

**CHRISTIAN SERVICE UNIVERSITY COLLEGE**

**BACHLOR OF BUSINESS ADMINITRATION**

**AUDITING PRACTICE IN A SERVICE DELIVERY COMPANY (A  
CASE STUDY OF ELECTRICITY COMPANY OF GHANA-KUMASI)**

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**A PROJECT RESEARCH SUBMITTED TO THE DEPARTMENT OF  
BUSINESS STUDIES, CHRISTIAN SERVICE UNIVERSITY COLLEGE  
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE  
AWARD OF THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION**

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COMPANY (A CASE STUDY OF ELECTRICITY COMPANY  
OF GHANA KUMASI)**

**A RESEARCH PROJECT**

**SUBMITTED IN PARTIAL FULFILMENT FOR THE AWARD OF  
DEGREE IN BACHELOR OF BUSINESS ADMINISTRATION  
(ACCOUNTING OPTION)**

**BY**

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**DECLARATION**

We here by declared that, this study has been undertaken by us and it is the outcome of our research work except for references to other people’s work which have duly been fully acknowledged.

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## **ABSTRACT**

The main purpose of this study was to study the practice of auditing in a service delivery company. The research was intended to get the response on how service companies practice auditing.

This study postulates that auditing practicing will be effective if the system is managed well without unnecessary interference. Research on the practice of auditing was done at Electricity Company of Ghana Kumasi. The researchers attempt to know the mode of payments for services rendered. To also find out the security measures put in place to safe guard the assets of the company and to also identify and determine the limitation at the system of internal controls.

Data were obtained through interview and questionnaires administration which were mostly close ended and open ended from twenty one(20) staff members from the company.

This study therefore can be carried by future researchers on the field at auditing for the service companies.

## **DEDICATION**

This work is dedicated to Almighty God for the wisdom and ability given us to carry out this research work successfully.

We also dedicate it to our parents for their support and moral encouragement and to Miss Stella Poku for her support.

## **ACKNOWLEDGEMENT**

We wish to express our appreciation to the Almighty God for his guidance throughout the course of the research work.

We owe a lot of credit to our supervisor, Mr. Stephen Alewada for his patience, tolerance and guidance throughout the period of the project work. He offered constructive criticisms and recommendations which have greatly upgraded the material and the written language factor.

We are also grateful to all personnel of Electricity Company of Ghana Kumasi (ECG) metropolis especially those in the Accounting Department, internal Audit Unit, Material and Transport Section, Section, Security Department and the Regional Director for providing me with numerous and reliable information for the work.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND**

All over the world there is a realization that the auditing activity has the potential to provide hitherto unparalleled services to management in the conduct of their duties. This potential of auditing has been turned into a challenge and embodied in the new definition of Internal Auditing from the Institute of Internal Auditors (IIA).

Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance and environmental concerns. Management has the responsibility of instituting internal control measures to guide its operations. All companies are charged by law and other regulatory requirement to prepare final accounts and reports. This will enable users of such information to make decisions.

To ensure that management has discharged these duties efficiently, there should be an independent auditor trained to examine the accounts and the internal control measures put in place and test their level of compliance.

To this end, the study will highlight the role of auditing in service delivery companies by identifying the internal control measures put in place by management and their weaknesses -and suggest possible solutions to improve upon their operations.

## **1.2 STATEMENT OF THE PROBLEM**

The primary responsibility of auditing is to assist management in its responsibility to establish and maintain an adequate system of internal control by reporting deficiencies in controls noted during the course of auditing. In addition, management has the responsibility to safeguard a company's assets because they are regarded by law as acting in the stewardship capacity concerning the assets which are under their control.

The directors of a company are also required under the Companies' Act to keep proper accounting record and prepare accounts, which give it true and fair view. Thus, management exercises their responsibility primarily by the institution and operation of a system of internal controls which may include internal accounting control, management controls and internal audit.

It is in this regard that the study will like to know as well as assess the effectiveness and adequacy of the performance of auditing in the Electricity Company of Ghana (ECG) with special reference to Kumasi metropolis.

## **1.3 OBJECTIVES OF THE STUDY**

The objectives of the study are to:

1. Know the mode of payments for services rendered.
2. Find out the security measures put in place to safeguard the assets of the company.
3. Know whether there are proper systems of keeping financial records.
4. Investigate whether there are proper mechanism put in place to check the requisitions of materials and proper inventory controls.
5. Identify and determine the limitation of the system of internal controls being operated by ECG and suggest possible solutions.

#### **1.4 RESEARCH QUESTIONS**

1. What are the modes of payments for services rendered?
2. How does the asset of ECG safeguarded?
3. What actions are necessary to be established in maintaining proper systems of keeping financial records?
4. To what extent does auditing practice ensures effective internal controls systems in ECG?
5. What are the strengths and challenges associated with the practicing of auditing within ECG?

#### **1.5 SIGNIFICANCE OF THE STUDY**

The research is undertaken to identify the weaknesses of the internal control systems if any and to suggest possible solutions to help in the growth of the company. The research is undertaken to suggest possible solutions to the internal control weaknesses of the company if any lead to economic growth of the nation.

The research is also aimed to contribute and broaden the knowledge of the students after the work. Finally; others can also use the research as a source of reference for further research work.

#### **1.6 LIMITATIONS OF THE STUDY**

Researcher is usually faced with individual or peculiar problems and therefore this research had got some problems. The problems encountered by researcher of this work would be made known here so as to enable future researchers to take note of them. The major problems the researcher faced in researchers to take note of them.

The major problems the researcher faced in the course of carrying out this research study are under listed below:

1. The first and most serious problem encountered during this research work was the distance between the study area and the school of the researcher.
2. Though the distance was not too big but the researcher had to cope with constant and several movements from school to the study area in order to achieve the purpose for which the study was chosen.
3. Finance was also a problem encountered during the course of carrying out the research. The cost involved in moving from the school to the study area on several occasions for information became a problem since the researcher may go to the 'study area and will not get the information. Also since the researcher is a student and solely depend on parent for financial support and also the cost of printing the research work, became a problem.
4. Factor of time became another problem. I could not combine the limited time I had for both studies and writing of this research as well and as such I had to make a decision to choose between these two things of either forgoing lectures or writing the research work.
5. Some of the members of staff who were given the questionnaire felt reluctant to collect and complete them because they did not understand why more than one person within the same organization should be given the same questionnaire to complete for the same research work. For this reason, the targeted number of persons for the research work was reduced.
6. Finally, not all the information needed by the researcher for the research work was given by the staff members since they were of view that those information were to be remained secrete within the company.

