

THE EFFECTS OF INTERNAL AUDIT
(COSTS AND BENEFIT)
(A CASE STUDY OF VOLTA RIVER AUTHORITY AND GARDEN CITY
UNIVERSITY COLLEGE)

BY
OWUSU NYANTAKYI SAMUEL
SARAH BAAH-FRIMPONG
DORIS TAKYIWAA ADJARE
HANNAH OWUSU ASANTE
MARY-WIAFE AKENTEN

A PROJECT WORK PRESENTED TO THE BUSINESS STUDIES DEPARTMENT OF
CHRISTIAN SERVICE UNIVERSITY COLLEGE IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION

JULY, 2011

STATEMENT OF AUTHENTICITY

We have read the university regulations relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

NAMES	SIGNATURE	DATE
Samuel Owusu Nyantakyi
Sarah Baah-Frimpong
Doris Takyiwaa Adjare
Hannah Owusu Asante
Mary-Wiafe Akenten

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by Christian Service University College.

Supervisor's Name	Signature	Date
Mr. Ben K. Agyei Mensah
Head of Department's Name	Signature	Date
Mr. Stephen Banahene

ABSTRACT

The increasing rate of fraud and corruptions of accounting professionals in recent times calls for institutions and national concerns about the situation. This research sought to analyze the costs and benefits of internal audit in organizations.

The purpose was to assess the independent of internal audit department, undertake evaluation of the costs and benefits of internal audit department in some organizations, and to recommend organizations that do have internal audit unit to establish. The research was conducted on internal audit department of Volta River Authority in Accra, and Garden City University College in Kumasi and information gathered through administration of structured questionnaires and interviews.

The findings made from the research includes that the internal audit department must be independent, that is free from bias; even though there are costs associated with internal audit, the benefits derive from it outweigh the costs, and the value of internal audit department cannot be easily quantified.

It was observed that, there is a need for organizations who do not have internal audit department must establish one.

ACKNOWLEDGEMENT

A work of this sort requires great sacrifice and immense support. It is therefore proper that those have contributed to this research project should be singled out for mention.

Our heart is filled with thankfulness and gratefulness to God Almighty the creator and sustainer of our whole being who has guided and protected us up to this time and has made this research paper through us. We lie down prostrate in adoration to His wonderful name.

We sincerely and humbly acknowledge the wonderful sacrifice made by Mr. Ben K Agyei-Mensah in supervision and contributions to this project work.

We also appreciate the support of the management and staff of Volta River Authority and Garden City University College, for their attention during the interview and also in the collection of data for the study, especially, the principal of Garden City University College.

Our heartfelt thanks is also for all the wonderful lecturers, especially, (HOD), Mr. Daniel Agyapong, administrators, staff, drivers and grounds men of the University who made it their responsibility to impart priceless values, knowledge, love and service into our uncompleted value, limited knowledge bank and ungodly life. To our wonderful friends and all who made social, emotional, spiritual and academic pressures bearable for us. We doff our hats, lowered our clothes, standing on our native sandals and bow to you. We say, may the good God richly bless you.

DEDICATION

We dedicate this whole research work to our parents whose prayers and supports have brought us this far. We are so grateful to you.

TABLE OF CONTENT

	Page
Statement of Authenticity	ii
Abstract	iii
Acknowledgment	iv
Dedication	v

CHAPTER

ONE INTRODUCTION

1.1	Background of the Study	1
1.2	Statement of the Problem	3
1.3	Objectives of the Study	3
1.4	Research Questions	4
1.5	Significance of the Study	4
1.6	Scope and Limitation of the Study	4
1.7	Definition of Terms	5
1.8	Organization of the Study	5

TWO	LITERATURE REVIEW	
2.1	Background	7
2.2	Literature	7
2.3	The Meaning of Internal Audit	8
2.4	History of Internal Audit	9
2.5	Objectives of Internal Audit	10
2.6	Functions of Internal Audit	10
2.7	Role of the Internal Audit in an Organization	11
2.8	The Nature an Purpose of Internal Audit Assignment	12
2.8.1	Best Value	13
2.8.2	Information Technology	13
2.8.3	Financial	14
2.8.4	Fraud	15
2.8.5	Value for Money	15
2.9	Limitations of the Internal Audit Function	16
2.10	Assessment of Related Works	18
2.10.1	Objectives of the Study	18
2.11	Summary of their Finding	18
2.12	The Gap Identified	19
2.13	Summary	20

THREE METHODOLOGY

3.1	Introduction	21
3.2	Type of Research	21
3.3	Population	22
3.4	Sample and Sampling Technique	22
3.5	Data Collection	22
3.5.1	Type and Source of Data to be Collected	22
3.5.2	Instrument for Data Collection	23
3.5.3	Procedure for Data Collection	24
3.5.4	Method of Data Analysis	24

FOUR PRESENTATION AND ANALYSIS OF DATA

4.1	Introduction	25
4.2	Background of VRA Audit	25
4.2.1	Structure of Audit Department	25
4.2.2	Function of Department	27
4.3	Background of Garden City University College	28
4.4	Data Presentation and Analysis	29
4.4.1	Independence of Internal Auditor in VRA	30
4.4.2	Benefit of Internal Audit Function	31
4.4.3	Cost of Internal Audit Function	35

4.5	Discussion of Findings	38
4.5.1	Independence of Internal Audit	38
4.5.2	Benefits of Internal Audit	39
4.5.3	Costs of Internal Audit	40

FIVE SUMMARY, RECOMMENDATION AND CONCLUSION

5.1	Introduction	42
5.2	Summary	42
5.3	Conclusion	43
5.4	Recommendation	43

BIBLIOGRAPHY 45-46

APPENDIX A Indicating the type of department of respondent in the organization 47-64

APPENDIX B Questionnaire 65-69

LIST OF TABLES

Table 1: Benefit of internal audit	33-34
------------------------------------	-------

LIST OF FIGURES

Figure 1: Indicating whether the value of internal audit to the firm can be easily quantified	35
Figure 2: Showing views on cost incur by VRA	36
Figure 3: Indicating respondent views on perceived financial and non financial cost incurred by GCUC	38

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

“The need to improve corporate governance came to prominence in the UK in the 1980s, following the high profile collapse of a number of large companies including Maxwell, Polly Pecks, and BCCI etc” (Boynton, Johnson and Kell, 2001). Poor standards of corporate governance also led to insufficient controls being in place to prevent wrongdoing in the US in the 1990s, as demonstrated by the collapses of Enron and World Com.

Corporate governance is about ensuring that companies are run well in the interest of all stakeholders. The two factors, which contribute strongly to good corporate governance, are:

- the way the board is structured
- Mechanisms to ensure that management is subject to checks and balances which ensure that management’s actions are reviewed by either a supervisory board or Non-executive directors acting through board sub-committees.

These mechanisms are referred to in the International Standards of Auditing as “Those charged with governance”.

The role of those charged with governance is of a high level, supervisory nature, so that they cannot become involved with monitoring the detail of how the company is run.

Unfortunately, if no one considers how well the company is actually being run in practice, none of these mechanisms will have any impact. Therefore, there is the need for a separate department

within the company who can check that systems are operating effectively and the procedures put in place to deliver good corporate governance really work.

In a large public company, therefore there is a need for internal audit.

In small owner managed businesses, there is unlikely to be a need for internal audit because the owners are able to exercise direct control over operations and are accountable to fewer stakeholders.

The need for internal audit therefore will depend on scale, diversity and complexity of activities, number of employees, and the desire of senior management to have assurance and device on risk and control, and cost and benefit considerations.

In Ghana, the Internal Audit Agency Act 2003 (Act 658) was passed in 2003. The Act establishes the Internal Audit Agency as an apex oversight body to coordinate, facilitate and provide quality assurance for internal audit activities within Ministries, Departments and Agencies (MDAs) and Municipals, Metropolitans and District Assemblies (MMDAs). The object is to enhance efficiency, accountability and transparency in the management of resources in the public sector.

The internal audit department is established to provide an independent appraisal on the systems, programs and controls operating in the organization. They monitor measure and evaluate the effectiveness of operating systems, programs and controls of all Departments and Subsidiaries to ensure optimal utilization of resources and the achievement of goals as well as provide Management with reliable and timely information for effective decision-making.

The function of auditors is to provide assurance, usually about financial information.

Internal auditors provide assurance to the company's management that, systems are operating effective, internal controls are effective, laid down procedures are being followed and financial and other information being produced is sound and reliable. They do this by carrying out assignments and producing reports of their findings.

1.2 STATEMENT OF THE PROBLEM

Internal review is an important management tool for monitoring, measuring and evaluating the effectiveness of the operating systems in the organization. It is a key factor in decision making which comes with some benefits and costs. The ineffective running of the internal audit department in some organizations has led to the disintegration of most world class companies. The management of some organizations does not see the importance of internal review in the organization but rather, it is been seen as time wasting and involves cost which may cause financial loss to the organization. These are the reasons why we have sought to study the costs and benefits associated with internal review.

1.3 OBJECTIVE OF THE STUDY

The aim of this research study is to:

- Assess the independence of the internal audit department.
- undertake evaluation of the costs of internal audit department in some organizations
- Undertake evaluation of the benefits of internal audit department in some organizations.

