

**THE EFFECTIVENESS OF INTERNAL AUDIT FUNCTION IN
FINANCIAL INSTITUTION.
(A CASE STUDY OF ECOBANK GHANA LTD –SSNIT HOUSE BRANCH)**

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**A DISSERTATION WORK PRESENTED TO THE CHRISTIAN SERVICE
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STATEMENT OF AUTHENTICITY

We would like to declare with academic sincerity that, apart from the references from numerous sources which have been duly cited, this project work is the result of our findings and that it has neither in whole nor in part been presented anywhere.

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SUPERVISOR'S DECLARATION

We 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

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ABSTRACT

Internal Audit is an independent appraisal activity within an organization for the review of its operations and as a service to management.

The objectives of the study are therefore to evaluate the contribution of internal audit to financial discipline in financial institutions and to determine the level of independence of the internal audit unit.

Questionnaires and interviews were the main instruments used in the idea of data collection for the study. The data were analyzed and presented.

This revealed that internal audit has greatly contributed to the prevention of fraud. It also showed that the internal audit department is independent from management's influence and the activities of the internal auditor conform to the policies of the organization.

It is recommended that regular training should be provided to upgrade the knowledge and skills of the internal audit staff.

DEDICATION

This project work is dedicated to the Lord all might for his protection over us.

Also to our loving and caring supervisor Mr. Stephen Alewabah, for his great supervision over this work.

Not forgetting our beloved parents and guardians who assisted us through prayers and moral support.

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TABLE OF CONTENT

Title Page	i
Statement of Authenticity.....	ii
Abstract.....	iii
Dedication.....	iv
Acknowledgement.....	v
Table of Content.....	vi-viii

CHAPTER ONE

BACKGROUND AND INTRODUCTION TO THE STUDY

1.1 Introduction	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 Limitations	5
1.7 Organization of the Study	5

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview	6
2.2 Meaning of Audit.....	6
2.3 Internal control	7
2.4 Internal Audit	8
2.5 Evolution of Internal Auditing	10

2.6 Objectives of Internal Auditing	11
2.7 Scope of Internal Audit	12
2.8 Qualities of Internal Auditor	13
2.9 Professional Proficiency	14
2.10 Independence of Internal Auditor	15
2.11 Internal Audit Report	16
2.12 The Relationship between Internal and External Auditors	17

CHAPTER THREE

METHODOLOGY

3.1 Overview	19
3.2 Research Design	19
3.3 Population and Sample	19
3.4 Sampling techniques	20
3.5 Data Collection Instruments	20
3.6 Data Collection Method	20
3.7 Method of Data Analysis	21

CHAPTER FOUR

PRESENTATION OF FINDINGS AND DISUSSIONS

4.1 Introduction	22
4.2 Sex Distribution	22
4.3 Age Distribution	23
4.4 Educational Background	23
4.5 Work Experience	24
4.6 Internal Audit Check	25
4.7 Relationship with Management and Other Staff	26
4.8 Internal Audit Unit and Fraud	28
4.9 Independence of Internal Audit Unit	29
4.10 Management Use of Internal Audit Report	31
4.11 Relevance of the Internal Audit Unit to the Service	33

4.12 Staffing 34

4.13 Reporting 35

4.14 Scope of Internal Audit 35

4.15 Relationship with the External Auditors 36

4.16 Functions Performed by Internal Audit Unit 37

CHAPTER FIVE

SUMMARY OF FINDINGS AND RECOMMENDATIONS

5.1 Introduction 39

5.2 Summary 39

5.3 Conclusion 40

5.4 Recommendations 41

5.5 Area for Future Research..... 42

Reference 43

Appendix I 44-47

Appendix II 48-49

CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction

Internal Audit is an independent appraisal activity within an organization for the review of its operations and as a service to management.

It is an element of the internal control system set up by management of an enterprise to examine, evaluate and report on accounting and other controls of operation.

The colonial administrators, as far back as 1910, ensured that financial as well as qualitative records within the various enterprises were audited in Ghana institutions to ensure the efficient management of their resources.

With the increase in size and complexity of business organizations, it became necessary to institute control measures over all aspects of business activities.

One method of controlling is through the internal audit system. It is the researcher's intention to assess the functions of the internal audit at various financial institutions to establish if it is performing its expected role.

Arguably, it can be said that the pace of economic development of a country can be strengthened by a well-developed financial system. Economic growth requires the needed capital formation necessary to speed up economic development.

This means that, adequate savings and sound financial institutions are required for the economy to take off and to ensure sustainable economic development.

The financial institutions of a country comprises of the banking sector and non-banking sector. The basic distinction between these two (2) is that, the bank can create a means of

payment while the non-banks cannot create a means of payment. However, the research is focused on banks.

Banking is the act of accepting deposit of money and other valuable from public for safe keeping and giving them back on demand by the depositor or on his order.

Banking in Ghana was pioneered by the Standard Chartered Bank then known as the British Bank of West Africa in 1897. The bank operated in Ghana and Nigeria.

1917 was the establishment of the second bank in Ghana called the Colonial Bank. It was acquired by the Barclays Bank of Ghana. The standard Chartered Bank and the Barclays Bank dominated commercial banking in Ghana until 1953 when a wholly state-owned bank, the Bank of the Gold Coast was established. The idea of the establishment of the Bank of the Gold Coast was the brain-child of Sir Cecil Trevor.

Banks in Ghana currently include the following: Commercial Banks, Development Banks and Rural Banks.

Banking functions in Ghana today include:

- a) Acceptance of deposits
- b) Granting of credits
- c) Acting as trustee and executors of will
- d) Business advisors to customers
- e) Provision of safe custody of customers' valuables
- f) Special customers service
- g) Foreign trade and currency transfer
- h) Banker reference and

- i) Direct Investment

1.2 Statement of the Problem

In Ghana, almost all the banking institutions in the nation have internal audit sections. The fact that all the banking institutions have internal audit departments which are fully recognized highly suggests that internal audit plays essential role in the running of such institutions.