## **1.7 ORGANIZATION OF CHAPTERS**

The study is outlined in five chapters.

Chapter one deals with general introduction. This is sub-divided into the background of the study, the statement of the problem, objectives of the study, hypothesis of study, significance of the study and limitations of the study.

Chapter two involves literature review. This mainly consists of meaning of auditing and what it entails and the historical development of Electricity Company of Ghana.

Chapter three deals with the methodology of the study.

Chapter four shows the presentation of analysis of the results of the study.

Finally, chapter five presents summary, conclusion and recommendations of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 MEANING OF AUDITING**

Auditing as defined by Robertson (1996) is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between the assertions and established criteria and communication the results to interested users.

In addition, an audit is defined in the Auditing Standards and Guidelines and as quoted by Coopers & Lybrand (1985) is the independent examination of an expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment. To this end, the nature of the audit work is designed to be independent as possible.

One of the considerable advantages arising from an audit performance is to uncover and prevent errors, frauds and irregularities.

Errors as defined by Robertson (1996) are "unlimited misstatements or omissions of amounts or disclosures in financial statements". In any case, without correcting errors, the accounts will not depict a true and fair view.

At times, what one imagines or thinks to be an error may be due to fraudulent manipulation of books and documents.

Fraud on the other hand "consists of knowingly making material misrepresentations of fact with the intent of inducing someone to believe the falsehood and act upon it and thus suffer a loss or damage".

Robert (1996) further explains irregularities as intentional misstatements or omissions in financial statement including fraudulent reporting (management fraud) and misappropriations of assets (defalcations).

Auditing plays a major role in all business set up, which acts as a review of the reports presented by management to assess the degree of correspondence, efficiency and reliability in their operations and the financial reports presented by the management.

## **2.2 THE NEED FOR AUDITING**

Millichamp (1996) explains that the need for auditing arose due to the following;

1. Assessment of financial information by multi-national companies.
2. Stewardship accountability.
3. Conformity of financial report to statutes and other requirements by Accounting bodies.

## **2.3 STEWARDSHIP ACCOUNTABILITY**

Millichamp (1996) defines stewardship as the name given to the practice by which productive resources owned by one person or groups are managed by another person or group of persons. He further explains that people with their own resources will not manage them well but appoint persons called stewards to manage them.

In recent times, most business is operated by limited companies. Which are owned by their shareholders (the owners of resources) and manage by directors (the stewards) who are appointed by the shareholders? Managers therefore have to account for the resources entrusted to their care and how best they have been efficient in their operation. This gives rise to what is termed as stewardship accounting.

Again Millichamp (1996) further defines the term stewardship accounting as the process whereby managers of a business account or report to the owners of the business on their operations. It is through this system that owner's who appoint managers to look after their properties will be concerned to know what has happened to such properties.

This reporting and accounting is usually done by means of financial statements in the form of profit and loss accounts, the balance sheets and the cash flow statement of the business. In the specific case of limited liability companies, financial statements are produced annually and take the form fan annual report and account which include profit and loss account, and a balance sheet and also other statements including the director's report and cash flow statements.

The problem, which has always existed when managers' report to owners and other interested parties is, can the owners and other parties believe the report?

This is because according to Millichamp (1996) there may;

1. Contain errors
2. Not disclose fraud
3. Be deliberately misleading

4. Fail to disclose relevant information
5. Fail to conform to regulations.

The solution to this problem of credibility of reports and account lies in appointing an independent person called an Auditor to investigate the report and report on his findings to the shareholders, potential investors, lenders and creditors, suppliers and government agencies.

#### **2.4 ASSESSMENT OF FINANCIAL INFORMATION BY MULTI-NATIONAL COMPANIES**

Modern companies can be very large with multi-national activities. The preparation of the accounts of such group is a very complex operation involving the bringing together and summarizing of accounts of subsidiaries with different conventions, legal systems and accounting, and control system.

There is therefore the need to examine such account by independent auditors trained in the assessment of financial information, which will be of benefit to those who control and operate such organizations as well as to owners and other interested parties.

#### **2.5 CONFORMITY OF FINANCIAL REPORT TO STATUTES AND REQUIREMENTS BY OTHER ACCOUNTING BODIES**

Many financial statements conform to statutory or other requirements. Most notable is that, all company accounts have to conform to the requirements of the companies Act and other Accounting Practice (SSAP), and Financial Reporting Standards (FRS).

Hence, the introduction and the need for audit to be carried out to examine the financial statements reported by management to ensure their conformity to these requirements.

## **2.6 TYPES OF AUDITING**

According to Kurt-Pany and Ray Whittington (1997) audit are often viewed as falling onto three (3) major types:

1. Audits of financial statements
2. Compliance audits
3. Operational audits

## **2.7 AUDITS OF FINANCIAL STATEMENTS**

This ordinarily covers the financial position and related statements of income, and cash flow. The goal is to determine whether these statements have been prepared in conformity with generally accepted accounting principles. Firms of satisfied public accountants also perform it.

## **2.8 COMPLIANCE AUDITS**

The performance of compliance audits is dependent upon the existence of verifiable data of regulations or an organization's policies and procedures. A familiar example is the audit of an income tax return by an auditor of the Internal Revenue Service (IRS). Such audit seeks to determine whether a tax return is in compliance with tax laws and IRS regulations. Many state and local government entities and non-profit organizations that receive financial assistance from the central government must arrange for compliance audit under the single Audit Act of 1984.

## **2.9 OPERATIONAL AUDIT**

Operational audits are a study of a specific unit of an organization for the purpose of measuring its performance. The operations of the receiving departments of a manufacturing company. For example, may be evaluated in terms of its effectiveness, that its success in meeting its stated goals and responsibilities. It is also judged in terms of its efficiency, that is, success in using to its best advantage the resources available to the department.

## **2.10 OBJECTIVES OF AUDITING**

The main aim of auditing as said by Millichamp (1996) is to produce a report by auditor of his opinion of the truth and fairness of the financial statements so that any person reading and using them can have believed in them.

