

THE ROLE OF INTERNAL AUDIT IN PUBLIC  
ORGANISATION: A CASE STUDY OF NATIONAL  
BOARD FOR SMALL SCALE INDUSTRIES.

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## **ABSTRACT**

The public sector used to be clearly defined but in the past few years there has been a blurring on the public and private sector boundary. The public sector almost defies definition since its boundaries vary according to the criteria by which one wishes to describe it.

This study is about the importance of internal audit in the Ghanaian Public organization.

This study was undertaken at this location where enough evidence was gathered and analysis made. It shows how important internal auditing is in the Ghanaian public organization.

The descriptive design was employed to carry the investigation because it seeks to describe the qualitative and quantitative nature of the research. Data for the study were obtained from two main sources namely primary and secondary. The Kumasi branch of the NBSSI was chosen out of their offices for the problem under study. Judgmental sampling and simple random sampling was employed in the course of collecting data and eliciting information from the customers.

The main objective of the study is to assess the efficiency and effectiveness of the internal audit department of the National Board for Small Scale Industries (NBSSI).

The study revealed that Internal audit Department has sufficient independence to enable it carry out its job satisfactory hence promote efficiency and effectiveness in the organization.

Base on the findings, it was recommended that adequate provision of resources, periodic training and regards to auditing report must be enhanced.

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### **CHAPTER FIVE**



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background Of The Study

Internal auditing is an independent activity established by management to examine and evaluate an organization's risk management process and system of operational controls (Adu-Gyamfi, 2007).

The use of public funds demands an account and reports preparation showing that it has been properly and lawfully used. Also, it is advisable for the preparation of financial statement because it provides information about the state's financial performance and financial position that is useful to a wide range of users, for assessing the stewardship of the management and for making economic decisions. The proper control of public funds is of course a fundamental requirement of any public sector organization. As far as government activities are concerned the framework for ensuring efficiency and effectiveness in the public sector of Ghana is the function of the internal audit department therein.

Public sector internal audit is the independent appraisal function within an organization for the review of activities and a service to all level of management.

Internal audit is not a substitute for a good management and it is in this area that misunderstandings have arisen. Consequently, the manager of an organization providing public service is responsible for the whole system of financial and other controls which are established within his department to safeguard its assets, ensure reliability of records, promote operational efficiency and monitor adherence to policies and objectives. Audit's role is to provide management with an independent view on the system and procedures and assess whether the standards are achieved in a secure and efficient manner.

Internal audit is an essential part of the financial constitution of organizations under the public sector. Most public authorities recognized the importance of internal audit many years ago. Some of the larger ones adopting it in the early years of this century and today very few if any, organizations providing public services operate without some form of internal audit.

Moreover, the precise role of the internal audit in the public sector organizations has change as compared over the years.

In the early days, its primary responsibilities concerned with detection and prevention of errors and fraud, with perhaps an overdue concentration on examining accounts before payments, collecting income and checking petty cash claims.

Today, internal audit operates in a more dynamic environment with an emphasis on reviewing systems of internal control. Internal audit exists within organizations to carry out an independent appraisal of the effectiveness of internal controls, financial and others operating within the organization.

### **1.2 Problem statement**

For about a decade, the role of internal audit is overlooked in the Ghanaian public sector organizations.

One major problem faced by the internal auditors in the Ghanaian public sector organizations are the availability of logistics.

Another problem is the isolation of internal auditors in decision making by managements' in public sector organizations where they do exist. Most of these internal auditors could not work well in these organizations due to the reason that they were placed under the accounting department and making them performs some of the functions of the accountant. Also the availability of audit committees whom make sure recommendations by the internal audit department are well adhered to by management of public sector organizations.

### **1.3 Objectives of the study**

- Assess the efficiency and effectiveness of the internal audit department of the National Board for Small Scale Industries (NBSSI).
- Find out the extent to which reliance can be placed on internal audit department by independent auditors.