In spite of all the internal audit functions in the financial service institutions, certain anomalies still persist and among them are:

- Fraudulent activities on the part of both staffs and customers.
- Irregularities in operations.
- Noncompliance to rules and regulations.

The study seeks to assess the contribution of the internal audit unit at the various banks.

1.3 Objectives of the Study

The objectives of the study are to;

- i.) Assess the competence of the internal audit staff
- ii.) Determine the level of independence of the internal audit unit
- iii.) Assess the importance management attaches to internal audit reports.
- iv.) Assess whether the activities of internal audit conforms to the policies of the company.

1.4 Research Questions

The research questions put forward for the study are as follows:

- a) Is the Internal Audit staff competence?
- b) How independence is the Internal Audit Unit?
- c) Do management attach importance to internal Audit report?
- d) Does the activities of Internal Audth conform to the policies of the organization?

1.5 Significance of the Study

The research report will be of enormous benefit to the internal auditor in his capacity to advice management in all financial matters. The findings of the research would enlighten the management of banking institutions in the implementation of effective methods of control and in assessing the role of the internal auditors.

The report would serve as reference material to other researchers who would undertake similar study in future.

1.6 Limitations

In undertaking the study, certain obstacles were encountered. Time constraint was the major limiting factor for the study. The research work did not begin early and therefore there was only a limited period for the researcher.

Also financial resources required for the study was woefully inadequate. No grants were given for the research and the researcher had to rely on his little resources to finance the project.

In the collection of data, some staffs were not willing to give vital information they considered confidential.

The researchers have to use a great deal of tact and persuasions before getting the necessary information.

1.7 Organization Of The Study

The study comprises five (5) chapters.

Chapter one (1) which is the background of the study, comprises of introduction, statement of the problem, objectives of the study, research questions, methodology, significance of the study, limitations and organization of the study.

Chapter two (2) covers review of related literature

Chapter three (3) describes the methods used in collecting data.

Chapter four (4) contains the findings of the study.

Chapter five (5) covers the summary of the findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

The chapter contains a review of what others have written about the topic. Some of the related topics reviewed include meaning of audit, internal control, internal audit, evolution to internal audit, objectives of internal auditing, scope of internal audit, qualities of internal auditor, internal audit reports and relationship between internal and external auditors.

2.2 Meaning of Audit

An audit is defined by different authors in various ways. The Association of Accounting Technicians (A.A.T) (2000), defined an audit a process which results in expression of an opinion as to whether the financial statements give a true and fair view of entity's affairs at the period end and as to whether they have been properly prepared in accordance with the applicable accounting standards'.

The Association of Certified Chartered Accountants (A.C.C.A) (1992) also defined an audit as 'the independent examination and expression of an opinion of the financial statements of an enterprise.

Taylor and Glezen (1994) and Messier (1997), are all of the same view that auditing is 'a systematic process of objectivity obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to 'interested users'.

According to Okai, (1996), an audit is an independent examination records, documents, accounts, etc. with the view of enabling the auditor express his opinion on the financial statement of an enterprise.

All the above definitions indicate the auditing is an examination of accounts by an independent persons and then express an opinion afterwards.

2.3 Internal Control

Management of organization normally establishes measures internally in order to carry on the activities of an enterprise effectively.

These measures are often referred to as internal control.

According to Whittington and Pany, (1995), internal control; is defined as ‘‘the individual component of the whole system of controls, financial and otherwise established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies , safeguard assets and secure as far as possible the completeness and accuracy of the records.

Mill champ (1993) gave the same definition as Whittington and Pany (1995) and added that system of procedures established to produce reliable records is termed the internal control system and this is the basis of all audit work.

According to Robertson,(1996), internal control is a process affected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of reliability of financial reporting, compliance with applicable laws and regulations, and effectiveness and efficiency of operations.

Robertson,(1996), continued that internal control consists of five interrelated components.

These are;

Control environment: control environment factors include the integrity, ethical values and competence of the company's people.

Management control activities: control activities are the policies and procedures that help ensure that management directives are carried out.

Management Monitoring: management should assess the quality of its control performance on a timely basis. Monitoring includes regular management and supervisory activities and the actions personnel take in performing their duties.

Management risk Assessment: management should assess the risk present in the financial reporting category. All companies face the risk that their financial statements may be unreliable.

Management Information and Communication Systems: the information and communication components of internal control is a necessary prerequisite for establishing, maintaining and changing control features in a company.

According to Whittington and Pany, (1995), information and communicating system capture, process and report information to be used by parties both within and outside the organization.

2.4 Internal Audit

Internal audit has been given various interpretations by writers on topic. Taylor and Glezen, (1994), defined internal auditing as 'an independent appraisal function established

within an organization to examine and evaluate its activities as a service to the organization.

According to Okai, (1996), Millichamp (1993) and ACCA (1992), internal auditing is an 'independent appraisal activity within an organization for the review of operations as a service to management.

Millichamp (1993) continued that internal audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and efficient use of resources.

AACA (1992) and Millichamp (1993), emphasized on essential elements of internal auditing. They include the following:

Independence: The internal auditor should have the independence in terms of organizational status and personal objectivity, which permits the proper performance of his duties. The internal auditor should not be influenced or controlled in any way.

Staffing and training: The internal audit should be appropriately staffed in terms of numbers, grades qualifications and experience having regard to its responsibilities and objectives.

- **Relationship:** Internal auditor should seek foster constructive working relationships and mutual understanding with management, with external auditors, with any other review agencies and where one exists, with the audit committee.
- **Reporting and follow-up:** The internal auditor should ensure that findings, conclusions and recommendations arising from each internal audit assignment are communicated promptly and accurately to the appropriate management level. The

internal auditor must produce a comprehensive report on regular basis and give recommendations for changes

- **Due care:** The internal auditor cannot be expected to give total assurance that control weakness do not exist, but he should exercise due care unfulfilling his responsibilities.
- **Evidence:** The internal auditor should obtain sufficient, relevant and reliable evidence on which to base reasonable conclusions and recommendations.
- **Planning, controlling and recording:** The internal auditor should adequately plan, control and record his work. As part of the planning process, the internal auditor should identify the whole range of systems within the organization.
- **Evaluation of internal control system:** the internal auditor should identify and evaluate the organizations internal control system as a basis of reporting upon its adequacy and effectiveness.

