CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

EFFECTIVENESS OF INTERNAL CONTROLS IN PRIVATE UNIVERSITIES IN GHANA
(A CASE STUDY OF CHRISTIAN SERVICE UNIVERSITY COLLEGE)

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DECLARATION

We hereby declare that, this submission is our own work towards the award of Bachelor of Business Administration and that, to the best of our knowledge, it contains no material previously published by another person nor material which have been accepted for the award of other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

We dedicate this master piece to our parents and all who contributed one way or another to the financing of our education and helping make this research project complete and successful.

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We are very grateful to the Almighty God for seeing us through this level of education and giving us the guidance to write this work to perfection.

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ABSTRACT

Current business trends have made it imperative for almost all large organizations to maintain effective internal control systems. Internal control has attracted intense debate and scholarly attention across industries in accountancy and auditing literature over the past decades (Ofori, 2011). The regulatory and institutional framework has improved significantly and yet still private institutions in Ghana are faced with lots of challenges. It is against this background that this study was conducted into the effectiveness of the internal controls of Christian Service University College (CSUC). The main objective of the study is to appraise the internal control systems of CSUC.

Related literature was reviewed. The study adopted the descriptive research design since the study intended to describe the state of control effectiveness. The study population was all institutions in Ghana. The convenience sampling approach was used in selecting the institution and a sample of seventy (70) respondents from Christian Service University College were selected using purposive and stratified sampling techniques. Data was collected through questionnaire. The data collected were analyzed using tables and graphs and some findings were made as a result of that. The study found out that,the control activities at CSUC was the most effective as majority of the respondents agreed to that assertion.

In reviewing the risk assessment component at CSUC, the study found that risk assessment was the weakest and ineffective. Again, empirical evidence from the study indicated that control environment at CSUC is also functioning. The information and communication component as well as the monitoring component of internal control were also assessed and findings proved their effectiveness.

Some recommendations were made towards strengthening the internal control components of the university college, in pursuance of their effectiveness. In terms of risk assessment which was found out to be the weakest of the five components, the study recommended that management must observe and physically count inventories to check any misstatement and

also management must enhance their recruitment policies in order to limit the risk of employing incompetent personnel. Although control activity was the strongest component we recommended that the university must again increase the number of close circuit televisions on its campus and increase duty rotation in their mode of operations.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as a process that is implemented by the entity's personnel and designed to provide reasonable assurance that the entity will achieve three categories of objectives: effective and efficient operations, reliable financial reporting, and compliance with the applicable laws and regulations (Kent and Lana, 2007).

Internal control is a crucial aspect of an organization's governance system and ability to manage risk. It ensures the achievement of an organization's objectives while creating, enhancing, and protecting stakeholder value (IFAC, 2012).

Tertiary Education in Ghana has been growing during the last twenty years, both in terms of infrastructure and enrollment. A substantial part of this development comes from the private sector. Universities offer academic education from bachelor to doctorate level. Tertiary institutions in Ghana enroll over 300,000 students in undergraduate, graduate, certificate and diploma programs in a full range of academic and professional fields. (U.S Embassy on Education, 2012).

As the number of students in tertiary education increases, it calls for improvement in infrastructure as well as general administrative procedures that exist in various tertiary institutions and control mechanisms that are attached to the institutions. As a result of this internal controls in tertiary universities should be given rapt attention.

Internal controls can be thought of as checks and balances to prevent errors and losses in various areas of a business. When controls are in place, a firm is likely to save money and be run more efficiently. Management can make better decisions about inventory and sales

because the data it receives is real and relevant (Shanker, 2014). Controls are very important and cannot be overlooked in any organizational setting and managers count on it to steer the affairs of their organizations.

According to Kaplan (2007), poor standards of corporate governance had led to insufficient controls being in place to prevent wrong doing in the United States (US) in the 1990s, as demonstrated by the collapse of Enron and WorldCom.

Re-emphasizing this point, Mr. Kwabena Obese-Jecty, Director General of Internal Audit Agency (IAA), called on management of institutions to look at the custodians and operators of management controls and systems of internal control. (Ghana News Agency, 2014).

A system of effective internal controls is a critical component of company management and a foundation for the safe and sound operation of organizations. However, ineffective internal controls result in ineffective programs and losses (Financial Management Manual, 2005).

That is why the Retired Executive Vice President of American Savings Bank, Mary Locatelli in September 2003, made it known that, the recent rash of corporate failures and accounting frauds are mostly preceded by a failure in a company's internal control structures. (Directorship Journal, 2003).

From the above, it is therefore imperative to say that, internal controls play a significant role in helping managers to achieve their goals and as such, lapses and deficiencies in internal controls causes failure of businesses hence, the need for this study to investigate the effectiveness of internal controls in Private Institutions.

1.1 Problem Statement

In recent times, there have been several issues of weak internal controls in private institutions which have cost institutions a lot of resources. For instance, an Accra Human Rights Court ordered the Methodist University College (MUC), to reinstate six hundred and fifty-one (651)

students sacked two years ago. The court further described the decision to revoke the admission letters of the students as illegal, and with no basis in law. A cost of GH¢ 10,000 was awarded against the defendants; who include the University College, the Ministry of Education and the National Accreditation Board. (Ghanaian Times, 2015).

The 2012 Auditor-General's report on Polytechnics in Ghana revealed cash irregularities of GH¢ 29,345,696 as a result of ineffective control over the custody and filing of official documents, poor supervision by accountants over cashier duties, lack of proper internal checks over revenue collections and enormous Internally Generated Fund(IGF) at the disposal of Polytechnics. There was procurement irregularities amounting to GH¢ 2,994,699 which emanated from intentional disregard of the Procurement Act, management's failure to comply fully with the procurement law, improper procurement planning, and a breakdown of the procurement process. Features of the irregularities included excessive variation order, absence of system to monitor works being executed, restricted tendering, procurement order divided into lots and lack of supervision.

The National Accreditation Board (NAB) ordered Central University College (CUC) in 2012 to expel six hundred and ninety-five (695) unqualified students who were admitted into the University College. The students had not attained the grades required by the National Accreditation Board. Even though CUC knew the students did not qualify, it admitted them on condition that they will re-write their examinations and better their grades within two of the four years they were required to complete their degree programmes (Ghanaweb.com, 2012).

The above instances make it prudent to investigate internal control effectiveness in Christian Service University College, and to suggest ways of improving it.

1.2 Objectives of the Study

1.2.1 General Research Objectives

The general objective of the study is to assess the existence and the positive impacts of internal controls on Christian Service University College.

1.2.2 Specific Objectives

i. To evaluate the internal control environment in Christian Service University College.

ii. To assess the risk assessment procedures in the University College.

iii. To evaluate the effectiveness of control activities.

iv. To examine whether information about internal control is effectively communicated.

v. To check whether there are effective monitoring systems.

1.3 Research Questions

The research seeks to address the following questions related to the problem.

i. Do internal controls environment exist at Christian Service University College?

ii. What risk assessment measures need to be put in place to enhance effectiveness of internal control systems in the Christian Service University College?

iii. What are the control activities at Christian Service University College?

iv. How effective are the internal control information communicated at Christian Service University College?

v. Are there effective monitoring systems at Christian Service University College?

1.4 Significance of the Study

The significance of this project work is to assess the effectiveness of the internal control systems in Christian Service University College. The results of this study will help the

Christian Service University College as well as other private universities and colleges to put in place measures for their day to day management of their institution which will ensure that fraudulent activities, errors and other irregularities are prevented. The study results will also assist the National Accreditation Board to review their quality assurance objectives. The study results will further assist National Council for Tertiary Education to evaluate the administrative policies and guidelines they have given to Universities to help improve on Education in Ghana.

1.5 Scope of the Study

There are many private universities in Ghana; however, the study is centered on the internal control systems within Christian Service University College. A lot of the work was based on various departments of CSUC to check the control systems.

1.6 Limitation of the study

The major problem encountered is access to current literature about the study. It was difficult to access a handful of useful materials. Also, because of financial constraints, the quantum of the work had to be reduced, in terms of questionnaires. However, thorough search for information regarding the study area helped to access some useful materials to aid the research, funds were also received from parents to aid the research. Permission had to be sought before the University can be used as a case study.

1.7 Organization of the Study

The research work has five (5) main Chapters. The first chapter gives a brief introduction about the study, the background, the objectives of conducting the study, the research questions to be answered by the study and the significance of the study to knowledge. The

chapter two encompasses the literature review about what is said about the study. The third chapter outlines the methodology to be used in undertaking the study.