#### **1.4 Research question/hypothesis**

- Is internal audit department adequately resourced with the required personnel?
- Is there adequate provision put in place to enable a periodic training so as to abreast with present information technology?
- Is there the assurance or the guarantee about the internal auditor's independence concerning their activities in the organization?
- Is there an adequate motivation for internal auditors in terms of job enrichment through delegations, self-actualization and self esteem?

#### **1.5 Chapter organization**

Chapter one is an introduction to the study. It contains the background of the study, statement of the problem, research questions, objectives and organization of the study.

The second chapter is mainly about literature review. That is, a review is being made on existing documents of required authors whom credit is given for their good work.

The third chapter is mainly about methodology. It covers the study design, data type and source, instrument, study area, target population and sample size, sampling procedure, pre-testing, data collection method, data processing and analysis and problems encountered.

Chapter four covers the results and discussions of the study

Chapter five presents the conclusions and recommendations of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 What is public sector?**

Public sector is defined as the part of economics and administrative life that deals with the delivery of goods and services by and for the government whether national, regional or local/municipal. (www.Wikipedia.com, the free encyclopedia web page). Public sector activities range from delivering social security, administering urban planning and organizing national defenses.

The organizations of the public sector (public ownership) can take several forms including;

- Direct administration funded through taxation.
- Publicly owned corporations (in some contexts, especially manufacturing, “state owned enterprises”)
- Partial outsourcing (if the scale many businesses do for example IT services) is considered a public model.
- Complete outsourcing or contracting out with a privately owned corporation delivering the entire service on behalf of government.

#### **2.2 Definition of audit**

A fund thoughtfully used attracts more investors leading to growth in businesses and viability of the organization. Investors normally are interested in a considerable return of their investment, hence will engage in profitable ventures. To ensure that resources contributed by owners are properly used up, it is important to engage an independent person to scrutinize the operation of the business.

Historically, annual reports and accounts of companies are produced by the directors (as managers) to shareholders (as owners) and other people were not expected to be interested in them. However, today a much wider range of people are interested in the annual report and accounts of companies and other organizations.



The following people or groups of people are likely to want to see and use financial statement (Venables, 1988);

(a) Actual or potential users include;

- Owners and shareholders.
- Lenders or debenture holders.
- Employers
- Suppliers.

(B) People who advice the above-accountants, stockbrokers, trade unions, statisticians.

(C) Competitors and people interested in merging.

(D) The government including tax authorities.

(E) The public including those who are interested in consumer protection, environmental protection and political and other pressure groups.

All these people must be sure that the financial statement can be relied upon.

The problem which has always existed when managers' report to owners is; can the owners believe in the report?

The report may;

- Contain errors.
- Not disclose fraud.
- Be inadvertently misleading.
- Be deliberately misleading.
- Fail to disclose relevant information.

The solution to this problem of credibility in reports and accounts lies in appointing an independent person called an auditor to investigate the report and report on his findings.

There are so many definitions for auditing but the auditing standard defines an audit as 'an independent examination and expression of opinion on the financial statements of an enterprise by an appointed audit and in pursuance of the appointment and in compliance with any relevant statutory obligation. (Adu-Gyamfi, 2007)

### **2.3 Types of audit**

While there are many types of audit based on the definition previously provided, generally they are discussed under four types; financial statement audits, compliance

audits, operational audits and forensic audits.

#### 2.3.1 Financial audit

This type of audit determines whether the overall financial statement present fairly in accordance with specified criteria.

#### 2.3.2 Compliance audit

A compliance audit determines the extent to which rules, policies, laws, covenants, or governmental regulations are followed by the entity being audited.

#### 2.3.3 Operational audit

This involves a systematic review of an organizations activities or a part of them in relation to the efficient and effective use of resources.

#### 2.3.4 Forensic audit

This type of audit is the detection or deterrence of a wide variety of fraudulent activities.