2.5 Evolution of Internal Auditing

Internal auditing has evolved to meet the needs of business and government and non-profit organizations.

According to Whittington and Pany (1995), originally, a demand for internal auditing arose when managers of early large corporations recognized that annual audits of financial statements, by Certified Public Accountant (CPA) were not sufficient. A need existed for timely employee involvement beyond that of the CPA to ensure accurate and timely financial records and to prevent fraud.

Subsequently, the role of internal auditors expanded as a result of demands by the major stock exchanges and the Securities and Exchange Commission for more management responsibilities for the reliability of published financial statement.

Generally, the role of internal auditors expanded to encompass overall operational policies and procedures. As organizations became larger and more complex, they encountered additional operational problems that lent themselves to solution by internal auditing. The extension of internal auditing into operational activities requires internal auditors to have specialized knowledge in other disciplines such as Economics, Law, Finance, Statistics Computer Processing, Engineering and Taxation.

2.6 Objectives of Internal Auditing

Robertson and Okai (1996) both agreed that the objectives of internal auditing are to assist members of the organization in the effective discharge of their responsibilities.

Internal auditing has the objectives of furnishing members of the organization with analysis, appraisal, recommendations, counsel and information concerning the activities reviewed.

The internal auditor is therefore concerned with any phase of the organization where he provides a service to management.

The work normally involves going beyond the accounting and financial records to obtain understanding of the operations.

To achieve these objectives, the internal undertakes the following functions according to Okai (1996).

Ascertaining the reliability and relevance of management data developed with the organization.

Ascertaining the effectiveness of established policies and plans and recommending operative improvement.

Reviewing and appraising the soundness, adequacy and application of accounting, financial and other operating controls and recommending effective controls at reasonable costs.

2.7 Scope of Internal Audit

The institute of Internal Audit (ITA) described the scope of internal auditing as encompassing the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control; and the quality of performance carrying assigned responsibilities.

Specifically, the scope includes the following;

Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify and report such information.

Reviewing the system established to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports and determining whether the organization is in compliance.

Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets.

Appraising the economy and efficiency with which resources are employed.

According to Whittington and Pany (1995), the scope involves reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operation or programmes are being carried out as planned.

Millichamp (1993), A.C.C.A (1992) A.A.T.(2000), stated that the scope of internal auditing is;

- Review of accounting system and internal controls.
- Examination of financial and operating information for management.
- Review of the economy, efficiency and effectiveness of operating including non-financial controls.
- Review of compliance with laws, regulation and other requirements and with internal policies and directives and other requirement including appropriate authorization of transaction.
- Special investigations into particular areas, example suspected fraud.

The scope of internal auditing therefore means the extent of work internal auditor is expected to carry out.

2.8 Qualities of Internal Auditor

Qualities of internal auditor are the attributes or skills that an internal auditor may possess in order for him to carry out his work effectively.

Millichamp (1993) and Okai (1996) both share the same view on the qualities of an internal auditor. According to them, most of the internal auditors have been accountants or are accountants.

Quite apart from technical, academic or professional qualification, it is important to choose an internal auditor with the right personnel qualities like the following;

Easily acceptable to all level of management that is using diplomacy and tactfulness as an effective working approach.

Being able to express oneself orally as well as writing.

The internal auditor should also be able to think like management or people of high managerial thoughts and having good idea of their problems and being objective when revealing a situation.

He should have the ability to suggest reasonable recommendation on detected control weakness and or breakdown.

2.9 Professional Proficiency

Professional proficiency is the responsibility of the internal auditing department and each internal auditor.

Whittington and Pany (1995) stated that an internal auditing department should establish policies and procedures that provide assurance that staff members are competent with professional proficiency. According to them, the internal audit department should collectively possess the skills and knowledge necessary to fulfill all the audit requirement of the organization.

An internal audit department should establish policies for assigning staff member to audit areas so that the auditor will be competent to successfully complete those assignments. Internal audit should be performed with proficiency and due professional care.

They further explain that the internal auditing department should provide assurance that the technical proficiency and education background of internal auditors are in communicating effectively.

Internal auditors should maintain technical competence through continuing educating and should exercise due professional care in performing their functions.

2.10 Independence of Internal Auditor

Internal auditors are employees of the organization whose records and procedure they examine. They owe their primary allegiance to the organization.

Taylor and Glezen (1994), explained that of all the standards in the code of professional conduct perhaps no other is more important than independence, which they defined as “the ability to act with integrity and objectivity”. Independence precludes certain relationships they may appear to impair objectivity in rendering auditing and other attestation services.

In providing all other services, a member should be objective and avoid conflicts of interest.

According to Arens and Leobbecke (1994), independence in auditing means taking an unbiased view point in the performance of audit test, the evaluation of the results and the significance of audit report. An internal auditor should be independent in fact and independent in appearance.

Independence in fact exists when the auditor is actually able to maintain an unbiased attitude throughout the audit; whereas independence in appearance is the result of others interpretation of this independence.

Robertson (1996) explained that through internal auditors cannot be disassociated from their employers in the eyes of the public, they seek operational and reporting independence.

Operationally, internal auditors should be independent when obtaining evidence in the sense of being free from direction or constraints by management. Independence and objectivity are enhanced by having the authority and responsibility to report to a high executive level and to the audit committee of the board of directors.

The goal of internal auditors is to measure practical managers whose functions, operations and results they may assign to audit. Practical independence enables internal auditors to be objectives in reporting findings without having to fear for their jobs. The independence of an internal auditor is seen as when he can carry his work freely and objectively.