1.4 RESEARCH QUESTIONS

- What extent is the internal audit department independent?
- Can the value of the internal audit department be quantified?
- What kind of benefits does the organization enjoy from the establishment of internal audit department?

1.5 SIGNIFICANCE OF THE STUDY

This study will be source of information to organizations who have not found the need to establish internal audit department within their organizations. It will enable employees to possess the skills and knowledge essential to the performance of their job and to provide a well-designed organizational structure. The study will also help management in organizations to carry on their operations in an orderly and efficiently manner to ensure adherence to management policies, safeguard its assets and secure the accuracy and reliability of records.

It also hoped to be the basis for additional research.

1.6 SCOPE AND LIMITATION OF THE STUDY

Internal audit as a whole will be too broad an area to be looked at or be treated. For this purpose, the paper will delimit itself to costs and benefits associated with internal within selected organizations. The research work carried out had some short fall. The foremost was the inadequate source of finance. Since there was no help in funding the project, we used the limited resources available in funding the entire project.

Another limitation comes from the information gathering. Since the school library did not have enough resource, we had to move from library to library searching for information to help in the writing of the project.

Since there was not a letter from the university to inform the selected organizations about the study, the respondents at first were not willing to help because of the confidentiality of the unit, but with a prove that it was an academic work, they released the information needed and even promised to help when the need arises. Even though we encountered all these limitations, it is assured that the limitations do not affect the authenticity of the study and have no effect on it findings.

1.7 DEFINITION OF TERMS

Corporate objectives: Desired results that an organization seeks to achieve over a period of time.

AICPA: American Institute of Certified Public Accountants

VRA: Volta River Authority

GCUC: Garden City University College

IA: Internal Audit

1.8 ORGANIZATION OF THE STUDY

The whole organizations consist of five chapters. Chapter one deals with introduction, it reveals the background of the study, statement of the problem, purpose of the study, the limitation of the study and the organization of the chapters. Chapter two is on the literature review and the theories propounded by writers on auditing, internal auditing, the role of internal audit in an

organization, the nature and purpose of their assignment and the cost and benefits of the internal audit.

Chapter three is based on the methodology for the study. It consists of the type of research; population; sample; sampling method; data collection: type of data to be collected, instrument validity and reliability. Chapter four deals mainly with the presentation, analysis and discussion of data collected. Chapter five concludes the research with the summary, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 BACKGROUND

With this topic “Effect of Internal Audit (the costs and benefits)” An effect is simply an observed relationship between variables in a sample of subjects. An effect is also known as an outcome.

“An internal audit is an independent appraisal function established by management for the review of the internal control systems as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient, and effective use of resources” (Okai, 1996).

Therefore we are simply asking the question what are the outcome behind the establishment of an internal audit unit in an organization? For the purpose of our research work, we are limiting ourselves to the costs and the benefits involve in the establishment of an internal audit unit in an organization.

2.2 LITERATURE

We made 10 original investigations, one monograph, one review, four popular articles, one report and one companies act. They were obtained through a search of the internal audit database. A search for “internal audit” produced 14 references, which reduced to 9 when we limited the search to intermediate or advanced levels. Further restricting the search to the “cost and benefit” produced 25 references. We read 8 of these as full papers. Of the 25 papers cited in this review, we were able to obtain the following only in abstract form: Boynton et al. (2001), Gramling and Maletta (2001), Carney, (2006), UK Audit Practice Committee (Okai), ACCA paper F8, BPP

Manual, 2007/08, Foreign Corrupt Practices Act in 1977, IAA (Institute of Internal Auditors), Report by Charles River Associate, (2004). A research group from KNUST, “Internal Audit and Internal Control in Organization, Challenges and the Way Forward” of Electricity Company of Ghana and University of Mines and Technology in the year, May 2008.

2.3 THE MEANING OF INTERNAL AUDIT

Internal auditing is an important part of the monitoring component of an entity’s internal control that examines and evaluates the adequacy and effectiveness of other controls. It provides valuable services to an entity.

The Institute of Internal Auditors (IIA) defines internal audit as ‘an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations’, (Boynton, Johnson and Kell, 2001).

“An internal audit is an independent appraisal function established by management for the review of the internal control systems as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient, and effective use of resources”. (Okai, 1996)

In June 1999, the board of directors of the Institute of Internal Auditors also gave a new definition of internal audit as “An independent and objective assurance and consulting activity that is designed to add value to 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 essential parts of this definition are as follows;

The word ‘*internal*’ in the definition indicated that, auditing activities are carried out within the organization. Employees of the company may conduct internal audit activities, or they may be outsourced to other professionals outside the organization.

The ‘*Independence and objectivity*’ makes it clear that the auditor’s judgment has value when it is free from bias. ‘*Systematic and disciplined approach*’ implies that the internal audit follows professional standards that guide their work.

The phrase ‘*Helps an organization accomplish its objectives*’ means that internal auditing exist to aid or benefit the entire organization and is guided by the organization’s goals and objectives. Some specific ways in which internal auditors add value include a focus on the improvement of the ‘*organization’s operations and the effectiveness of risk management, control and governance processes*’, (Boynton, Johnson and Kell, 2001).

2.4 HISTORY OF INTERNAL AUDIT

Internal auditing began as a one-person clerical function that consisted primarily of performing independent verification of bills before payment. Over the years, internal auditing has evolved into a highly professional activity that extends to the appraisal of the efficiency and effectiveness of all phases of a company’s operations, both financial and nonfinancial. These changes have led to the formation of internal auditing departments, senior management status for the director or

manager of the internal audit function, and a reporting responsibility directly to the board of directors or its audit committee.

Passage of the Foreign Corrupt Practices Act in 1977 added further emphasis on internal auditing. This Act requires companies to maintain effective internal control system (structures). Companies subject to this Act quickly realized that an expanded internal auditing function provided the best assurance of compliance.

2.5 OBJECTIVES OF INTERNAL AUDIT

Internal auditing is basically an internal control function, that is, a financial device. The objective of internal auditing is to assist all members of management in the discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent commentary on the activities reviewed. The internal auditing group of an entity is not independent as defined by AICPA rules, since members are employees. An auditing firm retained to perform internal auditing activities, likewise, is not independent with respect to that entity. The internal auditing activity is generally considered to be part of the control environment established by management.

2.6 FUNCTIONS OF INTERNAL AUDIT

In order to achieve these basic objectives, the internal auditor reviews and appraise the soundness, adequacy and application of accounting, financial and other operating controls and recommends effective controls at reasonable cost. He ascertains the extent of compliance with established policies, plans and procedures. The auditor ascertains the reliability and relevance of management data developed within the organization. He appraises the quality of performance in

carrying out assigned responsibilities; the auditor ascertains the effectiveness of established policies and plans, and recommends operating improvement.

2.7 ROLE OF THE INTERNAL AUDIT IN AN ORGANIZATION

An internal auditing group plays a significant role within a corporation since it is a service to management and owners. For example, internal auditors may evaluate the internal control structure as well as review adherence to the company's other policies and procedures. As in the definition by the IIA, the internal audit helps in the achievement of corporate goals and objectives. The research will talk about only three of its important roles. These will include their role in corporate governance, risk management, and organizational control.

The objectives of corporate governance include the proper constitution of the board, proper arrangements for the remuneration of directors, proper mechanisms for shareholder relations and proper accountability and audit. Accountability and audit includes the maintenance of a proper system of internal control. This includes appropriate risk management system and overall organizational control. The internal auditor's role in the context of these objectives includes assisting management by suggesting ways in which these objectives can be achieved and by monitoring progress.

The internal audit has a particular interest in investigating and evaluating the company's risk management structures. They can manage the basic data which management can use in order to identify, prioritize, and manage the risk facing the company. Internal audit can also help by developing models and techniques for identifying, prioritizing and managing risk. The simple

existence of an internal audit function is an example of organizational control. Internal audit can investigate and document existing control systems and recommend improvements. The IIA recommends that the director of internal auditing be responsible to an executive whose authority is sufficiently high in the organization to provide the necessary objectivity and independence. Thus, the director of internal auditing should have a solid-line reporting responsibility to this executive, such as the executive vice president of administration, and a dotted-line reporting responsibility to an independent audit committee. The director of internal auditing must have free access to meet regularly with the audit committee. Accordingly, this reporting arrangement within the entity's structure helps engender a high degree of integrity in both the audit and the financial reporting processes.