### 2.4 Advantages of an audit

- Firstly, the admission of a new partner is facilitated if sets of past audited accounts are available for examination.
- Secondly, application to banks and other outside parties for the purpose of raising finance are greatly enhanced if supported by audited accounts.
- Thirdly, the presence of a qualified auditor is useful because of the variety of other capacities in which he is able to assist. Indeed a number of partnership deeds incorporate a provision for the auditor to act as arbitrator in the event of dispute on specific issues.
- Lastly, audited accounts (albeit adjusted for tax purposes) submitted to the Inland Revenue carry greater authority than accounts which have not been audited.

### 2.5 Audit risks

Risk in auditing means that an auditor accepts some level of uncertainty in performing the audit function. For example, the auditor accepts that there is uncertainty about the effectiveness of the clients internal controls, uncertainty about the competence of the evidence and uncertainty as to whether the financial statements are fairly stated when the audit is completed. The level of risk varies from industry to industry. In industries where



technology keeps changing, stocks may become obsolete in a short time and debts may be uncollectible. There are various types of audit risks some of which are explained below (Okai, 1998).

#### 2.5.1 Inherent risk

It is the susceptibility of an account balance or class of transactions to misstatements that could be material, individually or when aggregated with other misstatements in other balances or classes, assuming that there were no related internal controls (NSA 23, paragraph 13). This implies that auditors should attempt to predict where misstatements are most and least likely in the financial segments.

#### 2.5.2 Control risk

The NSA 23, Paragraph 14 defines control risk as “risk that misstatement could occur in an account balance or class of transactions and could be materially, individually or when aggregated with misstatements in other balances or classes, will not be prevented or detected on a timely basis by the system of internal control.” Thus one can say that control risk is a measure of the auditor’s assessment of the likelihood that misstatements exceeding a tolerable amount in a segment will not be prevented or detected by the client’s internal controls.

#### 2.5.3 Acceptable audit risk

The NSA 23, paragraph 9 defines audit risk as “the risk that an auditor may give an inappropriate opinion on financial information that is materially misstated“. The auditor may give an unqualified opinion on financial statement without knowing that they are materially misstated.

#### 2.5.4 Planned detection risk

The NSA 23 paragraph 12 defines it as “risk that any remaining material errors will not be detected by the auditor”. In other words, this is a measure of the risk that audit evidence for a segment will fail to detect misstatement exceeding a tolerable amount, should such misstatement exist. This risk depends on inherent, control risk and audit risk.

### 2.6 What is internal auditing?

There have been a number of definitions of internal audit. The chartered institute of public and financial accountant (CIPFA) definition for internal audit is “an independent

appraisal function within an organization for the review of the activities as a service to all levels of management. It is a control which measures, evaluates and reports upon the effectiveness of internal control, financial and other, as a contribution to the efficient use of resources within an organization.

The Institute of Chartered Accountants in England and Wales (ICAEW) defines it as “a review of operations and sometimes continuously undertaken with a business by a specially assigned official (Staff)”. Its scope and objective vary widely in different businesses, but the main objective as far as accounting matters are concerned to ensure management the internal checks and accounting systems are effective in design and operations.

From these definitions it can be seen that internal audit is perceived as being independent and as being part of the internal control system, whilst at the same time advising on methods of improving organizational performance. However, the overriding objective is to provide management with reassurance about the effectiveness of operations that led to the achievement of this goal of the organization. (Venables, 1988);

## **2.7 Functions of the internal auditor**

- The internal auditor reviews the reliability and integrity of financial and operational information and the means used to identify measure and classify and report on such information.
- Internal auditor conducts special investigations in his operations to provide a true and fair view of his report.
- They review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on detail testing of transactions and balances.
- Review of the implementation of corporate policies, plans and procedure.
- Review of economy, efficiency and effectiveness of operations and functioning of non-financial controls.

## **2.8 Importance of internal auditing to management**

- It reduces the risk of high turnover or loss of staff from the Internal Department;

- External sources provide specialist skills such as IT, treasury, etc which the in-house cannot provide;
- It can provide new market place techniques, and use of methodology software that an in-house team will have to buy;
- It could increase independence, especially where the outsource staff are rotated; auditing skills which are required for only a short time each year can be provided without much cost to the organization.

