremgen, 1986) that organization will continue to exist for life as far as the firm can meet its immediate and long term financial obligations. GCA, however ensure that assets should also be valued based on their economic useful life, cost, degree of usage and residual value for purpose of real income determination. The controversy to going concern assumption is that a firm could be compelled to go into liquidation if it cannot meet its short term and long term financial obligations as they fall due. Other reasons for a firm's liquidation may include:

- i . On litigation by creditors or by an order of the court.
- ii. Proclamation by the government

- iii. When the firm operates outside its memorandum and articles of associations.
(ultra vires)
- iv. When the activities of the firm are illegal, injurious to health and against the public policy
- v. On mutual agreement by the owner and stake holders.
- vi. On completion of a particular venture or contract and;
- vii. By an act of God (disasters, death etc)

2.8.3 Stable Monetary Unit Assumption (SMUA)

It states that the value of the monetary unit used in drawing up the financial statements is constant over time. The validity of this assumption is somewhat questionable (Fisher, 1980). Its existence is apparently based on the additive nature of accounting data. Within a set of accounts all the numbers that are capable of addition and subtraction exist. It is clear that even among infant school arithmetic, it is not possible to add or subtract unlike terms or items and get a meaningful result like two elephants, five apples, and ten motor vans do not make a meaningful quantity of seventeen (Fisher 1980). The assumption however is that money values of property, plant and machinery, stock, debtors and cash obtained at different times are summed up in a balance sheet; which are identical, even though the transactions may have taken place at different times. The stability assumption also overlooks the purchasing power of money which is constantly changing due to inflation and other factors, (Buckmaster, and Brooks, 1974). This assumption also negates the time value of money, as it erroneously, compares N200.00 profit in 1980 with N200.00 profit in 2013, especially when interpreting the financial statement over two decades. It is however, glaring to note that the value of a firm's profit for different accounting periods cannot claim to be the same because of the presence of inflation or changes in

purchasing power or price level changes. Generally, the rate of inflation can be used as yardstick to determine the appropriate rate for cost of capital. The use of appropriate accounting index could restate and resolve the differences between the accounts prepared under Historical Cost Accounting (HCA), with the Current Purchasing Power Accounting (CPPA).

2.8.4 Accounting Period or Periodicity Assumption (PA) believes that the continuum of time can be subdivided into a number of discrete time periods (accounting periods) (British Institute of Management Information (BIMI, 1984). According to Keynes (1980), in the long run we are all "dead", implies that the net income of a firm prepared under this assumption (discrete time period), may not after all be realistic because of the presence of inflation and changes in price level. He asserts that the net profit usually has the components of unrealized profit or uncollectible realized revenue that may eventually go bad in the form of bad debts. The provision for losses may however not cover the total debtors during the accounting period. Similarly, the fundamental problem, be it in the short or long run, is the method of stock valuation. Stock valuation could be based on full cost or marginal cost, straight-line or declining method, especially when the firm is operating either at full-capacity or under capacity. Where there is under-capacity utilization the absorption rate is likely to be high if the depreciable amount is always high, it reduces the profit figure in the financial statements, vice-versa.

2.8.5 Other Theories of Accounting Procedures and Practices

2.8.5.1 Parent Company Theory

This theory assumes that consolidated financial statements are an extension of parent company statements and should be prepared from the viewpoint of the parent company stockholders (Beams, et al, 2009). Advocates of this theory believe that consolidated financial statements do not provide any value to the non-controlling stockholders of the acquired subsidiary. The parent company theory has unique characteristics in the way certain elements of the consolidated financial statements are disclosed when a non-controlling interest is present. When net income for the consolidated entity is reported, the parent company theory only takes into account the parent company's share of subsidiary income. If a non-controlling interest exists, the non-controlling interest share of net income is deemed to be an expense. The non-controlling interest in the subsidiary is reported as a liability on the consolidated financial statements. Unrealized gains and losses from upstream sales are eliminated to the extent of the parent company's ownership percentage in the subsidiary (Davis and Largay, 2008).

While this theory may be appropriate to use when the parent company acquires 100% of the subsidiary, the information it provides loses relevance when a non-controlling interest is present. First, shareholder interests, whether controlling or non-controlling, are not liabilities under any of the accepted concepts of a liability, and income to shareholders does not meet the requirements for expense recognition. Another weakness is that the amount of acquired assets and liabilities reported in the consolidated financial statements falls short of fair value reporting. Although this approach reflects the cost principle from the viewpoint of the parent company, it leads to inconsistent treatment of controlling and non-controlling interests in the

consolidated financial statements and to a balance sheet valuation that reflects neither historical cost nor fair value. Two other theories sought to improve on these weaknesses as accounting applications of the acquisition method of business combinations evolved (Chen and Chen, 2009).

2.8.5.2 Entity Theory

The entity theory differs from the parent-company theory in that the consolidated financial statements prepared under this approach take into account the total entity created by the parent company and the subsidiary. This theory creates consolidated financial statements that will provide value to various groups including the parent company shareholders, non-controlling shareholders of the subsidiary, and creditors. Under the entity theory, the controlling shareholders, non-controlling shareholders, and consolidated entity are considered equal, with no preference or emphasis given to group (Beams, et al, 2009).

The reporting of consolidated net income under the entity theory includes total net income of the parent company and the subsidiary and then allocates the controlling and non-controlling share of subsidiary net income accordingly. The non-controlling interest in the subsidiary is designated by a separate line item in the stockholders' equity section of the consolidated balance sheet. In the case of unrealized gains and losses from upstream sales, the total unrealized gain or loss is eliminated. The amount eliminated is then assigned to income to non-controlling and controlling stockholders according to their respective ownership percentages (Walsh, 2006-7).

There are additional differences between the parent company theory and the entity theory in the manner in which assets of the subsidiary are valued. The entity theory consolidates subsidiary assets and liabilities at their fair values, and it accounts for the controlling and non-controlling interests in those net assets consistently. The fair

value of the subsidiary's assets is derived from the purchase price paid for a given percentage of ownership in the subsidiary (Walsh, 2006-7).

2.8.5.3 Traditional/Hybrid Theory

The traditional theory of consolidation incorporates characteristics of the parent company theory and the contemporary/entity theory. The consolidated statements prepared using the traditional theory are intended to benefit the parent company shareholders, as is the case with the parent company theory, and a wider audience that includes the parent company's creditors. However, the non-controlling interest of the subsidiary that is highlighted by the entity theory is still lost (Beams, et al, 2009).

The traditional theory improves on the parent company theory's accounting for the non-controlling interest. While the traditional theory calculates consolidated net income using a similar process as used in the parent company theory, it avoids reporting the non-controlling interest as an expense and a liability. The preferred accounting practices under traditional theory report non-controlling interest as a reduction of consolidated net income and an increase to equity that is essentially a wash to overall equity (Davis and Largay, 2008).

The traditional theory also implements characteristics of both parent company theory and entity theory in its approach to valuing assets of the acquired subsidiary and the elimination of unrealized gains and losses from upstream sales. When the assets of the acquired subsidiary are consolidated, the traditional theory follows the same process as the parent company theory and consolidates subsidiary assets at their book values, plus the parent company's share of any excess fair value over book values. However, elimination of unrealized gains and losses arising from upstream sales under the traditional theory follows a process similar to that used under the entity theory (Chen and Chen, 2009).

2.8.5.4 Multiple Theories of Accounting Procedures and Practices

The primary reason why multiple theories of consolidation have evolved is due to the nature of identifying the appropriate audience for the consolidated financial statements. There are those who believe that the consolidated financial statement should benefit the parent company shareholders only and the parent company theory of consolidation caters to this group. In contrast, the entity theory acknowledges a broader group of financial statement users including creditors, non-controlling interests, and the parent company shareholders. The traditional theory scales back the financial statement audience to emphasize the parent company shareholders and creditors. Among the multiple theories of consolidation, the entity theory is the only approach that emphasizes non-controlling interests.

With the issuance of FAS 160 conveying the importance of reporting the non-controlling interest in a business combination, the entity theory of consolidation has become the standard for reporting business combinations under the acquisition method. Both FAS 141R and FAS 160 require a number of complex measurements and disclosures related to the reporting of a non-controlling interest in a subsidiary including: (1) ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within the equity section; and (2) the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated statement of income. To combat the complexities of these measurements, push-down accounting procedures were developed and are described in the next section (Rosen and Grossman, 1998).