Also an auditing is carried out;

1. To uncover errors and frauds
2. To prevent errors and frauds by the deterrent and moral effect of the audit
3. To provide spin-off effects. The auditor will be able to assist his client with accounting, systems of internal 'control, taxation, financial and other problems.
4. To protect and safeguard the assets of the company.

## **2.11 USERS OF AUDITING REPORT**

Millichamp (1996) explains that auditing reports are very important to the following users;

### **2.11.1 Shareholders**

Shareholders are the capital providers of a company and are therefore the owners of a company. The shareholders expect returns on their" capital invested or provide in the form of dividends or maximize their wealth.

Auditing therefore gives credibility on the true and fair view of the accounts prepared by management for decision-making purposes that is either to stay or quit business.

### **2.11.2 Potential Investors**

These are people who have capital and want to look for a place to invest their capitals for returns. They will like to examine the financial position and the auditor's report on the financial statements of a company to enable them to take investment decisions. In a situation where the auditor's report reveals fraud and mismanagement of resources, they are likely to shy away from investing in the company.

### **2.11.3 Lenders and Creditors**

This category of people and institutions are interested in the ability of a company to service its debt, thus the principal repayment of a loan as well as the payment of interest on the loan as they become due. Bank and other lenders will probably stay clear of client and potential clients who are likely to default in payment of their debt because of a fraud case or fraudulent practices revealed by auditing reports. This situation will affect the cash flow of company and that company is likely to face financial crisis.

#### **2.11.4 Suppliers**

Suppliers as used in this case refer to those who supply goods and services on credit bases. They are interested in the company's ability to service their obligations. If the effect of auditing reporting erodes supplier's confidence in a company, they are likely not to give the business any trade credit.

#### **2.11.5 Government Agencies**

Government agencies such as the Internal Revenue Service (IRS), and the Customs Excise and Preventive Service (CEPS), are interested in the taxes and duties to be paid by a company to support the economy. If the auditing reports states that the fraud was due to manipulation, falsification, altering records or documents or deliberately recording transactions without substance to understate profit, legal penalties and fines resulting from the fraud case and can lead a company to dissolution and this will have adverse effect on interested parties and the national economy in general.

### **2.12 HISTORICAL DEVELOPMENT OF ELECTRICITY COMPANY OF GHANA (ECG)**

According to the Electricity Company Journal (1992)<sup>12</sup> the first government sponsored public electricity supply started in Sekondi in 1914. - It was operated by the Railways Administration which extended the supply to Takoradi in 1928.

By this time, the Public Work Department (PWD) has started a limited direct current supply in Accra. It was immediately followed by a large Alternative Current Project, which began on 1st November 1924. The Electricity Company Journal (1992) also

stated that in 1925, a small plant consisting of three (3) horizontal cylinder oil power engines was installed in Koforidua and opened on 1st April 1926. The Tema power station was commissioned in 1956 with a 3 by 650 kilowatt generating set. This was of course, extended to a maximum capacity of 35298 kilowatt thus, making it probable, the biggest single diesel powered generating station in Africa at that time. A test transmission of power from the Volta Dam at Akosombo started on September 1965.

It was during this period that Electricity Division began receiving supply from the Volta River Authority's 161 000 volt transmission system. The National Liberation Council Decree 125 issued on 20th January 1967 established the Electricity Corporation of Ghana. By the Executive

Instrument No. 59, dated 29th June 1967, all assets and liabilities of the former Electricity Division, upon which the new Electricity Corporation of Ghana was established, were completely vested in the Corporation as from 1st July 1967 with the Decree, the Corporation was required to conduct its affairs on a sound commercial basis, and was again charged with supply for the country.

The instrument of incorporation empowered the corporation to do the following;

1. To generate, transmit supply and distribute electricity within Ghana.
2. To construct, reconstruct, install, assemble, repair, maintain, operate or remove electrical appliances, fittings and installations.
3. Purchase electrical energy in bulk from the Volta River Authority for distribution.

4. Sell electricity in bulk or to individual customers, other than the Volta Aluminum Company Limited, the town shop of Akosombo and such miners as may be prescribed by the regulations made under the decree establishing the corporations.
5. To carry out other activities incidental or conducive to the attainment of the objects specified in the Decree. It can therefore be noted from Decree that, the corporation has as its primary objective, to supply electrical energy to the people of Ghana. The Decree also enjoins the judiciously executes its programme of rural electrification on behalf of the government of Ghana.

Emphasis must be made here that, as a government organization it does not aim at making profit, rather to provide an efficient utility service, to the best of its ability so as to improve, both economic and social life of the citizens of Ghana. The corporation is at the moment managed by a seven-member team of Directors, headed by a Managing Director who is appointed by the government.

Under sub-paragraph (2)(a) of the Electricity Corporation of Ghana Amendment law 1991, PNDC Law 25 states that among the directors to be appointed, one shall be appointed to represent the interest of industry, one to represent the interest of consumers of electricity.

1. The corporation's (now company) Departments are headed by Directors and it comprises the following;
2. Director of Engineering
3. Director of Operations
4. Director of Finance
5. Director of Administration

6. Director of Audit
7. Secretary and Legal Officer who is also secretary to the Board of Directors.  
Divisional and Sectional Managers assist the Directors. Special areas of activity include corporation planning, statistical and marketing and public relations.

The corporation is now organized into a Head Office and 6 regions namely:

- a. Accra West
- b. Accra East
- c. Tema
- d. Eastern
- e. Central
- f. Western
- g. Ashanti
- h. Volta

And in all, there are about 36 district offices scattered all over these regions.

### **2.13 THE CONVERSION OF THE ELECTRICITY CORPORATION OF GHANA INTO A COMPANY**

According to the Electricity Company Journal, 14 as part of the government's plans to reduce the size of the converted into a company and now called Electricity Company of Ghana (ECG). During its reign as a corporation, it was characterized with poor financial performance and low productivity.

Some of the contributory factors to its poor performance include:

1. Overstaffing

2. Decision making at times being paralyzed by excessive bureaucracy and laiser-fair attitude towards business.
3. Lack of technical expertise
4. Absence of commitment and entrepreneurial direction that private investors bring to business.
5. Low incentives and inadequate working capital and investment in new plant and machinery which have led to low capacity utilization.
6. Successive governments have also been prone to use it for purposes other than also for which it was originally designed.