2.11 Internal Audit Report

According to Arens and Loebbecke (1994), report is the final stage in the audit process, which is the communication of the findings to users. Report is different in nature, but in all cases they must inform readers of the degree of correspondence between qualifiable information and established criteria.

Millichamp, (1993) and Okai (1996) also stated that the internal auditor is to produce timely, accurate and comprehensive to management on regular basis.

Robertson (1996) explained that the reporting stage is the internal auditor's opportunity to capture management's undivided attention. Internal audit report are usually considered "open" until a formal written reply to the recommendation is received from the management of the audited unit or department. This reply, which goes to the same people

who receive the audit report, indicates which recommendations were implemented and which were not. Only after the written response is received is the audit considered “closed”.

Another procedure unique to internal audit reporting is the criticisms and recommendations are usually reviewed with the audited management before they are included in a final report.

2.12 The Relationship between Internal and External Auditors.

According to Arens and Loebbecke (1994), there are both differences and similarities between the responsibilities and conduct of audits by internal and external auditors. The primary difference is whom each party is responsible to.

The external auditor is responsible to financial statement users who rely on the auditor to add credibility to the statements. The internal auditor is responsible to management. There are many similarities between the two groups.

Both must be competent as auditors and remain objective in performing their work and reporting their results. They both for example, follow similar methodology in performing their audits.

External auditors rely on internal auditors through the use of audit risk model. External auditors typically consider auditors effectively if they are independent of the operating units being evaluated, competent and well trained and have performed relevant audit tests of the internal control structure and financial statements.

Millichamp (1993) explained that internal and external auditors have common interests.

The common interests include;

- An effective system of internal control
- Continuous effective operation of such system
- Adequate management information flow.
- Asset safeguarding
- Adequate accounting system and
- Ensuring compliance with statutory and regulatory requirements.

CHAPTER THREE

METHODOLOGY

3.1 Overview

This chapter describes the method used by the researcher in getting the information for the study. It covers the research framework, population and sample, sampling technique, data collection instruments, data collection methods and method of data analysis.

3.2 Research Design

The research is in a case study type. Case study gives an opportunity for one aspect of a problem to be studied into some depth within a given time. The researchers identified a problem with the Internal Audit function in financial institution. Data was collected on the internal audit function at Ecobank Ghana (SSNIT House Branch) by the use of interview and questionnaire. The researchers analyzed the data and arrived at conclusion and made recommendations.

3.3 Population and Sample

This study focused on the entire staff of Ecobank Ghana (SSNIT House Branch) as the population. A sample of twenty staff including the internal auditor was selected for the study.

3.4 Sampling Technique

The researchers used a combination of purposively sampling and random sampling techniques to select the sample elements.

The Internal Auditor was purposively selected whilst the nineteen non-audit staff were selected at random from the finance, marketing, administration, and information technology and treasury departments.

3.5 Data Collection Instruments

The researchers used questionnaires and interview to obtain data for the study. Questionnaires were used because; they allowed the respondents some time to give the right responses. The questionnaire, which was constructed by the researchers, contained closed questions (closed questions are those that the response have been provided and options to select from). And open-ended ones (unstructured questions in which possible answers are suggested and the respondents answer them in their own words.)

3.6 Data Collection Methods

The questionnaires were administered personally by the researcher to the respondents. The researchers were made to explain and clarify certain questions. The questionnaires were given out for about a week, the researchers went for the completed questionnaires.

The Internal Auditor was interviewed at his office for about an hour. The researchers recorded the responses given by the Internal Auditor.

3.7 Methods of Data Analysis

The responses were arranged in categories analyzed and presented mainly in a narrative form. Some qualitative tools such as averages and percentages were also used in the analysis. Tables were used to illustrate some of the findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The purpose of the study is to assess the effectiveness of internal audit function at Ecobank Ghana (SSNIT House Branch). This chapter contains the analysis of data collected. In all, twenty questionnaires were issued out and all the questionnaires were completed and collected by the researcher, representing a hundred per cent (100%) rate of response.

BACKGROUND OF RESPONDENTS:

4.2 Sex Distribution

A survey was conducted to find out the gender distribution of the respondents at Ecobank Ghana (SSNIT House Branch). The responses are tabulated below:

Out of the twenty respondents, sixty percent (60%) were females and forty (40%) were males.

Table 1: Sex Distribution of Respondents

Sex	Number of respondents	Percentage (%)
Female	12	60
Male	8	40
Total	20	100

Source: field survey, January 2013

4.3 Age Distribution

Also with regards to the ages of the respondents, it was clear from the survey conducted that, twenty percent (20%) of the respondents are between the ages of twenty-one (21) to thirty (30), thirty-five per cent (35%) falls within the ages of 31 to 40 and forty-five per cent (45%) out of the respondents are above 41 years. This can be concluded that majority respondents were above forty years of age.

Table 2: Age Distribution of Respondents

Age	Number of respondents	Percentage (%)
21-30	4	20
31-40	7	35
41 and above	9	45
Total	20	100

Source: Field Survey, January 2013

4.4 Educational Background

A Survey was conducted to bring out the educational background of the respondents at Ecobank Ghana (SSNIT House Branch). The responses are shown below,
Out of the total population selected, fifteen percent (15%) have been through secondary education whereas eighty-five percent (85%) have had tertiary education. With regards to the analysis above, one can confidentially say that most of the operations undertaken at

Ecobank Ghana (SSNIT House Branch) are handled with great expedite since most of the respondents have had tertiary education.

Table 3 Educational Background of Respondents

Education	Number of respondents	Percentage (%)
Basic	0	0
Secondary	3	15
Tertiary	17	85
Total	20	100

Source: Field Survey, January 2013.

4.5 Work Experience

Shown below are the response gathered from the respondents as to the number of years they have being with the organisation.