The fourth chapter is where data results are interpreted and analyzed in relation to the context of the study. The last chapter, thus chapter five is a summary, conclusion and recommendations arising from the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter seeks to unfold the important terms that were used in this research in addition to a detailed review of related literature of researchers, other authors and authorities.

2.1 Definition of Internal Control

Internal control means different things to different people. This causes confusion among business people, legislators and others. The definition of Internal Control has evolved over recent years as different internal control models have been developed. According to Statement of Auditing Standards (SAS,300), Internal Control is defined as all the policies and procedures adopted by the directors and management of an entity or business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting record, and the timely preparation of reliable financial information.

In the view of Puttick (2001), internal controls are set of organization policies and approved internal processes (internal controls) crafted by management of an organization to ostensibly achieve management's primary objective of ensuring that the business operates flawlessly. He further explained that, a business is said to be running smoothly if they are able to stick to the management policies, to protect the organization assets and set up a system that would stop and eradicate manipulation of the accounting information.

According to Kenneman (2004), internal controls are those mechanisms that are in place to either prevent errors from entering the process or detecting errors once they have entered the process. He explains in simple terms that, internal control can be defined as those processes that management relies on to make sure things do not get goofed up.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defined Internal control in 1992 as a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the area of; effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulation. Expanding on the COSO definition, Internal Control represents an organization's plans, methods, and procedures used to meet its missions, goals, and objectives and detecting errors, fraud, waste, abuse, and mismanagement.

In the opinion of Whittington and Pany (2004), internal controls are a set of processes, functions, activities, sub-systems, and people who are grouped together or consciously segregated to ensure the effective achievement of objectives and goals.

All the above definitions of internal control systems have identified the main objectives of internal controls to be the assurance that organizational resources will be put to economic, efficient and effective use in order to achieve the objectives for which the organization was set up.

2.2 Brief History of Internal Controls

2.2.1 Early Times

Internal controls have existed from ancient times. Michino (2011) reported that "in Hellenistic Egypt, there was a dual administration with one set of bureaucrats charged with collecting taxes and another with supervising them. Brink (2009) contends that, internal control as a concept has existed as early as there have been substantive relationships. He added, its origin can be documented and traced back to civilized communities that existed around 5000 B.C. The governments of these empires imposed a number of taxes on individuals and business. For the proper accounting and collection of these taxes, an elaborate

system of checks and counterchecks was established. Such early internal control systems were designed primarily to minimize errors and safeguard state property from dishonest tax collectors. He continued that, the Mesopotamian civilizations, which existed about 3000 B.C., also utilized elaborate systems of internal controls. Summaries of the transactions were prepared by scribes who did not provide the original list of receipts and payments. Documents of that period contained ticks, dots, and check-marks indicating the existence of auditing function during those times".

The importance of internal control was recognized by Dicksee as early as 1905, when he coined the term "internal check" (Heier et al., 2006). The internal audit check was initially composed of three essential elements: division of work, the use of accounting records, and the rotation of personnel. Dicksee pointed out that a suitable system of internal check should eliminate the need for a detailed audit (Sawyer, 2003). The internal check approach, based on bookkeeping and division of work, remained prevalent until the end of 1940s.

2.2.2 Modern Times

A Reference Guide for Managing University Practices (undated) gives a brief history of internal controls as follows:

1985: Organizations sponsored the National Commission on Fraudulent Financial Reporting Treadway Commission.

1987: Treadway Commission suggested committee is formed to study internal controls.

1992: Committee of Sponsoring Organizations (COSO) issued: "Internal Control Integrated Framework".

Then the Real Finance Journal, (2005), concludes with the history of internal controls in the United Kingdom (UK) as follows:

1992: The **Cadbury Code,** the UK's first corporate governance code, includes Principle 4.5 on "reporting the effectiveness of the company's system of internal controls". It talks about how Internal Controls can work effectively but the weaknesses of Internal Control were not given.

1994: The **Rutteman Report** on Internal Control on Financial Reporting expands on Principle 4.5 specifying minimum disclosures. But it admits a system of control can provide only "reasonable and not absolute" assurance against misstatement.

The Rutteman's report only looks at the financial aspect of Internal Control. But Internal Control is both financial and non-financial activities management and the entire workforce hasto observe in order for the organisation to achieve its purpose and business resources are safeguarded and used for the benefit of the organisation.

1998: The first Combined Code broadens the debate from internal financial control to internal control.

1999: The Turnbull Report asserted that boards should adopt a risk-based approach to establishing a sound system of internal control and conduct an ongoing review of its effectiveness. Turnbull did not show what risk-based approach is and also Internal Control is not the sole responsibility of the management or board but everyone.

2002: The Sarbanes-Oxley Act was passed in the United States (US). Section 404 requires directors to make statements on the effectiveness of internal controls. Foreign companies with US-listed debt or equity will have to be section 404 complaints from 2006.

2003: The Smith Report advised on the roles and responsibilities of audit committees. The Combined Code is revised to reflect both this and the Higgs Report. Smith talks about audit committee. Establishment of Audit Committee is one Internal Control activity and therefore Smith could not tell us a lot about the Internal Controls.

2.3 Purpose of Internal Control

Internal Control is a means for achieving the organization's objectives and mission. More specifically, as defined by the International Organisation of Supreme Audit Institutions, there are four purposes of internal control:

a. To promote orderly, economical, efficient and effective operations and to produce quality products and services consistent with the organization's mission;

b. To safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud;

c. To ensure adherence to laws, regulations, contracts and management directives; and

d. To develop and maintain reliable financial and management data, and to accurately present that data on timely reports.

If an organization addresses each of these four purposes in developing its internal control system, the organization will most likely achieve its objectives and mission. The question then is how does an organization ensure that it addresses these four purposes? The answer lies in establishing a sound internal control system.

2.4 Components of Internal Control

COSO framework has been selected to function as the internal control guideline in this study due to the fact that it is both recognized by academic literature and adopted widely by public and private corporations across the US and Europe. Particularly in the US, the usage of COSO framework has increased significantly after the passage of the SOX act (2002), because the legislation explicitly declares COSO as an appropriate evaluation platform for public companies' internal controls (Gupta & Thomson, 2006).

The main objective of the COSO report is to present a framework which enables common understanding of internal control (COSO, 1992). The report specifies control criteria and

suggests tools to assist management in the business sector for evaluating and improving their internal control system. The COSO report emphasizes the importance of management's involvement in understanding internal control functions and establishing adequate and effective controls. The necessary oversight and governance for the process should be provided by the board of directors.

The COSO approach to internal control is well illustrated by figure 2.1 below, which represents the building blocks of internal control

Figure 2.1: Illustration of Updated COSO Internal Control: Integrated Framework

Source:(COSO, 2013)

❖ The three objectives categories – Operations, Financial Reporting and Compliance – are depicted by the vertical columns.

❖ The five components – Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring – are represented by the rows. These components are further discussed in sub sections.

❖ The units and activities of entity, which are subject to internal control, are depicted by the third dimension of the matrix.

2.4.1. Control Environment

The control environment is the foundation of the five components in the internal control framework. Its design and operation not only affect the enterprise's overall activity, but the other four elements. Therefore control environment directly affects the implementation of internal control environment.

COSO states that control environment sets the tone of an organization ("tone at the top"), influencing the control consciousness of its people (COSO, 1992). It is the foundation for all other components of internal control, providing discipline and structure (IFAC, 2010) and has a pervasive influence on the more detailed elements of internal control, including detailed control activities and how controls are monitored. Hooks et al. (1994) describe the control environment as, in part, an operationalization of organizational culture.

The control environment component of internal control covers the following entity-level principles (Updated COSO, 2013)

- ❖ The organization demonstrates a commitment to integrity and ethical values.
- ❖ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
- ❖ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- ❖ The organization demonstrates a commitment to attract, develop and retain competent individuals in alignment with objectives.
- ❖ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

COSO emphasizes the importance of management's integrity. The effectiveness of internal controls cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. Integrity and ethical values are essential elements of the

control environment, affecting the design, administration and monitoring of other internal control components (COSO 1994).