#### **2.14 THE IMPLICATION OF THE CHANGE IN STATUS**

The significance of the change in status was to reduce its call on government to provide public finance to support its loss making activities, the government has granted autonomy to the Electricity Company of Ghana ,(ECG). This implies that the Electricity Company of Ghana is a self-financial company, which no longer depends on the government for subvention. Thus, it is now operationally and financially autonomous.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter deals with the methodology of the study. Thus, it discusses the research design, data sources, data collection instrument, sample population, sample size, sample techniques, method of data collection and method of data analysis. This chapter also explains the data required how they were gathered and methods of analysis employed to achieve the objectives of the study.

#### **3.1 RESEARCH DESIGN**

Wikipedia defines research design as the blue print for conducting a research. According to Jankowicz (2000), research design is defined as the deliberately planned arrangement of conditions for the analysis and collection of data in a manner that aims to combine relevance to research purpose with economy of procedure. According to Hussey and Hussey (1997), research design is the science (and art) of planning procedures for conducting studies so as to obtain the most valid findings. Determining the research design will give a detailed plan that can be used to guide and focus the research. Case study is used as the research design. A case study as defined by Johnson (1994) is ‘an enquiry which uses multiple sources of evidence. It investigates a contemporary phenomenon within its real life context when the boundaries between phenomenon and context are not clearly evident’. A case study may be explained as an extensive study of a single situation such as an individual, family or organization. Electricity Company of Ghana is used as the case study of the research.

## **3.2 DATA SOURCES**

According to Saunders et al (2007), there are two main approaches to data collection namely, primary data and secondary data.

To ensure the collection of reliable and accurate data for the research work, primary and secondary sources of data were adopted in data acquisition and interpretation.

### **3.2.1 Primary Data**

This is data originated by the researcher especially to address the research problem (Malhotra and Birks 2007). Barns 2000 as cited in Amissah et al 2008 argued that primary data are first-hand information gotten for a research. This could be in the form of interview, responses from questionnaire. There are six available forms of collecting qualitative empirical data. These are documentation, archival records, interviews, direct observation, practical observation, and physical artifacts, Yin (1994) as cited in Khiabani (2006). Primary data were gathered through interviews with three top management staffs of Electricity Company Kumasi. The questionnaires were used in order to get answers or response from twenty staffs of the company. For the purpose of this research the researcher employed questionnaires and interviews as the primary data source.

### **3.2.2 Secondary Data**

This has to do with data that have already been collected for purpose other than the problem at hand. They are existing information made up of publications such as books, journals, articles, internet sources and many other already established facts.

Zikmund (1998) defines secondary sources of data as data that have been previously collected for some project other than the one at hand. For this study, the secondary

sources of data were obtained from publications annual reports, relevant textbooks from the University library, ECG journals, newspapers, thesis and the internet.

These sources of data were mostly used in the literature review of similar works.

These were done to appreciate the theoretical and conceptual framework of the work and to appropriately position the work.

### **3.3 DATA COLLECTION INSTRUMENTS**

The data collection format will depend on the kind of data to be collected. Data collection was done by way of a questionnaire and personal interviews, and the technique of sampling helped in this research.

#### **3.3.1 Personal Interview**

An interview is a conversation in which the interviewer questions the interviewee in order to gain information. Interviews can be formal or informal, structured or unstructured. They can be conducted one-to-one or in groups, face to face or by telephone.

The researchers employed personal interview. It is a data collection technique in which respondents are verbally questioned by a researcher in order for the former to express his views on a given matter under investigation (Mason et al., 1999). Kahn and Camel, (1957), viewed personal interview as a purposeful discussion between two or more people.

Due to their busy schedule, each interview was conducted separately and at different days. The researchers had to brief the interviewee on the objectives of the study so the interview was smooth and simple since they have being briefed on the subject.

### **3.3.2 Questionnaire**

A questionnaire is a technique of data collection in which each person is asked to respond to the same set of question in a predetermined order.

Questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic. When properly constructed and responsibly administered, it becomes a vital instrument by which statements can be made about specific groups or people or entire populations. Adequate questionnaire construction is critical to the success of a survey.

It was self-administered to individuals by the researchers. The questionnaire used contained both open-ended questions and closed ended questions.

### **3.4 POPULATION**

The population of a study is the collection of all possible individuals, objects or measurements of interest as according to Mason et al. (1999). For this study, the population consisted of personnel of Electricity Company of Ghana Kumasi.

### **3.5 SAMPLING SIZE**

A sample size as a set of people or objects chosen from a larger population in order to represent that population to a greater or lesser extent( Mason et al., 1999). According to Saunders et al., 1997, the size of sample and the way in which it is selected will definitely have implications for the confidence one can have in data and the extent to

which one can generalise. For the purposes of this research, three top management staff members of Electricity Company of Ghana Kumasi were contacted and twenty staffs were also contacted to get the needed information for the study.

### **3.6 SAMPLING TECHNIQUES**

In research work, sampling technique may be broadly classified as non-probability and probability. The non-probability sampling does not use chance selection procedures but rather rely on the personal judgment of the researcher that is the selection cannot be accurately determined. Whereas, the probability sampling is a procedure in which each element of the population has a chance of been selected. Since not all staff members at Electricity Company of Ghana Kumasi are concerned with auditing practicing, judgment sampling was used to choose the population to be researched into.

This technique of sampling resulted in twenty (20) respondents. The researchers had to exercise their own judgment to include elements that are presumed to be typical of a given population about which they seek information. Thus when it comes to judgmental samples. Judgmental samples do not involve any random selection process (Mason (2006)).

### **3.7 METHODS OF DATA ANALYSIS**

Data obtained from respondents was analyzed using both quantitative and qualitative methods. Quantitative methods are referred to as ‘scientific method for data collection technique or data analysis procedure that generates or uses numerical data, (Saunders

et al 2007). The result was presented using statistical tools such tables, histograms and pie charts. Both descriptive and inferential statistics were used to analyze the data.

The responses gathered from respondents have been classified, analyzed and interpreted according to their meaning.

According to Saunders et al (2007), qualitative data analysis is a method for any data collection technique or data analysis procedure that generates or uses non-numerical data. Since the questionnaires were more of open ended questions which allowed respondents to express their views, the researchers could not use more of the quantitative data analysis and therefore required the use of a qualitative data analysis.

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.0 INTRODUCTION

This chapter deals with the analysis of responses obtained from respondents.

