INTERNAL AUDIT PRACTICE AND CORPORATE GOVERNANCE AT GHANA POST COMPANY LIMITED (ASHANTI REGION)

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DECLARATION

I hereby declare that this submission is my work towards the Masters of Business Administration (Accounting) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work to the Almighty God for his protection and providence

ABSTRACT

Internal audit plays a vital role in the corporate governance process. The perceived poor internal audit practices mainly caused by lack of independence has resulted in sound corporate governance practices eluding the company; thereby leading to the abysmal performance of Ghana Post Company Limited. The study, therefore, seeks to ascertain the practices of internal audit and corporate governance at Ghana Post Company Limited, with specific attention to identify the Internal Audit procedures; assess the corporate governance framework; assess the role of internal audit practice on good corporate governance; and examine the challenges of internal audit and corporate governance practices in Ghana Post Company Limited in Ashanti Region. Adopting the purposive sampling technique, a sample size of five (5) respondents comprising, the Regional Head, the Regional Internal Control Manager, Regional Finance Manager, Head Postmaster and Kumasi District Manager of Ghana Post Company Limited, Ashanti Region was chosen; using interview guide as the main instrument for the collection of data. The findings of the study revealed that the corporate governance framework of Ghana Post serves as the source of the roles and powers of the Board that strengthens accountability mechanism and achievement of company goals; with the Board undertaking a formal and rigorous annual evaluation of its own performance and that of its committees. Again, the independence of Internal Auditors in Ghana Post are highly compromised since most of the time they are considered as employees of management, and hence the views of Internal Auditors' reporting to the Board as merely a formality to satisfy corporate governance requirements. Also, the challenges encountered by internal audit of Ghana Post have made the department unable to achieve its target thereby exposing the company to a lot of risk as evidenced in the high level of embezzlement that the company has been experiencing in recent times. Also, the non-compliance of internal controls and the flaw in risk management by the board could not be over emphasized It is recommended that, the board and the entire management should recognize the important role internal audit play and if need be support them with enough resources to enable them execute their mandate. It is recommended that there should be strict adherence to the several independence guidelines of the Internal Audit to keep in mind when considering reporting lines for internal audit. It is recommended that the board/audit committee should have the final authority to review and approve the annual audit plan and all major changes to the plan.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Until recently there has been the growing concern about the need for greater transparency in the management of corporate bodies could not be over emphasized; thus the call for more attention on internal auditing vis-à-vis the high spate of problems in the world of business. In some cases, the performance of auditor has undoubtedly fallen short of the expectation of stakeholders and the public at large. To a large extent these short falls in the business world have brought to the need for a good and stronger corporate governance system that will ensure quality financial reporting (Cohen et al. 2004; Carcello et al. 2005).

Citing (ISA, 260), Gitman (2003) reiterated that corporate governance describes the role of persons entrusted with the supervision, control and direction of a business entity and therefore requires auditors to determine those persons charged with governance. Nevertheless, in order to ensure that there are checks and balances on the executive officers of the company good corporate governance cannot be side-stepped. There have been instances whereby directors and management of companies have influenced the financial performance of companies and many other critical decisions, ranging from succession planning, determination of executive compensation, and adoption of innovative technologies among other things.

According to Carcello et al. (2005) the system of corporate governance embodied with rules, regulations and procedures by which controls are enforced on the management of the resources of a company so as to ensure transparency, accountability, efficiency and maximization of shareholders' investments. Sound corporate governance ensures good health for a company. Therefore, it is only appropriate to make a case for postal and courier companies in order to ensure efficiency and growth to meet the needs of all shareholders.

Holt and DeZoort (2006) indicated that the internal audit plays a distinctive role in corporate governance by monitoring risks that pertains to the firm and ensues that all organizational processes are controlled efficiently and effectively. Schnieder and Wilner (1990) stressed that the function of internal audit deters in financial reporting (Hansen 1997). However, irrespective of the integral part of internal audit to the management structure of a company, there is an almost absolute lack of information concerning the existence, composition, activities, and responsibilities of the internal audit function (Gadziala, 2005).

It is important for internal auditors to fully focus on risks and controls to achieve sound governance process and financial reporting. According to Bloomberg News (2011) external auditors did not provide the requisite cautions in the respective annual financial statements of firms that suffered bankruptcy a month prior to the unfortunate incidents. As independent but inside observers, internal auditors play a vital role within the governance processes by making the board, senior management, and external auditors aware of weaknesses in the control system by assessing the effectiveness of the company's risk management. Therefore the relevance of internal auditing within the context corporate governance could not be over-emphasized.

1.2 Statement of the problem

Until recently that new entrants (namely, DHL, FedEx, Vipers Courier and UPS) introduced quality service delivery, competitive pricing and social responsibility Ghana Post had enjoyed a high monopolistic status in the industry. The deregulation, competition and advancement in information communications technology seems has exerted immense pressure on managers in the industry to demonstrate corporate governance improvement than before, particularly Ghana Post. Ghana Post like other operators in the industry has embraced good corporate governance as a way to ensure transparency and accountability to shareholders

Corporate entities in Ghana have played down on the USA experience which energy giants crumpled down due to ineptitude on the part of auditors. In recent times, banks which the government of Ghana own majority shares have experienced bankruptcy and liquidation due to abysmal corporate governance as a result of laxity in the role internal audit of the various banks.

It is perceived that the inefficient and ineffective corporate governance among other things was mainly caused by nepotism and cronyism; and poor internal audit practices due to lack of independence (even in the face of the enacted Internal Audit Agency Act, 2003) has led to the abysmal performance of the corporate entities, and Ghana Post Company Limited is no exception. Instead of following more comprehensive corporate governance framework, it appears Ghana Post Company Limited rather engage in practices which are inimical for survival under competitive and profit pressure in an unfair postal and courier market. The company appears to suffer from limited experience in modern postal techniques, products, lack of accurate, reliable and complete data for decision making; poorly developed accounting, reporting and supervision guidelines to deliver timely and useful information on their performances; recovery of bad debts, and profitable activities; and the challenging economic and natural environment among others. In the review of the literature, it was found that no study has investigated Internal Audit Practice and Corporate Governance in Ghana Post. Therefore, there is limited knowledge.

1.3 Objectives of the study

The main objective of this study is to ascertain the practices of internal audit and corporate governance at Ghana Post Company Limited.

The specific objectives of the study are:

1. To identify the Internal Audit procedures in Ghana Post Company Limited in the Ashanti Region;
2. To assess the corporate governance framework of Ghana Post Company Limited in Ashanti Region;
3. To assess the role of internal audit practice on good corporate governance in Ghana Post Company limited in Ashanti Region; and
4. To examine the challenges of internal audit and corporate governance practices in Ghana Post Company Limited in Ashanti Region.

1.4 Research Questions

The following research questions were posed so as to attain the above set objectives of the study:

1. What are the Internal Audit procedures in Ghana Post Company Limited in the Ashanti Region?
2. What is the corporate governance framework of Ghana Post Company Limited in the Ashanti Region?
3. What is the role of internal audit practice on good corporate governance in Ghana Post Company limited in the Ashanti Region?
4. What are the challenges of internal audit and corporate governance practices in Ghana Post Company Limited in the Ashanti Region?

1.5 Significance of the Research.

The output of this study seeks to contribute to knowledge and literature in the subject under investigation. It serves as a source of reference to researchers, academics, students, policy makers, and other stakeholders interested in effect of internal audit on corporate governance practices of Ghanaian companies.

The study seeks to assist management and staff of Ghana Post Company Limited in the Ashanti Region and other similar organizations in the postal and courier industry to identify the current challenges of companies in the area of corporate governance. It also provides the empirical support for management strategic decisions in several critical areas of their operations, and above all, provide a justifiably valid and reliable guide to designing workable internal audit practices to create and deliver stakeholders' value, achieving customer satisfaction and loyalty, building long-term mutually beneficial relationship with profitable customers and achieve sustainable business growth in Ghana.

In the case of stakeholders such as investors, shareholders, employees, pressure groups, consumer associations, the study provides information that suggests to the improvement in corporate governance of the respective businesses in Ghana.

1.6 Scope of the study

The study was conducted within the framework of evaluating the internal auditing at Ashanti Regional outfit of Ghana Post Company Limited in order to gain competitive advantage in the postal and courier industry through good corporate governance. It is a case study approach of one particular company and did not cover other players to reflect the entire postal and courier sector approach to good corporate governance. Hence, the result was not generalized but its findings was placed in the relevant context of the individual company studied.

1.7 Organization of the Study

The study was structured into five main chapters: Chapter One captured the background of the study, the problem statement, objectives, and research questions and the significant of the study. Chapter Two examined the review of both the theoretical and empirical literature. Chapter Three looked at how the research is going to be conducted by looking at the research methodology. Chapter Four looked at the analysis and discussion of the data. Chapter Five is final chapter looked at summary of the findings, conclusions, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Literature review provides an account and analysis of what renowned scholars and researchers have published on particular topics or fields of studies (Taylor, 2008). According to Saunders et al (2007) it as a detailed and justified analysis and commentary of the merits and faults of literature in a chosen area which demonstrates familiarity with what is already known about a research topic.

In this chapter literature was reviewed looking at the definition and concept of good governance in general in order to bring into focus the subject matter of good corporate governance in Ghana Post Company Limited. The chapter captures the significance of good corporate governance in helping the company to achieve their objectives. It further reviews the concept of internal auditing and the internal auditor; internal audit and corporate governance; the correlation that corporate governance and the internal auditor has; effects of corporate governance and audit as a profession; and the role of the Internal Auditor in an environment of corporate governance; ending with a conceptual framework among other points on auditing.

2.2 Concept of Internal Auditing and Internal Auditor

Saud and Marchand (2012) explained that Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Providing the difference between independence and objectivity Saud and Marchand, (2012) further explained that Independence: The freedom from conditions that threaten objectivity or the appearance of objectivity, such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels"; on the other hand, "Objectivity: An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others.

According to the Institute of Internal Auditor Research Foundation (2008) an internal auditor is a forward looking individual, who knows and understands business systems and ensures the management that they operate rightly and achieve firm goals. Internal auditors play key role in the world of business. Internal auditors review organizational goals, processes and operations and provide professional advice to the management.

2.3 The Internal Auditor's Responsibility and Role

According to IIA (2011) the primary aim of internal auditing is to assist management of firms to achieve the corporate goals, providing the assurance that management has implemented a satisfactory internal control system to prevent risks. Consequently, internal auditing provides internal consulting services to all levels of the organization in terms of training, advices, facilitation and counsels). The Institute of Internal Auditors (2000) stressed on the section related to objectives in respect of internal auditing responsibilities as "The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond accounting and financial records to obtain a full understanding of the operations under review.