The Tread way Commission recommended that, "public companies should maintain an effective internal audit function staffed with an adequate number of qualified personnel appropriate to the size and nature of the company." (Report by Charles River Associates, 2004)

2.8 THE NATURE AND PURPOSE OF INTERNAL AUDIT ASSIGNMENT

The scope of internal audit activity seems unlimited. In most organizations, it includes all departments, functions and activities. The scope of the internal audit function is often formally established in an internal audit department charter or vision and mission statement specifying its authority, responsibilities, and providing free access to audit all areas of the organization deemed important by directors, management, or the audit committee. Some of the assignment of the internal audit includes the following:

2.8.1 Best Value

Best value is a performance framework introduced into local authorities by the government. They are required to publish annual best value performance plans and review all of their functions over a five-year period. Authorities are required to strive for continuous improvement by implementing the 4Cs:

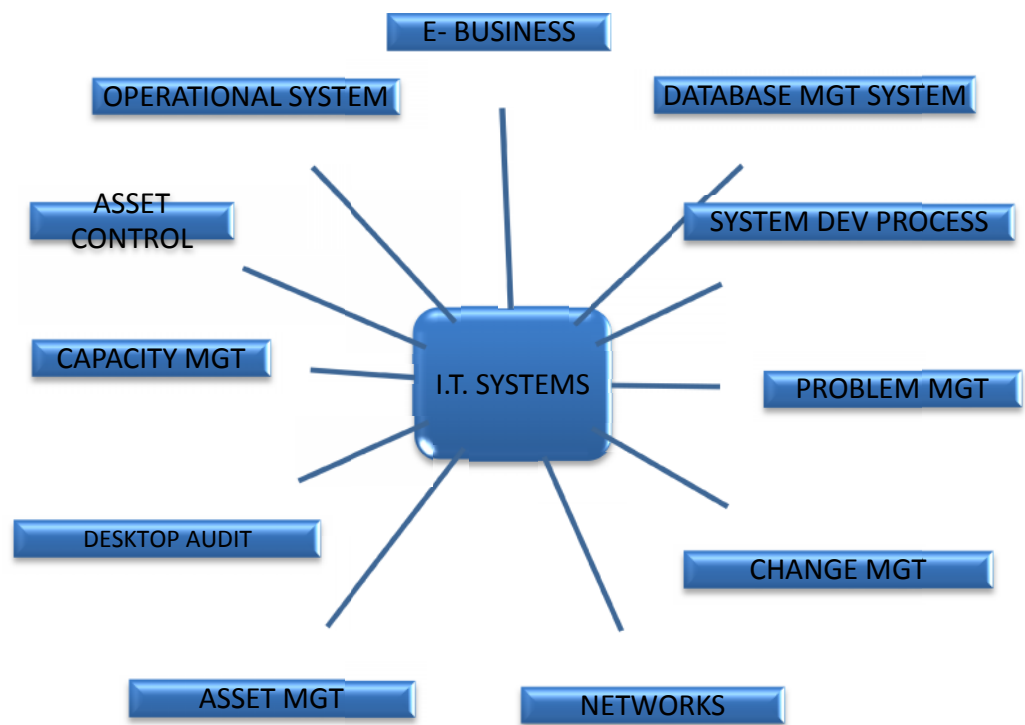
1. **Challenge-** How and why a service is provided.
2. **Compare.** Make comparisons with other local authorities and private sector.
3. **Consult.** Talk to local taxpayers, service users, and the wider business community in setting performance targets.
4. **Compete.** Embrace fair competition as a means of securing efficient and effective service.

The role of the internal audit in relation to best value is to ensure that management/authorities have arrangement in place to achieve best value, that the risks and impacts of best value are incorporated into normal audit testing and that the management keeps abreast of best value developments. As assurance providers, the key part they will play is in giving management assurance that their objectives and strategies in relation to best value are being met.

2.8.2 Information Technology

IT audit is a test of controls in a specific area of business, the computer systems. It is necessary to have an IT specialist in the internal audit team to undertake and audit of the controls, as some

of the controls will be programmed into the computer systems. The various IT in the business, which might be subject to a test of controls by the internal audit, includes:



Source: ACCA Paper F8, BPP Manual, 2007/08.

2.8.3 Financial

The financial audit is the internal auditor’s traditional role. It involves reviewing all the available evidence to substantiate information in management and financial reporting. This is a minor part of the function of internal audit since this echoed the role of the external audit.

2.8.4 Fraud

It is the responsibility of the directors to detect fraud. As the internal audit has a role in the risk management, it is involved in the process of managing the risk of fraud. The internal audit can help to prevent fraud by their work, assessing the adequacy and effectiveness of control systems and detect fraud by being mindful when carrying out their work and reporting any suspicions. They might also be called to undertake special project to investigate suspected fraud.

2.8.5 Value For Money

Value for Money (VFM) auditing is concerned with obtaining the best possible combination of services for the least resources. Therefore, the pursuit of economy, efficiency and effectiveness is also known as the 3Es.

The 3Es can be defined as:

- ***Economy***- Attaining the appropriate quality of physical, human and financial resources at lowest cost.
- ***Efficiency***- this is the relationship between goods and services produced and the resources used to produce them. An efficient operation produces the maximum out with any given set of resource inputs.
- ***Effectiveness***- this is concerned with how well an activity is achieving its policy objectives or other intended effects.

The work of the internal audit is to evaluate these three factors for any given business system or operation in the company. VFM can often only be judged by comparisons, therefore present methods of operations and uses of resources must be compared with alternatives.

2.9 LIMITATIONS OF THE INTERNAL AUDIT FUNCTION

Of all the limitations of the work of the internal audit department, the most pressing one is their independence. Independence of internal audit- The question here is can they truly be independent of the organization of which they are part? The independence of the internal audit means that the staff of internal audit must be free to conduct whatever investigation is necessary to enable them to fulfill their objectives. They must be able to report their findings honestly. The Internal Audit standards identify two aspects of independence:

Organizational status: It is determined by the manner in which the internal audit department is supervised. The internal audit department should report to someone who has sufficient seniority to ensure that audit reports are studied and acted on.

Objectivity: It is an attitude of the mind. It could be difficult for the internal auditors to maintain such an attitude. Internal audit staffs are full time employees of the organization. It may be difficult to maintain independent attitude when working closely with the same staff in the audited department for a prolonged period.

Some of the threats to the independence of the internal audit include the following:

- If internal audit has been involved in the design of systems, it is very doubtful that they can audit what they have recommended.
- Internal auditors may develop close professional or personal relationship with the managers and the staff they are auditing. The reporting relationship between the internal auditor and other line managers also becomes a threat to the independence of the internal audit, for example. Finance director.

These threats to independence of the internal audit are controlled in the following ways:

- Where the internal audit has been involved in designing new system, they should not conduct post-implementation audits.
- Internal audit staff recruited internally should not conduct audit on department in which they worked.
- Internal auditors should have their appropriate scope in carrying out their responsibilities and unrestricted access to records, assets and personnel.
- Rotation of staff over specific departmental audits should be implemented.
- The internal audit should report to the board or to a special internal audit committee and not the finance director.
- There is generally poor understanding of the function of internal audit. It is seen as a negative ‘policing’ activity, checking for compliance. There is therefore a significant education exercise for internal auditors within an organization to aid understanding of risks, controls and internal auditing.
- Relatively new profession- Internal audit is still a relatively new profession, which has been changing significantly over the years a wide variety of background are attracted into internal audit.
- Relationship with external auditor- Internal and external auditors should work closely together, with reliance by external audit on the work of internal audit. This is dependent on the two functions having a common understanding of the organization’s need and it is not always effective.

2.10 ASSESSMENT OF RELATED WORKS

We have critically analyze some related research works of some research group of Kwame Nkrumah University of Science and Technology on the topic “Internal Audit and Internal Control in Organization, Challenges and the Way Forward” of Electricity Company of Ghana and University of Mines and Technology in the year, May 2008. We have been able to identify the following gabs in their objectives and findings.

2.10.1 Objectives of their Study

The following are the objectives of this study.

- The **primary objective** for the preparation of this document is to make the internal audit profession in organization and internal controls as effective and efficient as possible towards the achievement of organizational objectives.

To achieve the above primary objective, the following **secondary objectives** will first have to be achieved.

- To identify and analyze the challenges facing internal auditors and internal control systems. To come out with pragmatic recommendations as to how such challenges can be alleviated or eliminated to enable internal auditors of organization carry out their duties and responsibilities without any hindrances

2.11 Summary of their Finding

The objectives of the study as outlined in chapter one, is to make the internal audit profession in organization and internal controls as effective and efficient as possible towards the achievement of organizational objectives by identifying the main challenges confronting internal audit and

internal control, analyze them and recommend ways of making internal auditing and internal control work effectively and efficiently.

From the findings and discussions in chapter four above, it is indisputably evident that internal auditors of organization are faced with various degrees of challenges. Among the challenges, lack of independence was ranked the most paramount and non existence of operational policies. Limitations / challenges were also identified to be confronting internal control systems. Override of internal controls by Board and Management was graded the most supreme. The overall effectiveness and performance of internal audit departments of organization was rated below average. This is due to the encumbrances in their ways as detailed in chapter four. Internal control systems of organization were also adjudged ineffective.

(KNUST, School of Business; Topic: Internal Audit and Internal controls in organization, Challenges and the Way Forward, May 2008).

2.12 THE GAP IDENTIFIED

The gap that was identified in the review was that in the researcher's quest to know more about internal audit that is Challenges and the way forward,

- The first thing they should have considered was how to establish an audit department, the benefits and the costs involved in the establishment of the internal audit department before looking at the challenges facing them and the way forward.
- Our argument to the researcher is that, before members of staff in an organization can start their operations, there is a need for the managers to establish an office complex or a department for them and this come with some cost and benefit analysis. We are saying

that the researcher cannot research into the challenges confronting an audit department which has not been established by an organization but rather he should have considered the cost and the benefit involve in it establishment before any other thing.