It was established that, from the total number of 20 respondents selected, thirty percent (30%) said they have been with the organisation not more than 5 years. Thirty percent (30%) of the total respondents also claim that, they have worked with the organisation between 5 and 10years, whereas forty percent (40%) said they have been with the organisation for more than 10 years.

Table 4. Work Experience of Respondents

Work experience	Number or respondents	Percentage (%)
Below 5 years	6	30
5 - 10	6	30
Over 10 years	8	40
Total	20	100

Source: Field Survey, January 2013.

4.6 Internal Audit Check

On the question of whether the internal audit unit visit other department to conduct routine check on their work.

From the survey conducted, Ninety (90%) admitted that, yes the internal audit unit often visited their department to make a routine check on their work, five percent (5%) of the total respondents knew the existence of the audit unit but do not pay visit to their department, however five percent admitted of not knowing the existence of the audit unit. It is however recommended that ten percent (10%) of the respondents needs to be educated on the activities of the internal audit unit

Table 5 Internal Audit Check of Respondents

Routine check	Number of respondents	Percentage (%)
Respondents' views on internal audit unit	18	90
Respondents views on their existence but doesn't visit them	1	5
Respondents views on their non-existence	1	5
Total	20	100

Source: Field Survey, January 2013.

4.7 Relationship with Management and Other Staff

One of the main essential elements of internal audit is the relationship established by the internal audit unit with management and the other staff of the organization. It is required of the unit to foster constructive working relationships and mutual understanding with management and other staff because mutual understanding is one of the primary elements of auditing.

When asked on the kind of relationship that exists between the internal audit and the management of the service, the internal auditor said the kind of relationship that exists between the unit and management is a cordial one.

The internal auditor also stated that there is a friendly relationship between the internal audit staff and other staff of the service, which enhances growth of the service.

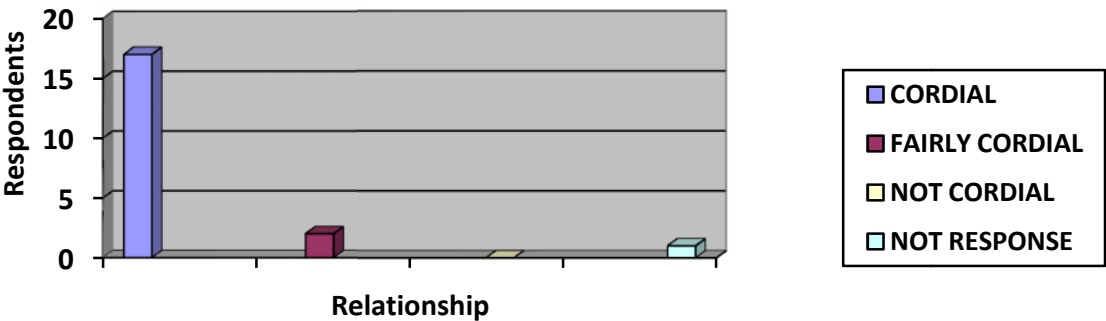
Table 6: Relationship between the Internal Audit Staff and Other Staff

Shown below in table 6 are the responses of non-audit staff on the relationship that exists between the internal audit staff and other staff within Ecobank Ghana (SSNIT House Branch)

Relationship	Respondents	Percentage(%)
Cordial	17	85
Fairly cordial	2	10
Not cordial	0	0
Not response	1	5
Total	20	100

Source: Field Survey, January 2013.

A Bar Chart Showing the Relationship between Internal Audit Staff and other Staff



Source: Field Survey, February 2013.

Out of the twenty respondents, eighty-five percent (85%) were of the view that, the relationship that exists between the internal audit staff and other staff could be described

as cordial. Ten percent (10%) of the total respondents said; there existed a fairly cordial relationship between the audit staff and other staff. However, five percent (5%) of the respondents did not respond to that question.

4.8 Internal Audit Unit and Fraud

A survey was also conducted to find the extent to which the internal audit contributes to the prevention of fraud at Ecobank Ghana (SSNIT House Branch)

The responses are tabulated below:

Table 7: Internal Audit Unit and Prevention of Fraud

Extent	Respondents	Percentage (%)
Very great	6	30
Great	10	50
A little	1	5
Not sure	3	15
Total	20	100

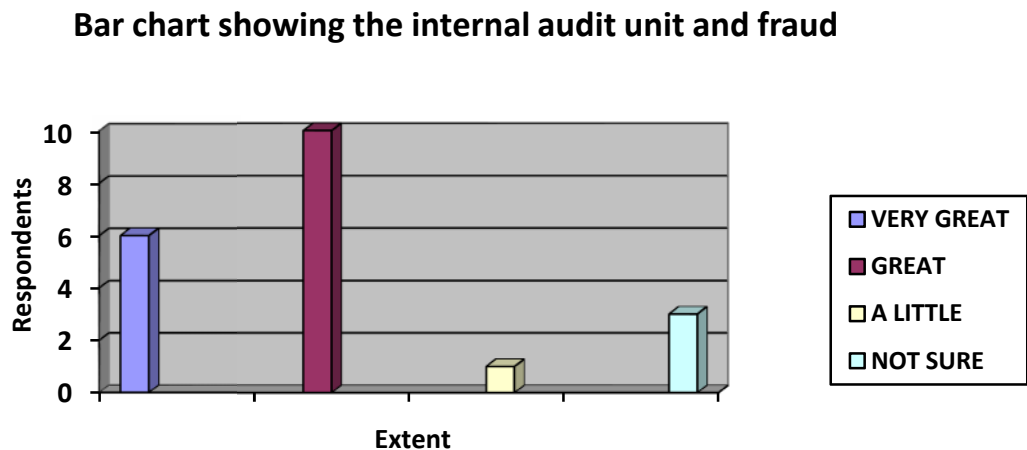
Source: Field Survey, February 2013.

Out of the 20 respondents, fifty percent (50%) of the total respondents agreed to a great extent that, the internal unit contributes to the prevention of fraud. Thirty percent (30%) of the 20 respondents were also of the view that the internal audit unit contributed to a very great extent to the prevention of fraud in the Ecobank Ghana (SSNIT House Branch). fifteen percent (15%) were not sure to what extent the internal audit unit is helping in the prevention of fraud.