The Institute of Internal Auditing (2011) explained that internal auditing can be categorized into internal control, corporate governance and risk management. Also, the Institute of Internal Auditing (2009) stressed further that internal auditors play a key role in risk management and providing consultants and assurance services to the executives. In the first place, the Institute maintained that the role of Internal Auditing in Enterprise-Wide Risk Management (ERM) is a direction to Internal Auditors to play the role in the enterprise risk management procedure. Again, concerning consulting services the Institute of Internal Auditing reported that four basic activities for internal auditor to be accountable, are coordinating Enterprise-Wide Risk Management activities, maintaining and developing the Enterprise-Wide Risk Management framework, facilitating the identification and evaluation of risks, and for the board support developing of risk management strategy.

2.4 Internal Audit as Mechanisms

2.4.1 Internal Audit as a Risk Management Mechanism

Internal auditors can add value to an entity by giving assurance that its exposures regarding risk are properly managed and understood (Walker et al., 2003). Internal audit need to play a vital role in monitoring the risk profile of a company (Lindow and Race, 2002).

Kwan (1999) indicates that development of a risk based culture is required in order to build a strong organizational commitment for risk management, resulting into the development of an integrated risk management framework within a company.

Furthermore, Internal Audit is helpful to business entities in identifying and evaluating risks and putting the profession at the front line of the risk management (Walker et al., 2003).

2.4.2 The Internal Audit as a Control Mechanism

The management and directors of a company adopt the process of internal control with the assurance to achieve the company's objectives in respect to operations, financial reporting and compliance with the regulations (Committee of Sponsoring Organizations of the Treadway Commission (COSO) Report, 1992).

The International Standard on Auditing (ISA), 400) shows that the control environment can be strengthen by using effective internal audit function by: a) review of the internal control structure of a firm; b) on behalf of the management; monitoring different operations regarding the information system and control procedures.

2.4.3 Internal Audit as an Internal Governance Mechanism

An independent board chair, independent directors on the board, internal audit, external audit and effective audit committee are different corporate governance mechanisms used to monitor behaviour of the management (Cohen et al., 2004; Davidson et al., 2005). According to the complex interactions within these governance mechanisms are like a "corporate governance mosaic" (Cohen et al., 2004, p.88). But problems between independent and executive directors due to asymmetry information shows internal audit more likely as a complementary mechanism. This is supported by determining evidences from the researches examining the relationship between audit committees and internal audit (Scarbrough et al., 1998). This is in accordance with the Institute of Internal Auditors (IIA) view about internal auditing; which helps organizations to improve and evaluate governance processes (IIA, 1999, 2004). So, positive relation between the internal audit function and a stronger audit committee can be expected because of their closely intertwined goals (Scarbrough et al., 1998, p. 53). An effective audit committee can strengthen the internal audit function position (Verschoor, 1992; Braiotta, 1999) whereas a powerful internal audit function can result in enhancing the audit committee's effectiveness (Bishop et al., 2000).

2.5 The Independence of Internal Auditor

According to IIA (2005) the internal auditor occupies a unique position and is employed by the management but is also expected to review the conduct of management which can create significant tension since the internal auditor's independence from management is necessary for the auditor to objectively assess the management's action, but the internal auditor's dependence on the management for employment is very clear. The Internal Auditing standards interpret "independence" as freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner.

In order to enhance the internal audit independence, auditors are not required to actively involve themselves in the daily management activities of the organization. Their main concern should be risk management (IIA, 2004). Drent (2002) further added to the management influence theory, noting that executive and line management, by utilizing the internal audit function for various extended roles, do not always appreciate the need for independence. Drent (2002) also argued that many executives and managers view internal auditors as their workers, and hence views internal auditors' reporting to the audit committee as merely a formality to satisfy corporate governance requirements. Since some managers believe that internal auditors are supposed to work for them, they induce the auditors to engage in management functions. It is in this area that the impairment of the internal audit function’s independence poses a threat.

Van Gansberghe (2005) expressed the dilemma through an argument that the internal audit department is required to add value to management operations, while at the same time not become its servant, and dependably report on the status to the board or some other equivalent governing body. The independence of the internal audit function is also affected negatively by the possibility for management to influence the budget of internal audit function. Further when senior management becomes too heavily involved in influencing the internal audit planning, this act poses a potential threat to the independence of the internal audit function (Christopher et al., 2009). Internal auditors who engage in management practices are more likely to have impaired audit independence.

2.6 Challenges of Internal Audit

The internal audit should have an independent role and this is a long term confront for the internal auditors. Internal auditors’ profession has received a new awareness due to the rise of corporate governance. Internal auditors should not subordinate their decision during an audit to management but they cooperate with them and accept boards of director’s judgment about management. The internal audit should be an objective task and that it can compromise sometimes in the reporting line, where they required to report and review the operational areas (Ahmad and Taylor, 2009).

Internal auditors require reinforcing their relationship with the board of directors and with audit committee. Internal auditors providing assurance should be the best achievement of objectives as well as independent, i.e. in terms of internal control, corporate governance and risk management (Marco et al., (2006)

2.7 The Definition and Concept of Corporate Governance

Corporate governance has succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporations and society in general. The concept of corporate governance is poorly defined because it potentially covers a large number of distinct economic phenomenon and also because it is quite new as a distinct concept. As a result different people have come up with different definitions that basically reflect their special interest in the subject. While some commentators take too narrow a view, and say it is the fancy term for the way in which directors and auditors handle their responsibilities towards shareholders. Others use the expression as if it were synonymous with shareholder democracy.

According to Cadbury Report (2005), corporate governance is the system by which companies are directed and controlled. Velury et al, (2005) opined that corporate governance deals with the mechanisms by which stakeholders of a corporation exercise control over corporate managers such that stakeholders interests are protected. In the case of the Australian Auditing Standards (2005), Corporate Governance refers to the systems and processes within an entity which establish its goals and objectives, and which monitor achievement of these goals and objectives in ways which conform to the operating values of the entity.

Corporate Governance stands for doing everything better by improving relations between companies and their shareholders; improve the quality of outside directors; encourage people to think long-term; ensure that information needs of all stakeholders are met and to ensure that executive management is monitored properly in the interest of shareholders. Corporate Governance is all about relating the company to different stakeholders that include shareholders, policyholders, employees, suppliers and society at large (Guha, 2002).

Ridley (2005) opined that long-term strategic objectives and plans are established, and that the proper management and management structure are in place to achieve these objectives; while at the same time making sure that the structure functions to maintain the organization's integrity, reputation, and accountability to its relevant constituencies, culminates into effective corporate governance.

Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer and Vishny, 1997). In economics it investigates how to secure/motivate efficient management of corporations by the use of incentive mechanisms, such as contracts, organizational designs and legislation. This is often limited to the question of improving financial performance, for example, how the corporate owners can secure/motivate that the corporate managers will deliver a competitive rate of return (Mathiesen, 2002).

It serves as a system which directs and controls business establishments and specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. In so doing it provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance (OECD, 1999). This OECD's (Organization for Economic Cooperation and Development), definition is consistent with the one presented by the Cadbury report (1992, p 15).

Although there is no single acceptable definition of corporate governance, it can be said to be a means to maximize the long-term shareholder value in a legal and ethical manner, ensuring fairness, courtesy and dignity in all transactions of the company. Corporate governance is at one and the same time a subject, an objective, and a regime to be followed for the good of shareholders, employees, customers, bankers and indeed for the reputation and standing of a nation and its economy.

Corporate governance is susceptible of both narrow and broad definitions. Narrowly defined, it concerns the relationships between corporate managers, directors and shareholders. It can also encompass the relationship of the corporation to stakeholders and society. More broadly defined still, "corporate governance' can encompass the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, generate profit, and meet both legal obligations and general societal expectations (Gregory et al., 2005).

2.8 Aspects of Corporate Governance

2.8.1 Attributes

In dealing with aspects of corporate governance, various approaches are possible. However, in combining the definition chosen, one way of looking at the aspects of corporate governance would be to start from the stakeholders' expectations. In other words: 'What are the stakeholders looking for in the organization?'

Again, depending on the organization, some of these expectations may vary. Stakeholders, or better shareholders, of non-profit organizations may have different expectations than those of profit organizations. In general, however, they will all look for the same basic characteristics of 'good' corporate governance. Cattrysse (2005) mentioned four to seven distinct core attributes of corporate governance: discipline, transparency, independence, accountability, responsibility, fairness or equitable treatment and social responsibility. 1) Discipline involves the commitment to adhere to 'proper' behavior by management. 2) Transparency deals with aspects of timely disclosure of accurate and complete information. This information may pertain to financial statements but also to operational performance. Transparency should be applied to reports but also to any release of information. The disclosed information must be clear and easy to analyze. 3) Independence is aimed at assuring fair distribution of power and independence; as such it deals with composition of the board, appointment of committee members and auditors. It will help to avoid conflict of interest. 4) Accountability must provide investors with the means to question the board and its committees. Accountability will ensure that the board monitors the systems of internal control, takes into account the expectations of the stakeholders in general and the shareholders in particular and that governance roles and responsibilities are sufficiently known. 5) Responsibility is all about being responsible for the actions and the decisions taken by management. Responsibility ensures that the board is responsible for taking action should corrective intervening be called for. Responsibility equally involves compliance with laws and regulations. 6) Fairness should be aimed at balancing the interest of all stakeholders in general and at protecting the rights of the (minority) shareholders in particular. 7) Social responsibility implies that proper priority is given to ethical values and socially corrects behavior. This will ensure a 'decent' corporate reputation.

Many codes of corporate governance hold a mix of principles, guidelines and recommendations while in fact these are often nothing more than a set of rules or measures to attain the core attributes. Similar to the risk based auditing principle where the key notions are objectives, risks and control measures, corporate governance codes are largely all about attributes, risks an rules (Chen et al, 2004).

2.8.2 Code of Conduct

A major emphasis is placed on company conduct and ethics. Various resources recommend or even require that a code of conduct be adopted, implemented and publicized. The code of ethics should deal with several aspects of 'preferred' behavior under certain circumstances. In many cases the code of ethics will be integrated in the general code of conduct of the organization (The King Report, 1994).

While the code of conduct may also include the way in which company property (cars, hard and software, mobile phones) has to be handled, the code of ethics will mainly deal with moral aspects of the behavior of personnel and staff of the organization. Depending on the organization, elements of the code of ethics (code of conduct) may include: Integrity, Humanity, Impartiality, Neutrality, Fairness, Diligence, Objectivity, Independence, Honesty, Confidentiality, Privacy, Equal opportunity, Safety, Security, Loyalty and External relationships.