COSO report brings out several criteria that should be considered in the evaluation of the effectiveness of control environment. An evaluation of the extent to which an entity's control environment enhances its financial reporting objectives would focus on the following aspects (COSO 1994):

- ❖ management's interactions with internal and external auditors and outside counsel on financial reporting matters, such as the extent to which management provides full disclosure of information on matters that may have an adverse impact on the financial statements;

- ❖ pressure to meet unrealistic performance targets and extent to which compensation is based on achieving those performance targets;

- ❖ management's attitude towards bypassing established control procedures aimed principally at achieving financial reporting objectives;

- ❖ formal or informal job descriptions and the competence of people involved in financial reporting preparation process;

- ❖ the independence of the board of directors from management, frequency and timeliness with which meetings are held, sufficiency and timeliness of information provided to board of committee members and appraisal of sensitive information, investigation of improper acts;

- ❖ composition of the board of directors and audit committee involvement of the members in the financial reporting process, including assessing the reasonableness of management's accounting judgments and estimates;

- ❖ management's attitude towards financial reporting;

❖ Appropriateness of reporting lines in finance, adequate staffing, clarity of delegation of authority, in particular for making the accounting judgments and estimates that enter into financial reporting.

In the opinion of Cohen et al. (2002), he found in their survey among auditors that "tone at the top" (i.e. attitude of senior management) is an important part of effective internal control as perceived by auditors. This discovery suggests that control environment is not only regarded important in managerial setting but also among external auditors.

2.4.2 Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. Responding to these risks and lowering vulnerabilities enables an organization to sustain itself and thrive amidst the external change it faces (Martin, 2010).

Risk assessment is the second component of internal control as described by COSO, and it provides the foundation for setting up actual control activities. The risk assessment principles of internal control (Updated COSO, 2013) are as follows:

❖ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

❖ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

❖ The organization considers the potential for fraud in assessing risks to the achievement of objectives.

❖ The organization identifies and assesses changes that could significantly impact the system of internal control.

According to COSO (1994), a lot of emphasis must be placed on the importance of objective setting, even though it is not considered an actual part of internal control process but a

precondition for it, a part of wider management process. Nevertheless, management should clearly establish its objectives before identifying risks which may undermine their achievement.

An entity's objectives exist on two different levels and fall under three different categories according to COSO:

- ❖ Entity-level
- ❖ Activity-level

LEVELS

- ❖ Operations objectives
- ❖ Final reporting objectives
- ❖ Compliance objectives

CATEGORIES
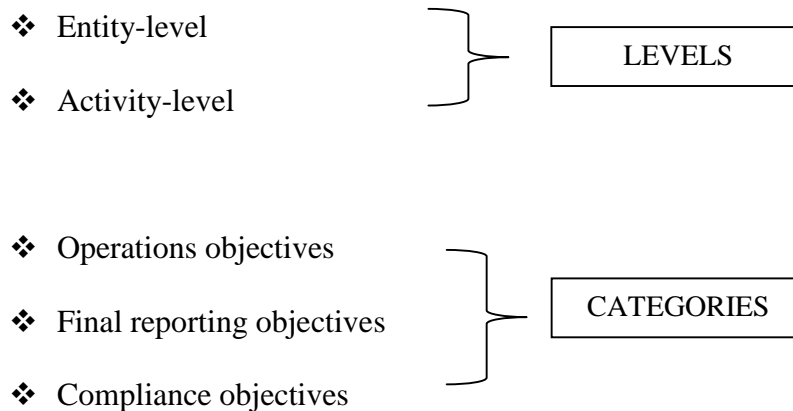
2.4.3 Control Activities

These are policies and procedures that help ensure that management directives are carried out correctly and in a timely fashion. According to Lamoye (2005), these involve control activities such as performance reviews, information processing, physical controls, and segmentation of duties, these activities are implemented by management to ensure accomplishment of organizational objectives and the mitigation of risk.

According to DiNapoli(2009),control activities are the instructions, rules, methods, and decisions established over various activities by management to prevent or reduce risks that affect the organization in achieving its objectives.

Traditionally, control activities are seen to involve measures to safeguard the assets of the business, prevent and detect fraud and error, ensure the accuracy and completeness of accounting records and ensure the timely preparation of reliable financial information (Coyle, 2004). COSO (1992), groups control activities as follows:

❖ **Top-level reviews**

For example, management reviews of actual performance versus budgets, forecasts, prior periods and competitors etc.

❖ **Functional/Activity management**

The grouping of the organization according to areas of specialty within different functional areas such as finance, marketing, production etc.

❖ **Information Processing**

A variety of controls that are performed to check accuracy, completeness and authorization of transactions.

❖ **Physical Controls**

Equipment, inventories, securities, cash and other assets are secured physically, and periodically counted and compared with amounts shown on control records.

❖ **Performance indicators**

Relating different sets of data – operating or financial – to one another, together with analysis of the relationships and investigative and corrective actions, serve as control activities.

❖ **Segregation of Duties**

Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions.

COSO further outlines principles under the component control activities (Updated COSO, 2013):

❖ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels

❖ The organization selects and develops general control activities over technology to support the achievement of objectives

❖ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action

2.4.4 Information and Communication

This is one of the internal control components that involve the procedure of identifying, capturing and exchanging information on a timely basis to enable the organization to accomplish its stated objectives. The information system, including accounting enables the organization to make appropriate decisions in managing and controlling the activities.

According to Lamoye (2005), for the control system to be effective and efficient, there should be relevant and reliable information which should be recorded and communicated to management and other personnel within the organization. To carry out the internal control and operational duties and responsibilities, the information should be timely and should go to those who need it and in the right form. All personnel must understand their roles in the control systems, how their roles relate to others and their accountability through the information and communication systems.

The updated COSO (2013), states some principles to bring about effective information and communication system:

❖ The organization obtains or generates and uses relevant, quality information to support the functioning of other components of internal control.

❖ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

❖ The organization communicates with external parties regarding matters affecting the functioning of other components of internal control.

2.4.5. Monitoring

Monitoring component is the fifth and the last component of internal control as defined by COSO, and it closes the internal control cycle in a sense. The control environment is the starting point, providing the foundation for internal control process, whereas monitoring aims to keep track of the functionality of the other components and to improve them.

In the opinion of Simmons (1995), he asserted that monitoring can be done through ongoing activities or separate evaluations. Ongoing monitoring procedures are built into normal recurring activities of an organization.

Monitoring is needed because internal control systems change over time, and their application may evolve or deteriorate. This can be due to the arrival of new personnel, varying effectiveness of training and supervision, time and resource constraints or changes in the circumstances for which the controls were originally designed. Consequently, management needs to determine whether the internal control system continues to be relevant and operates as intended (COSO, 1992).

The monitoring component requires that internal control systems are monitored on both an ongoing and periodic basis in order to remain effective (Jokipii, 2006). They include regular management and supervisory activities, comparisons and other routine actions (COSO, 1992). In our opinion, monitoring should be an ongoing activity and should be an integral part of as many key control activities as possible when they are first put in place in order to keep track of their effectiveness.

The following principles are outlined to outlines principles that will help in effective monitoring activities COSO (2013):

❖ The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

❖ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

2.5 Internal Control Evaluation

According to DiNapoli (2009), the meaning of evaluation is the process which management uses to assess whether an organization's operations are effective in achieving its mission. The purposes of evaluation are to provide management with a reasonable assurance that, the organization's system of internal control is functioning effectively, and they can identify both risks to the organization and opportunities for improvement.

2.6 Types of Internal Control Systems

Internal controls are of different types and are grouped into preventive, detective and corrective control. However, different writers have come out with different types of internal control system.

In the view of Milichamp (2002), the types of internal controls are safeguarding of assets, separation of duties, supervision, verification, approval and authorization, documentation and reporting.

Other authors such as Lousteau (2006) and DiNapoli (2005) have agreed that the types of internal controls include directive controls, preventive controls, compensating controls, detective controls, and corrective actions. These types of internal controls are explained below.

2.6.1 Preventive Controls

In the view of Lacotelli(2003),she defined preventive controls as measures put in place by management to deter and prevent non-compliance with directives, policies and procedures. These preventive controls are intended to prevent risk of error, frauds and irregularities from occurring in transactions and prevention of loss.

These preventive controls are in the form of segregation of duties, proper authorization and approval, establishment of organizational chart to allocate jobs to responsible officers, adequate documentation, physical control over assets and constant training of staff.

2.6.2 Detective Controls

These are controls which are aimed at detecting and uncovering problems such as fraud, irregularities and errors after they have been committed. Although, detection is necessary, prevention is more desirable.

These controls are in the form of post-audits, exception reports and valuation. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, variance analyses, reconciliation, physical inventories and audits. However, detective controls play critical role in providing evidence that the preventive controls are functioning and preventing losses. (Wells, 2006).