The researchers took an interest in the performance of auditing which will be concentrated mostly on areas such as:

- a. Mode of receiving payments from customers
- b. Security measures put in place to safe guard assets
- c. System of keeping financial records
- d. Mechanism put in place to check the requisition of materials and inventory controls.

#### 4.1 MODE OF PAYMENTS

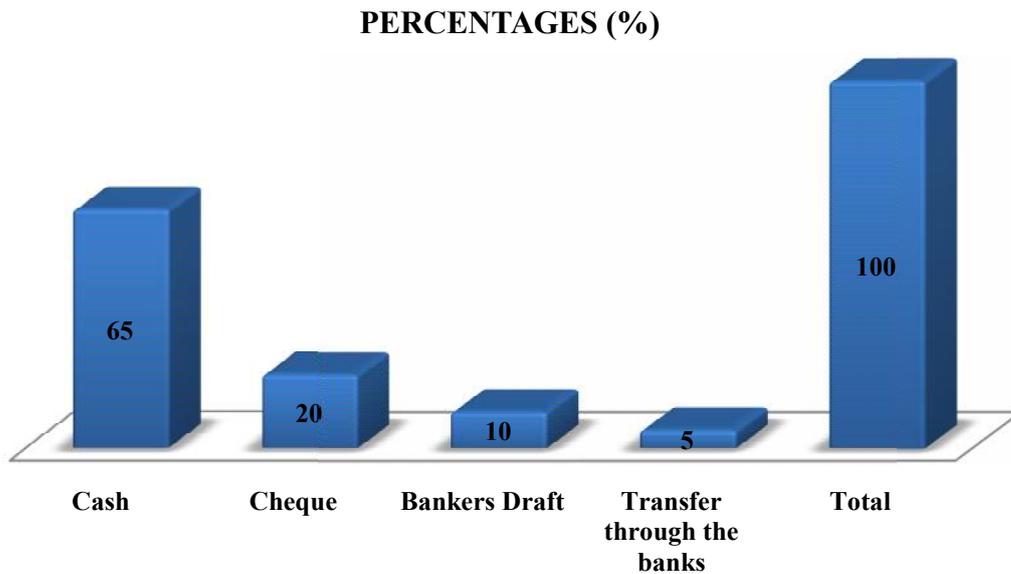
The table and figure below shows the mode of payments from the respondents.

**Table 4.1 Mode of Payments**

<b>MODE OF PAYMENT</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGES (%)</b>
Cash	13	65
Cheque	4	20
Bankers Draft	2	10
Transfer through the banks	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

*Source; Field study May, 2012*

**Figure 4.1 Mode of Payments**



*Source; Field study May 2012*

From table 4.1 and figure 4. 1, it is clear that the highest mode of payment is by cash which represents 65% of the respondents. 20% of the respondents also indicated that payments are made by cheques, 10% by bankers draft and the least is transfers though banks which also represents 5% of the respondents.

With this regard they should receive payments for the services rendered to customers, one of the research objectives was to ensure that, all payments due the Company were received by cash over the counter by a cashier and to ensure that such cash is properly accounted for.

Payments could also be received by cheque through banks. The cash and cheques collected at the counter promptly banked or deposited with receipts issued for every bit of payments made to serve as an evidential material. There should be a range set

within which cash or cheque should be accepted for payments for security reasons and cost saving.

From the study, it was established that payments are received for all services rendered to customers this was made known from 80% of the respondents. They explained that the company incurs cost in rendering the services to customers which they have to pay for. The company is also profit oriented hence it wants to make profit from its operations. It was also established that the company receives cash, cheques, bankers draft and transfers through banks as payments from customers. It was discovered that there were no range of amounts under which payments could be made either by cash, cheque, bankers draft or transfers through the bank. That is, payments are accepted in any sum.

Cashiers have been appointed by the company with the sole responsibility of receiving cash at the counter. They have also established a means of evidencing payments receipts. This is done by writing the amount received from consumers on the bills they present for payments and stamped with initials by cashier as paid either by the computer or manually.

It was also realized that the internal auditor has also the responsibility for emptying cash from the drawers and agreeing the amount present with end totals on the computer or the cashbook.

One important finding was that cash collected is banked intact. That is, no payments are made out of cash received over the counter for the day. Any payments by the

company are made out from funds drawn from the bank on an interest system. It was also realized that persons handling cash have no access to other cash funds or ledger records.

#### 4.2 SECURITY MEASURES TO SAFEGUARD ASSETS

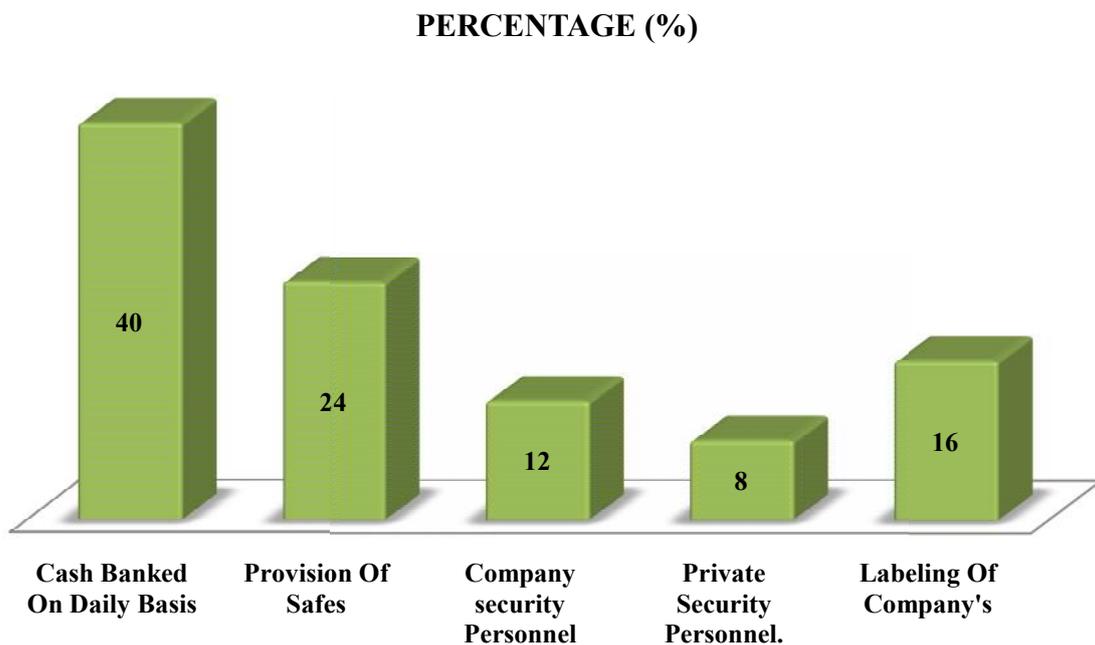
The table below shows the security measures put in place by the company to safeguard assets.