The code of ethics may also deal with more specific issues such as conflict of interest, gifts and contributions, use of inside information, fraud, copyright, and sexual harassment. Ethics is just one of the aspects of corporate governance which is continuously becoming more important. Nowadays, there are already quite a few 'professional organizations' which impose some sort of code of ethics upon their members, whether they are individuals or organizations. Moreover, the public opinion seems to add increasingly more value to the ethical behavior of corporations, public and/or private.

In recent years, a number of organizations or centers have been focusing on the aspects of Ethics and Corporate Social Responsibility. According to these organizations ethical conduct might just be the edge a business needs to succeed in our competitive world. They argue that the ‘soft’ aspects of corporate governance will make the difference since all other ‘hard’ aspects will be regulated by law. Or as the ‘Business Roundtable’ stated already in 1997: ‘The ‘soft’, subjective factors in corporate governance… receive less attention from scholars and journalists but are critical in the real world of corporate behavior.(Business Round Table, 1997) These soft factors include social, moral, health and safety issues.

In most recent developments, we detect that the adoption and disclosure of a code of conduct has been made compulsory in a number of cases: ‘Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers’. So we see that although ethics itself may be ‘felt’ as a soft aspect since it is not always quantifiable in a straightforward way, the fact of having a code of conduct has become a ‘hard’ measure. As for the internal auditor’s role, the IIA clearly states in the standards that ‘The internal audit activities must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programmes and activities’. ‘The ethical climate and other “soft” controls are so important to the control environment that they deserve a considerable share of auditor attention’ (Verschoor, 2004).

All of this brings us to ‘those responsible’ for good corporate governance. Who is ultimately responsible? Who has to protect the shareholders but also the other stakeholders? Who has to ensure that the expectations are being met?

2.8.3 Why Corporate Governance matters

It is essential that the board understands the importance of corporate governance. The quality of corporate governance will have a profound impact on the: efficiency of corporate assets use, ability to attract low-cost capital, ability to meet societal expectations and overall performance.

2.9 The Internal Auditor and Corporate Governance

The Institute of Internal Auditors, (2005) indicated that 'Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Turnbull Report (2005) citing the Institute of Internal Auditors (IIA) further defines 'Governance' as the combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives. In order to take a cursory look at the role of the internal auditor in this corporate governance process the researcher sought to look at literatures from five major headings, each dealing with a different aspect of that role as illustrated in the subsequent paragraphs.

1. The relationship between Corporate Governance and the Internal Auditor.

2. Implications of Corporate Governance on the Audit Profession.

3. The position of the Auditor in a Corporate Governance 'Environment'.

2.9.1 The Relationship between Corporate Governance and the Auditor

Analysis of Corporate Governance as a whole, i.e. the demands, pressure and tasks of the audit committee, management and the board in general, the expectations of the different stakeholders, the position of the internal auditor within the organization, etc…, an impact on the workload and the responsibilities of internal audit appears unavoidable. The mere definition of internal auditing and the standards drawn up and implemented by the IIA give the internal auditor not just the mandate but the obligation to contribute in any way possible (consulting or assurance) to the evaluation of the corporate governance process.

Cattrysse, (2005) maintained that there is strong relationship between management and corporate governance, the audit committee (the board) and corporate governance and internal control. Moreover, it is obvious that the audit committee relies 'heavily' on the internal auditor for its review of the system of internal control as prescribed by corporate governance codes and recommendations.

Therefore, it is not surprising that the IIA puts a lot of effort in guiding its members to become corporate governance specialists, capable to assist both management and the board. The IIA does so by continuously discussing, commenting, recommending and training on different aspects of corporate governance in general and on audit aspects in particular. One of the internal regulating devices used by the IIA is the 'Professional Practices Framework' including not only a 'Code of Ethics' but also a set of 'Standards for the Professional Practice of Internal Auditing' comprising mandatory criteria for internal auditing as it should be. These standards are quite general for they are applicable to all internal auditors regardless of the organization (Cattrysse, 2005).

The internal audit activity evaluates and contributes to the improvement of risk management, control and governance systems. The standard gives a very general description of the work of the internal auditor. The practice advisory pertaining to this standard further explains all aspects that are to be understood in the standard. It determines the scope of the internal auditing work, lists the responsibilities of management and goes on to define how the auditor's evaluation leads to an appraisal of the overall management process.

Implementation standard 2120.A1 deals in particular with the assurance aspect provided by the internal auditor on the adequacy and effectiveness of controls encompassing the organization's governance, operation and information systems. These include: 1) reliability and integrity of financial and operational information; 2) effectiveness and efficiency of operations; 3) safeguarding of assets; and 4) compliance with laws, regulations and contracts.

Again the practice advisory provides further information, and in doing so points in every sense to corporate governance. The practice advisory elaborates on the tasks of the board: 'One of the tasks of the board of directors is to establish and maintain the organization's governance processes and obtain assurances concerning the effectiveness of the risk management and control processes'. Also on the tasks of management: 'Senior management's role is to oversee the establishment, administration, and assessment of that system of risk management and control processes.' And finally on the auditors: 'Internal and external auditors provide varying degrees of assurance about the state of effectiveness of the risk management and control processes (Cattrysse, 2005).

Performance standard 2130 deals in particular with 'Governance': 'The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: 1) promoting appropriate ethics and values within the organization; 2) ensuring effective organizational performance management and accountability; 3) effectively communicating risk and control information to appropriate areas of the organization; 4) effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management.

Once more, the practice advisory goes on to explain in detail the full contents of this standard in dealing with aspects such as compliance with society's legal and regulatory rules, accepted business norms, ethical precepts and social expectations. It explains what is understood under governance and organizational culture and how the internal auditor can play an active role in the support of the organization's ethical culture listing a number of 'ethical' features the internal auditor should evaluate (Cattrysse, 2005). Continuous working towards improving the quality of the added value of the internal audit department is equally an element of striving for good corporate governance.

2.9.2 Implications of Corporate Governance on the Audit Profession

While traditionally the role of the internal auditor was to help the organization to maintain the system of internal control of its financial statements, a whole range of new opportunities, possibilities and responsibilities present themselves in the wake of corporate governance. The ultimate challenge for the internal auditor is to find the necessary ways to provide the degree of reasonable assurance expected by all the participants. On other words, the internal auditor needs to become the key 'enabler' in the corporate governance process.

Audit committees try to improve their own effectiveness through better and more frequent contacts with the internal auditor who represents one of their most valuable sources of information. The dual position in which the internal auditor finds himself gives enables him, as it were, to keep one eye on the direction the company is going in, and the other on every aspect of internal control including rules and regulations, laws and expectations, risk and opportunities.

Corporate developments, along with more inquisitive stakeholders and assurance requirements, not only on financial but also on non-financial measurements and reporting, increase the audit workload. Thus the internal auditor becomes ‘an integral part’ of the corporate governance process. The conviction that the internal auditor plays a valuable role in the ‘corporate governance’ process is recognized by many organizations of different interest.

The role of auditors is vital to the corporate governance process. The effectiveness of the board and senior management can be enhanced by: a) recognizing the importance of the audit process: b) taking measures that enhance the independence and stature of auditors utilizing, in a timely and effective manner, the findings of auditors; and c) ensuring the independence of the CAE (Chief Audit Executive) through his reporting to the board or the board’s audit committee. The board should recognize and acknowledge that the internal and external auditors are their critical important agents’ (Basel, 1999).

Indeed, ‘particular emphasis is being placed on board of director and audit committee responsibilities for the role a better understanding, evaluation and management of business risks has in corporate governance. Internal auditors should consider this emphasis as being on the global leading edge and recognize the contributions they can make to their audit committee to facilitate the discharge of these responsibilities’ Verschoor, 2000, p 32).

Consequently, effective communication is one of the prerequisites for sound corporate governance in general and at the same time the key for enhancing the relationship between the internal auditor, the external auditor and the audit committee. The written reports by the internal auditor, evaluating the internal control system, are one of the foremost cornerstones of the assurance the audit committee needs in the oversight process. They enable the audit committee to fulfill one of its primary tasks: to conclude on the effectiveness of internal control.

2.9.3 The Position of the Auditor in Corporate Governance 'Environment'

The position of the internal auditor in a corporate governance environment takes into consideration possible relationships (directly or indirectly) with participants-stakeholders which traditionally are not taken into account. Traditional internal audit sources talk about two possibilities of positioning the internal auditor within the organization. 'Ratcliff' speaks of an 'ideal positioning' (responsible to the board and reporting to management) and a 'practical positioning' (responsible to management and reporting to the board): 'Conceptually, internal auditing should not report administratively to management. Internal auditing may retain a reporting responsibility to management, but it should maintain its primary responsibility to a higher authority, such as the board of directors' (Ratcliff et al, 2001). This is somewhat confusing in view of what the IIA practice advisory 1110-1 says: 'Ideally, the chief audit executive should report functionally to the audit committee, board of directors or other governing authority, and administratively to the chief executive officer of the organization'.

However, Ratcliff et al, (2001) goes on by saying: 'the relationship with the audit committee typically is a reporting relationship. … Typically, executive management is administratively responsible for the internal auditing function.' This might suggest that in the sentence starting with ‘conceptually’ the word administratively should be replaced by functionally. Many sources agree that the air needs to be cleared on the reporting issue. Internal Auditing reporting lines may well be the next ‘topic’ to be dealt with in the present debate on corporate governance and the role of the internal auditor. While a lot of parties involved agree that there is a reporting line to the audit committee, the questions still open are: How direct are those lines? And how independent are those lines?

Nevertheless, it is increasingly believed that: ‘Internal Auditors need to acknowledge the audit committee as their primary client, and not management’ (Verschoor, 2000) or ‘The internal audit function should view the audit committee as a client and should be looked upon by the committee as a vital source of information’ (Rittenberg, 2002).

Especially during the past few years, it has become clear that the internal auditor and the audit committee are developing a ‘unique’ relationship characterized by particular aspects such as the ‘reporting lines’ but also the ‘safeguarding of independence’. The ‘traditional’ position of the internal auditor in an organization and his relationship to both management and the audit committee is well described by the Blue Ribbon Committee. This does by no means imply that the internal auditor operates in complete disregard of management. In order to ‘add value’ to the organization, it is of course equally desirable that a healthy collaboration exists between management and the internal auditor. This can be illustrated by the fact that in the annual audit plan the internal auditor should take into account ‘any risks and control concerns identified by management. An interesting way of looking at the interactions and the different concepts of corporate governance is the “governance” loop as depicted by David McNamee (1992).