2.6.3 Corrective Controls

According to Simmons (1995), the corrective controls are put in place to address anything which is foreign and every problem that has occurred in the system. Examples of corrective controls are system re-design, follow-ups, post audits and application of punishments by management for wrong doing.

2.6.4 Directive Controls

Directive Controls refers to policies and procedures put in place by top management to promote compliance with independence rules. The policies and procedures from management that are important must pervade the organization and must be clear and consistent in order to ensure compliance (Rittenberg et al., 2007).

2.6.5 Compensating Controls

Compensating controls are controls implemented in order to mitigate the risks associated with failure of other controls.

2.7 Limitation of Internal Controls

Internal control systems cannot guarantee that an organization will meet its objectives. Instead, internal control can only be expected to provide reasonable assurance that a company's objectives will be met. (Hughes, 2007).

The effectiveness of internal controls depends on the competency and dependability of the organization's people. Limitations of internal control include faulty human judgment, misunderstanding of instructions, errors, management override of controls, and collusion. (Loustea, 2006); because of cost-benefit considerations, not all possible controls will be implemented. Because of these inherent limitations, internal controls guarantee that an organization will meet its objectives.

2.8 Cost- Benefit Analysis

The design of the internal control system is a function of the functions of the resources available, meaning there must be a cost-benefit analysis in the design of the system. The cost of internal control must not exceed benefits to be obtained, (Lamoye, 1999). The precise

measurement of cost is generally not possible. Even though, the relationship between cost and benefit is a basic criterion to be considered in designing internal control systems.

The challenge is to find a balance between excessive control which is costly and counterproductive and too little control which exposes the organization to increased and unnecessary risk. Management is responsible for maintaining effective internal control and has the final decision regarding the cost versus benefits on internal control (Lannoye, 1999).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the method that was used to collect data and analyze it. It greatly concerns the research design, the population to be studied, the sample selection procedures and sampling techniques, data collection techniques employed, and data analysis employed.

3.1 Research Design

The research is intended to successfully assess the effectiveness of internal control systems in Christian Service University College and help us to identify measures that need to be put in place for their day to day management and prevent fraudulent practices. Quantitative research design is a type of information data that is based on quantities obtained using a quantifiable measureable process, whiles Qualitative research design encompasses a range of philosophies, research designs and specific techniques including in-depth qualitative interviews; participant and non-participant observation; focused groups; document analysis; and a number of other methods of data collection (Pope 2006). A quantitative research design was used for the study whiles adopting a descriptive approach to describe the state of internal controls in the university college.

3.2 Study Population

The target population of the study was all private universities in Ghana. According to the National Council for Tertiary Education (NCTE), there are about fifty-five (55) private tertiary institutions in Ghana.

3.3 Sampling Frame

Convenience Sampling is a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting units because of their availability or easy access. Therefore, convenience sampling was used to select Christian Service University College for the case study. In selecting the respondents, both purposive and stratified random sampling techniques were used to select from the different categories of personnel. Purposive sampling also known as judgmental sampling is where the researcher consciously decides who to include in the sample. It was used for staff members at the internal audit, finance audit departments, top and middle level management. Stratified random sampling is a random sample in which members of the population are first divided into strata, and then are randomly selected to be a part of the sample. Stratified random sampling was used because various departments were used and respondents were randomly selected for the study.

3.4 Sample Size

A sample can refer to a set of people or objects chosen from a larger population in order to represent that population to a greater extent. Therefore, the size of the sample and the way in which it is chosen will certainly have implications for the confidence in the results and the extent to which generalizations can be made.

A sample size of seventy (70) was drawn from a target population of Christian Service University College. Seventy (70) questionnaires were administered, fifty (50) were answered correctly, five (5) were not collected back and five (5) were not answered properly. Therefore, fifty (50) correctly answered questionnaires were used for the data analysis.

3.5 Data Collection

3.5.1 Types of Data

The work was largely based on primary and secondary data. Primary data was sourced from the staff from all departments within of Christian Service University College.

The other source of data was the secondary data, which was collected from textbooks, journals and other publications on Internal Controls, Internal Auditing and Risk Management. The data collection method used was questionnaire for the primary data.

3.5.2 Questionnaire

Questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic. When properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations.

The questionnaire was based on the COSO framework model. The questionnaire was self-administered to individuals involved. The questionnaire contained closed-ended questions. The closed-ended questions involved questions that were answered by simply ticking a box of the proper response from the set of options that was provided. The closed-ended questions allow for easier analysis of the data due to standardized questions, their main limitation is that they allow the researcher to determine only what the respondents are doing and not how or why they are doing it.

3.6 Data Collection Instrument

In collecting primary data, close-ended questions were designed and sent to the sampled staff at Christian Service University College. A thirty-four (34) item questionnaire was developed and administered to assess respondents' evaluation of the effectiveness of Internal Control

structures in Christian Service University College. The questionnaire had a section for the personal data and five (5) other sections for the effectiveness of Internal Controls.

The personal data had seven (7) items on the following: respondents' sex, age, department they belong, staff category, level of education and the number of years they have worked in the University.

The five (5) components defining the effectiveness of Internal Controls included: Control Environment with six (6) items; Risk Assessment with six (6) items; Control Activity with six (6) items; Information and Communication Systems with five (5) defining items and Monitoring with five (5) defining items as the last construct.

3.7 Data Analysis

Data obtained from respondents was analyzed using the Statistical Package for Social Sciences (SPSS) software. The result was presented using statistical tools such as tables and charts. Descriptive statistics was used to analyze data and help in summarizing data in a meaningful way.

3.8 Scoring

Responses for the research questionnaire were scored on a five-point Likert scale as follows:

⟩ Strongly Agree = 5

⟩ Agree = 4

⟩ Not Sure = 3

⟩ Disagree = 2

⟩ Strongly Disagree = 1

In all the constructs, high scores imply that the variables being measured are effective. Ineffective internal control systems and structures would be characterized by low scores.

3.9 Profile of Christian Service University College

The College began as a merger of two visions in January 1974. A group of Ghanaian Christians had a vision of an interdenominational, evangelical institution of a high academic standard, which would train men and women for all types of Christian Ministry.

The second group comprised expatriate missionaries who had a vision of an institution to train workers from the well-established church in southern Ghana for a thrust into northern Ghana and neighboring countries where the church was relatively very small. Evangelical Christianity in Ghana in the late 1960's and 1970's was characterized, among others things, by intimate interaction and collaboration and blurring of denominational, mission and group distinctions. The Worldwide Evangelization for Christ (WEC), which was one of the missionary groups in the second group of missionaries, had acquired property in Kumasi on which they had built four dwelling houses and a radio studio with plans to construct a large building to serve as the beginning of a tertiary College. Soon the two visions merged.

In October 1974, the first residential classes started with four students and the College grew from strength to strength and has now become an Evangelical Christian University College.

3.9.1 Mission Statement

The mission of Christian Service University College is to become an academic centre of excellence for teaching, research and service in theology, applied Science and Humanities in an Evangelical and sound ethical environment.

3.9.2 Vision Statement

Christian Service University College aims:

To be a first class Evangelical Christian University that promotes knowledge about Christ through the training of men and women with moral uprightness, academic excellence and passion to serve and transform society.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter provides information on the findings and analysis of the data collected for the study. The responses from the respondents are used to describe, analyze and make inferences to establish relationships.

4.1 Background Information of Respondents

The main research tool used to gather data from the respondents was a questionnaire and the first section was intended to gather data on the respondents. Pie and Bar charts were used in analyzing the data gathered from the respondents.

4.1.1 Gender Distribution and Respondents

The gender distribution of the study showed the representation of both male and female. 78% of the respondents were male and the 22% were female, which is indicated on the figure 4.1 below. Although, the national gender distribution is skewed towards female, this finding proves otherwise. This is because most males seeking for employment in the University are having higher qualification and well versed for the jobs than most females.

Figure 4.1 Gender Distributions of Respondents
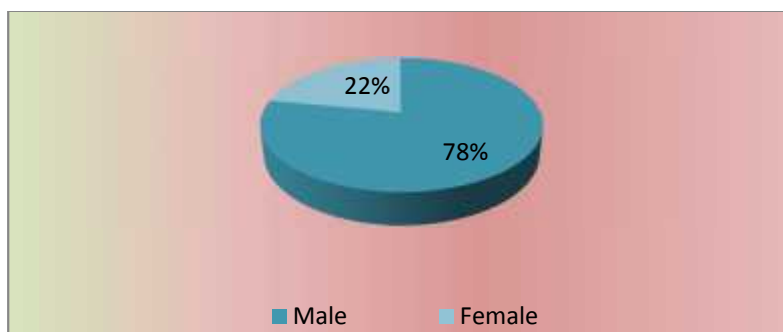
Source of data: Field Study, April, 2015.