In general, eighty-five percent (85%) of the total agreed that, the internal audit unit contribution to the prevention of fraud in the Ecobank Ghana (SSNIT House Branch).

In an interview with the internal auditor, he said “the prevention of fraud in the Ecobank Ghana (SSNIT House Branch) has been greatly improved by setting up internal audit unit”.

Bar chart showing the internal audit unit and fraud



Source: Field Survey, June 2008.

4.9 Independence of Internal Audit Unit

A vital aspect of internal audit is that the internal audit unit must be independent of management and the activities it audits. Internal auditors are employees of the organization and thus independence is not easy to achieve.

Table 8: Independence of the Internal Audit Unit

The researchers conducted a survey to find out the level of independence of the internal audit and the responses are shown below:

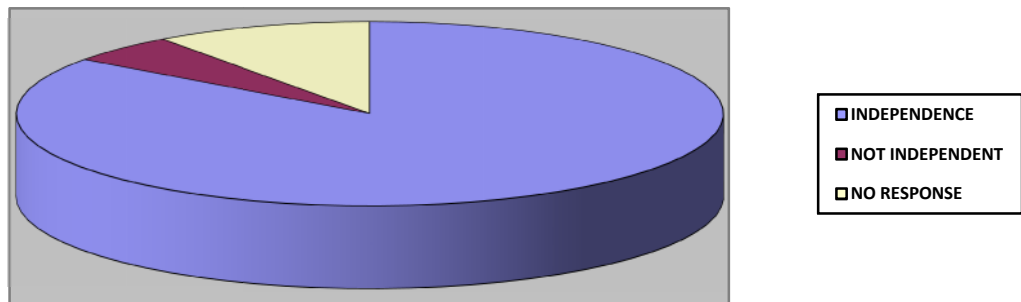
Independence	Number of respondents	Percentage (%)
Independence	17	85
Not independent	1	5
No response	2	10
Total	20	100

Source: Field Study, February 2013

Concerning the independence of the internal audit unit, eighty-five percent (85%) of the respondents shared the view that the unit is independent in its operations whilst five percent (5%) of the respondents stated that the unit is not independent, with the reason that the unit is under the direct control of the zonal manager.

When asked whether the internal audit unit is independent of management, the internal auditor explained that the unit is independent of management and the activities it audits, the reason being that management regards the unit as an essential part of the bank. Management therefore does not interfere in the work of the unit.

A Pie chart showing the Independence of the Internal Audit Unit



Source: Field Survey, February 2013.

According to the internal auditor the internal audit unit of the organisation is given the right to examine all books and records of the various departments in the bank.

Regarding the fact as to whether the unit is free to comment on the performance of management, the internal auditor explained that he is free to comment on the performance of management and so make the necessary recommendations to management.

Regarding how often management takes action on the recommendations, as and when the unit presents report it.

4.10 Management Use of Internal Audit Report

Table 4.9 shows the responses of the non-audit on how often management takes the recommendations of the internal auditor into consideration.

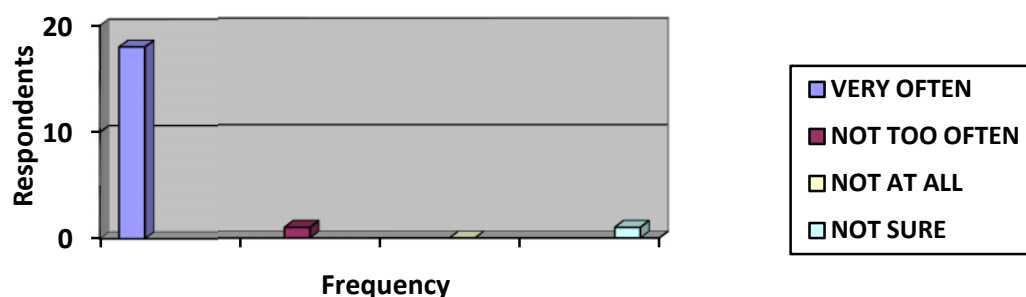
Table 9: Responses to whether management to take the recommendations of internal auditor

Frequency	Respondents	Percentage(%)
Very often	18	90
Not too often	1	5
Not at all	0	0
Not sure	1	5
Total	20	100

Source: Field Survey, February 2013.

It was established that eighteen out of twenty respondents, representing 90% share the view that management takes the recommendations of the internal auditor into consideration very often. A bar chart showing management use of internal audit report

A bar chart showing management use of internal audit report



Source: Field Survey February 2013.

4.11 Relevance of the Internal Audit Unit to the Service

Internal audit unit are established by the management of various organizations to perform certain functions as a service to the organizations. Internal audit unit as established by management is therefore seen and considered as relevant if it is able to assist management in achieving the overall objectives of the organization. On the contrary, the unit is considered as irrelevant if it fails to live up to expectation.

On the question of the relevance of the internal audit unit at Ecobank Ghana (SSNIT House Branch), all the respondents admitted that the unit has lived up to expectation therefore the unit is relevant.

When respondents were asked whether the establishment of the internal audit unit at Ecobank Ghana (SSNIT House Branch), has been of much beneficial to the operations of the bank, ninety percent (90%) of the respondents reported that the unit has indeed been of much beneficial to the operations of the bank. five percent (5%) of the respondents were however not sure of the importance of the unit.

Regarding whether the internal audit unit at Ecobank Ghana (SSNIT House Branch) has been able to achieve the purpose for which it was established, the internal auditor answered that the unit has lived up to the uppermost expectation.

When respondents were asked on how he would rate the contribution of the unit to the management of Ecobank Ghana (SSNIT House Branch), the internal auditor said he would rate the contribution of the unit to the management of the bank at hundred percent (100%) He added that the unit has immensely contributed to the management of Ecobank Ghana (SSNIT House Branch) by way of ensuring that the internal control systems of the bank

are not only in place, but that they actually working towards achieving the overall goal of the service.