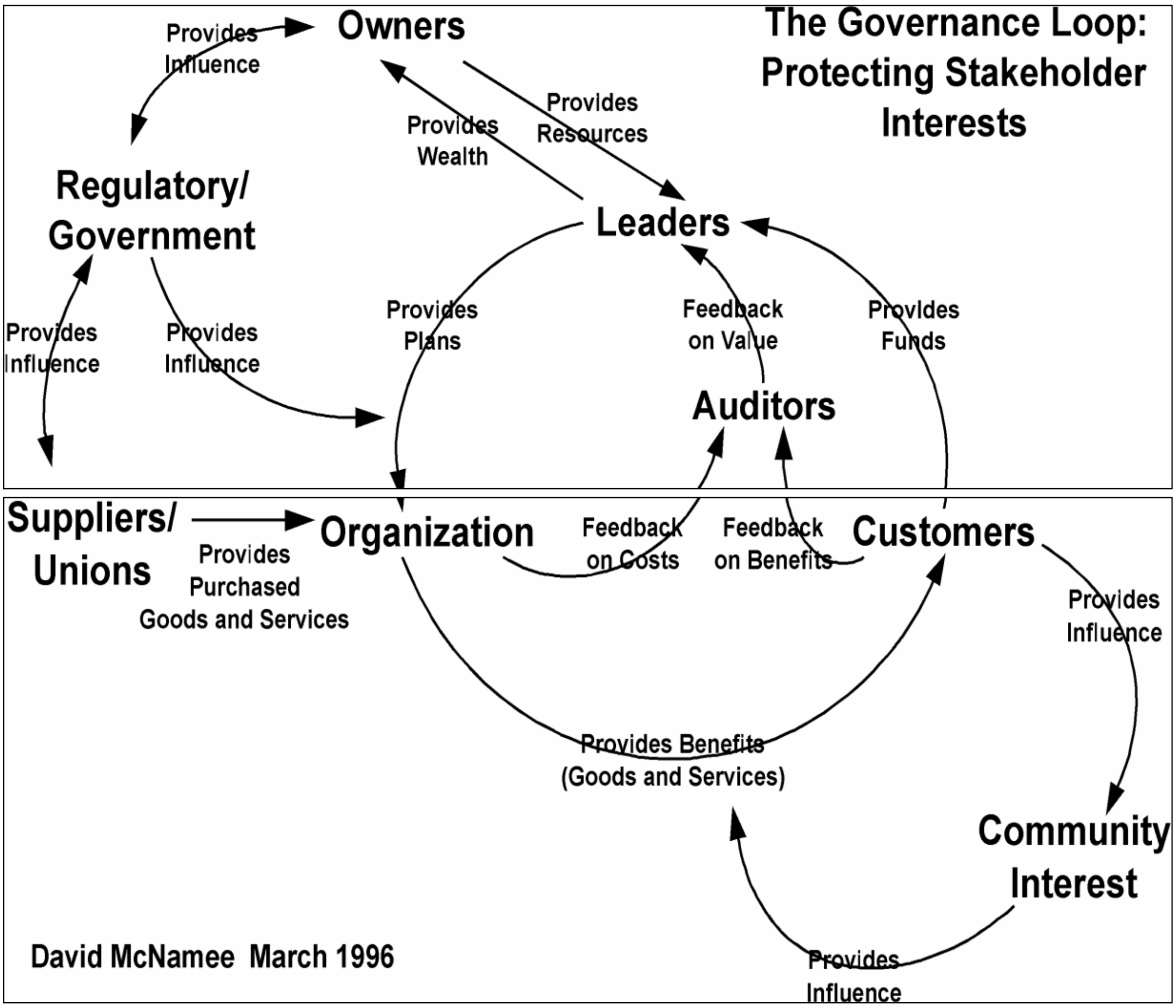

Figure 1: The "Governance" Loop

Source:

2.10 Characteristics of Good Corporate Governance

2.10.1 Participation

OECD, (1999) indicated that participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision-making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand.

2.10.2 Rule of law

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force (OECD, 1999).

2.10.3 Transparency

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. It also means that enough information is provided and that it is provided in easily understandable forms and media (OECD, 1999).

2.10.4 Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe (ibid).

2.10.5 Consensus Oriented

There are several actors and as many viewpoints in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community (ibid).

2.10.10. Equity and Inclusiveness

A society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their wellbeing (ibid).

2.10.11. Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment (ibid).

2.10.12. Accountability

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. Who is accountable to who varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law (ibid).

2.11 Historical Perspective of the Postal Services

Postal services are as old as the very existence of man since the underlying factor of the service is the delivery of messages. Micropeadia Britannica 9, (Otter Rethimnon, p.638), defined the Postal System as an institution which is usually under the control of a government or quasi-governmental agency that makes it possible to send a letter, packet or parcel to any addressee in the same country or abroad, with the expectation that it would be received. The first known postal document found in Egypt dates from 255 BC, even though the postal service existed before that time and on every continent in the form of messengers serving kings and emperors.

With the growth of international commerce during the Renaissance, there was a need for business correspondence. Corporations and guilds set up their own messenger services. Overtime, religious orders and universities added their own message delivery systems to exchange news and information. Relay stations were set up along the messengers' routes to speed delivery over long distances. Eventually, private individuals were allowed to use the messengers to communicate with one another.

The best known and most extensive of such services was the Thurn and Taxi system. A family, whose station name was Tassis, had started operating courier services in the city-states from about 1290. Franz Von Taxis served as postmaster for the Holy Roman Emperor Maximilian I, beginning in 1489. He obtained the right to carry government as well as private mail throughout the empire under a patent from the emperor in a network of postal routes in Spain, Germany, Austria, Italy, Hungary and the Low Countries from 1512 to 1967. The system employed about 20,000 messengers to deliver mail and newspaper. By this time strong nation-status had emerged in Europe and governments were beginning to insist on controlling mail services. In 1672, France declared all postal services to be a state monopoly, thereby forcing private services out of business.

The private carriers did not give up, however. Some of them found a way to stay in business by introducing a new public service, the collection and delivery of mail within countries. William Dockwra opened a Penny Post in London in 1680. The novelty of his operation lay in prepayment for sending letters and in stamping them to show when and where they were sent for delivery. Dockwra was so successful that he was prosecuted for infringing on the state monopoly. His enterprise was shut down in 1682 and changed into a government agency (ibid).

During the 17th and 18th centuries, the exchange of mail between countries was largely governed by bilateral postal agreements. But by the 19th century, the web of bilateral agreements had become so complex that it began to impede the rapidly developing trade and commercial sectors. Order and simplification were needed in the international postal services.

The process was started by national postal reforms. The most noteworthy reform occurred in England in 1840, when Sir Rowland Hill introduced a system whereby postage on letter had to be prepaid. Furthermore, uniform rates were charged for all letters of a certain weight in the domestic service, regardless of the distance travelled. Sir Rowland Hill was also credited with introducing the world’s first postage stamps.

In 1863, United States Postmaster General, Montgomery Blair, called a conference in Paris. Delegation from 15 European and American countries met and succeeded in laying down a number of general principles for mutual agreements. But the scope of their decisions was limited and they were not able to settle on an international postal agreement. This task was left to Heinrich Von Stephan, a senior postal official from the North German Confederation. He drew a plan for an international postal union, and at his suggestion, the Swiss government convened an international conference in Berne on 15th September 1874. Representatives attended the conference from 22 nations. The Treaty succeeded in unifying a confusing international maze of postal services and regulations into a single postal territory for the reciprocal exchange of letters. The barriers and frontiers that impeded the free flow and growth of international mail were pulled down (UPU Bulletin, 2006).

2.12 Development of Postal Services in Ghana

Postal services started in 1854 in the then Gold Coast after the then Governor, Major Stephen Hills, had made representation for the establishment of a separate postal service for the Gold Coast by the British Postmaster General in London. In 1860, the legislative council of the Gold Coast Colony enacted legislation for the prepayment of postage on certain classes of letters passing through the post. The first post office was opened at Cape Coast in 1873 with Rowland Cole, a Sierra Leonean, as the first Postmaster. The Gold Coast became a member of the UPU in 1879 and the enactment of the Post Office ordinance was performed in 1888 after which the first private letter boxes were installed.

Modern Postal Services took off after the Second World War, until which time the Post and Telecommunication Corporation was a department of the Civil Service. The Post and Telecommunications Department became a Corporation with the promulgation of NRCD 311 of January 1974 with the mandate of operating Postal Services and operating National and International Telecommunication Services. The structure drawn for the Corporation under this decree provided for a Director-General as Chief Executive with responsibilities for both Postal and Telecommunications services respectively.

The separation of the Posts and Telecommunications in Ghana is a global trend meant to address the inefficiencies in the postal sector. The sector is often unreliable and unresponsive to market needs. In spite of these shortcomings, however, the sector represents a significant proportion of Gross Domestic Product (GDP) and also a large employer, though the Statistical Services is yet to quantify it into the national economy.

It is in view of this that the World Bank's Private Sector Department (PSD) started promoting worldwide postal reform concepts especially in developing countries. The prerequisite for this concept rests on the separation of the postal from the telecom sector in countries where they are a single entity.

The idea of separation was bought by the Ghana government and was consequently approved by Parliament. It could not, however be debated by Parliament because of the 31st December 1981 coup. As part of the Second Telecommunication Project (STP), the government of Ghana accepted a proposal to separate the Post from the Telecommunications, with the view of restructuring both entities to stimulate foreign investments, expand and improve their network to provide viable commercial capacities to ensure effective and efficient operations and maintenance of their facilities and services.

The Telecommunication Services Division, now Ghana Telecom Company was restructured, modernized and its facilities expanded under multilateral funding. This trend of affairs indeed posed a challenge as to whether Ghana Post could stand on its own without support from government.

Messrs MG Associates of the United Kingdom, a management-consulting firm was commissioned to prepare modalities for restructuring and split. They subsequently prepare a draft law for both entities as a guide for the separation. Modalities for sharing of staff, grading and job descriptions were also put in place (Ghana Post News Letter, 2000),

CHAPTER THREE

RESEARCH METHODOLOGY AND PROFILE

3.1 Introduction

According to Kumekpor (2002) research methods are the methods, procedures and techniques used in an attempt to discover what we want to know. Research methods are, therefore, concerned with the 'How of how we go about discovering what we want to know'. Therefore, in order to arrive at reliable conclusions concerning what we want to know, it is necessary to ensure that methods and techniques used at arriving at the conclusions are themselves dependable, objective, systematic and unaffected by personal biases.