4.1.2 Age Distribution and Respondents

The age scale of 19 or less had the least respondents with only one (1) respondent representing 2% of the respondents. Majority of the respondents, thus eighteen (18) were in the age scale of 20 – 29, representing 36% of valid respondents. The age scale of 40 – 49 had four percent more than the age scale of 30 – 39's scale of respondents with a percentage of 26% and 22% respectively. The study showed that 14% of the respondents were in the age sale of 50 or more. The age distribution clearly depicts that most of the respondents are young and can work for longer years for the University College.

Figure 4.2 Age Distribution and Respondents
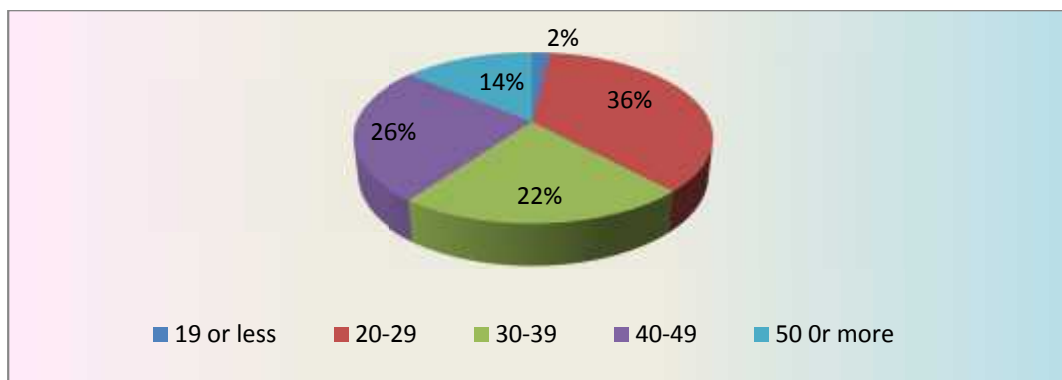
Source: Field study, April, 2015.

4.1.3 Departments of Respondents

The study results showed that 40% of the respondents are engaged in the administrative department whiles, 12% of respondents are represented by the accounts department. The human resource department was represented by seven (7) respondents, thus 14% of the respondents, and other departments such as the Audit and Estate department represented 22%.

This implies that majority of the respondents are involved in the day-to-day running of the University College.

Figure 4.3 Departments of Respondents
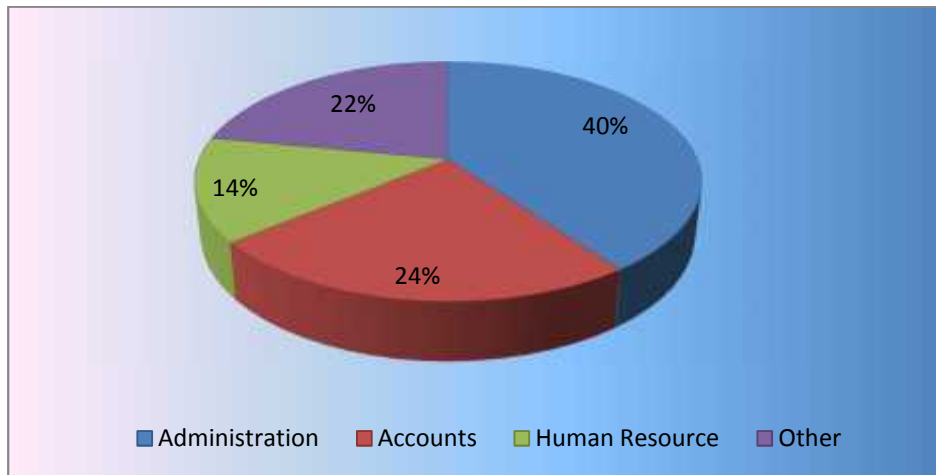
Source: Field study, April, 2015

4.1.4 Staff Category of Respondent

It can be deduced from figure 4.4 that 42% of the respondents are senior members of the University whiles; junior staff were represented by 28%. Senior staff were represented by 20% whiles management members represented 10% of the respondents

Figure 4.4 Staff Category of Respondents
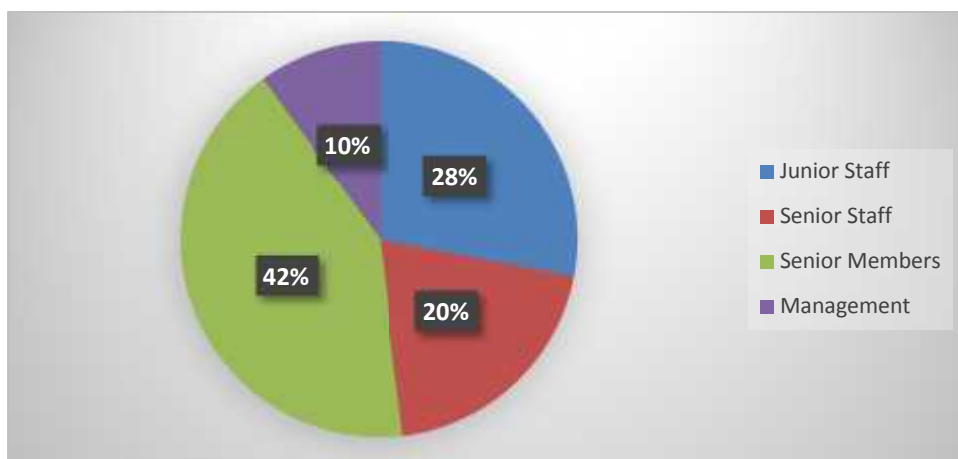
Source: Field study, April, 2015

4.1.5 Educational Level of Respondents

Majority of the respondents, representing 40% have attained their master's degree, 26% have acquired their first degree. The percentage of the respondents who were HND holders was 14% whiles the category of Diploma and Doctorate holders were equal in numbers of respondents with 10% each. The analysis of this variable indicates that majority of respondents have had tertiary education. This underlines the fact that most people further their education in order to get employed.

Figure 4.5 Educational Levels of Respondents
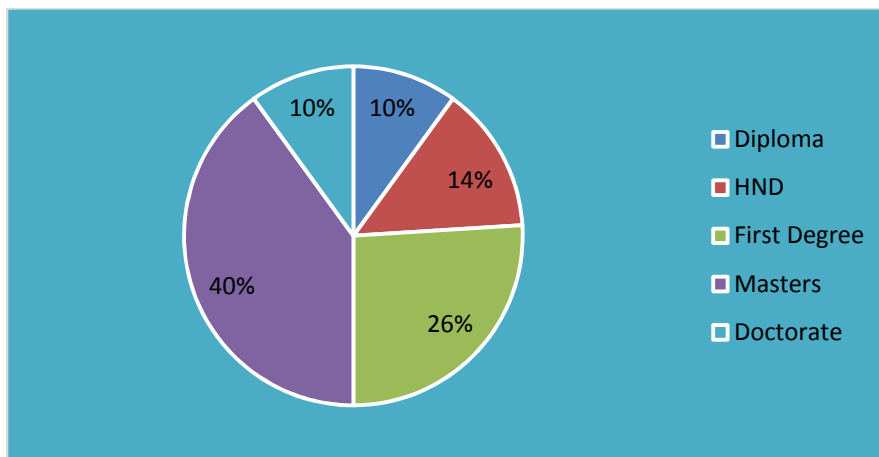
Source: Field study, April, 2015

4.1.6 Number of Years Worked by Respondents

The study results showed that 33 respondents representing 66% have worked for 1 to 5 years for the university college, 9 respondents which represent 18% have worked for 6 to 10 years and 7 respondents representing 14% have worked below a year. Only one (1) respondent representing 2% had worked for 11 to 15 years for the institution. Those who have worked for less than 1 year were discovered to be internship personnel.