2.9 Problems of Accounting Procedures and Practices in Public Entities

No system in the world may lay claims to be absolutely watertight. Accounting as a system is not an exception (Robert, et al, 1990). Though accounting grows homogenously with socio-economic and political development, it however encountered some endemic perils, which similar professions indeed encountered. Some of these perils include:

2.9.1 Cultural Diversity

Stoner, et. al (2002), observed that culture is an implicit factor to the organizational and work force development. The integration of different cultures and ideological taught to form a common force in establishing international accounting standards worldwide took centuries to materialize. Today the situation is however not too different as cultural imperialism on developing nations by the advanced nations had effects on early accounting development. Some religions especially Islamic religion does not encourage interest payment on loans and advances which however negates business ethics of capital growth and appreciation or increase in business income, (Robert et al1990).

2.9.2 Language Barrier or Linguistic logy

The major drawback in early accounting development was the medium of expression and communication apparatus. Language barriers, among nations prevented early good intentions to stimulate and form a body charged with the responsibilities of formulating accounting principles, training and research. The method of communication was crude and mostly by letters which were virtually absent in developing countries (Akanni, 1988).

2.9.3 Early practitioners were not research oriented

The early accounting practitioners were not research orientated. And those who lay claims on research did not find it easy after all as materials and sources of inspiration were difficult to obtain, (Benjamin, 1990). Generally, their level of education, and the so-called accountants at that time had no broad accounting knowledge. Even in the 21st century, most people especially in the banking, insurance and public sector organizations were often called accountants, even when they have no accounting background. This indeed limits their research capability and ability to formulate accounting principles Pyle, et al, 1980).The situation at that time suggests that workers are judged by their ability and not by their disability.

2.9.4 Disagreements between academicians and practitioners

The superiority complex among practitioners and academic accountants did not timely restore peace and unity to encourage early development and growth in the accounting profession. The superiority complex according to Anao (1996), has not been entirely written off even in the 21st century. The two bodies that should have integrated their ideas and focus on developing the best accounting practice, have no early unified objectives.

2.9.5 Diversity and Complexity in government policies

The status-quo of independence immunity of sovereign nations determines the nature, scope and application of accounting systems peculiar and suitable for its socio-economic and political environment, (Glautier, and underdown 2001). It is however possible that those sovereign nations in line with their cultures, do formulate, design, and implement accounting systems which have less reference to other nations and such accounting systems will be void of international comparison. This is further

aggravated by instability in monetary units and changes in socio-political economy, (Mootze 1970).

2.9.6 Judicial Application and Interpretation of Business Transactions

Environmental factors, culture, religion and political power had a great influence on the interpretations and treatment of business transactions among nations. Prior to a decided case by Justice Joyce in 1904 in *Garner V. Murray*, solvent partners share deficiency in capital in proportion to their profit sharing ratio. However Justice Joyce inversed the old rules in favour of the proportion of capital contribution by solvent partners. He argued that capital loss does not excavate from ordinary business operations, but from equity, (Paul, 1985).

2.9.7 Money as a unit of measure

According to Millicham (1990), translation of foreign subsidiaries (with different monetary unit into parent company which is based on exchange rate estimates and the magnitude of inflation over time, makes the international comparability of financial statements between two accounting periods very difficult. However in accounting, money is the only unit of measure, and naira amount exchange for dollar or pound sterling may not have the same value over time. The instability in exchange rate or monetary unit is however more common in developing countries. Even within the same country, the monetary unit remains unstable.

2.9.8 Non-Unification of Various Ideological taught by various Bodies

Nwoko (1988) observed that accounting bodies formed in different countries with different or similar objectives have been influenced by their indigenous cultures, socio-economic needs, political environments, incessant change in government policies and programmes. An attempt to unify these ideological thought into a united

whole could result in a Herculean task to publish a complete document on accounting theory, (American Accounting Association (AAA, 1936)

2.9.9 Illiteracy

Before Lucas Pacioli, published his first book on double entry in 1494 there was hardly a system designed specifically for training and research in accounting. This period of "Dark Age" culminated into absolute ignorance and lack of statistical data towards early accounting development. Today, the situation is however different only to the extent to which we appreciate the presence of science and information technology, (Mootze, 1983).

CHAPTER THREE

RESEARCH METHODOLOGY AND PROFILE OF GWCL

3.0 Introduction

This chapter describes the methodology that was used to conduct the research work. The methodology was designed to enable the researcher achieve his objectives. The chapter discusses the research approach, research methods, research design and data collection methods amongst others. Moreover, the chapter present a brief profile of Ghana Water Company Limited (GWCL).

3.1 Research Approach

The concern of research approach is about answering the research questions regarding the way in which data will be collected (Saunders et al; 2002), Abdicative approach that has a link with research methods to answer the research questions. The researcher started with the theory about accounting procedures and practices, accounting standards (IFRS) and public sector organization. On the basis of these theories the researcher developed a theoretical framework which helped in development of the interview gude. Analysis of empirical findings was tested against the theoretical framework and on the basis of this; conclusion regarding this study was derived.

3.2 Research Design

There are five (5) different types of research designs namely, experimental, cross sectional, longitudinal, comparative designs and case study (Bryman and Bell, 2007 p39). Case study was adopted in this study. A case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context are not clearly evident (Yin,

2003 p.13). This study entailed the details and intensive analysis of a single case- which is how Bryman (2004) defines case study.

The case study falls into the category of what Bryman (2004) calls “an exemplifying case”. Such a case is chosen because it provides answers to certain questions and able to fit certain extreme conditions. Such a case allows key social processes to be examined.

3.3 Sources of Data Collection

Primary data were collected through the use of in depth interviews. Secondary data were also sourced through publications, and company’s annual reports.

3.4 Population

A population refers to the total collection of all cases in which the researcher is interested. This study focused on staff of Ghana Water Company Limited in the Kumasi Metropolis.

3.5 Sample Size and Sampling Technique

The researcher selected the 14 officers of the accounts and internal audit department of Ghana Water Company Limited to represent the sample. These respondents were considered because of the technical knowledge and good number of experience they possess. This sample was selected based on convenience (convenience sampling technique). The reason for the choice of technique is largely due to the interest of the researcher as well as time constraint as this research is time bound.

3.6 Methods of Primary Data Collection

3.6.1 Conducting the Interview

The researcher conducted face-to-face interview with respondents in the GWCL with the use of interview guide. Interviews provide the researcher with the case of producing a list of questions on specific topics, which are formulated into an interview guide (Bryman and Bell, 2007) in face-to-face interviews, the exactness of understanding each other and the doubts raised from the responses in the questionnaires can be clarified instantly.

Non-verbal gestures in face-to-face interview provide the clues about the comfort and understanding of the questions by the respondents, on the basis of which the questions can be rephrased, skipped or less emphasized. Similarly, the researcher intentionally repeated questions to ensure respondents gave a true opinion of the question being asked and also to seek clarification on initial responses. The interview guide which was used for the interview is attached in the appendix section of the thesis.

3.7 Data Analysis

In order to draw meaningful, valid and reliable conclusions and make relevant recommendations, qualitative research analysis was employed in the study. Explanations and meanings were constructed from the data collected using descriptive, inferential statistics and rationalizations. For the descriptive aspect, frequency and percentages were used. Also graphical representations in the form of Bar Charts were used to help in exploring more into data collected on Accounting Procedures and Practices at Ghana Water Company Limited.

3.8 Ethical Considerations

Ethics are usually defined as codes and conducts which every researcher should follow in his research. Ethical considerations are linked with norms, values and corporate social responsibilities. As the research uses qualitative research approach as well as primary data collection instruments, it is the responsibility of the researcher to maintain high ethical standards throughout the study. Ethical issues cannot be ignored because they relate directly to the integrity of the research (Bryman and Bell, 2007) and it is a way to do the work honestly and responsibly.

Various literature used in the study have been duly referenced to avoid plagiarism. In addition, all four areas of ethical principles classified by Diener and Grandall (as cited by Bryman and Bell, 2007) were taken into consideration; harm to participants, lack of informed consent, invasion of privacy and deception). All these four unethical factors were avoided in the study. Respondents were provided with all kinds of confidentiality concerns. The researcher fully agrees with Bryman and Bell's (2007) view that in business research it is desired that researchers are aware of the ethical issues and concerns involved so they can make knowledgeable decisions.