This chapter focuses on the research methods employed by the researcher in collecting data for the study. The chapter covers the study population, sample and sampling procedure, data collection, research instrument used, administration of the research instrument and the procedure adopted in analyzing the data collected.

3.2 Research Design

The research design is viewed as a guiding plan for the process of collecting, analyzing and interpreting observations and a logical model of proof that facilitates the drawing of inferences by the researcher concerning casual relations among the variables under study. The research design of this project was a non-experimental or a survey, one which determined the perceived level of good corporate governance by internal auditing at Ghana Post Company Limited in the Ashanti Region. The case study approach which embraces the exploratory or descriptive methods was adopted. Therefore, interview guide covering the objectives of the research was prepared and used to collect data from the selected respondents. The researcher gathers extensive data from members of the Ashanti Regional Directorate of Ghana Post. The researcher uses a cross-sectional design to collect data on relevant variables, one time only, from selected persons. To this end, interview guide covering the objectives of the research was prepared and used to collect data from the stakeholders sampled.

3.3 Targeted Population

The population is the complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested (Agyedu et al., 1999). The targeted population of the study is two hundred and twenty-eight (228) comprising fifty (50) management members and one hundred and seventy-eight (178) ordinary staff.

3.3 Sample and Sampling Procedure

Data gathering is crucial in research, as the data is meant to contribute to a better understanding of a theoretical framework (Bernard 2002). It then becomes imperative that selecting the manner of obtaining data and from whom the data will be acquired be done with sound judgment, especially since no amount of analysis can make up for improperly collected data (Bernard et al. 1986).

The sampling technique used in this study was purposive sampling. This sampling method was adopted with the intension to gain an insight into the internal audit-good corporate governance phenomenon, hence the need to choose personnel who were well versed in the industry.

Purposive sampling is an informant selection tool widely used in ethno botany. Also called judgment sampling, it is the deliberate choice of a respondent due to the qualities the respondent possesses. It is a non-random technique that does not need underlying theories or a set number of respondents. Simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002, Lewis and Sheppard 2006). Purposive sampling is especially exemplified through the key informant technique (Bernard 2002, Garcia 2006), wherein one or a few individuals are solicited to act as guides to a culture. Key respondents are observant, reflective members of the community of interest who know much about the culture and are both able and willing to share their knowledge (Bernard 2002).

The sample for this study was put at five (5) respondents comprising, the Regional Head, the Regional Internal Control Manager, Regional Finance Manager, Head Postmaster and Kumasi District Manager of Ghana Post Company Limited, Ashanti Region.

3.4 Sources of Data

The study made an extensive use of both primary and secondary sources of information from Ghana Post employees and its board.

3.4.1 Primary Data

The primary sources of data include information that is gathered from the interview conducted with the help of interview guides. The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study.

3.4.2 Secondary Data

The secondary sources of data included Ghana Post annual financial reports, management reports and audit manuals. Data collected (Batsa, 2008) from the secondary sources significantly complement primary data and enhance the interpretation of the results

3.5 Research Instrument/Data Collection

The main instrument used for the collection of information for the study was the interview guide structured to consist of both open ended and closed ended type of questions in order to elicit feedback from respondents about what their experiences with the company in terms of auditing and corporate governance in the organization is. The questions that were designed for the respondents were structured around specific criteria based mainly on corporate governance and internal audit.

3.5.1 Interview Schedules

Interviews involve an interviewer asking one or more interviewees a set of questions which may be highly structured or unstructured. Interviews are usually synchronous and are often face-to-face, but they do not have to be. The interviews were conducted with the respondents to get their views on the subject matter under consideration. The researcher used an interview guide consisting element of both structured and unstructured interviews for the all respondents selected for the study.

3.5.2 Structured Interviews

The structured interview, at its most formal may be considered as an oral presentation of a written questionnaire. The interviewer read out the questions and the persons being interviewed gave their responses; while other interaction was kept to a minimum. The structured interviews had a fixed number of questions and even the possible responses were restricted. The questions used in structured interviews are likely to be closed questions although this is not always the case. The structured interview is more efficient in terms of the time taken to collect the data and the degree of reliability and validity is greater than in the more unstructured interview formats.

The main disadvantages with a structured approach is that the data gathered lack the richness obtained by more open-ended interviews, and because the number of possible responses is often limited, participants may be forced into giving responses which do not reflect their true feelings about an issue. The structured interview schedules based on the modules of the questionnaire was very helpful in gathering the data from the respondents who independently filled the questionnaire.

3.4.3 Unstructured Interviews

Unstructured interviews tend not to use prepared questionnaires or interview schedules; rather they have a number of themes or issues which they aim to explore. The questions asked are more likely to be open-ended, with the participant providing responses in their own words. The respondent had more control over the conduct of the interview in that they were often allowed to discuss issues as they arose and not necessarily in an order predetermined by the interviewer. The result of this more open-ended approach was a richness of data which was unbiased by any interpretation which the interviewer may have placed on it. The main difficulties with unstructured interviews is that they are time consuming, and perhaps more importantly, the data collected from different respondents will obviously be different, and therefore not always comparable; this may raise issues of reliability and validity for data collected in this way.

3.5.3 Interview Guide

This instrument was used for the collection data by first all booking an appointment with the respondents due to their busy schedules. A face-to-face interview was adopted for a period not exceeding fifteen minutes using the interview guide (constituting structured and unstructured interviews). The researcher used a recorder and later transcribed the interviews into writing.

3.6 Profile of Ghana Post

On August 31, 1995, the Ghana Postal Services Corporation (GPSC) was established with the enactment of Act 505 to operate as a separate and independent entity and provide postal and allied services. Furthermore, government converted the GPSC to a limited liability company among other state-owned enterprise following the enactment and implementation of the Statutory Corporation (Conversion to Companies) Act 461, 1993. (Ghana Post News Letter, 2000)

3.6.1 Mission

"To provide prompt, efficient, reliable and secure communication and financial services and products to domestic and foreign customers at competitive rates".

Ghana Post in its endeavour to fulfill its mission will emphasize the following: a) Prompt Counter Service to reduce customer waiting time with the introduction of multiple queuing system; checking of equipment and facilities consistently; operating reasonable shift hours; training staff regularly to put the customer first; sanctioning those who provide poor services; b) Prompt Delivery by improving the sorting process, adhering to mail dispatch schedules, servicing broken down vans promptly, outsourcing mail carriage where appropriate and increasing coverage of door-to-door delivery; c)

Competitive Rates by ensuring minimum operational cost; and d) Security of Mails by installing and maintaining security equipment; proper supervision of mails; recruitment of qualified mail office security staff and bonding them; ensuring stringent penalties to deter prospective offenders; and motivating employees.

3.6.2 Vision

"To be the best postal organization in Africa".

The Vision for the plan period has the following implications: 1) The company must consistently increase its profitability; 2) The staff must be motivated to ensure loyalty to the organization; 3) Quality of service, i.e. mail transmission and delivery, customer waiting time and counter services must conform to international standards; 4) Appropriate and the latest technology in the industry must be used to enhance operations, counter service and mail delivery; and 5) These will be achieved during the plan period.

3.6.3 Corporate Strategy

Ghana Post adopted Growth Strategy, specifically diversifying its activities by taking advantage of its infrastructure and network. Postal and communication related and non-related services would, accordingly be provided. Controls will be enforced to seal revenue leakages. Areas of revenue where stringent controls will be enforced include the following: 1) Underpayment of postage; 2) Fake franking impressions; and 3) Embezzlement.

The EMS adopted Differentiation and Cost Leadership Strategy. This enabled it to meet intense rivalry and competition within the industry as well as take advantage of Ghana Post's wide network and infrastructure. Services would be differentiated from those of competitors such as DHL, FedEx etc. by investing in research to: 1) improve quality; and 2) improve customer service.

EMS Cost Leadership Strategy would be facilitated by its lower cost of operations as compared to its competitors. This among others is due to economies of scale enjoyed by Ghana Post as a result of its network and infrastructure. It, therefore, currently has 75% local courier market share. This share of the market will be improved to 80% during the plan period (Ghana Post Corporate Plan, 2004).

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter provides presentation, discussion and analysis of data collected from the field by giving detailed information on the findings of the study and detailed discussion on responses obtained from the questions posed to the respondents as well as the analysis of the findings. The study uses narrative and descriptive statistics, mean and standard deviation were employed in explaining salient points of the study where necessary.

The study investigated internal audit practices vis-à-vis corporate governance at Ghana Post Company Limited in the Ashanti Region. The study was undertaken with four specific objectives in mind, which has to do with identifying the Internal Audit procedures; assess the corporate governance framework; the role of internal audit practice on good corporate governance in Ghana Post Company limited in Ashanti Region; and examine the challenges of internal audit and corporate governance practices in Ghana Post Company limited in Ashanti Region.

Adopting the purposive sampling technique, a sample size of five (5) respondents comprising, the Regional Head, the Regional Internal Control Manager, Regional Finance Manager, Head Postmaster and Kumasi District Manager of Ghana Post Company Limited, Ashanti Region was chosen; since they were considered to be well placed to provide the information needed, taking their cognizance of their strategic job positions and in-depth knowledge of the Ghana Post Company Limited. The main instrument used for the collection of data was the interview guide structured to consist of both open ended and closed ended type of questions in order to elicit feedback from respondents about what their experiences with the company in terms of auditing and corporate governance in the organization has been. The questions designed for the interview were structured in sync with the specific objectives and in relation to criteria based mainly on corporate governance and internal audit of the Ashanti Regional Branch of Ghana Post. Therefore, the results of the research are presented in the same manner. However, each objective has subsections in accordance with the presentation, analysis and discussions.

The study adopted the mixed approach for the study methodology since qualitative research (narrative in nature) is more useful in terms of providing insights to research problem as Lehmann et al., (2008) mentioned and the quantitative which provides concrete measurements and facts about the research topic, and quantities related to it (Biggam, 2011).

4.2 Internal Audit Procedures

The researcher uses a 5 point Likert scale for the various measurements of the study which intends to know the extent of agreement with an assertion or disagreement with the assertion. The weighted scaled assume for the study is as shown below: For a five point Likert Scale: 5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 - Strongly disagree. Mean measures the average response in a collective manner to each factor given by

$$\text{Std Dev} = \sqrt{\frac{1}{N-1}\sum_{i=1}^{n} \left(x\left(y_i-\mu\right)\right)^2}$$

Where x is the number of respondents agreeing to the factor; n is the total number of respondent for extent of agreement or disagreement; N is the total number of respondents involved in the response and y_i is the assign weight to the level of agreement or disagreement

Therefore, for the analysis and standards which focuses on role of internal audit and corporate governance, weight were assigned to the extent of agreement to each variable in order for the mean and standard deviation of each control benchmark to be found.