2.13 SUMMARY

For this reason, we therefore want to use this opportunity to inquire and know the benefits and the costs that come with the establishment of internal audit in an organization because establishment comes before operations while operations come to face challenges.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the research procedures that were adopted to carry out the research. The paper employs qualitative approach for both data collection and analysis. This study uses Volta River Authority and Garden City University College as its case study. The main aim of the study is to analyze the costs and benefits of internal audit. It focuses on the population, type of research, and the various methods and tools employed by the researcher

3.2 TYPE OF RESEARCH

This study is a “Descriptive research”. Its purpose is to gather data and perform analysis of the costs and benefits of internal audit in an organization. The research methodology describes the techniques involved or to be the procedure to be followed in realizing the goals and the objectives of the research.

Every researcher, however, has a peculiar way of approaching his work to achieve his objective. In this study, the method to be considered most will be the use of questionnaires and interviews. This is aimed at helping to analyze the costs and benefits of internal audit in organizations that have the internal audit department and those organizations that do not have.

3.3 POPULATION

The population is the group to whom the researcher would like to generalize the results of the study. The targeted organizations for this study are Volta River Authority, and Garden City University College. Seventy (70) questionnaires, that is (50) and (20) questionnaires were administered to VRA and GCUC respectively.

3.4 SAMPLE AND SAMPLING TECHNIQUE

Sampling is designed as a process of selecting a section to represent a whole. We will use sampling because the entire population is very big. The sample frame for this study embodies internal audit section of VRA and the accounts section of GCUC. The staffs were randomly selected to respond to the questionnaires. To the best of the researcher's knowledge, the information provided by the respondents was sufficient for the purpose of this research.

3.5 DATA COLLECTION

We administered the questionnaires, interviewed officers who would be cost effective to reach, and solicited for the much-needed information.

3.5.1 Type and Source of Data to Be Collected

The sources of data to be collected include primary and secondary data. This was to make the research work an objective one.

The primary data includes information from questionnaire to employees and interview of management. In the VRA, interviews were conducted in the office of the Chief Finance Officer, the manager in-charge of the internal audit department, and the staffs of the department; the

office of the Treasurer of GCUC and the staffs were also interviewed. It also includes the organizations' reports. Data collected was objective and straight to the point.

The secondary data was obtained from books of expert on the internal audit, journals, research materials, internet and brochures.

3.5.2 Instrument for Data Collection

The instrument used for the collection of data was a questionnaire administered by the researcher and interviews conducted in some special cases where more clarification of certain things was needed.

Questionnaire was a suitable option for this paper because it was easier for the respondent to interpret and assemble answers at their own convenient time. Again, it allowed for the soliciting of the exact responses needed by the researcher leaving little room for irrelevant data. Most of the questions were structured in line with the review of related literature. It included both open-ended and close-ended questions. The questionnaire was designed and administered personally to respondents.

Interviews were also conducted to obtain certain data, which was vital to the study where satisfactory responds could not be obtained from the use of questionnaire. In some cases, discussions and conversation were held to solicit certain pertinent information, which even though important, yet, was not obtained in the administered questionnaire.

3.5.3 Procedure for Data Collection

We paid a personal visit to VRA and GCUC, and scheduled a meeting with the departments involved and also some members of the management to deliver and collect questionnaires and to conduct interviews where the questionnaires cannot obtain certain information. The questions were carefully structured from the objectives of the study. Questions asked during the interviews were in plain language and easy to understand. The data collected were presented analyzed; conclusions were then drawn from the analysis.

3.5.4 Method of Data Analysis

The data collected were analyzed using the review of related literature as the basis. The researcher use quantitative and qualitative tools in analyzing the data. . These methods of analysis were used to analyze the primary data obtained and inferences made from them. The qualitative data is based on meaning expressed through words. The result is the collection of non-standardized data which requires classification and it is analyzed through the use of conceptualization. The quantitative data rather uses statistics (arithmetic, mean, charts, graph, etc) to express meanings on the data collected.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

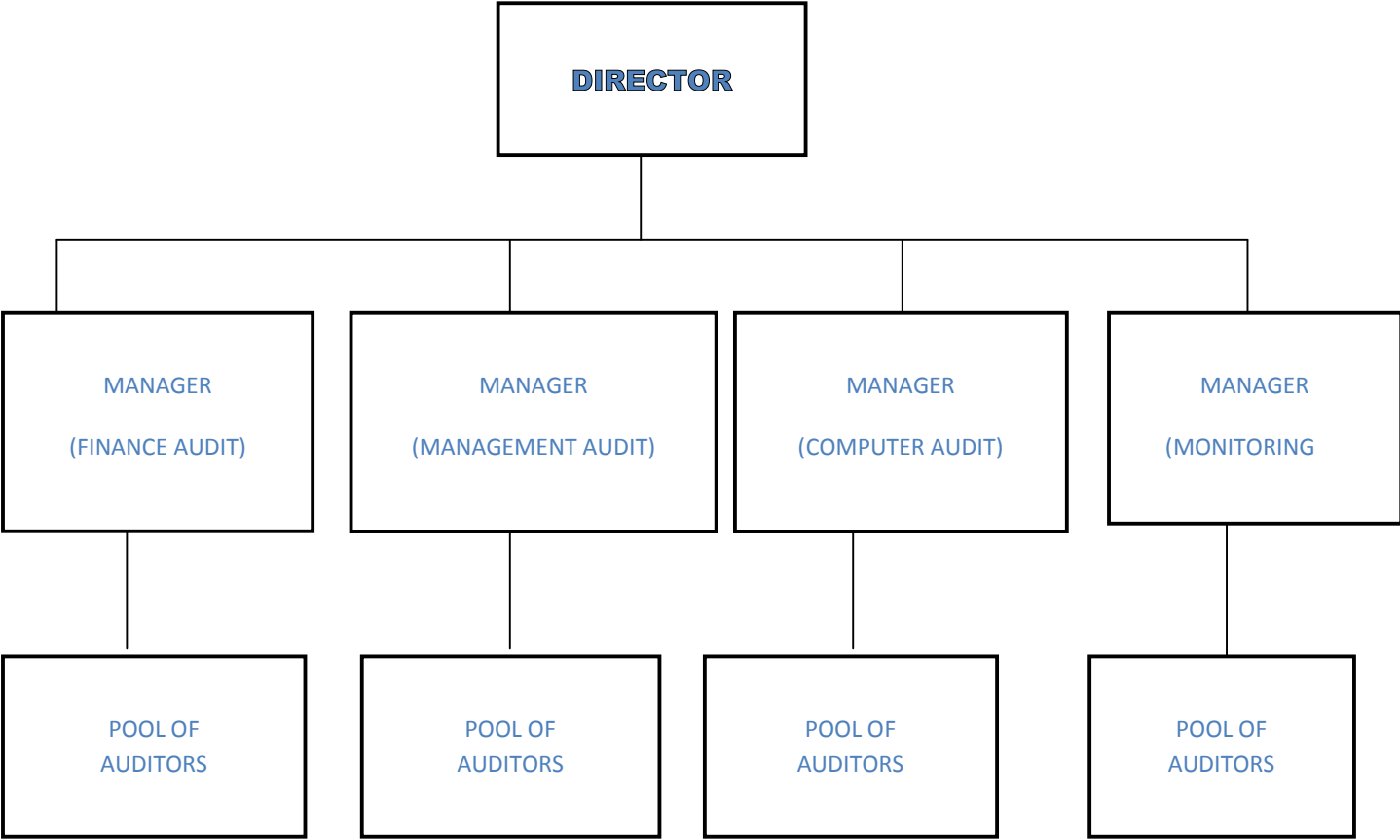
This chapter covers the analysis and conclusion of data gathered for the study. Questionnaires and interviews were the main instrument used for the study. The data collected as well as the study documents will then be analyze to come out with findings.

4.2 BACKGROUND OF VRA INTERNAL AUDIT

The internal audit department of the Volta River Authority was established in the 1972 with a mission to provide an independent appraisal on the systems, programs and controls operating in the Authority. They monitor measure and evaluate the effectiveness of operating systems, programs and controls of all departments and subsidiaries to ensure optimal utilization of resources and the achievement of goals as well as provide management with reliable and timely information for effective decision-making.

4.2.1 Structure of the Audit Department

There are four managers responsible for the four specialized areas namely, Management Audit, Financial Audit, Computer Audit and Monitoring. The department presently has twenty-nine employees. The department is structured as:



4.2.2 Functions of Departments

The finance audit unit performs independent audits of processes and all aspects of financial accountability.

The management audit focuses on the examination of an operating unit of the Authority as a whole to evaluate its systems, controls and performance as measured by management's objectives regarding operational efficiency, effectiveness and economy.

The computer unit performs independent audits of processes involving computerized activities, including computer operations, security, development, implementation and usage.

The last but not least, which is the Monitoring unit, monitors the implementation of Audit recommendation (action points) in Management Letters and other Audit Reports to ensure compliance. It is also to indentify policy issues and challenges that are encountered during implementation of audit recommendation.