3.9 Profile of Ghana Water Company Limited

3.9.1 Introduction

Ghana Water Company Limited, by structure, is a public corporation and belongs to the second group of public commercial organizations which are limited liability companies. By way of funding, it is part of the public sector organizations that are partly financed from the charges on the services they render. Thus, it meets bulk of its expenditure from the charges on services it renders and has to resort to subsidies from public funds to meet remaining expenditure.

3.9.2 Historical Perspective

Public water supply systems in Ghana, then Gold Coast, was established in Accra just before World War I. This was extended to other urban areas, including Cape Coast, Winneba and Kumasi in the 1920s. During this period the water supply systems were managed by the Hydraulic Division of Public Works Department and later extended to include the planning and development of water supply systems in other parts of the country.

Immediately after 1957, Water Supply in Kumasi was opened under the ministry of Works and Housing with responsibilities for both urban and rural water supplies. During the dry seasons of 1959, there was a severe water crisis in the country. An agreement was signed between the Government of Ghana and World Health Organization (WHO) for a study to be conducted into the water sector development of the country. The study was on the organization of a national water and sewerage authority and methods of financing. It was also to recommend the preparation of a master plan for water supply and sewerage services in Accra-Tema, in between 1960-1980.

Therefore Ghana Water and Sewerage Corporation (GWSC) were to be responsible for:

- a. Continue supply of water and sanitation in urban and rural areas
- b. The conduct of research on water and sewerage as well as the making of engineering survey and plans
- c. The construction and operation of water and sewerage works
- d. The setting of standards and prices and collection of revenues

Pursuant to the statutory corporations (conversion to companies) Act 461 of 1993 as amended by LI 1648, on 1st July 1999, GWSC was converted into a 100% state owned limited liability, Ghana Water Company Limited (GWCL), with the responsibility for urban water supply.

In the framework of the urban water project, since October 2006, the private operator-Aqua Vitens Rand Limited (AVRL) was contracted to support GWCL under a five year management contract to improve its performance and rehabilitation to extend the infrastructure. The AVRL are to be in charge of meter installation, customer billing and revenue collection-aimed at ensuring quality service delivery.

3.9.3 Governance structure of Ghana Water Company Limited

All policies which are supposed to be implemented by Ghana water is the sole responsibility of the ministry of Water Resources and Works and Housing, They solicit funds from external support agencies and coordinating sector investment plans. Based on the ministry directives, GWCL is governed by an eight-member Board who supervises the overall responsibility for setting the sectoral policies and control of corporate programmes.

The daily activities of the company is the sole prerogative of the Managing Director and deputy Managing Director who are assisted by Chief Managers at the Head office.

Chief Managers are also in charge for the various departments including Project Planning and Development, Operations and Asset Monitoring, Human Resources and Administrative Services, Legal Services, Project management Unit, Corporate Planning and Information Communication Technology, Finance and Monitoring, Internal Control, Special Duties and Public Relations.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter of the study presents the results of the field study undertaken to find answers to the study's proposed research questions. The various analytical tools and statistical procedures employed in analysing data collected are detailed in this chapter. The findings of the study are also discussed in light of the objectives of the study and relevant literature. The main sections of the chapter include: Nature of Accounting Procedures and Practices, Compliance to Best Standard and the Challenges in Accounting Procedures and Practices.

4.1 Nature of Accounting Procedure and Practices Adopted by Ghana Water Company Limited

As a key objective of the study, the researcher was interested in finding the accounting procedures and practices adopted by the Ghana Water Company. In line with literature (e.g. Roger et al., 1992), supply chain integration (SCI) was conceived as a three dimensional construct: i.e. supplier integration, internal integration, and customer integration (Dyckman, 1992). In carrying out this assessment, the measures employed were adapted from Edward and Hermanson (2010).

4.1.1 Source Documents

Source documents used by the Ghana Water Company are those documents from which books are initially prepared. Outlined below are the respective source documents used by the accounts department of Ghana Water Company for record keeping and this is in consistent with Millichamp (1990). The source documents which are is diagrammatically presented as follows:

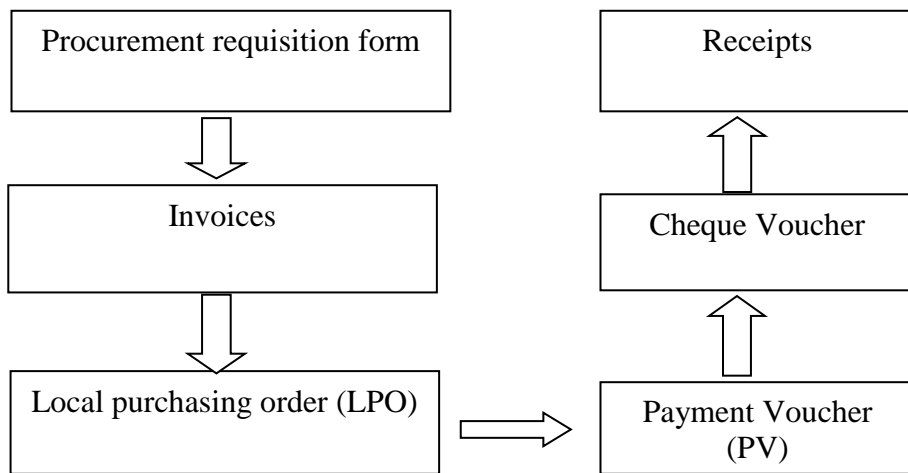


Figure 4.1: A diagrammatic presentation of how source documents are chronologically Raised at Ghana water company limited.

Source: researcher's construction, 2015

4.1.2 Procurement Requisition Form

The procurement requisition form, as a source document and accounting procedure and practice in Ghana Water Company is used to raise requisition for items. This form has to be prepared by the heads of those user units in need of those items. This pre-supposes that each department be it accounts or otherwise, when in need of items or stock, need to prepare the procurement requisition form for the perusal of the appropriate authority. The procurement requisition form, as part of its feature, has the full particulars of the items needed in terms of the description, quality, purpose and the date. Also procurement requisition form has three signatories. These are the signatures of the originating officer that is head of the user unit, the financial manager and the chief manager. Through this form, invoices are raised and local purchasing order is prepared

4.1.3 Invoices

Invoices are also used by the Water Company as source documents and accounting procedure and practices for preparation of accounts and financial statements which is consistent with Millichamp (1990). The invoice used here are no different from the ones generally used by private and other organization. The features of the invoice are the addresses of the parties of the transaction, the quoted prices of the items (in figures and words) and the quantity. The invoices are purchase and sales invoices which is in the form of bills (water bills) issued to customers on monthly basis for the consumption of treated water. With regards to purchasing invoices, a purchase committee set up by management produces three (3) invoices with the lowest selected to prepare a local purchasing order. This is done to create value for money.

4.1.4 Local Purchasing Order (LPO)

The local purchasing order is a document intended for the purpose of procuring goods and services for the Water Company. Before purchasing order is issued, a purchase committee, based on the procurement requisition form raises three quotations with the lowest quotation chosen to create value for the money. With this quotation the local purchasing order is prepared and issued to the suppliers.

This serves as a guarantee to the supplier that the invoices which will accompany the goods and services will be paid. For safety purposes, and to prevent fraudulent transactions, the amount to the purchasing order is stated in figures and in words, to make it difficult to make changes to the amount stated. After the preparation of the purchasing order, the chief manager and the financial manager has to append their signatures before the issuance of the purchasing order triplicates copies are prepared. One to the supplier, one to the store-keeper and the original is sent to the account

department. Based on the local purchasing orders a payment voucher is prepared as a way of accounting procedure and practice.

4.1.5 Payment Voucher (PV)

A payment voucher is a document issued by government officials to gain authority to make disbursement from the public fund (Abraham et al 2011) Ghana Water Company Limited as their accounting procedure and practice uses the PV as a source document and this is attached to the local purchasing order and the invoice to be pre-audited by the internal audit department before further approval is made by the chief manager and the finance manager. Authority governing payment, full particulars of the transaction, amount to be paid, written in both figures and words, the address of the parties involved, and other specific details as may be required are the typical information contained on the PV and it conformed to the work of Edward and Hermanson (2010).