Table 10: Relevance of the Internal Audit Unit to the Service

Table 10 shows the rating of the relevance of the internal audit unit at Ecobank Ghana (SSNIT House Branch) by the respondents.

Rating	Respondents	Percentage(%)
Important	18	90
Somehow important	1	5
Not important	0	0
Not sure	1	5
Total	20	100

Source: Field Survey, February 2013.

It can be realized from the above that, ninety (90%) rated the level of relevance of the internal audit unit as important, five percent (5%) however rated the level of relevance as somehow important whereas five percent (5%) of the total respondents made it clear that, they are not sure of relevance of the internal audit unit.

Other Functions Obtained From an Interview with the Internal Auditor at Ecobank Ghana (SSNIT House Branch)

4.12 Staffing

One of the essential elements of internal auditing is staffing.

The internal auditor when interview said there were five staff in the internal audit department including one national service personnel is adequate for their office since the

office is a small one. With regards to how often staffs undergo training to upgrade their knowledge and skills, he said special seminars are organized for staff once a year and accountancy courses such as A.C.C.A and I.C.A at various levels are also undertaken.

In responding to whether the internal audit staff exhibited competence in fulfilling their responsibilities, eighteen of the respondents responded in the affirmative with reason that they understand auditing and two stated that they do not show competence with the reason that the department is not well resourced.

4.13 Reporting

An essential element of the internal audit unit is reporting. It is required of the internal audit unit of every organization to produce timely, accurate and comprehensive reports to management on a regular basis.

On the issue of whom he reports to, the internal auditor said he report to the branch manager of the Ecobank Ghana (SSNIT House Branch),and copies the zonal manager.

4.14 Scope of Internal Audit

The scope of internal audit assignment is basically concerned with the extent and nature of work undertaken by the internal audit unit.

Regarding the scope of work, the internal auditor explained that there is no limitation to the work performed by the unit. He added that the work of the unit covers all aspect of the bank, and continued that the internal audit unit is accorded its full recognition.

When asked whether he is aware of all operations carried on in the various departments of the bank, the internal auditor answered that the internal audit is always aware of all operations carried on in the various departments of the bank since the unit needs to be abreast with all the functions of the various units in order to be able to perform its audit tasks. Most of the respondents shared the view that the internal audit staff visits the various departments of the bank to conduct a routine check on their work, on a quarterly basis.

4.15 Relationship with the External Auditors.

Internal auditors are expected to foster constructive working relationship and mutual understanding with external auditors since the works of both the internal and external auditors are to a large extent related. The external auditors also do rely on the work performed by the internal auditors to some extent in the performance of their audit work.

With regards to the kind of relationship that exist between the internal and external auditors, the internal auditor said there is a cordial relationship established by the internal audit unit with the external auditors of the bank. He added that the unit works in collaboration with the external auditors.

On the question of whether the external auditors rely on the findings of the internal audit unit, the internal auditor said the external auditors rely very much on the findings of the unit because the unit knows actually what pertains in the system.

4.16 Functions Performed by the Internal Audit Unit

In various organisations internal audit unit are established by management to perform certain functions as a service to such organizations. The functions of internal audit as determined by management may vary greatly from one organization to another.

When asked on the number of times the internal audit unit appraises the activities of the various departments in the service, the internal auditor said that it is done quarterly, and this includes post auditing of payment vouchers to ensure that moneys released have been properly accounted for and also to ensure that all necessary attachments have been attached.

The internal auditor when also asked as to how often the internal audit unit appraise the internal control system, said the unit does that with time, to ensure that those that are inapplicable over time are change to become abreast with the changing environment and demands.

He also said that the unit does ascertain that proper authority is given for the purchase and disposal of assets of the bank.

He indicated that the internal audit places a high premium on such and ensures that the procurement procedures are strictly adhered to.

He further stressed that the unit always ensures that management policies are being adhered to.

On the issue as to whether the unit undertakes special investigations regarding any irregularities in the service, the internal auditor explained that the unit does so, as and when the need arises.

On the question of the internal audit unit reviewing and improving the system of internal control in the bank, all the respondents reported that the unit actually review and improves the system of internal control. When asked as to whether the internal audit undertakes special investigations regarding any irregularities in the bank, all the respondents answered that the unit does so.

Regarding the internal audit assisting staff of the bank in the effective discharge of their duties, all the respondents admitted that the unit assists staff of the bank in the effective discharge of their duties.

On the issue of whether the unit ascertains that there is adequate protection afforded and efficient use of assets in the bank, nineteen(19) of the respondents stated that the unit does so whilst one(1) of them answered that he or she was not sure.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary, the conclusions and recommendations that were made by the researcher.

5.2 Summary of Findings

The purpose of the study is to assess the internal audit function at Ecobank Ghana (SSNIT House Branch).

The summary of the major findings are as follows:

It was found from the study that the principal reasons for establishing internal audit department were to ensure adherence to company's policies, to detect fraud, to ensure financial discipline and to prevent fraud.

The study showed that the activities of internal auditor conform to company's policies.

The number of staff at the internal audit unit is adequate and the performance of the staff is satisfied enough, they exhibit professionalism in the performance of their internal audit assignment.

The internal audit unit conducts a routine check on the activities of the various departments of the service, and there is no limitation to the work performed by the unit.

The internal audit unit appraises the internal control system and the activities of the various departments in the bank, and ensures that management policies are being adhered to. There is a cordial relationship with management, internal audit staff and other staff of the bank.

The internal audit unit is independent of management and the activities it audits but sometimes management controls the authority of the unit

Management takes prompt action on the recommendations of the internal auditor. The internal auditor of the bank place much reliance on the findings of the internal audit unit.

The internal audit unit has been of much benefit to the bank.

5.3 Conclusions

The research has drawn the following conclusions from the findings:

The internal auditor is independent in the sense that he is the highest level of authority.