Figure 4.6 Number of Years Worked Distributions of Respondents
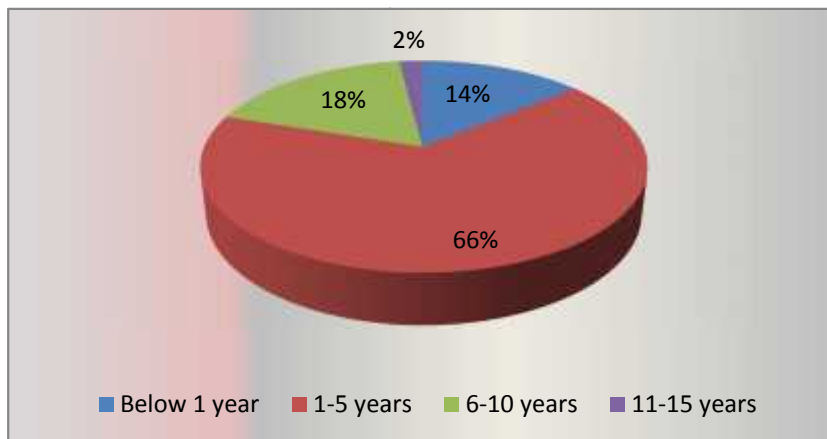
Source: Field study, April, 2015

4.2 Control Environment

4.2.1 Management Decisions are made collectively

Table 4.1 Collective Management Decisions

	Frequency	Percentage (%)	Cumulative Percentage (%)
Not Sure	2	4.0	4.0
Agree	38	76.0	80.0
Strongly Agree	10	20.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

In analyzing the control environment, the question of whether management decisions were made collectively was asked and 76% of the respondents agreed to this fact, whiles 20% strongly agreed that management decisions are made collectively. Of the respondents, 4% were not sure if this was the case.

4.2.2 Existence of Codes of Conduct

Table 4.2 Codes of Conduct or Ethics Policies exist in the University College

	Frequency	Percentage (%)	Cumulative Percentage (%)
Not Sure	3	6.0	6.0
Agree	15	30.0	36.0
Strongly Agree	32	64.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

64% of the respondents strongly agreed that codes of conduct existed in the University College. 30% of the respondents agreed and 6% were not sure if codes and conducts were in existence.

4.2.3 Communication of Internal Control Relevance

Table 4.3 Communication of Importance of Internal Control Policies

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	9	18.0	18.0
Not sure	7	14.0	32.0
Agree	13	26.0	58.0
Strongly Agree	21	42.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Another question which was raised in analyzing the control environment was whether importance of control policies has been communicated. 26% of the respondents agreed that importance of internal control has been communicated. Some 42% of the respondents

strongly agreed to this, whiles 18% disagreed about the communication of the relevance of internal controls. 14% were not sure if there has been any communication to that effect. Even though, majority of the respondents asserted that the importance of internal control has been communicated, management still has the responsibility of instilling the sense of controls in the environment. This will always put the staff on alert for any control breaches.

4.2.4 Existence of Audit and Other Controls

Table 4.4 Existence of Audit and other controls

	Frequency	Percentage (%)	Cumulative Percentage (%)
Not Sure	9	18.0	18.0
Agree	30	60.0	78.0
Strongly Agree	11	22.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

This variable was to test if audit and other internal control measures existed. 60% of the respondents agreed that Audit and other controls existed to check compliance. 22% strongly agreed whiles 18% were not sure if such mechanisms existed to check compliance with set standards.

4.2.5 Periodical Review of Policies and Procedures by Management

Table 4.5 Periodical review of Policies and Procedures by Management

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	3	6.0	6.0
Not Sure	8	16.0	22.0
Agree	26	52.0	74.0
Strongly Agree	13	26.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

This variable intended to determine how often management reviews their control policies. 52% of the respondents agreed that management periodically reviews their policies, whiles 26% of the respondents strongly agreed that review of policies and procedures is done periodically. 16% were not sure control policies are reviewed periodically and 6% of the respondents disagree that management reviews their control policies.

4.2.6 Availability of Compliance Systems

Table 4.6 Systems in place to check Compliance with Procedures

	Frequency	Percentage (%)	Cumulative Percentage (%)
Strongly Disagree	1	2.0	2.0
Disagree	1	2.0	4.0
Not Sure	12	24.0	28.0
Agree	34	68.0	96.0
Strongly Agree	2	4.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

68% of the respondents agreed that systems are in place to check compliance and adherence to standards whiles 4% strongly agreed to the availability of compliance systems. 2% of the respondents disagree whiles another 2% strongly disagree that there are any compliance systems in place. This implies that management must rekindle their efforts in checking compliance, since some employees are still unaware of any compliance mechanisms.

Table 4.7 Descriptive Statistics

	N	Minimum	Maximum	Mean
Systems in place to Check Compliance with Procedures	50	1.00	5.00	3.7000
Communication of importance of internal control policies	50	2.00	5.00	3.9200
Periodical review of Policies and Procedures by Management	50	2.00	5.00	3.9800
Existence of Audit and other controls	50	3.00	5.00	4.0400
Collective Management decisions	50	3.00	5.00	4.1600
Codes of conducts or ethics policies exists in the University College	50	3.00	5.00	4.5800

Source: Field study, April, 2015

The table above shows that in assessing the control environment of the university college, the strongest of the variable was the existence of codes of conduct in the university college with a mean of 4.58. This implies that codes of conduct regulate the activities of the university; this was followed by the variable which indicated that management decisions are made collectively with a mean of 4.16. The variable which indicated that there is an existence of audit and other controls had a mean of 4.04. Periodical review of policies and procedures by management had a mean of 3.98, while communication of importance of internal control policies as a variable also had 3.92 as its mean. The weakest of the control environment variables had a mean of 3.7. The variable is the existence of systems to check compliance. This implies that controls need to be strengthened in this area. The average mean for the control environment was 4.06.

4.3 Risk Assessment

4.3.1 Communication of the University Objectives

Table 4.8 Communication of the University Objectives

	Frequency	Percentage (%)	Cumulative Percentage (%)
Strongly Disagree	3	6.0	6.0
Disagree	4	8.0	14.0
Not Sure	4	8.0	22.0
Agree	24	48.0	70.0
Strongly Agree	15	30.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

This variable was to evaluate how staff of the university has received information on risk assessment with emphasis on the university college's objectives. 48% of the respondents agreed that objectives of the university college have been communicated while 30% of the respondents strongly agreed that objectives have been communicated. 8% of the respondents were not sure whiles 8% disagreed and another 6% strongly disagreed that the university's objectives has been communicated.

4.3.2 Management Evaluates Risk before Planning a New Activity

Table 4.9 Management Appropriately Evaluate Risk

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	6	12.0	14.0
Agree	31	62.0	76.0
Strongly Agree	12	24.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

The study results revealed that 62% of the respondents agree that management considers risk before planning a new activity. 24% strongly agreed to this whiles 12% are not sure if management appropriately evaluates risk before planning a new activity and 2% disagree.

4.3.3 Management Discusses and Considers Control Issues

Table 4.10 Management discusses and Appropriately Considers Control Issues

	Frequency	Percentage (%)	Cumulative Percentage (%)
Not Sure	7	14.0	14.0
Agree	28	56.0	70.0
Strongly Agree	15	30.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Out of the 50 respondents, 28 representing 56% agreed that management considers control issues before planning or executing a new activity whiles 30% strongly agree.14% of the respondents are not sure if management appropriately considers control issues.

4.3.4 Involvement of Audit Personnel in Control Discussion

Table 4.11 Audit Personnel are involved in Control Discussion

	Frequency	Percentage (%)	Cumulative Percentage (%)
Not Sure	22	44.0	44.0
Agree	23	46.0	90.0
Strongly Agree	5	10.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

The study proved that more than half of the respondents agree that audit personnel are involved in discussing control issues. 44% are not sure whether an audit input is taken in discussing issues of control. 46% agreed whiles 10% strongly agreed. However, it is prudent that management consults an auditor or a control expert to seek opinions in the issues of control.

4.3.5 Availability of Competent Staff Members to manage the University's Activities

Table 4.12 Staff Members to Manage University Activities

	Frequency	Percentage (%)	Cumulative Percentage (%)
Strongly Disagree	9	18.0	18.0
Disagree	5	10.0	28.0
Not Sure	8	16.0	44.0
Agree	20	40.0	84.0
Strongly Agree	8	16.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

This study variable seeks to analyze the availability of personnel to manage the affairs of the institution. 40% of the respondents agreed that competent staff is available whiles 18% strongly disagreed. This implies that the management has got some work to do in terms of getting skilled and equipped personnel to oversee their activities.

4.3.7 Identification of Significant Risk in Internal and External

Table 4.13 Significant Internal and External Operations are identified

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	6	12.0	12.0
Not Sure	9	18.0	30.0
Agree	27	54.0	84.0
Strongly Agree	8	16.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

In assessing this variable, 54% of the respondents agreed that significant risks are identified on an ongoing basis, 16% strongly agreed whiles 18% are not sure whether potential risks are identified. 12% of the respondents disagree that potential risks are identified both internally and externally.