4.1.6 Cheque Voucher

The cheque voucher is the source document used in Ghana Water as an accounting procedure and practice in the issuance of cheques for payments based on the PV. This voucher is authorized by the originating officer (head of the user unit), chief manager and the financial manager for payment to be effected. It shows information such as the names and signatures of the originating officer, the chief manager and the finance manager, the amount in words as well as in figures.

4.1.6 Receipts

Receipts are collected for each and every payment made and are issued for revenues received. As with any other receipt, the amount is stated in words and figures signed and stamped by the issuing officer, sequentially numbered and an explanation of the

transaction the original receipt is given to payer and a duplicate is kept with the cashier. Just as any organization either public or private uses source documents as the underlying records for the preparation of accounts and financial statements, Ghana Water Company is of no exception.

4.1.2 Books for Records Keeping

The company is in the process of migrating from the manual system of book-keeping to the computerized system. To this effect, the various accounts which were previously in use during the manual regime has now been charted and codified into schedules on the computerized system. These schedules are basically under the headings; expenditure, financial assistance, other income and accruals with appropriate sub-headings.

The system has not been fully computerized and hence the company, by way of manual book-keeping, keeps two principal books; the general ledger and cash book.

4.1.2.1 General Ledger

The general ledger, serves as a control of the codes of the schedule contained in the computerized system. By so doing the general ledger doubles as a control account. The general ledger is detailed for the various cost centers and transactions pertaining to these cost centers are contained therein.

4.1.2.2 Cash Book

This book is maintained by the cashier of the company as part of their accounting procedures and practice. For every entry made in the cash book there must be a proper voucher. When money is received generally a printed receipt is issued to the payer but the copy is reserved by the cashier.

The copies of the receipts are called debit vouchers and they support the entries appearing on the debit side of the cash book. Similarly when payment is made a receipt is obtained from the payer. These receipts are known as credit vouchers. All the debit and credit vouchers are consecutively numbered. For ready reference, the numbers of the vouchers are noted against the respective entries. A column is provided on either side of the cash book for this purpose.

Even though the cash book is for cash transactions, a column is created for bank. This is purposely for issuing of cheques. At the end of the month the cash column of the cash book is reconciled with the bank statement. Reconciliation is also done between the manual and computerized system and the financial statements prepared from the balances thereof. The company prepares financial statement on monthly basis.

4.1.3 Internal Controls Systems for Records Keeping.

Ghana Water Company has an internal control system not just for only records keeping, but also for operational and management functions as part of their accounting procedures and practices. These systems are overseen by an independent internal Audit department. Having an independent internal audit function ensures that Ghana Water Company limited design, implement and evaluate an effective internal control system to monitor the overall business operation of the company and this form part of the company accounting procedures and practices. It has already been revealed as per the Kensas University (2003) that there are eight major components of internal control. The researcher chose to use this theory because it is more tailored to the control needs of record keeping. An analysis of the internal control system with regards to record keeping of Ghana Water Company Limited is discussed below.

4.1.3.1 Personnel

Table 4.1 Level of Knowledge in Manual System of Book Keeping

| Level of Knowledge | Account Department | | Internal Audit Department | | Total | |
|--------------------|--------------------|-------|---------------------------|------|-------|-------|
| | Count | % | Count | % | Count | % |
| Very high | 4 | 66.67 | 3 | 62.5 | 9 | 64.29 |
| High | 1 | 16.67 | 5 | 37.5 | 4 | 28.57 |
| Medium | 1 | 16.67 | - | - | 1 | 7.14 |
| Low | - | - | - | - | - | - |
| Very low | - | - | - | - | - | - |
| Total | 6 | 100 | 8 | 100 | 14 | 100 |

Source: researcher construction 2015.

As can be seen from table 4.1, almost all of the staff from each department is abreast to the manual system of bookkeeping with 64.29% of the total respondents having high knowledge of the manual system. 35.71% of the respondents indicated a medium to high level of knowledge. This means that Ghana Water Company may not be able to produce their accounting reports and communicate on time to the end users with high degree of accuracy (Robert: et al 1990). This cut across most of the public entities which are mostly Government Business Enterprises (GBEs) (Price Water House Coopers, 2013).

Table 4.2 Level of Requisite Knowledge of ICT for Computerized System of Bookkeeping.

| Level of Knowledge | Account Department | | Internal Audit Department | | Total | |
|--------------------|--------------------|-------|---------------------------|------|-------|-------|
| | Count | % | Count | % | Count | % |
| Very high | - | - | - | - | - | - |
| High | 1 | 16.67 | 2 | 25 | 3 | 21.43 |
| Medium | 1 | 16.67 | 1 | 12.5 | 2 | 14.28 |
| Low | 3 | 50. | 3 | 37.5 | 6 | 42.86 |
| Very | 1 | 16.67 | 2 | 25 | 3 | 21.43 |
| Total | 6 | 100 | 8 | 100 | 14 | 100 |

Source researcher's construction.

For Table 4.2, 64.29% of the total respondents indicated a very low level of requisite knowledge of ICT for the computerized system of bookkeeping. The remaining few of the respondents (35.71%) had a medium to high level of knowledge while none had very high level of knowledge and this is a contrary assertion to the work done by Edward and Hermanson,(2010).

The personnel at the accounts and internal audit department as part of their accounting procedures and practices had the requisite capabilities commensurate with their responsibilities in terms of the manual system. Both with reference to the computerized system, their competences leave a cost to be desired (Robert: et al 1990).

4.1.3.2 Authorization Procedures

The research established that all categories of transactions undertaken by the Ghana Water Company Limited by way of their accounting procedures and practices, whether routine or one off are authorized by the chief manager and the financial manager and in most cases the heads of the user units also authorize transactions. Pre-audits are also done before payments are made. This is done on daily basis. The authorization procedure of the company is preserved diagrammatically below in figure 4.2

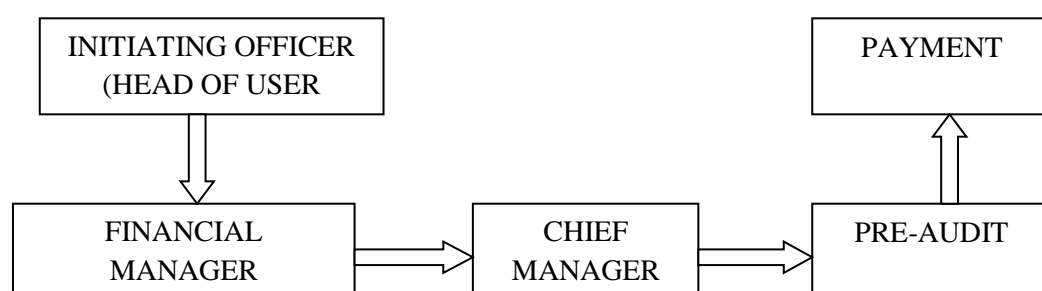


Figure 4.2 Authorization Procedures of Transactions

Source: researcher's construction. 2015

4.1.3.3 Segregation of Duties

In the case of Ghana Water Company limited, the researcher established that the duties performed by personnel at the accounts department are highly segregated in their bid of establishing best accounting procedures and practices. A separate officer authorizes (in this case the finance manager) the transactions, another records the transaction (accounts officers) and yet another keeps custody of the assets arising from the transactions (cashier) and any other details emanating thereof. This is an important component of the internal controls as it ensures that no one person has the opportunity to influence the financial records in any fraudulent manner and as such is consistent with DiNapoli, (2010).

4.1.3.4 Physical Restrictions

In terms of physical restriction to source documents and books of the manual system, there is an unrestricted access to these books and documents by staff of both the accounts and internal audit department even though these are stored in files in the store room. This as asserted by the internal auditors is to allow easy access to the documents and books as the need may arise in order for these staff to put up best accounting procedures and practices in the Ghana Water Company and is in line with Dyckman, (1998).

With regards to the computerized system, individual passwords are used to restrict access to and retrieval of information, especially at the higher levels of the departmental structure. Furthermore, individuals have passwords to restrict access to their personal computers on which financial data is contained.