**Table 4.2: Security Measures**

SECURITY MEASURES	NUMBER OF RESPONDENTS	PERCENTAGE (%)
Cash Banked On Daily Basis	10	40
Provision Of Safes	6	24
Company security Personnel	3	12
Private Security Personnel.	2	8
Labeling Of Company's Assets	4	16
<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Study, May, 2012*

**Figure 4.2 Security Measures**



It is clear from the table 4. 2 and figure 4.2 above that 40% of the respondents indicated that cash are banked on daily basis, 24 % indicated provision of safes, 12% indicated company security personnel, 8% represented private security personnel and 16% represented labeling of company's assets.

The study also focused attention on security measures put in place to safeguard its assets. The issue was to determine the measures the company has put in place and other mechanisms to protect the assets of the company which is of interest to shareholders and other interested parties.

It was realized that some security measures are put in place to safeguard the assets of the company. This is done to avoid outside intrusion, theft, and misapplication of the company's assets by staff members. The security measures discovered are as follows;

- a. All cash collected over the counter banked on daily bases.
- b. Safe is provided for cash and cheques of ready lodgment at the bank to avoid theft and robbery.
- c. The company has employed its own security personnel's and contracted private security agencies like Total Security Services Limited (TSSL)who are positioned at vantage points to take stewardship over the company's physical assets to avoid torchery.
- d. All assets of the company are labeled and checked from time to time.
- e. Also mechanisms are put in place to ensure that all movable assets are confined to the company's premises at the close of the day. These mechanism put in place are that any movable assets are recorded by way of writing the name of the Assets, the

name of the user, the time and the place of destination and also time of arrival of the assets.

#### 4.3 SYSTEM OF KEEPING FINANCIAL RECORDS

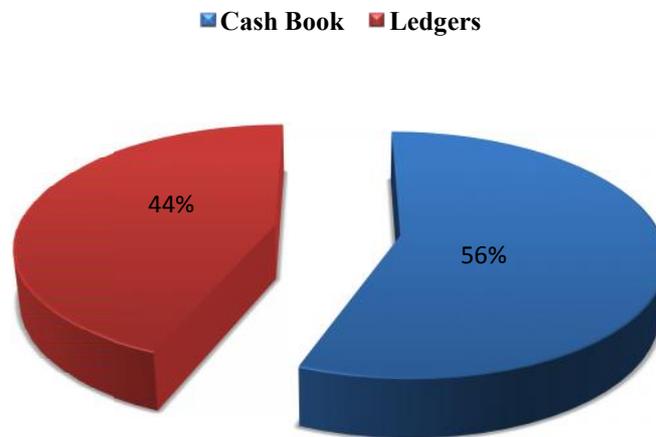
System of keeping financial records is presented in the table and figure below;

**Table 4.3 System of keeping financial records**

SYSTEM	NUMBER OF RESPONDENTS	PERCENTAGES	DEGREES
Cash Book	10	56	200
Ledgers	8	44	160
<b>Total</b>	<b>18</b>	<b>100</b>	<b>360</b>

*Source: Field Study, May, 2012*

**Figure 4.3 System of keeping financial records**



*Source: Field Study, May, 2012*

From table 4.3 and figure 4.3 above, 56% or 200 degrees of the respondents indicated cash book as a system of keeping financial records and 44 % or 160 degrees indicated ledgers Under the system of keeping financial records the company has a system of keeping records to meet statutory requirements in order to serve the needs of users of

accounting information. To this end, it was noted that every bit of transaction of economic nature entered into by the company are recorded in the books.

❖ **The cash book:** - This is used to record all transactions made by the company involving receipts and payments by cash or cheques.

❖ **Ledger:-**Which also contain ledger records or accounts, kept for other transactions. The study found that the various ledgers include the general ledger, which is a book containing all accounts except those involving debtors, and creditors. Such accounts include wages and salary accounts, telephone charges, stationary, transport and fuel. Purchase ledger, this book contains the accounts of all creditors of the company. There is also total debtor ledger kept for all those who the company has provided with services and owe obligation to the company that is debtors.

#### 4.4 MECHANISMS TO CHECK THE REQUISITION OF MATERIALS, ASSETS AND INVENTORY CONTROL

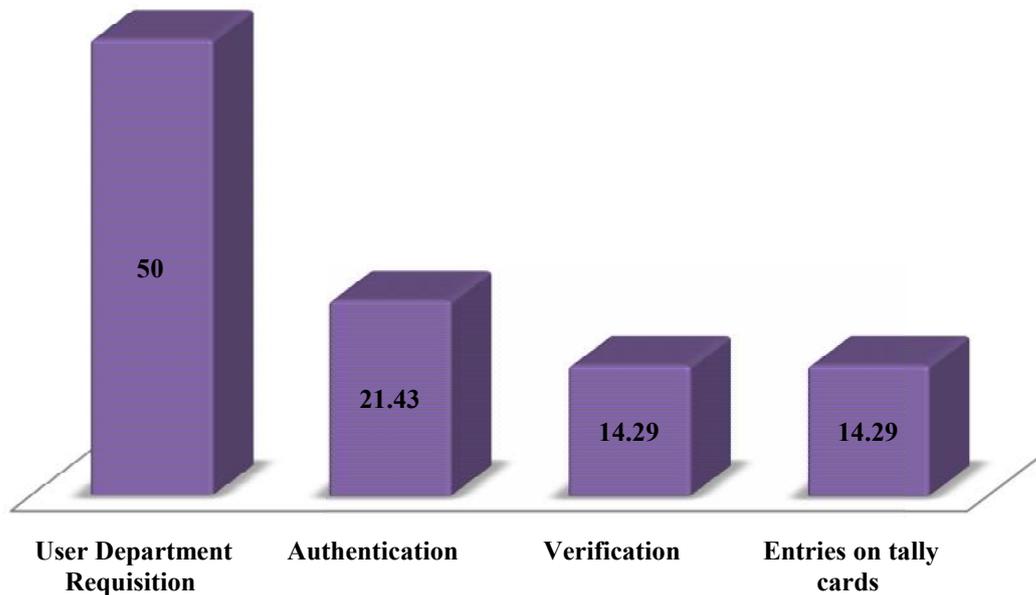
The table and figure below shows mechanism s to clock the requisition of material, assets and inventory control.