In the context of corporate governance, they assist management by suggesting ways in which the proper constitution of the board, proper remuneration arrangement for the board, mechanisms for shareholder relation and accountability and audit can be achieve and by monitoring progress.

In risk management, the internal audit help by developing models and techniques for identifying, prioritizing, and managing risk. The internal audits also help in the investigation and documentation of existing controls and recommend improvements. Having an internal audit function is essential to all companies because these units help improve the objectivity of decision-making, enhance the internal control environment, and make the financial reporting process more effective. In fraud and error, the internal audit help to prevent fraud and error by

carrying out work on assessing the adequacy and effectiveness of control systems. They help to detect fraud by being mindful of their work and report any suspicion.

They also help in value for money audit. That is, they examine the economy, efficiency and the effectiveness of activities and processes. The internal audit evaluate these three factors (economy, efficiency and effectiveness) for any given business system or operations in the company.

In respect of best value, they act as assurance providers give management the assurance that its objectives and strategies in relation to best value are being met. The firm's internal audits may be used by the external auditors to reduce the scope of their internal control reviews and testing.

4.3 BACKGROUND OF GARDEN CITY UNIVERSITY COLLEGE

The Garden City University College is one of the private universities in Ghana. It is located at Kumasi in the Ashanti Region. It was established in 2001 as the College of Information Technology and Management Systems. The College was converted into the Garden City University College in 2004. It has been granted accreditation by the National Accreditation Board and Affiliated to the Kwame Nkrumah University of Science and Technology.

The University serves students from all over the world. It admits qualified students regardless of the religious background, provided such students will accept their principles and lifestyle which forms the basis for the University's operations. The university has a principal, who serves as a Chancellor. The duties of the principal and vice principal for financial administration are to see to the safeguard of assets, risk assessment, budget formulation and implementation, and any financial affair of the university. The department is comprises of the treasurer, students' finance

officer, disbursement accountant, accounts officer, accountants in charge of payroll, reconciliations, assets and purchasing. These workers ensure optimal utilization of resources and the achievement of organizational goals.

4.4 DATA PRESENTATION AND ANALYSIS

This chapter involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. The purpose is to reduce data to interpretable form in order to answer the research questions. The analysis involves the findings of our research based on the objectives of the study. The analysis techniques used to describe the basic features of the data is descriptive statistics. These include percentages, frequency distribution table, and graphs, for the purpose of clarity.

Seventy (70) questionnaires were administered that is (50) and (20) to Volta River Authority and Garden City University College respectively. An interview was also conducted. The questionnaire was in four sections for each organization. The first section was concerned with the personal information of the respondents such as department, qualification, position, and the number of years worked for both organization.

The second section has to do with the independence of the internal auditor for VRA. In Garden City University College, this section tries to find out whether the organization has internal audit department, and if there is a need for one. The third section relates to the benefits that associated with the internal audit function for both organizations. The fourth section of the question deals

with the perceived costs that could have been incurred by GCUC on internal audit and what VRA is also incurring.

However, the objective of the study seeks to:

- (i) Assess the independence of the internal audit department.
- (ii) Undertake evaluation of the costs of internal audit department in some organizations
- (iii) Undertake evaluation of the benefits of internal audit department in some organizations.

The analysis of the study, therefore, will be based on the above stated objectives

4.4.1 Independence of internal auditor in VRA

The questionnaires and interviews conducted for the study sought for the views of respondents on various pushes and pull factors that have contributed to the independents of internal audit in the organization. It was indicated by about 100% of the respondents that, internal audit department in the organization reports to the highest authority, since their services are to the management.

The question then comes in that; can the internal audit be independent by reporting to the highest authority that employed them? From the meanings of internal audit derived in chapter 2, the independence makes it clear that the auditor's judgment must be free from bias.

The fact that they are to report to the highest authority does not mean that they should overlook their core objective.

The response also indicated that the head of the internal audit is part of management team in the organization, but 68% showed that they take part in the establishment of internal controls which

should not be so. They suppose to review and evaluate, but not to take part in the establishment in order to be independent. Standard audit practice enables the auditors both internal and external to give true and fair view of financial statement and operations of the organization. Therefore, if VRA internal auditors follow it as the respondents indicated, it shows how independent they are and could be despite the fact that they are also employees.

The respondents representing 100% of the 50 respondents declared to it as shown on fig.4.4, its activities are guided by audit plan. The result also shows that 66% of the respondents indicated the reports of the internal audit are not reviewed by any other body before they are issued, that is a bad sign towards its independent. The reports are to be reviewed by the director in charge of audit, the audit committee, or any other body to ensure true and fair view, that is, free from bias. Having audit charter enables VRA internal auditors to work without interferences from management, so for the results to show 84% is a positive sign toward their independence.

4.4.2 Benefits of Internal Audit function

The study demonstrates the assorted complex benefits associated with internal audit function which VRA enjoys. The study provides ample evidence as given by respective respondents the benefits on the various aspects of the internal audit in the organization. Unlike costs, which to some degree can be estimated, benefits can only be described in general terms, making a cost/benefit analysis difficult.

The most easily identifiable benefit is the further independent assurance. Specific VRA responses on the benefits of internal audit varied, and not all benefits identified are captured in this study. A primary benefits cited by many observers are that the internal audit reduces errors

and improves data integrity and detection and prevention of fraud/error. For purposes of effectively analyzing and reporting on the VRA responses, we have summarized their responses into seven categories. Another benefit that workers of VRA indicated as being derive from the internal audit function is the confidence that it gives to the stakeholders as indicated on figure 4.1

Table 4.1

Benefits of internal audit	Costs of internal audit
It helps the effectiveness of the systems, programs and operating controls to ensure optimal use of resources.	Compliance cost
Improves agency focus and oversight	Auditors' fee
Provides management with reliable and timely information for effective decision-making.	Recruitment cost
Prevention and detection of frauds/errors.	Training cost
Strengthen existing procedures to correct deficiencies before the company's year-end assessment date.	Initially documentation of internal audit for compliance.
It gives reliable documentation and reporting	Initial testing for internal audit department in the organization.
It saves time for external auditor(s) and makes their work more flexible.	Professional dues
Protects the assets of the organization by registering all the assets in the organization.	Cost of maintaining internal audit
Provides management with assurance to attain organizational goals	
Assessing the recording risk of transactions, payment risks and the risks of receiving money	

or goods.	
Reduced external auditor(s) fee.	
Review and evaluate internal control procedures.	

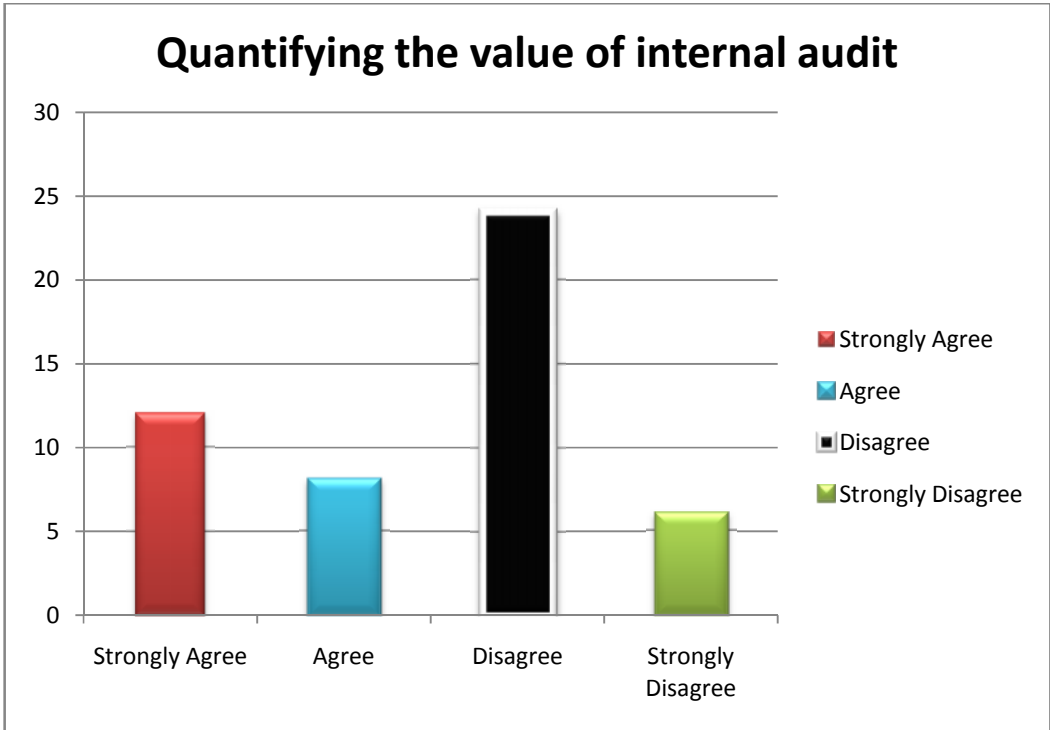
Source: The field survey

Table 4.1 shows the benefits and costs associated with internal audit which VRA derive and also to GCUC as perceived.