Relating to physical restrictions to the assets arising from transactions, in this case, cash, there is a safe in the cashier's office where cash is held. The locking system of

this safe is based on password and this password is known to the chief manager only who randomly changes it from time to time.

4.1.3.5 Accounting and Arithmetic

It was revealed that from the initiation of transactions to the time of final approval for payments or otherwise, many checks and balances are in place to ascertain the arithmetic accuracy as well as the procedural authenticity of all transactions. The internal audit department pre-audits each and every transaction including all the necessary documents attached to check the arithmetic accuracy and completeness of the transaction before final payment or otherwise and this conformed to some renowned practices DiNapoli, (2010).

4.1.3.6 Organization

This has to do with the manner of reporting relationships that are in place at the accounts department. The accounts department is well organized as it defines and allocates responsibilities and also identifies lines of reporting. The delegation of authority is also clearly defined. The organizational structure of the accounting department is diagrammatically presented below in figure 4.3.

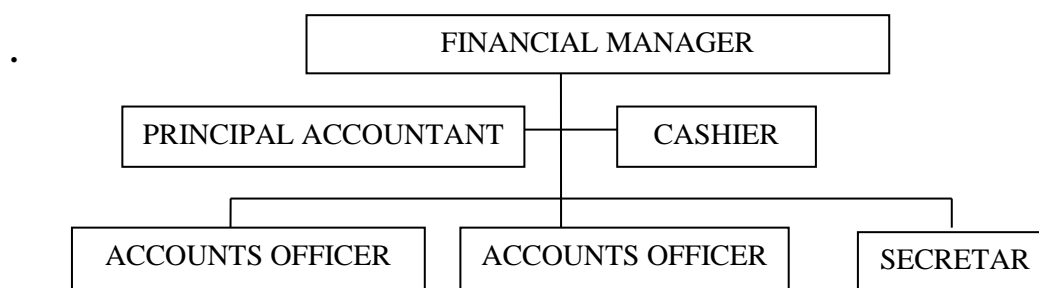


Figure 4.3 Organizational Chart of the Accounts Department

Source: researcher's construction 2015

4.1.3.7 Supervision

Table 4.3 Working Experience of Staff

| WORKING EXPERIENCE | ACCOUNTS DEPARTMENT | | INTERNAL AUDIT DEPARTMENT | | TOTAL | |
|-------------------------------|--------------------------------|-------|--------------------------------------|------|--------------|-------|
| | Count | % | Count | % | Count | % |
| 10 and above | 2 | 33.3 | 3 | 37.5 | 3 | 21.43 |
| 7 – 9 years | 2 | 33.3 | 1 | 12.5 | 2 | 14.28 |
| 4 – 6 years | 1 | 16.57 | 3 | 37.5 | 4 | 28.57 |
| 1 – 3 years | 1 | 16.57 | 1 | 12.5 | 2 | 14.28 |
| Total | 6 | 100 | 8 | 100 | 14 | 100 |

Source: researcher's construction. 2015

In Table 4.3, both 1 – 3 years and 7 – 9 years working experience respondents had same percentage, of 14.28% while 28.57% had 4 – 6 years experience. 21.43% had working experience of 10 years and above. This supposes that quite a lot of the staff knows what they are about.

The research established that pertaining to supervision they are masters of their trade. Thus due to the respective nature of the duties carried out by the staff and the fact that they have been in service for a long time supposes that they know what they are about and hence no need for tight supervision. The level of supervision relating to the experience of the workers is presented graphically below in figure 4.4.

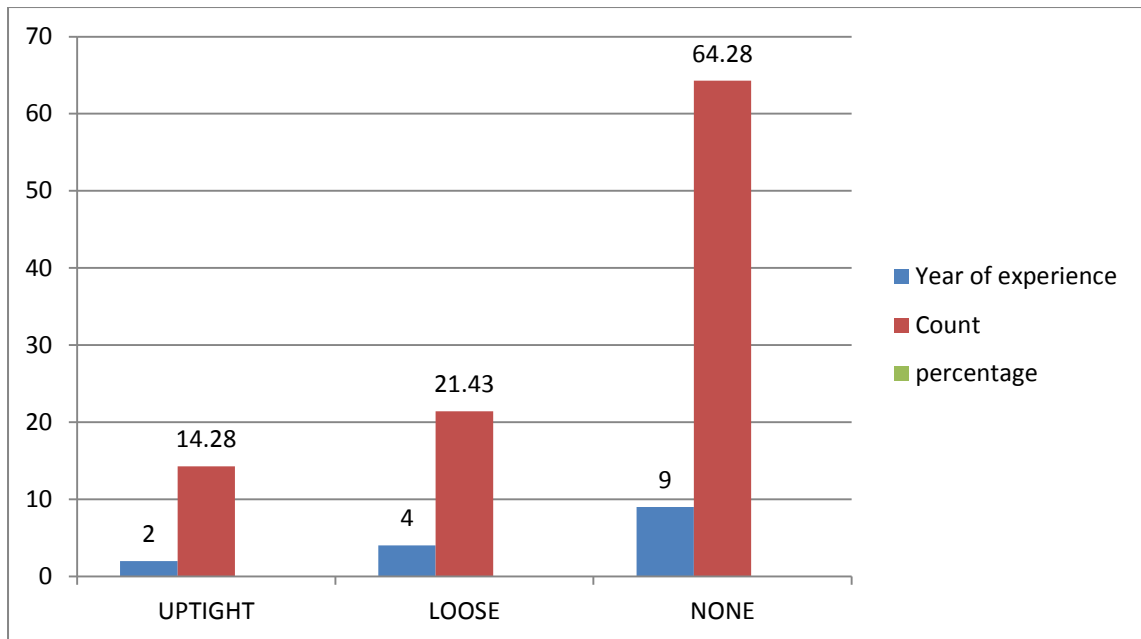


Figure 4.4 Level of Supervision Relating to Working Experience

Source: researcher's construction. 2015

4.1.3.8 Monitoring Operations

The researcher can sufficiently say that this aspect of the internal control is the oversight of the internal audit department. Basis for monitoring the level of errors in the financial records discovered as a result of pre-and post-audits. This component of internal control ensures that control procedures and practices being monitored in order to ensure that the process for record keeping is without defect.

4.1.4 The Role of the Internal Audit Department

The internal audit department of Ghana Water Company limited is independent of the accounts department. With regards to the role this department plays, as captured in their mission statement, the department assist management and the Board of Directors in identifying, avoiding and mitigating risk. As part of its daily activities to achieve this mission statement, the internal audit department pre-audits each and every transaction before payment or otherwise is affected. The pre-audit seeks to ensure the

accounting and arithmetic accuracy of the transaction. After wards a post-audit is also carried out at the end of the month to ensure that appropriate receipts and other necessary documents are sufficiently and accurately attached to these transactions.

The department also carries out revenue audit which encompasses the generation of bills distribution of the bills and the collection of the revenue audit which encompasses the generation of bills distribution of the bills and the collection of the revenue. There is also the system audit and the production audit. The department employs a risk based approach to all audits carried out this enables the department to concentration high areas of the company.

4.1.5 The Role of External Auditors

The researcher realized that the company as required by law engages the services of external auditors. They audit the accounts of the company annually to ensure general compliance with the applicable standards and accuracy of the transactions.

4.2 Standards and Regulatory Frameworks Adopted and Applied By GWCL

This section examined Ghana Water Company's compliance with the IFRS and also determined whether the financial records of GWCL are kept congruence with the applicable regulatory framework provided for in laws of Ghana.

4.2.1 Compliance with the International Financial Reporting Standards (IFRS)

Prior to the adoption of IFRS in Ghana National Accounting Standards (GNAS) was used and this was the standards based to prepare their accounts. In 2007, Ghana adopted IFRS in the preparation of financial statements. To this effect Ghana Water Company Limited adopted the use of the IFRS in the preparation of their financial statements.