Table 4.4: Internal Audit Procedures

Details	**Mean**	**Std. Dev**
Internal audit process is planned in conjunction with both senior management/board and the line management involvement	4.33	0.936
All risks are properly identified and included in the audit process	4.53	1.839
Internal audit is independent of day to day management operations	4.02	1.046
There is a proper quality control procedure in place within the internal audit function	4.20	1.49
The planning and procedures of the internal audit function conform with the professional standards	4.03	0.742
The internal audit function is cost effective to the organization.	4.14	1.032
The internal audit function is involved in the design of the financial internal controls	4.03	0.826
Internal audit function is involved in the design of the non-financial internal controls	4.02	0.653
All the internal controls are documented in procedures manuals	4.21	0.748
All internal control procedures are always followed	3.18	0.978
Internal auditor has free access to the board or a board committee.	4.73	0.268
All procedures are properly documented	4.43	0.742
Average	**4.15**	

Source: Fieldwork Survey, July, 2015

In the quest to achieve the first objective of the study which has to do with identifying the Internal Audit procedures in Ghana Post Company Limited in the Ashanti Region, twelve variables were tested and the results thereof are illustrated by Table 4.1 above.

The study shows that all the variables except one recorded a mean of 3.18, representing 63.60% of the responds, and that is, ’All internal control procedures are always followed’. The study depicted that the rest of the variables measured over 4.00; with the highest being ‘Internal auditor has free access to the board or a board committee’ which scored as high as 4.73 representing 94.60%. Severally, the study indicates that Ghana Post, Ashanti Region has in place a solid internal audit procedure as evidenced by the affirmation of the assertions ‘Internal audit process is planned in conjunction with both senior management/board and the line management involvement’; ‘All risks are properly identified and included in the audit process’; ‘Internal audit is independent of day to day management operations’; ‘There is a proper quality control procedure in place within the internal audit function’; ‘The planning and procedures of the internal audit function conform with the professional standards’; ‘The internal audit function is cost effective to the organization’; ‘The internal audit function is involved in the design of the financial internal controls’; ‘Internal audit function is involved in the design of the non-financial internal controls’; ‘All the internal controls are documented in procedures manuals’; ‘Internal auditor has free access to the board or a board committee’; and ‘All procedures are properly documented’.

All the above, cumulates into an average mean of 4.15 (83.09%) by the Regional Directorate of Ghana Post which made of the Regional Head, Finance manager, Internal Control manager, Kumasi District Manager, and the Head Postmaster; which is an indication of well-established internal audit procedures in Ghana Post.

4.3 Corporate Governance Framework

Table 4.5: Corporate Governance Framework

Detail	Mean	Std. Dev.
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	3.61	1.544
Remuneration of directors disclosed	3.85	1.082
Upon appointing an external auditor its name and fees are disclosed.	4.32	0.856
In dividend policy, the amount and basis of dividend should be announced.	4.01	0.976
Chairman of BOD attended AGM at least once in the past 2 years	4.31	0.723
CEO attended at least one of the AGM over the past 2 years.	4.28	0.847
BOD provides all staff with code of ethics	4.07	0.682
Average Mean	**4.06**	

Source: Fieldwork Survey, July, 2015

In this analysis a five point Likert scale was used to assigned weight to the items used to find descriptive statistics for the study: 1-Strongly Disagree, 2 – Disagree, 3 – Neutral/Uncertain, 4-Agree and 5- Strongly Agree.

Table 4.5 shows a general agreement of the various reasons of which the Ashanti Regional Directorate of Ghana Post affirmed the corporate governance framework of the company. Since most of these means were above 4.0, it indicates that, the regional leadership agreed to the notions such as ’Upon appointing an external auditor its name and fees are disclosed’, ’In dividend policy, the amount and basis of dividend should be announced’. ‘Chairman of BOD attended AGM at least once in the past 2 years’, ‘CEO attended at least one of the AGM over the past 2 years’ and ‘BOD provides all staff with code of ethics’. These means indicate that, Ashanti Regional Directorate of Ghana Post by and large agreed these items which form the basis of their reasons for insisting on the availability the corporate governance framework in the company. However, “The remuneration of BOD and/or Senior Management reviewed by shareholders annually” and that of “Remuneration of directors disclosed” were not totally agreed among the leadership of the region; thereby leading to a mean of 3.61 and 3.85 which shows that, largely, the regional directorate which also serves as the regional management under the leadership of the Regional Head were uncertain about these items.

In the quest to assess the corporate governance framework of Ghana Post Company Limited, the selected regional directorate members have expounded the company’s outlook in the area of corporate governance in the subsequent paragraphs.

The Regional Internal Auditor who is referred to as Internal Control Manager within the circles of Ghana Post explained in detail the corporate governance framework of the company as the roles and powers of the Board that strengthens accountability mechanism and achievement of company goals; with the Board undertaking a formal and rigorous annual evaluation of its own performance and that of its committees – a more effective assigned role for the Audit Committee in monitoring the integrity of the company’s financial reporting.

The District Manager elucidated that the corporate governance framework of Ghana Post Company encompasses the rules and procedures by which decisions in the company are made, and how the affairs of the company are held accountable for their actions. The Regional Head clarified that the company’s corporate governance framework from the angle that the government is the sole shareholder with the Board of Directors exercising oversight responsibility over the CEO and the management team. In the case of the Regional Finance Manager, explicated that corporate governance framework of Ghana Post Company relates to principles such as conducting the business with all integrity and fairness being transparent with regard to all transaction; making all necessary disclosure and decision comply with the law of the organization ranging from the Board of Directors, Management, Shareholders, Customers, Employees and Society.

In summary, the study showed an affirmation of the general principles of the composition of corporate governance framework from the responses of the management members of Ghana Post Company, Ashanti Region as stipulated by Gregory et al., (2005) and Van den Berghe (2005) explaining that it concerns the relationships between corporate managers, directors and shareholders; also encompasses the relationship of the corporation to stakeholders and society; the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, generate profit, and meet both legal obligations and general societal expectations; especially the stretching of the definition to include the ‘voluntary sector practices’ and the ‘general societal expectations’ is enriching.

4.4 Role of Internal Auditing on good Corporate Governance

In order to ascertain the third objective of the study, which tentatively seeks to assess the role of internal audit practice on good corporate governance in Ghana Post Company limited in Ashanti Region the researcher looked at 1) the qualification and experience internal auditor needed for an efficient audit - factors that make an internal audit efficient and effective; 2) elements that are looked out for during internal audit and the expectations of the company as a corporate entity; 3) role of internal audit in the achievement of corporate goals - examining expectation gap between internal audit and the company goals, if any; 4) potential weakness in the system and/or in the adoption of auditing techniques that prevent internal auditors to perform and achieve the company goals more efficiently; 5) extent of impact of Internal Auditing on good corporate governance; 6) independence of the internal auditor through management manipulation;

and 7) explain the role of internal audit practice on good corporate governance in Ghana Post Company limited, which were sub headed accordingly, reiterating the responses provided by the five interviewees (members of the Ashanti Regional Directorate/Management of Ghana Post).

4.4.1 Qualification and experience of Internal Auditor for efficient Audit.

In ascertaining the needed qualification of an internal auditor, all the respondents were of the opinion that the internal auditor needs to have an accountancy educational background which covers the basic principles of accounting and auditing. They mentioned that academically, the minimum qualification should be Higher National Diploma; and acquiring a professional training/education through the award of certificate by a professional body such as the ACCA and Institute of Chartered Accountants, Ghana (ICA) has always been an advantage in Ghana. This assertion of the respondents agrees with Zhang et al., (2007)'s stands which explains that accounting and financial background is required for internal auditors; and that of Harrington (2004) which also explained that an internal auditor preferably needs an accounting background; but he went further to bring on board the need to understand internal control, because of the auditor is required to be involved in appraising financial reports. The need to acquire a high education in order to be an internal auditor was emphasized by Porter and Gowthrope (2004) stressed that internal auditors need high education to understand the responsibility under the corporate law and to perform standard of work.

However, respondents were at variance with the stands of Balkaran (2008), who postulated that the basic qualification needed for an internal auditor depends on the judgment of the employer, since the relevant basic knowledge and experience of the operations of the company is the key requirement hence in such cases internal auditors are qualified as qualified engineers, production engineers, sales persons, management personnel. It came out that Ghana Post appoints internal auditors not by the technical knowledge or expertise in postal and courier operations but by basically considering the educational background in accountancy and finance.

Concerning factors that make internal audit efficient and effective, it was revealed by the study that insistence on the strict adherence to the internal controls, adherence to the auditing schedules (regularly), requisite logistical support, period training of personnel and most importantly maintaining unrestricted scope, authority and independence of the internal auditor ensures efficiency and effectiveness in audit practices in Ghana Post.

4.4.2 Expectations of Ghana Posts as a corporate entity during Auditing

Under this subhead, the researcher seeks to ascertain the expectation of Ghana Post as a corporate entity during an audit exercise. The study revealed that the company as corporate entity and also as part of its responsibility to maintain good corporate governance, the internal audit is expected to review the control system and identify weaknesses and report to management providing the needed recommendations where necessary. Most of the time the internal audit exercise uncovers frauds perpetrated which costs the company millions of cedis. The internal auditor does not necessarily go looking for troubles for auditees, but rather, by the nature of their task, they are expected to probe every irregularity in the system.

The expectations of Ghana Post as stated above are in agreement with Walker et al., (2003) and Lindow & Race, (2002) who stressed that the internal auditor adds value to an entity by giving assurance that its exposures regarding risk are properly managed and understood.

4.4.3 The role of Internal Audit in achieving corporate goals

The role of the internal audit in achieving corporate goals according to respondents unanimously is to provide reasonable assurance regarding the achievement of objective in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with the company's law and regulations. Furthermore, other major steps that are taken into consideration are 1) conduct of management efficiency audit, 2) post-implementation audits of capital projects, 3) rationalization of accounting policies within a group and to design and implement new accounting system, 4) design checks to uncover frauds and embezzlement, and 5) review control system and to identify weaknesses.

The above findings give credence to the IIA (2011) report that the objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. Therefore it is the responsibility of the internal auditor to be concerned about any phase of business activity where he can be of service to management - including going beyond accounting and financial records to obtain a full understanding of the operations of the business.

Again, there was the meeting of minds in the area of assurance with Sawyer and Vinten (1996) who maintained that the basic purpose to check the adequacy of the internal auditing of the company is to determine about the reasonable assurance provision that the company objectives met efficiently.