The benefits identified in table 20 should largely be achieved by a number of management and audit initiatives that are currently underway. Specifically, many of these benefits should be achieved when agencies effectively implement the standard audit practice which strengthened the requirements for internal audit to assess the internal control over financial reporting. The real benefit of the internal audit function is the added independent assurance it provides that management’s assessment of its internal control is fairly presented. It is difficult, if not impossible, to determine the incremental benefit of the internal audit opinion without first knowing how effectively management performs on its assessment.

Fig. 4.2 indicating whether the value of internal audit to the firm can be easily quantified

Frequency



The figure 4.2 above indicates clearly that, out of 50 respondents, 12 respondents representing 24% strongly agreed that value of internal audit function in the organization cannot be easily quantified, 16% agreed, 48% of the respondents disagreed and 12% strongly disagreed. The reason was that, the prevention of fraud and assurance of quality control are quantifiable in terms of value for money and their services to the organization can also be charged.

4.4.3 Cost of internal audit function

During the study, respondents expressed their views on the cost of internal audit in the organization. Some of the costs of internal audit are quantifiable and others are not quantifiable.

This section of the study tries to bring out some of the costs, whether the value of internal audit can be quantified and whether the costs outweigh the benefits VRA is enjoying.

It is important to recognize, that estimating the cost to internal audit is challenging given the lack of hard data and the number of unknown factors that go into developing a strong estimate. In order to avoid skewing since the director in charge of internal audit did not disclose any actual or estimated cost, figures are excluded in this study. The table below discloses how the audit department answered the questions.

A number of respondents believe that, significant compliance costs, recruitment cost and auditors’ fee are a major deterrent to establishing an internal audit unit in most organizations as shown on the table 4.3 below. To minimize the cost, organizations that want to establish internal audit unit should compare auditor’s fee and recruitment cost with training costs. It could be realized that, training an existing staff from finance office would be less costly than to recruit new staff, because that person would be paid remunerations.

Fig.4.3 showing views on costs incur by VRA

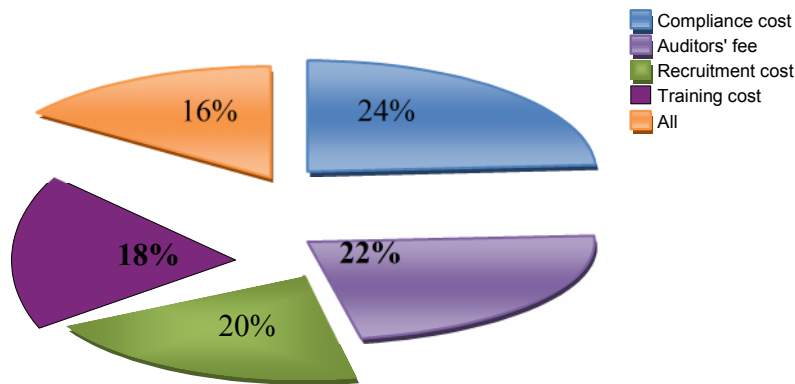
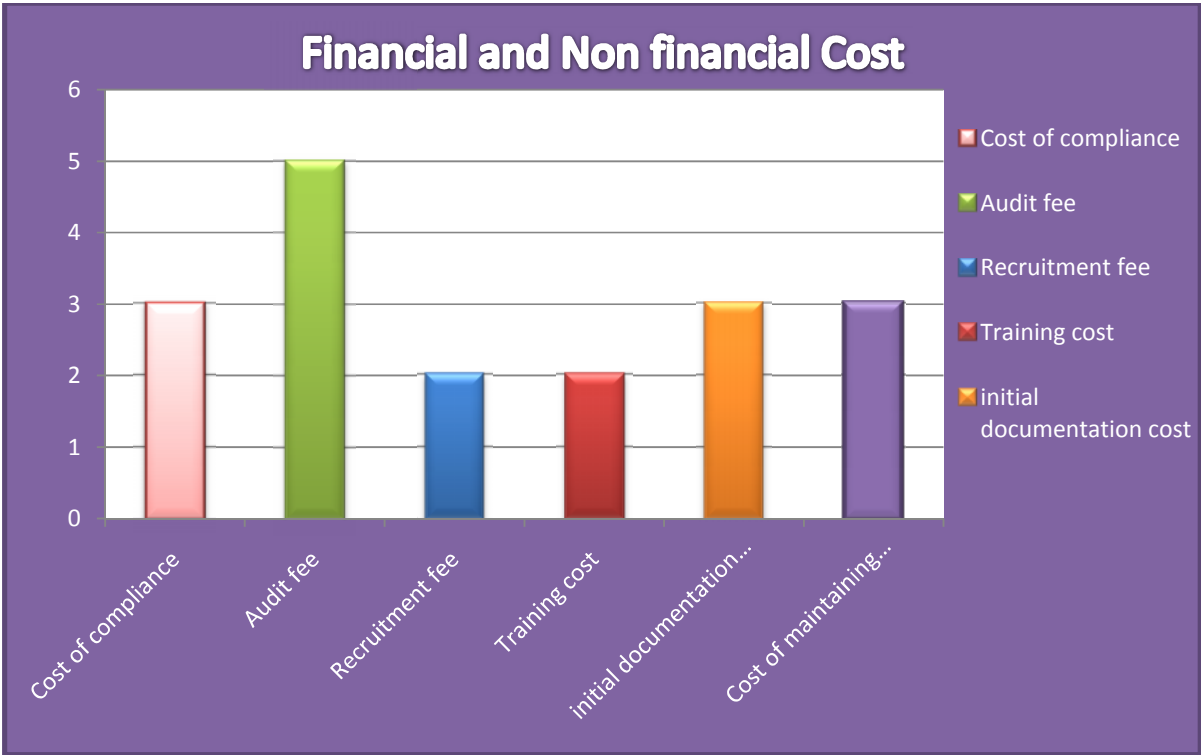


Figure 4.3 indicates that, out of the 50 respondents, 24% represents compliance cost is the cost the organization incur, 22% represents auditors' fee, 20% represents the cost of recruitment new employees, 18% represents the cost of training the existing staff for internal audit, and 16% represents respondents who believe that all the costs (compliance cost, auditors' fee, recruitment, training, initial documentation and initial testing) are incurring by the organization

Despite the fact that the Garden City University College does not have internal audit, the figure below outlines various perceived costs the university could incur from internal audit. Based on the given table below, auditor's fee, compliance cost, initial documentation and cost of maintaining the internal audit unit are the primary costs that could have been incurred by the university. Some of these costs are avoidable. For instance, auditor's fee can be replaced by training cost. That is, training the existing staffs to become internal auditors. Therefore, for an organization to have internal audit, it should give seriousness to these two costs. Other costs must also be taking into consideration.

Fig.4.4indicating respondents views on perceived financial and non financial costs that GCUC could have incurred from internal audit.



4.5 DISCUSSION OF FINDINGS

The discussions are base on the questionnaires administered and the interviews conducted in the selected organizations and are also base on the objectives in the study.

4.5.1 Independent of internal audit

From the data analysis and presentation, many reasons are given as to the core of having internal audit. The study sought to assess the independent of internal audit department in VRA. A lot of questions were asked as well as interviews to achieve the objective. The result of the study

indicates that, about 92% of the respondents testified to the independency of internal audit even though their service is to the management. The 8% of the respondents see the internal auditors as part of management and their decision-making, therefore they succumb to compromise, but having 90% gives assurance that the department is independent.

4.5.2 Benefits of internal audit

One of the objectives is to evaluate the benefits that are derived from internal audit department, and also the perceived benefits that could be enjoyed from internal audit. Greater number of the respondents from VRA indicates to the various benefits associated with internal audit department. The result also indicates that, 90% of the respondents agreed that internal audit gives various benefits to an organization.

It can therefore be established by inference that internal audit in organizations help to attain its goals and objectives, not forgetting its associated costs. ‘Internal audit serves as policing for the workers to do the right thing’, one respondent stated. Among the benefits is the utilization of resources efficiently and effectively and this gives maximum productivity. Looking at the perceived benefits that the respondents from GCUC indicated, it signifies that benefits always outweigh the costs. Some of the benefits can be quantified in terms for value of money, but most of them cannot be quantified. Therefore having internal audit is beneficial.

4.5.3 Costs of internal audit

Everything that has benefits also has costs associated with it, so do internal audit department. The researcher sought to evaluate the costs associated with internal audit from the selected organizations. The result indicates some financial and non financial costs that are incur by VRA. About 85% indicated the following costs, compliance cost, auditors' fee, recruitment cost, training cost, initial documentation and testing cost are costs that are incur by VRA. The result also identifies some of the perceived costs as professional dues cost of maintaining internal audit, resistance to internal audit in an organization, etc.

Upon an interview with the Principal of GCUC, the control procedures in the university are been monitored by the assigned supervisors instead of internal audit, because the university does not have. As to who monitor the implementation of audit recommendations and Management Letters which are suppose to be done the internal auditor, he said, it is the divisional heads who should see to its implementation, meanwhile, they also have their own responsibilities. Since they are already over loaded, it ends up that most of the important aspect is left undone. He said he does not know the reason for the university not have internal audit department, in his own views, it will improve the operations of the institution. Therefore, GCUC is incurring an opportunity cost of not having internal audit department in the university.