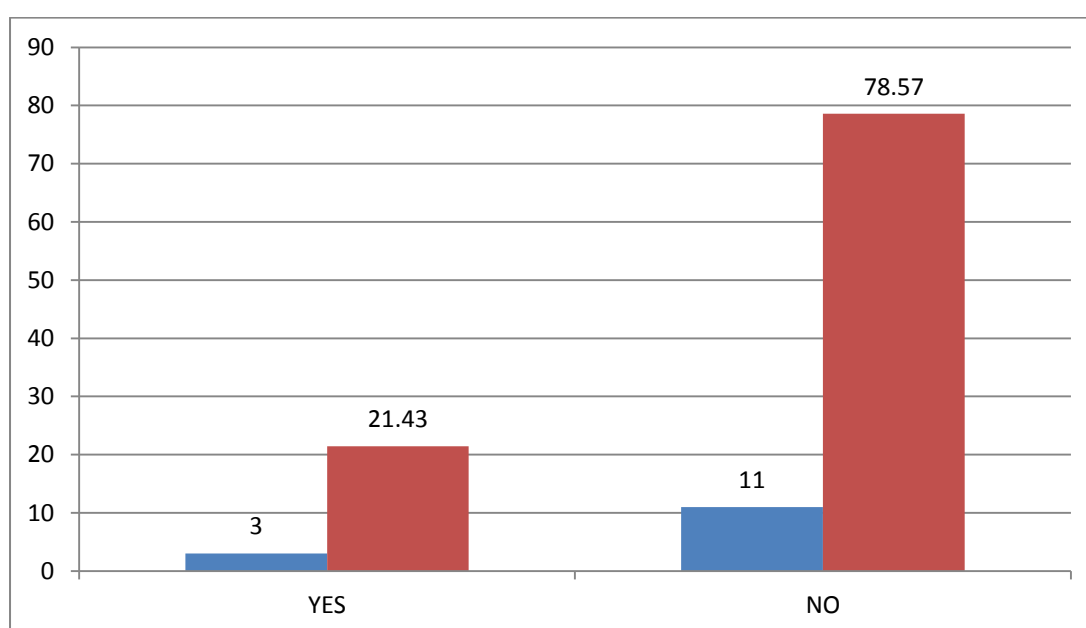
Table 4.4 Level of Knowledge of the Standards and Its Implementation

| Level of Knowledge | Account Department | | Internal Audit Department | | Total | |
|--------------------|--------------------|-------|---------------------------|------|-------|-------|
| Very high | - | - | - | - | - | - |
| High | - | - | - | - | - | - |
| Medium | 1 | 16.67 | 1 | 12.5 | 2 | 14.29 |
| Low | 1 | 16.67 | - | - | 1 | 7.14 |
| Very low | 4 | 66.67 | 7 | 87.5 | 11 | 78.57 |
| Total | 6 | 100 | 8 | 100 | 14 | 100 |

Source: researcher's construction 2015

As can be seen from table 4.4, only two of the respondents have quiet sufficient knowledge of the standards, representing 14.29% with 85.71% of the staff indicating very low to the level of knowledge of the standard

Figure 4.5 Requisites Professional Qualification (ICA, Accra)



Source: researcher's construction 2015

As indicated in figure 4.5 only three (3) of the respondents had the requisite professional knowledge representing 21.43% while the remaining eleven (11) represent 78.57% had none. The study established that due to lack of adequate resources and the required competences, the compliance of the company with the provisions under the IFRS is not exhaustive to comply with the most basic provisions.

4.2.2 Basis for Keeping Financial Records

The IFRS prescribes that entities keep their financial records on the basis of either cash or accrues. The research identified that the accruals basis is the system currently being applied by Ghana Water Company limited. The justification for this is that the accrual concept recognizes that the effect of transactions and other events are recognized when they occur, not as cash is received or paid.

4.2.3 Compliance with the Applicable Regulations of the Laws of Ghana

The main law in Ghana governing the maintenance of accounting records in the public sector that applies to this study is the financial Administrative Act 2003

Section 38 – 43 of the financial Administrative Act 2003 prescribes the requisite accounts that are prepared by entities in the public sector, including Ghana Water Company limited. Section 38 (1) of the Act requires that the part shall state the basis of accounting used in the preparation of the accounts and identify any significant deviation and reasons for the deviation. Section 41 of the Act stipulates that within a period of three months, of such other period as parliament may by resolution appoint, after the end of each financial year, the entity shall prepare the following accounts.

1. A statement of financial position showing the assets and liabilities of the department at the end of the year.

2. A comprehensive statement of income for the year.
3. A cash flow statement for the year.
4. Notes to the accounts which shall include particulars of the extent to which the performance criteria specified in the estimates in relation to the provision of the company's output were satisfied.

The study discovered that these provisions prescribed by the Act per-training to the preparation and presentation of the financial statements are adhered to by Ghana Water Company limited as copies of these accounts were made available to the researcher for appraisal as Greuning (2005) revealed that they are policies and policies are specific principles applied by an entity in preparing and presenting financial statements.

4.3 Challenges in Accounting Procedures and Practices

As revealed by Robert, et al, (1990), no system in the world may lay claims to be absolutely watertight. Accounting procedures and practices system in GWCL is not an exception. Some of these challenges confronting GWCL include:

4.3.1. Failure to Identify /Quantify all Material Risks: at the outset it is imperative the organization identify and then quantify all material risks inherent to the business of the Ghana water. Yet many organizations fail to invest the time and resources in this aspect and Ghana water is no exception. Instead, they focus too much of their programme on a single area of compliance to the exclusion of others. For example, the researcher uncovered that Ghana water always addresses the risks associated with the accounting and financial functions to prevent employee theft, meanwhile the revenue collectors receive no guidance regarding wrong practices like false claims.

4.3.2. Failure to Obtain Multi-level Management Commitment: among corporate compliance consultants, the need for commitment to integrity and ethics from senior management is essentially settled. It set the one for an unshakeable commitment to integrity and ethics. It encourages adequate funding for implementation and administration programmes. In the end it ensures absolute confidence among the rank and file top management to be committed. The researcher detected that it encourages dissemination of a consistent message from top to bottom. In the end, it makes it likely those most influential members of middle management have direct contact with personnel tasked with adherence to the compliance programs.

4.3.3. Failure to Integrate the Programme Among all Functions: one of the common mistakes during the design of a corporate compliance programme is the failure to integrate the programme among all functions. An effective programme will thread seamlessly through the administration, accounting production, and service. Through integration the company can coordinate common activities among each function, eliminating redundancy and waste.

The researcher detected that careful and thoughtful design should avoid or at least minimize bottlenecks but Ghana water is not on top of this issue. The integration among functions ultimately serves as an invaluable means of checks and balances among departments within Ghana Water Company.

4.3.4. A Failure to Provide Mechanism to Incentivize Employees: a frequent oversight during the design and implementation of the programme is to properly and successfully incentivize employees to abide by the company's compliance programme. The design team has to create mechanism rendering compliance essential to and inseparable from the company's success. The researcher uncovered that it is no easy

task rewarding behaviours that results in violations not occurring. One means may be to incorporate compliance in performance reviews, giving each employee an opportunity to document forgone opportunities for non-compliance. There was not confidentiality and anonymity policies that deter whistle blowers both from violators and other company workers. This indeed is a results of their limits in research capability and ability to formulate accounting principles Pyle, et al, (1980).

4.3.5. Failure to Monitor Effectiveness of Programme: one of the most surprising errors encountered is the number of corporate compliance programmes that fail to monitor the effectiveness of its program over time.

It may be something fundamental as failing to monitor new regulations and amendments to existing regulations. it may include neglecting to assess the programme for operational changes within Ghana Water Company. It was detected by the researcher that no periodic and annual analysis of laws and regulations, regular audit of compliance and unannounced compliance testing was also a problem .There are no traditional expenses such as fines, penalties, damages and unquantifiable expenses like reputational harm, employee morale and heightened government scrutiny.

4.3.6 Failure to Properly and Thoroughly Train Employees: once the company's corporate compliance programme is in place it must be effectively communicated to personnel throughout the organization. It was revealed that training towards compliance is not frequent. The little training too was not customized using language, methods and tools suitable for the target audiences even though if it had been in place it would have ensured uniformity in GWC accounting procedures and practices (Stoner et al, 2002).

4.3.7 Failure to Report Violation : no corporate compliance program is effective if violations are not reported promptly and fully. It is simply not enough to detect the compliance lapses. The researcher detected that there were no full and complete disclosure to appropriate authorities of violators.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introductions

This chapter is the final chapter of the study and pertains to the summary of the findings as analyzed in the previous chapter. It also entails the conclusion drawn from the analysis of the data and finally an outline of the recommendations

5.1 Summary of Findings

It has been established that the findings of the study were analyzed in context with the research objectives earlier mentioned in chapter one. The summary of the findings is also carried out in the same manner in which the objectives were discussed and analyzed.