However, concerning issues pertaining to verify the existence of expectation gaps between internal audit and company goals, no answers were provided by the respondents. Hence, the researcher could not ascertain the extent of expectation there is between the internal audit and goals of Ghana Post, if any.

Potential weakness of auditing techniques

In response to the inquest whether there is any potential weakness in the exercise or in the adoption of auditing techniques that prevent internal auditors to perform and achieve the company goals more efficiently, it clearly came out that compromises on the independence of the internal auditor has always been the bane of achieving efficiency. Again, it was observed that most of the time, the internal control department of Ghana Post is unable to undertake post-audit activities which expects the internal auditor to follow-up on recommendations to ensure suggested improvements to the system are being adhered to or otherwise. Their inability to undertake this important assignment is caused by lack of logistical support.

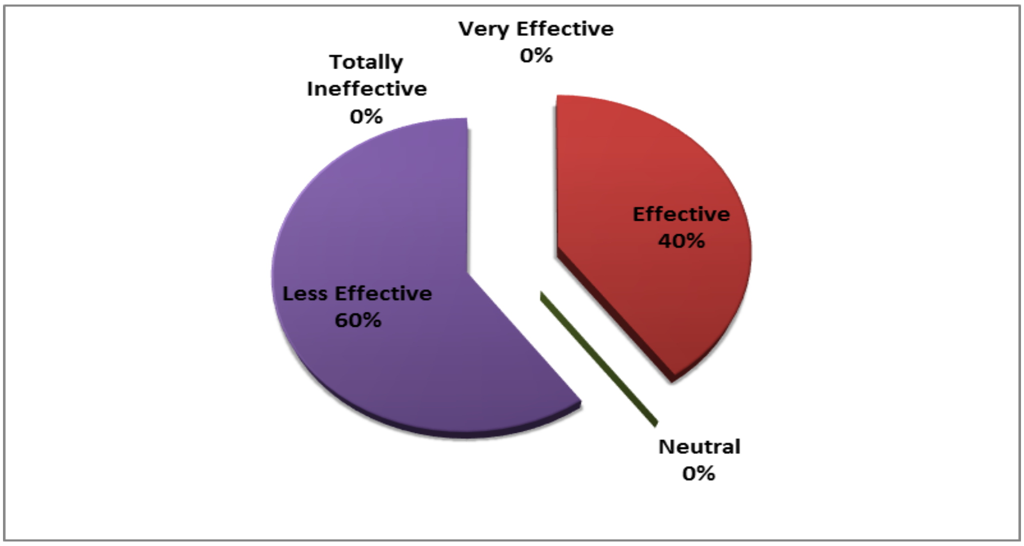

Figure 4.1: Impact of Internal Auditing on Good Corporate Governance
Source: Fieldwork Survey, July, 2015

The study indicates the extent of impact that Internal Auditing has on good corporate governance as illustrated in Figure 4.1 which revealed that 60 percent of the respondents believed that the impact of internal audit on corporate governance has been 'Less

Effective' while 40 percent was recorded in relation to 'Effective'. There was no response for 'very effective', 'neutral' and 'totally ineffective' evidenced by the 0% registered.

In explaining their choice of 'Less Effective', respondents revealed that the internal audit of Ghana Post has little or no ability to assess the effectiveness of the governance structure due to lack of resources, ineffective leadership and lack of competent personnel due to high rate of attrition. They are also of the view that the independence of internal audit in Ghana Post has been compromised by the interference of management.

On the side of 'effective', it was explained that the internal audit has impacted positively on good corporate governance as they are always on point to prevent officials of the company from mismanaging its resources, especially the funds. Again, they maintained that internal audit by ensuring strict adherence strategic plan and policies of the company has impacted on the good corporate governance practiced in the company.

The independence of internal auditor from management's manipulation

Table 4.1: The independence of internal auditor from management's manipulation

Details	No	Yes
Is the internal auditor independent of management's manipulation?	1(20)%	4 (80)%

Source: Fieldwork Survey, July, 2015

Table 4.1 shows that 20 percent (1 in absolute terms) did not agree with the assertion while the remaining 80 percent (4 in absolute terms) believed the vice-versa is true.

In explaining their choice to affirm the question posed, respondents indicated among other things that in Ghana Post, the Head of the Internal Audit Department reports to the Managing instead of the Audit Committee or the Chairman of the Board of Directors. Also, the Managing Director, in his capacity as the Chief Executive Officer, serves as the appointing officer of the internal auditor. Thus, the internal auditor's independence is highly compromised since the MD directs the kind of audit exercise to be conducted and the even in certain instances the reporting is compromised. Unlike external auditors, the internal auditor is dependent on the management headed by MD at the national level. This is replicated at the regional level, particularly in The Ashanti Region of Ghana Post Company Limited. The Regional Head, at the regional level for resources and other tasks. The internal auditor's task most of the time is at the behest of the Regional Head – doing management's bidding.

The observations above confirms the Drent (2002) assertion that executive and line management, by utilizing the internal audit function for various extended roles, do not always appreciate the need for independence; internal auditors are most the time considered as their employees, and hence views internal auditors' reporting to the audit committee as merely a formality to satisfy corporate governance requirements. Since some managers believe that internal auditors are supposed to work for them, they induce the auditors to engage in management functions. It is in this area that the impairment of the internal audit function's independence poses a threat.

Role of Internal Audit practice on good Corporate Governance

Respondents enumerated and explained the role of internal audit practice on good corporate governance in Ghana Post Company limited in the subsequent paragraphs. It was observed by respondents that internal audit practices have a prominent role to play by assessing the effectiveness of corporate governance by advising on improvements. Respondents stated clearly among other things acceptable practises impacts on the governance system of Ghana Post as 1) Promoting appropriate ethics and values within Ghana Post; 2) Ensuring effective organizational performance, management and accountability; 3) coordinating the activities of – and communicating information among the board, external auditors and management; 4) communicating risk and control information to appropriate areas of the organization.

These practices are evident in the activities covered by the internal audit department of Ghana Post Company Limited. In the Ashanti Region, practices usually covered among others are regular checks of the operations of the over 65 Post Offices scattered all over the region, pre-audit and post-audit of vouchers in relation to expenditures both capital and recurrent.

The practices as enumerated and explained is in agreement with the Internal Audit role regarding governance as elaborated by Standards 2110 of the ISA; which specifically states that the Internal Audit activities must assess and make appropriate recommendations for improving the corporate governance process.

4.5 Challenges of Internal Audit and Corporate Governance practices.

In the quest to attain the fourth objective of the study, which seeks to examine the challenges of internal audit and corporate governance practices in Ghana Post Company Limited in Ashanti Region the researcher looked at three major areas; which were: 1) the challenges that Ghana Post encounters to ensure good corporate governance through internal auditing; 2) factors that prevent Ghana Post to ensure good corporate governance through internal auditing; and 3) the effect of the challenges on good corporate governance practices. These were expatiated under three subheads in the subsequent paragraphs.

4.5.1 Challenges encountered by Internal Audit to ensure Corporate Governance

The study indicated that the challenges encountered by internal audit to ensure good corporate governance are 1) Non-compliance with laws, regulations and ethical standards; 2) inability to establish a sound system of oversight and management of actual potential conflict of interest; 3) governance and risk management are often inadequately addressed; 4) disagreement with management about matters that individually or in aggregate could be significant to Ghana Post financial statement or the audit findings; 5) management interferences; 6) lack of logistics – funds; and 7)lack of training of audit personnel on current audit practices.

These issues raised conforms to decry of Ahmad and Taylor (2009) who stressed that internal auditors should not subordinate their decision during an audit to management but cooperate with them and accept boards of director's judgment about management.

4.5.2 Factors that prevent Internal Audit to ensure good corporate governance

The study shows that factors militating against internal audit include lack of technological advancement, non-professional as auditors, unavailability of transport, and inadequate training programmes to update the skills of auditors. Again, it came up that management barely implement recommendations for changes that would lead to improvement in performance and control. Internal Auditors reporting to Chief Executive Officer of the company has been the bane of effective auditing in Ghana Post; thereby having negative impact of good corporate governance. Also, it was mentioned that risk-based auditing approach is not adhered to; and risk management is not adequately addressed.

4.5.3 The effect of the challenges on good corporate governance practices

The challenges encountered by internal audit of Ghana Post have made the department unable to achieve its target thereby exposing the company to a lot of risk as evidenced in the high level of embezzlement that the company has been experiencing in recent times.

The independence of the internal auditor is compromised; thus they lack sufficient authority to undertake audit tasks, especially when it affects a member of management. Also, the non-compliance of internal controls and the flaw in risk management by the board could not be overemphasized.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of the findings from the analysis based on the interview guide administered to the respondents, the conclusions and the necessary recommendations needed to improve the good corporate governance through internal audit in Ghana Post Company Limited, Ashanti Region.

5.1 Summary of Findings

5.1.1 Internal Audit Procedures

The study showed by the high average mean 4.15 (83.09%) the strong presence of well-established internal audit procedures at Ghana Post, Ashanti region. Notably among the procedures that are adhered to in the practice are, ‘All internal control procedures are always followed’, ‘Internal auditor has free access to the board or a board committee’, ‘Internal audit process is planned in conjunction with both senior management/board and the line management involvement’, ‘All risks are properly identified and included in the audit process’, ‘Internal audit is independent of day to day management operations’, ‘There is a proper quality control procedure in place within the internal audit function’, ‘The planning and procedures of the internal audit function conform with the professional standards’, ‘The internal audit function is cost effective to the organization’, ‘The internal audit function is involved in the design of the financial internal controls’, ‘Internal audit function is involved in the design of the non-financial internal controls’, ‘All the internal controls are documented in procedures manuals’, ‘Internal auditor has free access to the board or a board committee’, and ‘All procedures are properly documented’.

5.1.2 Corporate Governance Framework

The study showed that the company has in place deep-rooted corporate governance framework which indicated that 'Upon appointing an External Auditor its name and fees are disclosed'; 'In dividend policy, the amount and basis of dividend are known to the shareholders which is in this case the government of Ghana'; 'Chairman of BOD attended AGM at least once in the past 2 years', 'Managing Director attends at least one of the AGM over the past 2 years' and 'BOD provides all staff with code of ethics', "The remuneration of BOD and/or Senior Management reviewed by shareholders annually" and that of "Remuneration of directors disclosed'.

.The corporate governance framework of Ghana Post Company relates to principles such as conducting the business with all integrity and fairness being transparent with regard to all transaction; making all necessary disclosure and decision comply with the law of the organization ranging from the Board of Directors, Management, Shareholders, Customers, Employees and Society.