During the interview with the Chief Financial Officer, who is also the in-charge of internal audit department of VRA, it was said that the organizations that do not have the internal audit go through series of hardships due to absent of an internal auditor. Thus, there was a situation where an organization had to lose millions because no monitoring in the system. Therefore, there is

need for all organizations, if possible, to establish internal audit department to help the effectiveness of the systems, programs and operating controls to ensure optimal utilization of resources because the cost of maintaining internal audit department does not outweigh the services rendering to the organization by the department.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 INTRODUCTION

This chapter is apparently the final chapter of the study and it presents the summary of the study, conclusion and recommendation for consideration. The findings of the study were derived from the questionnaires answered by respondents and also responses from interviews granted.

5.2 SUMMARY

Corporate governance is about ensuring that companies are run well in the interest of all stakeholders hence the role of those charged with governance is of a high level, supervisory nature, so that they cannot become involved with monitoring the detail of how the company is run. Unfortunately, if no one considers how well the company is actually being run in practice, none of these mechanisms will have any impact. The internal audit department is established to provide an independent appraisal on the systems, programs and controls operating in the organization. Also, we assessed the various push and fall factors that contributed to independence of the internal audit department in VRA, the study demonstrates the assorted complex benefits associated with internal audit that could only be described in general terms and the costs associated with internal audit function. A well structured questionnaire was designed by the researcher and was administered to VRA and GCUC and conducted interviews as well. The data collected was descriptively organized and analyzed with SPSS software to achieve the objectives of the study.

5.3 CONCLUSION

Through the research conducted, we conclude that even though internal audit department is part of management team, it is autonomous from management and should be dealt with as such. In addition their judgment is also free from bias.

The inception of internal audit has helped greatly such that the firms operations are moving on systematically and in the detection and prevention of fraud and errors. Unlike firms who do not have internal audit which could result in vices like corruption, fraud and financial mismanagement which in the long run affect the success of the company. Although there are costs associated with the establishment and maintenance of internal audit, the benefits that it brings to the organizations far outweigh the costs.

5.4 RECOMMENDATION

The result of this study had reviewed findings upon which the completion of the study, these things should be taking into consideration.

- **To VRA**

From the analysis, it was realized that internal audit department involves itself in the establishment of internal control systems which should not be so. Although the majority sees the internal audit as involving in the internal controls establishment, it is recommended therefore that, the department should not get involve. Their work is to review not to establish.

The results also pointed out that, the report of internal audit is not reviewed by any other body. For authenticity, the reports should be reviewed by the audit committee or the director in charge of audit before it would be issued.

It was also realized that, the internal audit unit is situated at the head office which makes it difficult to audit the branches frequently, and it is also costly to go round all the branches.

It is recommended that, there should be an internal audit department at every branch to prevent mismanagement and corruption that are practiced. And this will help the head office unit more easily and less cost.

- **To GCUC**

It was realized that most of the activities that should have been done by internal audit are allocated to departmental heads, assigned supervisors or the university board which add up to their normal work load. Since these people are already overloaded, some important aspect would be left undone before the external auditors come to audit. Therefore it is recommended that, in order to avoid bad report from the external auditors, internal audit unit should be established to ensure proper and reliable documentation and reporting, and to reduce errors and improve data integrity.

- **Recommendation for further studies**

It was realized that internal audit department involves itself in the establishment of internal control systems to what extent is the internal auditor's sense of judgment affected by these.

BIBLIOGRAPHY

1. A research group from KNUST, “Internal Audit and Internal Control in Organization, Challenges and the Way Forward” of Electricity Company of Ghana and University of Mines and Technology in the year, May 2008.
2. ACCA paper F8, BPP Manual, 2007/08.
3. Boynton, W.C., Johnson, R.N. & Kell, W.G. (2001). Modern Auditing; John Wiley & Sons, Inc. 7th ed.
4. BPP Learning Media (2007) F8 Auditing and Assurance Text. London, BPP House.
5. BPP Learning Media (2007) P1 Professional Accountant Text. London, W.M. Print.
6. BPP Learning Media (2007) P7 Advance Audit and Assurance Text. London, Ashford Colour Press.
7. BPP Professional Education, (2006) Audit and Internal Review Kit. 6th ed., London, W. M. Print.
8. Duquesne University (1998) Administration & Audit. Retrieved December 3, 2008 from <http://www.duq.edu>
9. Felix, W.L., Gramling A.A., & Maletta M. J. (2001). The Contribution of Internal Audit as a Determinant of External Audit Fees and Factors Influencing This Contribution. *Journal of Accounting Research*, 39 (Fall).
10. Foreign Corrupt Practices Act in 1977, IAA (Institute of Internal Auditors),
11. Foulks Lynch Ltd. (2001), 2.6 Audit and Internal Review Text. 2nd ed., London, DaCosta Print.
12. Gramling and Maletta (2001).

13. Messier, William F. Jr. (2000). Auditing and Assurance Services: A Systematic Approach, McGraw-Hill Companies, Inc. USA.
14. O' Regan, D. (2004) Auditor's Dictionary. New Jersey, John Wiley & Sons.
15. Ricchiute, David N. (2001) Auditing and assurance Services, South-Western College Publishing, USA.
16. Robertson, J.C. & Louwers, T.J. (2002). Auditing and Assurance Services, McGraw-Hill Companies Inc., New York, 10th ed.
17. Srinivasan, A. G. (2006) Taxman's Auditing. 3rd ed., Delhi.
18. Report by Charles River Associate, (2004).
19. Srinivasan, A. G. (2005) Taxman's Auditing. 2nd ed., Delhi.
20. UK Audit Practice Committee (Okai)
21. Volta River Authority Diary (2008) Whittington, O. R. & Pany, K. (2004) Principles of Auditing and Other Assurance Services. 14th Edition, New York, McGraw-Hill/Irwin.
22. Woolf, E. (1990) Auditing Today. 4th ed., United Kingdom, Prentice Hall Int.
Internal Audit Agency (Act 2003) Act 658

APPENDIX A

Table 4.1A Indicating the type of department of respondent in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance	19	38.0	38.0	38.0
	Management	24	48.0	48.0	86.0
	Computer	2	4.0	4.0	90.0
	Monitoring	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Table 4.2A Indicating respondent position in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Departmental/Section al Head	3	6.0	6.0	6.0
	Senior Staff	31	62.0	62.0	68.0
	Junior Staff	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

Table 4.3 A showing the respondent years of work in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5 years	5	10.0	10.0	10.0
	6-10 years	40	80.0	80.0	90.0
	11-15 years	1	2.0	2.0	92.0
	Above 15 years	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Table 4.4 A Indicating the respondents views on whether the internal audit department Reports to the highest authority

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Applicable	50.0	100.0	100.0	100.0

Table 4.5A Indicating views on the status of the head of the internal audit, whether the head is part of management team within the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Applicable	49	98.0	98.0	98.0
	Not Applicable	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Table 4.6A Indicating views on internal audit taking part in the establishment of internal control systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Applicable	34	68.0	68.0	68.0
	Not Applicable	16	32.0	32.0	100.0
	Total	50	100.0	100.0	

Table 4.7A Indicating views on whether internal audit follows standard audit practice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Applicable	46	92.0	92.0	92.0
	Not Applicable	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Table 4.8A Showing respondents’ views on internal audit department audit plan

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Applicable	50	100.0	100.0	100.0	

Table 4.9A Indicating whether VRA has audit charter

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Applicable	42	84.0	84.0	84.0	
	Not applicable	8	16.0	16.0	100.0	
	Total	50	100.0	100.0		

Table 4.10A Showing views on whether VRA Board of Directors has audit committee

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Applicable	35	70.0	70.0	70.0	
	Not applicable	15	30.0	30.0	100.0	
	Total	50	100.0	100.0		

Table 4.11A Indicating views on internal audit reports been reviewed by other body

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Applicable	17	34.0	34.0	34.0	
	Not applicable	33	66.0	66.0	100.0	
	Total	50	100.0	100.0		

Table 4.12A Indicating respondents’ views on the effectiveness of internal audit appraisals

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Agree	38	76.0	76.0	76.0	
	Agree	12	24.0	24.0	100.0	
	Total	50	100.0	100.0		

Table 4.13IA Indicating the assurance internal audit provides to management to attain the organizational goals

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Agree	8	16.0	16.0	16.0	
	Agree	42	84.0	84.0	100.0	
	Total	50	100.0	100.0		

Table 4.14A Indicating views on reliable and timely information which internal audit provides management

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly	28	56.0	56.0	56.0	
	Agree					
	Agree	22	44.0	44.0	100.0	
	Total	50	100.0	100.0		

Table 4.15A Indicating views on the internal audit prevention and detection of fraud and assets protection

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly	21	42.0	42.0	42.0	
	Agree					
	Agree	29	58.0	58.0	100.0	
	Total	50	100.0	100.0		

Table 4.16A Indicating views on confidence that internal audit gives to stakeholders

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Agree	22	44.0	44.0	44.0	
	Agree	26	52.0	52.0	96.0	
	Disagree	2	4.0	2.0	100.0	
	Total	50	100.0	100.0		

Table 4.17A Indicating views on whether the internal audit activities are beneficial to the organization

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Agree	45	90.0	90.0	90.0	
	Agree	5	10.0	10.0	100.0	
	Total	50	100.0	100.0		

Table 4.18A Value of internal audit function to the organization cannot be easily quantified.