5.1.1 Nature of Accounting Procedures and Practices

The source documents as discovered to be kept by the Ghana Water Company includes: procurement requisition form, invoices, local purchasing order (LPO) payment voucher (PV), cheque voucher and receipts. With regards to the sort of books maintained for records keeping, the company for its manual system keeps two principal books of accounts, the general ledger and cash book. Charts of accounts codified into schedules are maintained under the computerized system.

5.1.2 Compliance to Best Standards

Relating to compliance of the best standard evaluation of the accounting procedures and practices, the system was based on the Kansas state University's theory about components of internal control and it was established that with regards to the personnel, the accounts department had the requisite capabilities Commensurate with

their responsibilities in terms of the manual system. But with reference to the computerized system, their competencies leave a lot to be desired. Also the researcher determined that all categories of transactions undertaken by the company, are authorized by the chief manger and the financial manager, and in most cases the heads of the user units also authorizes transactions when the need be. The internal audit department pre-audits all transactions before they are finally transferred into the books of accounts. The duties performed by personnel at the accounts department are highly segregated. There is an unrestricted access to the books and documents by staff of both the accounts and internal audit department even though these are stored in files in the storeroom.

Relating to physical restrictions to the assets arising from transaction in this case, cash, there is a safe in the cahier office where cash is held. Many checks and balances are also in place to ensure the arithmetical accuracy of the transactions. The accounts department is well organized as it defines and allocates responsibilities and also identifies lines of reporting. As a result of the repetitive nature of the duties carried out by the staff and the fact that they have been in service for a long time, supervision was found to be little or non-existent. In ensuring that the internal control mechanism put in place are constantly being monitored, it is the oversight of the internal audit department.

5.1.2.1 Compliance with Applicable Financial Reporting Framework

Regarding the compliance with the IFRS, the study deduced that whiles the standards have been adopted by the company, it is not being fully implemented and that only the bases are being complied with. Moreover, the company utilizes the accruals basis for financial reporting. The researcher discovered that in relation to the compliance with

requisite laws of Ghana for financial reporting Ghana Water Company Limited complies with the provisions outlined in the Financial Administrative Act.

5.1.3 Challenges in Accounting Procedures and Practices

Relating to the challenges encountered by Ghana Water Company in connection with accounting practices and compliance, the researcher deduced that, the company always addresses the risks associated with the accounting and financial functions to prevent employees theft while the revenue collectors receive no guidance regarding wrong practices like false claims. Also careful and thoughtful design which could have been in place to avoid or at least minimize bottleneck was not available. Again, the researcher discovered that it is not easy task rewarding behaviour that results in violations not occurring. It was difficult to combined compliance in performance reviews, giving each employee an opportunity to document forgone opportunities for non-compliance. There were no confidentiality polices to deter violators, no traditional expenses as fines, penalties, and no customized training tools suitable for targeted audiences. Above all was the irregular periodic and annual analysis of laws and regulations which resulted in poor audit of compliance and unannounced compliance testing.

5.2 Conclusion

Based on the objectives of the study, the various literatures reviewed and the analysis of the findings, conclusion is being drawn that whiles the source of documents and books maintained by the company are standard. With the source of documents being raised in a chronological order, it creates an atmosphere where it is difficult to bypass a source of document and raise another. This ensures that until transactions are affected, sufficiently details may have been obtained relating to the validity of the transaction.

Also, insufficient physical restriction to documents and data contributes to the susceptible nature of the control system. All these need to be in order to ensure that effective and efficient accounting procedure and practices are being maintained for proper record keeping. Again, in terms of the level of compliance by the company with the IFRS, a lot needs to be done to ensure quality financial reporting. The knowledge base of the personnel in the standards and its implementation is abysmal and needs to be brought up to speed. This notwithstanding the accounting procedures and practices by the company is appropriate enough to mitigate fraudulent financial reporting.

5.3 Recommendations of the Study

5.3.1 Training, Workshop and Seminars

Institutions of higher learning in different regions have adopted the training programmes and researches for the development and improvement of accounting standards. This process is to ensure uniformity in the treatment of business transactions, (Stoner et al, 2002). Workshops and seminars are being organized in different regions by accounting bodies including governmental and non-governmental organizations. The objective is to enlighten, educate and inform users on how to prepare credible financial statements, especially on transparency and public accountability and GWCL should also embrace this idea. Nwoko (1988) did observe that continuous training and development have made great impact on public cost consciousness and accountability, so therefore GWCL should not in any ignore this practices but rather uphold it to speed staff's knowledge in order to expect the full compliance of the IFRS.

5.3.2 Competencies of Personnel

Regarding the issue of the required competencies of personnel for the effective operation of the computerized system for book keeping, skill personnel are to be recruited in the accounts departments. The researcher also suggest that, because of the vulnerability of computer data, backups of all data and documents can be kept at a semi-remote location in order to ensure that routine activities will not be halted in the event of such contingencies.

5.3.3 Information and Communication Technology (ICT) Implementations

Currently, the software base for the computerized system is the micro-manager noted does not suit the specific needs of the company terms of proper record keeping. Recommendation is being made therefore that, an accounting software be developed to this effect for the perusal of the accounts department. Millichamp (1990) views accounting information as data processed from source documents. Therefore the implementation of Internet Service or on-line system in the GWCL will made accounting reports to be produced and communicated on time to user departments with high degree of accuracy (Robert: et al 1990).

5.3.4 Improving Human Resources

As asserted by the financial manager, the accounts department is under-staffed and in view of the enormous responsibility expected of the staffs regarding the effectiveness of the procedures and practices with the standards and various regulatory frame works, the researcher strongly recommend that the company makes effort to provide adequate staffing for the accounts department. The researcher also recommends based on Ghana water problems associated with compliance and accounting practices that;

- a. There should be proper qualification of material risk

- b. There must be motivated management commitment.
- c. There should be integrated designed programs among all functions.
- d. There should be a mechanism to incentivize employees.
- e. There should be program monitoring effectiveness.
- f. Always violators should be reported to appropriate authorities.

5.4 Further Research Studies

Based on the objectives of this study and its general outlook, the researcher acknowledged that while the research was organized on the assumption that misappropriation of public funds is easy due to improper records keeping, further investigation can be conducted as to other matters that contribute to the misapplication of government funds.

Also advanced research can be conducted using a wider range of objectives that will make probing the accounts department of public cooperation more fruitful such as assessing the effectiveness of their accounting information system.

Ultimately, the researcher recommends that comparative studies of different public corporations in order to determine which of them possess a record keeping that is most susceptible to fraud. This will prove more useful to government and other concerned agencies in taking specific measures to curb or at least control the degree to which government funds are misappropriated.

REFERENCE

1. Aamir, S. and Farooq, U.(2010).Assessing the Preparedness of Small and Medium-sized Entities in Sweden to Adopt International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs). Umeå School of Business, Master Thesis
2. Abraham, a. a. et al (2011), “Assessing the accounting procedures and practices of public sector organization. (A case study of KMA). KNUST School of Business.
3. Al-Shammer, B.A (2005). “Compliance with International Accounting Standards by listed Companies in the Gulf Co-operation Council Member States: An empirical study.” Published PhD thesis, University of Western Australia.
4. Beams, F. A., Clement R. P., Anthony, J. H., and Lowensohn, S. H. (2009). *Advanced Accounting (10th Edition)*. Upper Saddle River, NJ: Prentice Hall.
5. Bryman, a. and Bell, e. (2007). “Business Research Methods.” 2nd edition. New York, USA: Oxford University Press 2007.
6. Carmichael, D.R. and Willington, J. (1989). “Auditing Concepts and Methods, A guide to Auditing Theory and Practice”. 5th Edition, McGraw Hill book co. New York.
7. Chartered Institute of Management accountants, (CIMA) (2006), available online at www.cimaglobal.com (Date retrieved: 27th Oct, 2009).
8. Chen, M. L., and Chen, R. D. (2009). Economic entity theory. *Journal of Finance And Accountancy*, 1:1, pp. 61-68.
9. Choi, d. and Meek, (2007). “International account Prentice Hall 2007.