The internal auditor's findings are accepted and implemented by Board of Directors through whom he was appointed.

The staff at Ecobank Ghana (SSNIT House Branch) place much importance on the establishment of the internal audit unit; therefore the unit must be sustained.

The cordial relationship that exists between management the internal audit staff and other staff of the bank may move the internal audit staff to work to the very best of their potentials

The fact that management always takes the recommendations of the internal audit unit into consideration may serve as a morale booster to the staff at the unit and cause them to work harder. The internal audit unit as a whole has immensely contributed to the efficient management of Ecobank Ghana (SSNIT House Branch).

5.4 Recommendations

From the findings and conclusions, it is recommended that:

A well-established internal audit department must be created with its staff fully equipped with qualified personnel and resources needed by them to perform effectively.

The internal and external training programmes given to the staff at the internal audit unit in the form of seminars and accounting courses should be continued with.

However, the seminars given to the staff at the unit could be conducted at least twice a year. This will help promote more effective internal auditing to the benefit of the bank.

Management should not in any way interfere in the work of the internal auditor, although the internal auditor is employed by management.

The co-operation between management and internal audit staff should be maintained and strengthened.

Management should always take the recommendations of the internal audit unit into consideration.

Additional staff should be employed more qualified to reduce the workload of the existing personnel. Good condition of work such as better remuneration, bonuses, free accommodation, study leave and free medical care should also be in existence to motivate the internal auditor to always come out with their best.

The internal audit department should also be well resourced particularly with the needed logistics to perform as expected of them.

5.5 Area for Future Research

Finally, future researchers should conduct similar research in other organizations within or outside this region, since the findings of this research work are only applicable to the Ecobank Ghana (SSNIT House Branch).

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APPENDIX I

QUESTIONNAIRE

TOPIC: THE EFFECTIVENESS OF INTERNAL AUDIT FUNCTION IN FINANCIAL INSTITUTIONS

The objective of this questionnaire is to obtain information to assess the internal audit function in this institution. The research will not be used in any other way. Your responses will be treated confidentially. Please feel free and give answers to the best of your knowledge

NON-AUDIT STAFF

1. Sex

a) Female

b) Male

2. Age

a) 21-30

b) 21-30

c) 31-40

d) 41 and above

3. Educational background

A). Basic

b) Secondary

c) Tertiary

d) Others (please specify).....

4.Position

5.For how long have you worked in this institution

a). 1-5 years

b).6-10 years

c).Above 10 year

6.A. Does the internal audit unit visit your department to make a routine check on your work?

a). Yes ☐

b).No ☐

B. If yes, how often does the internal audit unit conduct such check on your work?

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7.Does the internal audit appraise the activities of the staff in your department?

a). Yes ☐

b). No ☐

c).Not sure ☐

d). Other (please specify)

8.A. What is the relationship between the internal audit staff and other staff in the institution?

a). Cordial ☐

b). Not cordial ☐

c). Fairly cordial ☐

B. Give reasons for your answer in 8(a) above.

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9.A Do you see the internal audit staff as your colleagues?

a). Yes ☐

b). No ☐

B. Give reasons for your answer in 9(a) above.

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10. Does the internal audit unit review and improve the system of internal control on the institution?

a). Yes

b). No

c). Not Sure

11. Does the internal audit unit undertake any special investigation regarding any irregularities in the service?

a). Yes

b). No

c). Not sure

12. To what does the internal audit unit contribute to the prevention of fraud and detection of errors in your institution?

a). Very great

b). Great

c). Not sure

d). Little

e) Other (please

specify).....

.....

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13. How often does management take the recommendations of the internal auditor into consideration?

a). Very often

b). Not sure often

c). Not at all

d). Not sure

14. Is the internal audit department independent from management?

a). Yes

b). No

c). Other (please

specify).....

.....

15. A. In your opinion, is the internal audit unit at Ecobank Ghana (SSNIT House Branch) relevant at all?.

a). Yes

b). No

B. If No, give reason(s)

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16. A. How many times has the external auditor queried the report of the internal auditor?

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b. What did the external auditor specifically queried the internal auditor about?

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17. How would you rate the internal audit function at Ecobank Ghana (SSNIT House Branch)

a). Important

b). Somehow important

c). Not important

d). Not sure

APPENDIX II

INTERVIEW GUIDE

The objects of this interview is to obtain information to assess the internal audit function in this institution.

The research is an academic exercise and will not be used in any other way.

Your responses will be treated confidentially. Please feel free and give answers to the best of your knowledge.

- 1.How long have you worked in this institution?
- 2.What internal control measures do you have?
- 3.What do you think is the principal reason for the establishment of the internal audit department?
- 4.How many members are in the internal audit department?
- 5.Apart from the internal audit department, what other departments do you have?
- 6.Is the number of staff for the internal audit department adequate?
- 7.How often does staff in the audit department undergo training to update their knowledge and skills?
8. What constraints militate against the effective discharge of your work as an internal auditor?
9. Do you have right of access to all records of the institution?
10. As an internal auditor what do you aim to achieve?
11. How does internal auditor involve in the development and implementation of new system within the institution?
12. How often does the internal auditor appraise the soundness and adequacy of financial accounting and other operating controls?

13. What is your relationship with management?
14. How does the management influence affect the independence of the internal auditor?
15. Whom do you report to?
16. How often does management implement your recommendations?
17. To what extent does the internal auditor contribute to the financial discipline of your organization?
18. To what extent does the internal audit department contribute to the prevention of fraud in this institution?
19.
 - a. Who are your external auditors?
 - b. What has been the level of reliance on your report by the external auditor?
20. To what extent does the head office appraise the previous audit report?
21.
 - A. How beneficial is your previous audit report to Bank of Ghana?
 - b. How does the previous audit report conform to the policies and procedures of the Bank of Ghana?
22. Are the external auditors satisfied with the previous audit report in conformity with the Auditing Standard Practice(A.S.P)?