Table 4.14 Descriptive Statistics

	N	Minimum	Maximum	Mean
Staff Members to Manage University Activities	50	1.00	5.00	3.2600
Audit Personnel are involved in Control	50	3.00	5.00	3.6600
Discussion	50	2.00	5.00	3.7400
Significant Internal and External Operations are identified	50	1.00	5.00	3.8600
Objectives of the University have communicated	50	2.00	5.00	4.0800
Management Appropriately Evaluates Risk	50	3.00	5.00	4.1600
Management discusses and appropriately Considers Control Issues				

Source: Field study, April, 2015

In the mean analysis of the risk assessment variables, the study results revealed that the strongest risk assessment variable was that management discusses and considers control issues whiles the weakest link in risk assessment was the availability of equipped or resourced staff members to manage the university college's activities. The former had a mean of 4.16 as compared to the latter with 3.26. Management appropriately evaluating risk as a variable was also strong with a mean of 4.08, followed by the variable which indicated that objectives of the university had been communicated and the significant internal and external operations are identified with a mean of 3.86 and 3.74 respectively, whiles audit personnel are involved in control discussion had the second lowest mean of 3.66. The average mean for the risk assessment was 3.79.

4.4 Control Activity

4.4.1 Existence of Policy and Procedure to Regulate Decision Making

Table 4.15 Policies and Procedures to ensure Critical Decisions are made

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	3	6.0	8.0
Agree	20	40.0	48.0
Strongly Agree	25	52.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

The study of this variable showed that 52% of the respondents strongly agreed that critical decisions are made with appropriate approval. Another 40% agreed whiles 6% were not sure if critical decisions are made with appropriate approach.

4.4.2 Independent Verification of Transaction

Table 4.16 Independent Verification of Transaction

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	7	14.0	14.0
Not Sure	6	12.0	26.0
Agree	20	40.0	66.0
Strongly Agree	17	34.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

This variable was also tested to highlight the control activity existence and 40% of the respondents agreed that transactions are independently verified to check its integrity. 34% strongly agreed, whiles 12% were not sure.

4.4.3 Employment of Security Guard

Table 4.17 The University has employed Security Guards

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Agree	16	32.0	34.0
Strongly Agree	33	66.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

The study of this variable showed that 66% of the respondents strongly agreed that the University College has employed security guards; 32% agreed to that fact and 2% disagreed.

4.4.4 Systems in place to ensure that Duties are rotated periodically

Table 4.18 Systems in place to ensure Duties are Periodically Rotated

	Frequency	Percentage (%)	Cumulative Percentage (%)
Strongly Disagree	1	2.0	2.0
Disagree	2	4.0	6.0
Not Sure	5	10.0	16.0
Agree	23	46.0	62.0
Strongly Agree	19	38.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

According to table 4.18, 46% of the respondents agreed that systems are in place to ensure that duties are periodically rotated. 38% strongly agreed whiles 10% are not sure if there are rotational systems. 4% and 2% disagreed and strongly disagreed respectively.

4.4.5 The University College uses Close Circuit Television (CCTV) to protect Physical Assets

Table 4.19 The University College uses Close Circuit Television

	Frequency	Percentage (%)	Cumulative Percentage (%)
Strongly Disagree	6	12.0	12.0
Disagree	7	14.0	26.0
Not Sure	11	22.0	48.0
Agree	14	28.0	76.0
Strongly Agree	12	24.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Among the respondents, 28% agreed to this fact whiles 24% strongly agreed to same. 22% were not sure about the close circuit television, whiles 14% and 12% disagreed and strongly disagreed respectively. This was because; some respondents gave an assertion that not all physical assets were protected by close circuit television.

Table 4.20 Descriptive Statistics

	N	Minimum	Maximum	Mean
The University College uses Close Circuit Television	50	1.00	5.00	3.3800
University communicates with Staff to know what is expected of them	50	2.00	5.00	3.9600
Processes exist for Independent Verification of Transaction	50	2.00	5.00	4.1000
System in place to ensure Duties are Periodically Rotated	50	1.00	5.00	4.1400
Policies and Procedures to ensure Critical Decisions are made	50	2.00	5.00	4.4200
The University has employed Security Guards	50	2.00	5.00	4.6200

Source: Field study, April, 2015

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The control activity was studied and the mean analysis above revealed that availability of security guards as the highest control activity variable with a mean of 4.62. The study also revealed that the use of close circuit television (CCTV) needs to be looked at since it was the weakest variable of the control activity with a mean of 3.38. Policies and procedures to ensure critical decisions are made was also found to be strong with a mean of 4.42, followed by the variable which indicated that systems are in place to ensure that duties are periodically rotated and processes exist for independent verification of transactions with a mean of 4.14 and 4.1 respectively, whiles the university's communication with staff to know what is expected of them had the second lowest mean of 3.96. The average mean for the control activity was 4.1.

4.5 Information and Communication Systems

This variable was used to determine how information regarding controls has been disseminated in the University College. Asked whether effective reporting procedures existed, 58% of the respondents agreed that reporting procedures are effective. 24% strongly agreed whiles 16% are not sure as depicted in table 4.16.

The study also sought to find out if there existed established channels of communication. 56% of the respondents agreed that channels of communication have been defined. Of the respondents 22% were not sure if channels of communication existed. The study also showed that 36% strongly agreed that staff understands how their activities relate, 30% were not sure of this fact, whiles 24% agreed that staff understands how their roles and activities relate.

Table 4.17 also denotes that majority, representing 46% agreed that staff are accountable for their activities, 44% agreed whiles 6% were not sure. 4% disagreed.

Table 4.21 Effective reporting procedures in Communications

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	8	16.0	18.0
Agree	29	58.0	76.0
Strongly Agree	12	24.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Table 4.22 Staff understands they are accountable for activities done

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	2	4.0	4.0
Not Sure	3	6.0	10.0
Agree	23	46.0	56.0
Strongly Agree	22	44.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Table 4.23 Descriptive Statistics

	N	Minimum	Maximum	Mean
Staff understands how their activities relate	50	2.00	5.00	3.8600
Established channels of Communication for Individuals	50	2.00	5.00	3.8800
Staff understands their role in the Control System	50	2.00	5.00	3.9200
Effective reporting procedures in Communications	50	2.00	5.00	4.0400
Staff understands they are accountable for activities done	50	2.00	5.00	4.3000

Source: Field study, April, 2015

Above in table 4.23 is the mean analysis to assess the information and communication systems that surrounds the internal controls of the university college, several variables were analyzed. The strongest variable as the table depicts is that staff understands they are responsible for their own actions. This makes them conscious of their responsibilities in the organization with a mean of 4.3. The weakest variable in this component which requires strengthening was found to be the fact that not all staff really understands how their duties are connected to others with a mean of 3.86. The comprehension of the interconnection of duties will help limit the risks of mistakes and errors in the university college. Effective reporting procedures in communications as a variable was also found to be strong with a mean of 4.04, followed by the variable which indicated that staff understands their roles in the control system with a mean of 3.92, whiles established channels of communication for individuals had the second lowest mean of 3.88. The average mean for the information and communication component was 4.0.

4.6 Monitoring

Table 4.24 There are ongoing monitoring processes

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	7	14.0	16.0
Agree	26	52.0	68.0
Strongly Agree	16	32.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

52% of the respondents agreed that ongoing monitoring systems exist within the University College. 32% strongly agreed whiles 14% were not sure that monitoring systems actually existed. 2% disagreed.

44% of the respondents also asserted that there are effective follow-up procedures. 38% were not sure if a follow-up procedure exists.

Table 4.25 There is specific monitoring arrangement

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	9	18.0	20.0
Agree	29	58.0	78.0
Strongly Agree	11	22.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

According to table 4.19, out of the total respondents, 29 representing 58% agreed there is specific monitoring arrangement in place to report actual or suspected fraud. 22% strongly agreed whiles 18% were not sure there was specific monitoring arrangement in place. Only one (1) respondent, 2% disagreed to the fact that there is specific monitoring arrangement in place to report actual or specific fraud.

Table 4.26 There is communication of monitoring process

	Frequency	Percentage (%)	Cumulative Percentage (%)
Disagree	1	2.0	2.0
Not Sure	24	48.0	50.0
Agree	18	36.0	86.0
Strongly Agree	7	14.0	100.0
Total	50	100.0	

Source: Field study, April, 2015

Majority of the respondents thus, 48% were not sure if there is appropriate communication of monitoring process. (18) respondents representing 36% agreed, whiles seven (7) respondents representing 14% strongly agreed. Only one (1) respondent representing 2% disagreed that there was a communication of monitoring process.