10. Committee of Sponsoring Organization of the trade way Commission (1992)
 “Internal Control – Integrated Framework, Executive Summary”[Online]
 Available form www.coso.org (Date retrieved 4th Sept, 2007).
11. Davis, M., and Largay, J. (2008, February). Consolidated financial statements.
The CPA Journal, pp. 26-31.
12. Diener, E., and Grandall, R. (1978). “Report on Discrepancies in Financial
 Management after Ghana at 50” Annual Report of the Auditor-General, GHA.
13. Dua-Agyemang, E. (2009). “Report on Discrepancies in Financial
 Management after Ghana at 50” Annual Report of the Auditor – General,
 GNA.
14. Dyckman, G. et al. (1998). “Intermediate accounting” 4th Edition,
 Irwin/McGraw – USA.
15. Edward, D.J. and Hermanson, H. H. (2010). Accounting Principles: A
 Business Perspective First Global Text Edition, Volume 1
16. Ghanaian Chronicle (6th Feb. 2003). “*Heads are going to roll at
 GWCL*”[Online] available at www.ghanaweb.com (date retrieved: 30th Jan,
 2012).
17. Ghauri P. and Groni aug K (2005). *Research methods in business studies: a
 practical guide*. 3rd Edition, New Jersey: Prentice Hall.
18. Grenuing, H.V.(2005), “International financial Reporting standards, A
 Practical Guide”, newly revised edition, 1818 H Street, NW Washington DC.
19. Gyimah-Boadi, E. (2004) “The search for a developmental public service in
 Ghana: Challenges and Prospects” Public Service Commission 7th Annual
 Lecture.

20. IASB. (2010). Who we are and what we do. International Accounting Standards Board (IASB) and IASC Foundation (January 2010).
21. Maheshwari, S. N. and Maheshwari, S.K. “Advanced accounting”. 9th Edition, Paschim Vihar, New Delhi.
22. Messier, W. F. (2000), “Auditing and Assurance Services: A systematic approach” Irwin/McGraw-Hill, New York.
23. Miah, H. (2003). “Internal Control Elements” [Online] available at www.ksate.edu/internalaudit/intcontl.html (Date retrieved, 20rd Nov, 2009)
24. Miller, D. K. (2007). “Documenting Internal Controls from theory to Implementation” [Online] available www.cocubo.org/pdf/2007
25. Millichamp A.N. (1990) Auditing: An Instructional Manual for Accounting Students, 5th Edition, London, DP Publication Ltd.
26. Mintah, C. O. (2011 “Lecture Notes on Public Sector accounting” KNUST School of Business.
27. Nwoko Chinedu (1990), Studies in Accounting, Text and Reading, Enugu, New Age Publishers.
28. Mueller, Gernon, and Meek (1994) “Accounting, an International Perspective”, 3rd Edition, Irwin.McGraw – USA.
29. Mukherjee, A. and Hanif. A (2007) “Modern Accounting” 2nd edition, McGraw Hill, New Delhi.
30. Nobes, C. Parker, R. (2004). Comparative International Account. Prentice hall 2004
31. Price Water House Coopers (2013). Adoption of IPSAS in Ghana prospects, challenges and the way forward.
https://www.pwc.com/en_GH/gh/pdf/adoption-of-ipsas

32. Roger, H, et al. (1992), "Accounting Principles" 5th Edition, Von Hoffman, USA.
33. Rosen, A. R., and Grossman, A. (1998, September/October). Push-down accounting and alternatives: Risks and opportunities in corporate consolidations. *Tax Executive*, pp. 369-373.
34. Saunders M., Lewis P. and tornhill A. (2009). "Research Methods for Business".5th edition. England: Pearson Education Limited.
35. Takyi, E. (2008). "Effectiveness of Internal Control Systems (A case study of Coca cola Bottling Company Ltd, Ghana) KNSUT School of Business
36. Unegbu, O. A. (2014). Theories of Accounting: Evolution & Developments, Income-
37. Determination and Diversities in Use, Research Journal of Finance and Accounting www.iiste.org, ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online), Vol.5, No.19,
38. Walsh, J. (2006-7, December). Business combination accounting and SFAS 141R. *Valuation Viewpoints-Annual Letter of Navigant Capital Advisors*, Issue 3, pp. 2-3.
39. Whittington, O.R. (2004). "Principles of Auditing and other Assurance Services" 4th edition, Irwin/McGraw – Hill, New York.
40. Wood, F. and Sangster, A. (2008) "Business accounting", 11th Edition, Prentice Hall, 2008.
41. Woof, E. (1994)" auditing today" Prentice Hall, New York.
42. World Bank (2005), Report on Observance of Standards and codes, Ghana.

43. www.accounting-basics-for-students.com/accountingcycle (date retrieved:
30th Jan, 2012).

Other Internet Resources

44. <http://www.isadb.org>
45. <http://www.wikipedia.com>
46. [http://www.google .com](http://www.google.com)
47. [http://www.ghanaweb.com/GhanaHome Page/economy/artikel.php?](http://www.ghanaweb.com/GhanaHomePage/economy/artikel.php?ID=10473)

ID=10473

APPENDICES

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL OF BUSINESS.

INTERVIEW GUIDE

SECTION A ; ACCOUNTING PRACTICES AND PROCEDURES

1. What system does Ghana Water Company use in keeping records?
2. Identify the basic books used by the company in taking records of transaction.

Source documents.
3. How are these documents serialized?
4. Who is (are) the initiating authority of the company's transactions?
5. Who are different person's in charge of carrying out transactions , recording

and maintaining custody of assets arising from transactions?
6. How often do you normally undertake reconciliation between the following?

Manual and computerized records?

Cash book and Bank Statement?
7. What are the duties of the internal audit department ?
8. What are the internal control systems in place for record keeping?
9. How often does the internal Audit department check the adherence of the

Accounts department to the procedures and practices in record keeping as

established by the internal control system?
10. How effective has the department been in ensuring adherence the control

system?
11. What are the levels of segregation of duties in the accounts department?
12. Does the company have an independent internal Audit department?

Yes [] No []

13. How many signatories are there to company' Cheques?
14. How does the department inspect all supporting documents to cheques?
15. How often does internal audit department audit accounts of the company?
16. Which body is responsible for the external audit of the company and are followed-up actions taken to rectify reported lapses in audit reports?
17. What financial statement / Reports do you prepare ?
18. How often do you prepare the financial Statements?
- Quaterly []
- Half yearly []
- Annually []
- Others, please specify

SECTION B: ACCOUNTING STANDARDS AND COMPLIANCE

19. Which standard constitute the regulatory framework for financial reporting of the company ?

- i. Ghana National Accounting Standards (GNAS) []
- ii. International Accounting Standards (IAS) []
- iii. International Financial Reporting Standards (IFRS) []
- iv. Generally Accepted Accounting Principles (GAAP) []
- v. Others, Please specify

20. Who determines the standards used by the company?

21. What are the changes in the standards?

22. Who is responsible to ensure compliance with the standards?

23. There is high level of knowledge of the standards and their implementation at Ghana Water Company

- i. Strongly Agree []
- ii. Agree []
- iii. Disagree []
- iv. Strongly Disagree []
- v. Neutral []

24. Ghana Water Company has been strictly adhering with standards

- i. Strongly Agree []
- ii. Agree []
- iii. Disagree []
- iv. Strongly Disagree []
- v. Neutral []

25. Ghana Water Company personnel go through regular training to be abreast with changes in the standards.

- i. Strongly Agree []
- ii. Agree []
- iii. Disagree []
- iv. Strongly Disagree []
- v. Neutral []

SECTION C : DIFFICULTIES

26. What are some of the problems in monitoring the accounting staff?
27. What are the difficulties in audit work done externally to ensure that codes of conducts, policies and procedures spelt out are followed as intended?
28. What challenges do you face with supervision with respect to compliance of accounting standards?
29. How do you solve the problems arising from the changes in accounting standards?
30. What difficulties do you face in implementing the new accounting standards?
31. What is Ghana Water Company doing to personnel to go through regular training to be abreast with changes in standards?
32. Do your financial officers hold a professional qualification of any kind?