5.1.3 Role of Internal Auditing on Good Corporate Governance

As part of ascertaining the role of Internal Audit the qualification of an internal auditor was assessed and it came out the minimum qualification should be Higher National Diploma; and acquiring a professional training/education through the award of certificate by a professional body such as the ACCA and Institute of Chartered Accountants, Ghana (ICA) is an advantage in Ghana. The study further revealed that the company as corporate entity and also as part of its responsibility is to maintain good corporate governance, the internal audit is expected to review the control system and identify weaknesses and report to management providing the needed recommendations where necessary.

5.1.4 The role of Internal Audit in Achieving Corporate Goals

Concerning the role of the internal audit in achieving corporate goals, it came out that the provision of reasonable assurance regarding the achievement of objective in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with the company's law and regulations is the key; taking cognizance of conducting of management efficiency audit, post-implementation audits of capital projects, rationalization of accounting policies within a group and to design and implement new accounting system, design checks to uncover frauds and embezzlement, and review control system and to identify weaknesses.

5.1.5 Potential Weakness of Auditing Techniques

It was discovered that compromises on the independence of the internal auditor has always been the bane of achieving efficiency. Again, it was observed that most of the time, the internal control department of Ghana Post is unable to undertake post-audit activities which expects the internal auditor to follow-up on recommendations to ensure suggested improvements to the system are being adhered to or otherwise. Their inability to undertake this important assignment is caused by lack of logistical support.

5.1.6 Impact of Internal Auditing on Good Corporate Governance

The study indicates that majority of the respondents were of the opinion that the impact of internal audit on corporate governance has been 'Less Effective'. They explained further that the internal audit of Ghana Post has little or no ability to assess the effectiveness of the governance structure due to lack of resources, ineffective leadership and lack of competent personnel due to high rate of attrition.

5.1.7 The Independence of Internal Auditor from Management's Manipulation

In Ghana Post, the internal auditor's independence is highly compromised since the MD directs the kind of audit exercise to be conducted and the even in certain instances the reporting is compromised. This is replicated at the regional level, particularly, in the Ashanti Region of Ghana Post Company Limited where the Regional Head, provides resources the effective of the Internal Auditor and in certain instances directs the Auditor to perform other managerial tasks on his/her behalf. The Internal Auditor's task most of the time is at the behest of the Regional Head – doing management's bidding.

5.1.8 Role of Internal Audit Practice on Good Corporate Governance

The study showed that internal audit practices have a prominent role to play by assessing the effectiveness of corporate governance by advising on improvements by adopting practices such as 'Promoting appropriate ethics and values within Ghana Post', 'Ensuring effective organizational performance, management and accountability', 'Coordinating the activities of – and communicating information among the board, external auditors and management' and 'Communicating risk and control information to appropriate areas of the organization'.

5.1.9 Challenges of Internal Audit and Corporate Governance practices.

The study indicated that the challenges encountered by internal audit to ensure good corporate governance are Non-compliance with laws, regulations and ethical standards; inability to establish a sound system of oversight and management of actual potential conflict of interest; governance and risk management are often inadequately addressed; disagreement with management about matters that individually or in aggregate could be significant to Ghana Post financial statement or the audit findings; management interferences; lack of logistics – funds; and lack of training of audit personnel on current audit practices.

5.2 Conclusion

The corporate governance framework of Ghana Post serves as the source of the roles and powers of the Board that strengthens accountability mechanism and achievement of company goals; with the Board undertaking a formal and rigorous annual evaluation of its own performance and that of its committees. Moreover, the corporate governance framework in Ghana Post concerns the relationships between corporate managers, directors and shareholders; and encompasses the relationship of the corporation to stakeholders and society; the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to attract capital, perform efficiently, generate profit, and meet both legal obligations and general societal expectations; especially the stretching of the definition to include the 'voluntary sector practices' and the 'general societal expectations' is enriching.

The independence of Internal Auditors in Ghana Post are highly compromised since most of the time they are considered as employees of management, and hence the views of Internal Auditors' reporting to the Board as merely a formality to satisfy corporate governance requirements. The management of Ghana Post believes that the role of the Internal Auditors is supposed to work for them - by inducing the Auditors to engage in management functions. It is in this area that the impairment of the internal audit function's independence poses a threat. They lack sufficient authority to undertake audit tasks, especially when it affects a member of management.

The challenges encountered by internal audit of Ghana Post have made the department unable to achieve its target thereby exposing the company to a lot of risk as evidenced in the high level of embezzlement that the company has been experiencing in recent times. Also, the non-compliance of internal controls and the flaw in risk management by the board could not be overemphasized.

Finally, the objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. Therefore it is the responsibility of the Internal Auditor to be concerned about any phase of business activity where he can be of service to management - including going beyond accounting and financial records to obtain a full understanding of the operations of the business.

5.3 Recommendations

5.3.1 Logistical Support for Internal Audit

It is recommended that, the board and the entire management should recognize the important role internal audit play and if need be support them with enough resources to enable them execute their mandate. Internal Audit department of Ghana Post should be well resourced with the appropriate logistics from transportation to funding. It is also proper to mention the need to keep up with the changing technologies and methods of doing business to enable internal audit to remain relevant.

5.3.2 Independence for Internal Audit

It is believed that the provision of the accoutrements for tasks of the internal auditor will in the long run improve on their independence and professionalism in executing their duties. It is necessary to adhere to the several independence guidelines of the internal audit to keep in mind when considering reporting lines for internal audit. The internal audit function must be independent of the activities being audited and must also be independent from everyday internal processes. The internal audit department must be able to exercise its assignment on its own initiative in all departments, establishments and functions of the organization. Besides, the internal audit must be free to report its findings and appraisals and to disclose them internally. Finally, the head of the internal audit department should have clear authority to communicate directly and on his or her own initiative to the board, the chairman of the board, or the chairman and members of the audit committee.

5.3.3 Effective Reporting Lines for Internal Audit

The internal audit function should report functionally to the chairman of the BOD, recognizing that on a day-to-day basis it should report administratively to the CEO of the organization. It is worth noting that regardless of the reporting relationship the organization chooses, there are key measures that will ensure that the reporting lines support and enable the effectiveness and independence of the internal audit function. These key measures could be that the head of internal audit should meet privately with the board/audit committee without the presence of management. This will reinforce the independence and direct nature of the reporting relationship.

5.3.4 Review of Audit Plan and the Performance of Internal Audit Department

It is recommended that the board/audit committee should have the final authority to review and approve the annual audit plan and all major changes to the plan. Moreover the Board of Directors should review the performance of the head of internal audit and the overall internal audit function at least once a year, as well as approve the compensation levels for the head of internal audit.

5.3.5 The Internal Audit Role in the Modern Corporate Governance

The Board of Directors has a critical role to play in the promotion of good corporate governance. It is believed that the Board has an ultimate responsibility for the effectiveness of the organizations' internal control systems. Traditionally the Internal auditors were acting as 'policemen' that check and monitor the company's procedures and level of compliances with the rules. However, in recent times Internal Auditors can be portrayed as consultants and the internal audit function of companies considered as helping to achieve corporate objectives and add value. The Internal Auditors are currently expected to make things happen rather than waiting to respond to it.

5.3.6 The Board's Responsibility for Internal controls

The board of directors by the companies code (Act 173) is responsible for maintaining adequate accounting records. To meet these responsibilities directors need in practice to maintain a system of internal control over the financial management of the company, including procedures designed to minimize the risk of fraud. There is, therefore, an implicit requirement on directors to ensure that a proper system of internal control is in place.

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APPENDIX

INTERVIEW GUIDE

Dear Sir/Madam

You have been selected to respond to this interview guide with respect to the study of "The Internal Audit Practice and Corporate Governance at Ghana Post Company Limited (Ashanti Region)". You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential. Thank You.

Section A: Internal audit procedures

Instruction: Please indicate the extent to which you agree or disagree with each of the following statements by circling only one number, where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree. For example, if you strongly agree with any particular statement, please put a circle around 5.

Details Strongly Agree Agree NeutralDisagree Strongly Disagree

Internal audit process is planned in conjunction with both senior management/board and the line management involvement

All risks are properly identified and included in the audit process

Internal audit is independent of day to day management operations

There is a proper quality control procedure in place within the internal audit function

The planning and procedures of the internal audit function conform with the professional standards

The internal audit function is cost effective to the organization.

The internal audit function is involved in the design of the financial internal controls

Internal audit function is involved in the design of the non-financial internal controls

All the internal controls are documented in procedures manuals

All internal control procedures are always followed internal auditor has free access to the board or a board committee.

All procedures are properly documented

Section B: Corporate Governance Framework

Instruction: Choose from the suggested list below your level of agreement to the following statement which indicates various corporate governance drivers in Ghana Post. Please indicate the extent to which you agree or disagree with each of the following statements by circling only one number, where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree. For example, if you strongly agree with any particular statement, please put a circle around 5

Details	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The remuneration of BOD and/or Senior Management reviewed by shareholders annually					
Remuneration of directors disclosed					
Upon appointing an external auditor its name and fees are disclosed.					
In dividend policy, the amount and basis of dividend should be announced.					
Chairman of BOD attended AGM at least once in the past 2 years					
CEO attended at least one of the AGM over the past 2 years.					
BOD provides all staff with code of ethics					

2. Please elaborate in detailed as possible the corporate governance framework of Ghana Post Company Limited.

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Section C: Role of Internal Auditing on Good corporate Governance

What qualification and experience internal auditor needed for an efficient audit? And what factors makes an internal audit efficient and effective?

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What does the internal audit look for and what do Ghana Post as a corporate entity expects during an audit? Does internal audit looking for negative things?

____
____
____
____

What is the role of internal audit in the achievement of corporate goals? Are there any expectation gap between internal audit and the company goals?

Yes [ ]   No [ ] Please explain your answer

____
____
____
____

Is there any potential weakness in the exercise or in the adoption of auditing techniques that prevent internal auditors to perform and achieve the company goals more efficiently?

____
____
____
____

At what extent has Internal Auditing impacted on good corporate governance?

Very effective [ ] Effective [ ] Neutral [ ] Less Effective [ ] Totally Ineffective [ ]

Is the internal auditor independent of management's manipulation?

Yes [ ]   No [ ]

Please enumerate and explain the role of internal audit practice on good corporate governance in Ghana Post Company limited?

____
____
____
____

Section D: Challenges of Corporate Governance practice.

What are the challenges that Ghana Post encounters in its quest to ensure good corporate governance through internal auditing?

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____

What factors prevent Ghana Post to ensure good corporate governance through internal auditing?

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____

How do the challenges affect good corporate governance practices?

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Suggest recommendation for the improvement of good corporate governance through internal auditing?