Table 4.27 Descriptive Statistics

	N	Minimum	Maximum	Mean
There is communication of monitoring process	50	2.00	5.00	3.6200
There are effective follow up procedures	50	2.00	5.00	3.6800
Management reviews audit or internal control	50	3.00	5.00	3.8200
There is specific monitoring arrangement	50	2.00	5.00	4.0000
There are ongoing monitoring processes	50	2.00	5.00	4.1400

Source: Field study, April, 2015

The mean analysis of the monitoring and evaluation system showed that there are ongoing monitoring processes, this variable happened to be the strongest in monitoring the activities of the university college with the mean of 4.14. The table also shows that the weakest link in the monitoring and evaluation setup is that there is no proper communication of the monitoring processes with a mean of 3.62. The existence of specific monitoring arrangement as a variable was also strong with a mean of 4.0, followed by the variable which indicated that management reviews audit or internal control with a mean of 3.82, whiles availability of effective follow-up procedures had the second lowest mean with 3.68. The average mean for the monitoring and evaluation component was 3.85.

CHAPTER FIVE

SUMMARY FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This chapter summarizes the results of the study, recommendations and conclusions.

5.1 Summary of Findings

The study revealed that majority of the respondents were males and also most employees working within the administrative department of Christian service university college and are between the ages of 20- 29. Also majority of the staff at the university have acquired tertiary education and most of them have 1 – 5 years' working experience with the university.

The study also revealed that controls exist in the operations of the University College. Also there is periodical review of procedures and policies by management and there is also a compliance system to check the activities of the University College. The study also asserted that management decisions are made collectively, and that codes of conduct exist to regulate their activities. From the results, almost all the respondents agreed that there is an existence of audit and other controls in CSUC.

In the assessment of risk in CSUC, it was found out that control issues are appropriately discussed and considered by management to identify any possible risk. Management also evaluates risk in the university. From the results, almost all the respondents agreed to the fact that objectives of the university have been communicated well to the staff.

The study results further proved that competent staff is available to handle tasks; and there is an independent verification of transaction to access its authenticity. Also the University has placed closed circuit televisions at some places to help check theft of their properties and security personnel's have been employed to safeguard assets of the University College.

The results further indicated that information about reporting procedures is fairly communicated and as such reporting procedures are seen as effective. Channels of communication are also spelt out and most staff understands their role in the internal control system. The study also showed that staff does not understand how their work relates to each other entirely.

The study results also revealed that the university embarks on monitoring ongoing processes of their day to day activities. Also management reviews audit and other controls. The study also showed that communication of monitoring processes is at the minimal level.

5.3 Conclusion

The study revealed that control activity is the strongest component in the internal control setup of the university college whiles risk assessment was found to be the least effective. Although, generally internal controls were found to be effective, it only gives reasonable assurance but not absolute assurance. This means that those charged with control must continually institute mechanisms that will ensure that implications of failed control systems are tuned to the minimum.

5.2 Recommendations

The study result indicates the existence and effectiveness of internal controls. However, certain measures can be put in place to assist the University College in strengthening controls.

5.2.1 Control Environment

The control environment was found to be effective but there is the need for management to increase checks which regulates compliance. Management must periodically review their policies and procedures regarding compliance in order to ensure that controls are in place.

5.2.2 Risk Assessment

This component was found to be the weakest component in the control setup of the university according to the study results. The University can improve upon its risk assessment procedures by:

(i) Observing and physically counting inventory to check any misstatement.

(ii) Enhance their recruitment policies in order to limit the risk of employing incompetent personnel.

5.2.3 Control Activity

The study revealed that control activity is the most effective and efficient component of the control setup at Christian Service University College.

In spite of these, there is the need to strengthen control activities through the following ways:

(i) The university college must increase the number of CCTVs on its campus. The study revealed that even though CCTVs are in use, they are limited to few vantage points which expose non-coverage areas to risk of theft and other insecurities.

(ii) The University College must increase duty rotation in their mode of operations. This will reduce the rate at which employees commit discrepancies since they are aware other staff with which they rotate their work will detect any red flags and report to authorities.

5.2.4 Information and Communication Systems

Management of the University College can fall on the following measures to improve information and communication systems that surround internal controls. Communication networks needed to ensure effective controls must be improved to aid dissemination of information to various departments.

Also, critical incident notification processes and procedures must be put in place to ensure everyone is aware of issues and clearly define roles or responsibilities. Reporting procedures and processes must be enhanced, this can help to evaluate reported events and correct deficiencies in information gaps.

5.2.5 Monitoring

The study results also revealed that monitoring exists and to some extent are effective. Management can improve monitoring by encouraging all staff to report significant findings on time to keep controls active and effective.

Secondly, there is the need for management to embark on prompt effective follow-up procedures to ensure that changes in their systems can be adapted to appropriately.

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CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondent,

This questionnaire is designed to identify and assess the effectiveness of Internal Controls in private institutions. It is to tap information from you to complete our project. The data been sought is purely for the academic purposes. Your frank answers would be a valuable contribution to this research. The researcher assures the correspondents security as possible such that their namelessness shall be maintained and all the information provided will be kept confidential.

Please provide the appropriate response as frankly as possible and where options are given tick [ ] that which is applicable.

A. PERSONAL DATA

1. Sex: Male [   ] Female [   ]

2. Age: 19 or less [   ] 20   29 [   ] 30   39 [   ] 40   49 [   ] 50 or more [   ]

3. Which Department do you belong?

   Administration [   ] Account [   ] Human Resource [   ] Other [   ]

4. Which staff category do you belong?

   Junior staff [   ] senior staff [   ] Senior Members [   ] Management [   ]

5. Level of education: Diploma [   ] HND [   ] First Degree [   ] Masters [   ] Doctorate [   ]

6. Number of years worked for the university college.

(a)Below 1 year [ ] (b) 1-5years [ ] (c) 6-10 years [ ] (d) 11-15 years [ ] (e) 16-20 [ ]

(f)Above 20years [ ]

	CONTROL ENVIRONMENT	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
7	Management decisions are made collectively and not controlled by one dominant individual.					
8	Codes of conduct or ethics policies exist in the university college					
9	Policies regarding the importance of internal controls and appropriate conduct are communicated to all staff.					
10	Audit or other control systems exist to periodically test for compliance with codes of conduct or policies.					
11	Management periodically reviews policies and procedures to ensure that proper control are in place					
12	There is a system in place to check compliance with policies and procedures and report to management cases of non-compliance					

	RISK ASSESSMENT	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
13	The university college has clear objectives and these have been communicated so as to provide effective direction to employees on risk assessment and control issues.					
14	Management appropriately evaluates risk when planning for new activity.					
15	Management discusses and appropriately considers control issues when planning for					

		Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
	new activity					
16	Audit personnel or other internal control experts are involved in control discussions when the university college is developing new activities.					
17	There are sufficient staff members who are competent and knowledgeable to manage the university college's activities and these have been provided with adequate resources.					
18	Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.					

	CONTROL ACTIVITY	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
19	Policies and procedures exist to ensure critical decisions are made with appropriate approval.					
20	Processes exist for independent verification of transaction (to ensure integrity)					
21	The university college has employed security guards.					
22	There is a system in place to ensure that duties are rotated periodically.					
23	The university college communicates to its staff what is expected f of them and scope of their freedom to act.					
24	The university college uses Close Circuit Television (CCTV) systems to Protect physical assets.					

	INFORMATION AND COMMUNICATION SYSTEM	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
25	There are effective reporting procedures in communicating a balanced and understandable account of the university college's position and procedures					
26	There are established channels of communication for individuals to report suspected breaches of laws or regulation or other Improprieties.					
27	All staff understands how their activities relate to others.					
28	All staff understands that, they are accountable for activities they conduct.					
29	All staff understands their role in the control system.					

	MONITORING	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
30	There are ongoing processes within the university college's overall business operations and these are addressed by senior management to monitor the effective application of the policies, processes and activities related to internal control and risk management.					
31	Periodically, management reviews audit or internal control Systems.					
32	There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments.					
33	There is specific monitoring arrangement in place to report actual or suspected fraud and other illegal or irregular acts or matters that can affect the university college's reputation or financial position.					
34	There is appropriate communication to the management on the effectiveness of the ongoing monitoring processes on risks and control matters.					