**Table 4.4: Mechanisms to check the requisitions of material Assets and Inventory control**

MECHANISMS	NUMBER OF RESPONDENT	PERCENTAGE (%)
User Department Requisition	7	50
Authentication	3	21.43
Verification	2	14.29
Entries on tally cards	2	14.29
<b>Total</b>	<b>14</b>	<b>100</b>

*Source; Field study May, 2012*

**Figure 4.4: Mechanisms to check the requisition of material, assets and inventory control.**



From the table 4.4 and figure 4.4, 50% of the respondents indicated that user department has to request for the need of the materials, 21.43% also indicated that there must be authentication, 14.29% represented verification and entries on tally cards.

The study also took interest in these areas and the following discoveries were made;

**1. Requisition of material:** it was noted that control measures are put in place for requisition of materials from stores by the user departments. The processes involved are as follows;

- ❖ The user department has to write for the need of the materials in a store's requisition book.

- ❖ The requisition book is authenticated by the three (3) officials, which are the Regional Director, the Regional Accountant and the Regional Material and Transport Manager
- ❖ The book is sent to the main stores for verification of quantity
- ❖ The stores officer enters on the tally cards.
- ❖ The materials are then issued and collected by recipients who signs on the requisition book.

**2. Receipts of Materials in Stores:** Here before materials are received into stores a Local Purchase Order (LPO) is prepared after a request user section which is subject to approval. A copy of the local purchase order is sent to suppliers. Invoices are then prepared by the suppliers and attached to the local purchase order and sent to the company.

Responsible officials for the purchase of the material give authority after the materials are purchased or requested from the headquarters in Accra, The following activities are carried out before the materials are finally receive into stores.

Indent and invoices are first checked against waybills to check the description and quantity of the materials. Normally physical counting is done to checked the actually quantity of the goods against the indent or invoices.

Sometimes because of their experience and the routing nature of the work, they forego the physical counting of the materials when they arrive in large quantities.

After the physical counting is checked for the quantity of the material, inspection is then made to also check the quantity of the materials after which defective materials discovered are return to suppliers or headquarters.

A material receipt note is prepared and signed by the storekeeper who is receiving the material on behalf of the company to show the description and quantity of the materials received.

Finally transfer is made from the material receipt note to the tally card and stores ledgers.

#### **4.5 REQUISITIONS FOR TRANSPORT;**

Before a vehicle is requested for, a form has to be completed this form is divided into three sections and these are section A: section B: and section C.

**Section A is to be completed by the requisition officer. This contains details of journey and vehicles such as:**

1. Purpose of journey
2. Name and department of user
3. Number of persons
4. Destination
5. Date and starting time
6. Expected duration
7. Type of vehicle required
8. Signature of director or divisional manager and date.

**Section B is to be completed by the transport officer and driver. Below is the content:**

1. Registration number and type of vehicle provided
2. Name of driver
3. Date and starting time
4. Total duration of journey
5. Total kilometer covered
6. Signature of traffic officer and date.

**Section C is the approval by the transport officer. Below are the content of the section C:**

1. Registration number of vehicle
2. Type of vehicle
3. Name of Driver
4. Date and time scheduled
5. Signature of transport officer and date

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 SUMMARY AND CONCLUSION

One of the considerable advantages arising from an audit practice is to uncover and prevents errors, frauds and irregularities. Other advantages may include the provision of other services. This is where the auditor assists his clients with accounting, system of internal control, taxation, financial and other problems. It serves to protect and safeguard the assets of the company.

Auditing practices in an organization also helps to prevent errors and fraud by the deterrent and moral effect of the audit work. It must be noted at this stage that the discovery or prevention of fraud and errors are only secondary objectives.

On the other hand, during the course of the audit, the auditor will ascertain, evaluate and test the adequacy of controls within the accounting systems of the company to prevent and stem irregularities.

Fraud is used to refer to irregularities involving the use of criminal deception to obtain an unjust or illegal advantage.

The effects of fraud on a company are numerous and some of the effects are as follows;

1. Companies are sometimes unable to recover from the financial or reputational damage caused.

2. It affects the operations of the company as individuals who fall victim to fraud can experience physical, psychological, financial and social damage.
3. The effects of fraud increases the cost of doing business as the company want to recover the lose.
4. Fraud affects company's assets negatively because it contributes significantly to resource depletion. Assets are economic resources the firm relies on to generate revenue, create wealth and gain market share.
5. Fraud deals a blow to a company's because it takes away from the firm resources it acquired through loans.

These effects can affect the following category of interested parties;

1. Shareholders.
2. Potential investors.
3. Lenders and creditors.
4. Suppliers.
5. Government agencies.

The research work therefore took interest in the practices of auditing of the Electricity Company of Ghana (E.C.G.) to consider the following matters which are paramount to the study;

- ❖ Mode of payments for services rendered.
- ❖ The security measures put in place to safeguard the assets of the company.
- ❖ Proper systems of keeping financial records.
- ❖ Mechanisms put in place to check the requisition of materials and proper inventory controls.

- ❖ Identifying and determine the limitations of the systems of internal controls being operated by Electricity Company of Ghana (E.C.G.) and suggest possible solutions.

In relation to the mode of payments, the study focused on how payments are received for services rendered to customers, as this is the main source of revenue to the company. It was realized that the company accepts cash, cheques, and bankers' draft, and transfers through the banks for payments for services rendered. All payments made by customers are accepted. There is no range or limit set within which cash or cheque is accepted for payments, this situation exposes both the customers and the company to a risk of theft or robbery with huge sums on them.

With the area of safeguarding the assets of the company, the security measures instituted include the provision of cash safes for cash and cheques not ready for lodgments at the bank to avoid theft and robbery. Cash collected over the counter are also banked on daily basis. The company has also employed security personnel who are responsible to take stewardship over the company's physical assets to avoid touchery and theft.