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Strongly Agree	12	24.0	24.0	24.0	
	Agree	8	16.0	16.0	40.0	
	Disagree	24	48.0	48.0	88.0	
	Strongly Disagree	6	12.0	12.0	100.0	
	Total	50	100.0	100.0		

Table 4.19A Indicating views on the cost of maintaining internal audit department, whether it outweighs the benefits.

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Agree	2	4.0	4.0	4.0	
	Disagree	15	30.0	30.0	34.0	
	Strongly Disagree	33	66.0	66.0	100.0	
	Total	50	100.0	100.0		

Table 4.20A Indicating the financial and non financial costs that the VRA is incurring on internal audit

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Compliance cost	12	24.0	24.0	24.0	
	Auditors' fee	11	22.0	22.0	46.0	
	Recruitment cost	10	20.0	20.0	66.0	
	Training cost	9	18.0	18.0	84.0	
	All	8	16.0	16.0	100.0	
	Total	50	100.0	100.0		

Table 4.21A Indicating departments of GCUC respondents

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Finance	2	10.0	10.0	10.0	
	Academic Administration	7	35.0	35.0	45.0	
	President	2	10.0	10.0	55.0	
	General Administration	6	30.0	30.0	85.0	
	Students' Life & Services	3	15.0	15.0	100.0	
	Total	20	100.0	100.0		

Table 4.22A Indicating qualifications of respondents from GCUC

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	First Degree	6	30.0	30.0	30.0	
	Second Degree	8	40.0	40.0	70.0	
	Doctorate Degree	2	10.0	10.0	80.0	
	Professional	1	5.0	5.0	85.0	
	Diploma	1	5.0	5.0	90.0	
	Other	2	10.0	10.0	100.0	
	Total	20	100.0	100.0		

Table 4.23A Indicating position of respondent in GCUC

		Frequenc y	Percent	Valid Percent	Cumulati ve Percent	
Valid	Senior Staff	12	60.0	60.0	60.0	
	Junior Staff	8	40.0	40.0	100.0	
	Total	20	100.0	100.0		

Table 4.24A Indicating respondents years of working in GCUC

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1-3 years	7	35.0	35.0	35.0	
	4-6 years	3	15.0	15.0	50.0	
	7-9 years	4	20.0	20.0	70.0	
	above 10 years	6	30.0	30.0	100.0	
	Total	20	100.0	100.0		

Table 4.25A Indicating whether the university has internal audit department

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not aware	20	100.0	100.0	100.0	

Table 4.26A Indicating the awareness of control measures in the university

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Aware	20	100.0	100.0	100.0	

Table 4.27A Indicating the control measures in the university

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Authorization	8	40.0	40.0	40.0	
	Safeguard of asset	4	20.0	20.0	60.0	
	Segregation of duties	6	30.0	30.0	90.0	
	Risk assessment	2	10.0	10.0	100.0	
	Total	20	100.0	100.0		

Table 4.28A Indicating the person(s) that review the control measures in the university

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Departmental Heads	4	20.0	20.0	20.0	
	University Board	9	45.0	45.0	65.0	
	Administrator	7	35.0	35.0	100.0	
	Total	20	100.0	100.0		

Table 4.29A Indicating management attitude towards those measures, whether it helps in the implementation of these controls

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Always	5	25.0	25.0	25.0	
	Sometimes	15	75.0	75.0	100.0	
	Total	20	100.0	100.0		

Table 4.30A Indicating the person(s) monitoring the implementation external auditors' reports

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Departmental Heads	1	5.0	5.0	5.0	
	Administrator	6	30.0	30.0	35.0	
	VP Finance	9	45.0	45.0	80.0	
	President	4	20.0	20.0	100.0	
	Total	20	100.0	100.0		

Table 4.31A Indicating respondents' views on a need for internal audit in the university

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Yes	20	100.0	100.0	100.0	

Table 4.32A Indicating perceived financial/non financial benefits that the university could have enjoyed from internal audit

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Improved internal control and reduced material weaknesses	2	10.0	10.0	10.0	
	Reduced errors and improved data integrity	6	30.0	30.0	40.0	
	Documentation reliability and reporting	2	10.0	10.0	50.0	
	Improved agency focus and oversight	1	5.0	5.0	55.0	
	Time saving for external auditors	1	5.0	5.0	60.0	
	Reduced external auditors fee	1	5.0	5.0	65.0	
	Detection and	2	10.0	10.0	75.0	

	prevention of fraud/error					
	Monitoring the implementation of external auditors' report	5	25.0	25.0	100.0	
	Total	20	100.0	100.0		

Table 4.33A Indicating perceived financial/non financial costs that the university could have incurred on internal audit

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Cost of compliance	3	15.0	15.0	15.0	
	Auditors' fee	5	25.0	25.0	40.0	
	Recruitment cost	2	10.0	10.0	50.0	
	Training cost	2	10.0	10.0	60.0	
	Initial documentation cost	3	15.0	15.0	75.0	
	Initial testing	1	5.0	5.0	80.0	
	Cost of maintaining internal audit	3	15.0	15.0	95.0	
	Professional dues	1	5.0	5.0	100.0	
	Total	20	100.0	100.0		

CHRISTIAN SERVICE UNIVERSITY COLLEGE

BUSINESS ADMINISTRATION DEPARTMENT

We are final year students of the above institution pursuing a degree program in Business Administration (Accounting option). As a requirement for the award of the certificate of Bachelor of Business Administration, We are undertaking a senior research project captioned **“Costs and benefits analysis of internal audit in selected organizations (case study: Volta River Authority and Garden City University College)”**. This questionnaire is designed to help seek information from the respondents to assess the costs and benefits of internal audit activities at the Volta River Authority (VRA).

The exercise is for academic purpose and information provide by respondent shall be confidentially treated.

SECTION A: DEMOGRAPHIC DATA

Please kindly fill in the gap(s) and mark with an “X” in the boxes where appropriate.

1. Your department in the organization.....

2. Position in your department.

Management Staff [] Departmental/ Sectional Head [] Senior Staff []

Junior Staff []

3. For how long have you been with the organization?

0-5 years [] 6-10 years [] 11-15 years [] above 15 years []

SECTION B: INDEPENDENCE

Please kindly indicate with an [X] where appropriate and fill in the gap(s) whether the following questions are applicable or otherwise.

4. Internal Audit Department reports to the highest authority in the firm.

Applicable [] Not Applicable [] Not aware []

Other please specify

5. The Head of Internal Audit is part of Management Team within the organization.

Applicable [] Not applicable [] Not aware []

Other, please specify

6. The Internal Auditor takes part in the establishment of the internal control systems within the organization.

Applicable [] Not applicable [] Not aware []

Other, please specify

7. Internal Audit follows standard audit practice.

Applicable [] Not applicable [] Not aware []

Other, please specify

8. Does Internal Audit Department have audit plan that guides its activities.

Applicable [] Not applicable [] Not aware []

Other, please specify

9. The firm has Audit Charter that outlines the framework of internal audit activities in the firm.

Applicable [] Not applicable [] Not aware []

Other, please specify

10. The Board of Directors has Internal Audit Committee.

Applicable [] Not applicable [] Not aware []

Other, please specify

11. Are Internal Audit reports reviewed by any other body before they are issued.

Applicable [] Not applicable [] Not aware []

Other, please specify

SECTION C: BENEFITS OF INTERNAL AUDIT FUNCTION

Please indicate the extent to which you agree or disagree with the following claims with an “X” where appropriate and fill in the gap.

12. Independent Internal Audit appraisals help the effectiveness of the systems, programs and operating controls to ensure optimal utilization of resources.

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

13. Internal auditing provides Management with the assurance that every component of the firm is working to attain the organizational goals.

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

14. Internal Auditing provides Management with reliable and timely information for effective decision-making.

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

15. Internal audit help in the prevention and detection of fraud and protects assets of the organization?

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

16. Internal audit function gives stakeholders of the organization some confidence?

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

17. Internal audit activities or functions are beneficial to this organization?

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

Give reason (s)

.....

SECTION D: COST OF INTERNAL AUDIT FUNCTION

Please indicate the extent to which you agree or disagree with the following claims with an “X” where appropriate and fill in the gap(s).

18. Value of internal audit to the firm cannot be easily quantified.

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

Give reason (s)

.....

.....

19. Cost of maintaining internal audit department is more than the benefits of internal auditing.

Strongly Agree [] Agree [] Disagree [] Strongly Disagree []

Give reason (s)

.....

.....

Please tick as many as possible which are appropriate.

20. What are some of the financial and non financial costs that the VRA is incurring on
internal audit?

[] cost of compliance

[] auditors' fee

[] recruitment cost

[] training cost

[] initial documentation cost

[] initial testing