In the case of moveable assets, records are taken on the assets being taken, the name of the user, the time and place of destination and also the time of arrival of the assets. This is done to ensure that these assets are confined to the premises of the company at the close of the working day.

In increasing the efficiency of operations and ensuring accountability, it was noted that the company's transactions of economic nature are recorded in the appropriate books of accounts as records on those transactions made currently, the appropriate and integrated system of accounts and records has been computerized. The computerization has made the processing of transactions easier and quicker than before.

It has also made the provision of schedules to support amounts quoted and for cross reference purposes possible within minutes. Management also prepares financial statements and reports at the end of the company's accounting year to reflect all its operations over the period.

For the purpose of controlling materials and other assets, the company has instituted some internal control mechanisms to ensure that these assets are being taken care of and safe from defalcations, misappropriations and misapplications.

It was discovered that before materials are issued from stores, the user department has to write for their need in a material requisition form. After the document have been approved and authenticated by the appropriate authorities, the materials are then issued out with the storekeeper and the recipient being signatories to the requisition form.

Most of the materials are normally received from Electricity Company of Ghana (E.C.G) headquarters. However, on certain occasions where material is purchased on regional levels, a Local Purchase Order (LPO) is prepared by a responsible official.

Upon its approval by the management, the document is sent to suppliers who are or intend to send to the company invoices giving details of quality and quantity and also prices of materials available.

Upon arrival of the materials from the suppliers or the headquarters, physical inspection is done for quantity and quality of the materials received against the indent or the invoices .This exercise is carried out to ensure that the required number and the type of materials are received and defective good being returned to their source. For every receipts or issue of materials from stores, records are kept on stores ledger accounts and tally cards.

In the area of safeguarding and avoiding misapplication of the company's vehicles, it was realized that vehicles are only issued when a completed form is been approved by the transport officer upon the satisfaction that the transport will be used in the interest of the company.

## **5.2 RECOMMENDATION**

In general, the internal controls and systems put in place by management to guide their operations in order to promote efficiency are remarkable. Consequently; they can do more to improve their systems of operations to serve the needs and interest of shareholders and other interested parties.

Controls on cash received over the counter are enough, but we wish to state that surprise cash counts should be undertaken by management to ensure that cash received at any time is not used for other purposes whether business or personal. Also,

independent comparisons of agreed cash collected with subsequent banking records should be undertaken.

There is no range of amount within which payments are received in cash at the counter. We suggest that there should be a limit for cash payments at the counter, specifically all payments above five hundred cadies (500) should be accepted strictly by cheques or bankers draft to save time in counting such huge sums of monies and also to prevent temptation of staff embezzlement and robbery. Also, we recommend that customers should be educated and advised to use other avenues of ECG of settling their bills so that cash handling at the company's premises will be reduced.

On transactions involving receipts and issues of materials, we realized that the procedures and the measures are adequate but they should be applied strictly.

With regards to security measures to safeguard the assets, the company has a sound security system. However, we advise those security personnel's and staff with access to cash and materials should be rotated occasionally, since the longer one remains at a particular place or point, the higher the risk of theft and manipulation.

We believe that when the measures above are strictly adhered to, they will go a long way to further strengthen the already existing internal controls and operational measures of the company.

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**APPENDIX**

**QUESTIONNAIRE**

**CHRISTIAN SERVICE UNIVERSITY COLLEGE**

**DEPARTMENT OF BUSINESS STUDIES**

**PROJECT TOPIC**

**AUDITING PRACTICES IN A SERVICE DELIVERY COMPANY**

**(CASE STUDY - ELECTRICITY COMPANY OF GHANA - KUMASI)**

We are students of Christian Service University College undertaking a research on the above stated topic. We need information to help us in our research work and promise to treat all information provided confidential.

Thank you.

Please tick [ ] where appropriate

1. Please do you receive payment for services rendered to customers? Yes [ ] No [ ]

If Yes, why? Please state.....  
.....  
.....

If No, why? Please state  
.....  
.....

2. Apart from cash and cheques, are there any other modes of receiving payment from customers? Yes [ ] No [ ]

If yes indicate the other mode(s) of payment.....  
.....  
.....

3. Which of the following under-listed range of amount do you normally receive payments by cash?

- a. GH¢ 0-100.00
- b. GH¢100.00-500.00
- c. GH¢500.00 and above
- d. no limit

State the reasons for your answer in 1.2 above

.....  
.....  
.....

Under what range are cheques received for payments?

.....  
.....  
.....

4. Do you issue receipts for payments made?      Yes [  ]      No [  ]

If NO give reason(s) why you do not issue receipts for payments

.....  
.....  
.....

5. What are some of the measures to ensure that consumers are charged for what they consume (please state)

.....  
.....  
.....  
.....  
.....

6. Apart from the cashiers at the counter, is there any other avenue for customers to pay their bills? Yes [ ] No [ ]

If yes, where (Please state)

.....  
.....  
.....

7. Please are there security measures put in place to safeguard the assets of the company? Yes [ ] No [ ]

If Yes, why?.....

.....  
.....

If No, why?.....

.....  
.....

State the type of security measures put in place

.....  
.....  
.....  
.....

8. Please do you have proper system of keeping financial records? Yes [ ] No [ ]

If yes, why?.....

.....  
.....

If No. why?.....

.....

9. What are some of the books used in recording transactions?.....  
.....  
.....  
.....  
.....  
.....

10. After collecting the cash from the cashiers at the counter do you agree the amount presented with the totals on the cash register? Yes [ ] No [ ]

11. Please is cash collected banked on daily basis? Yes [ ] No [ ]

12. Does person(s) handling cash have any access to other ledger records? Yes [ ] No [ ]

13. Please is the bank pay-in-slip prepared by an official with access to cash collecting points and ledger records? Yes [ ] No [ ]

14. Please do you purchase materials and other assets? Yes [ ] No [ ]

15. Please are there proper storage facilities for those materials purchased? Yes [ ] No [ ]

16. Please is there a system put in place for requisition of materials from stores by the user departments? Yes [ ] No [ ]

If yes, what are the processes involved  
.....  
.....  
.....  
.....  
.....

17. Please are records kept for receipts and issues of materials? Yes [ ] No [ ]

If yes, please list the books you use to receive and issue materials  
.....

.....  
.....  
.....  
.....

18. What are the procedures involved in receiving materials into stores

.....  
.....  
.....  
.....  
.....