## **2.9 Comparison between internal and external auditors**

Internal audit is defined as “a review of operations and sometimes continuously undertaken with a business by a specially assigned staff”. Whilst external auditing “is defined as an independent examination of an expression of an opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any other statutory obligations”

### **2.9.1 Areas of common interest**

- Both may belong to the same accountancy body and may have a similar qualification.
- Both are interested in documentation and evaluation of accounting systems and internal controls.
- Both are similar methods in carrying out compliance and substantive testing.
- Both are interested in accurate information flow to management.

### **2.9.2 Areas of difference**

- The external auditor is appointed by or on behalf of shareholders whereas the enterprise appoints the internal auditor
- The external auditor reports to shareholders whilst the internal auditor reports to management.
- The external auditor’s objective is to ensure the truth and fairness of the financial statement but the internal auditor is more concerned with the accuracy of the records and efficiency of operations and service to management.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Population and sample**

The Kumasi branch of the NBSSI was chosen out of their offices for the problem under study. It was chosen because it is the one nearer which also houses the offices of both Executive director and the director of internal audit.

The organization has its Head office in Accra. The regional secretariat comprising a Credit union and business Advisory centers (BACs) are located in ten (10) regional capitals in Ghana. The board has 103 BACs in the districts-including the regional capitals- and plans to establish more offices in the remaining districts in the immediate future.

Four members from the management team were used as the sample unit in the management level.

Six members of the internal audit department were used as a sample unit for the main subject at hand.

#### **3.2 Type and source of data**

Data for the study were obtained from two main sources namely primary and secondary. The primary data were obtained through an administered questionnaire since respondents can read and write. The secondary data is more of like a desk research because it enhance obtain of information from books, handout, magazines and the internet. Desk research is named as such based on the fact that it can be undertaken in the office, home, etc. and does not require the researcher to go to the field.

Pertinent literature were read and reviewed in relation to the study. The researcher paid regular visits to libraries where textbooks, magazines, project works and other materials relating to the study are readily available.

Some of the libraries visited include; Christian Service University College library, UCEW library. The researcher also acquired other materials like, brochures, history and objectives of the NBSSI.

### **3.3 Sampling procedure**

At this level judgmental sampling was employed in the course of collecting data for the study. On the other hand simple random sampling method was employed to elicit information from the customers

### **3.4 Data collection instruments**

The instrument used together with the data was questionnaire. Questionnaire was in two forms. Questionnaire A was administered to management and B to internal auditors. The questionnaire directed to management help solicit for information on the NBSSI co-operation with the internal auditors. The questionnaire administered to the internal auditors was meant to cross check responses obtained from management. The questions were both open and closed ended questions. The reason for using the open ended questions was that, it enabled the researcher to elicit for diverse views from respondents which could not have been obtain through closed ended questions.

### **3.5 Data analysis**

The data was collected from the organization and other written documents and was analyzed qualitatively based on the impressions of the respondents about the situation.

### **3.6 Limitations of the study**

1. Time factor - The time used for the completion of the project work was so limited that areas that needed consistent study for a number of years could not be structured effectively.
2. Cost - traveling cost and the actual cost involved in completing the project work was also a limiting factor. That the more pages written, the higher the cost of printing.
3. Responses - It was difficult to reach some important officials who could give more reliable and accurate information, thus information obtained was scanty.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.0 INTRODUCTION**

The purpose of the study is to assess the efficiency and effectiveness of the internal audit department of the National Board for Small Scale Industries (NBSSI).

#### **4.1 BACKGROUND OF RESPONDENTS**

##### **4.1.1 MANAGEMENT**

The board has a management team headed by the executive director called Dr. Baah Boakye and assisted by the deputy executive director. All heads of departments and the greater Accra regional managers are members of management. The head of the greater Accra regional secretariat represents the other regional managers and manageresses of the board on the management committee.

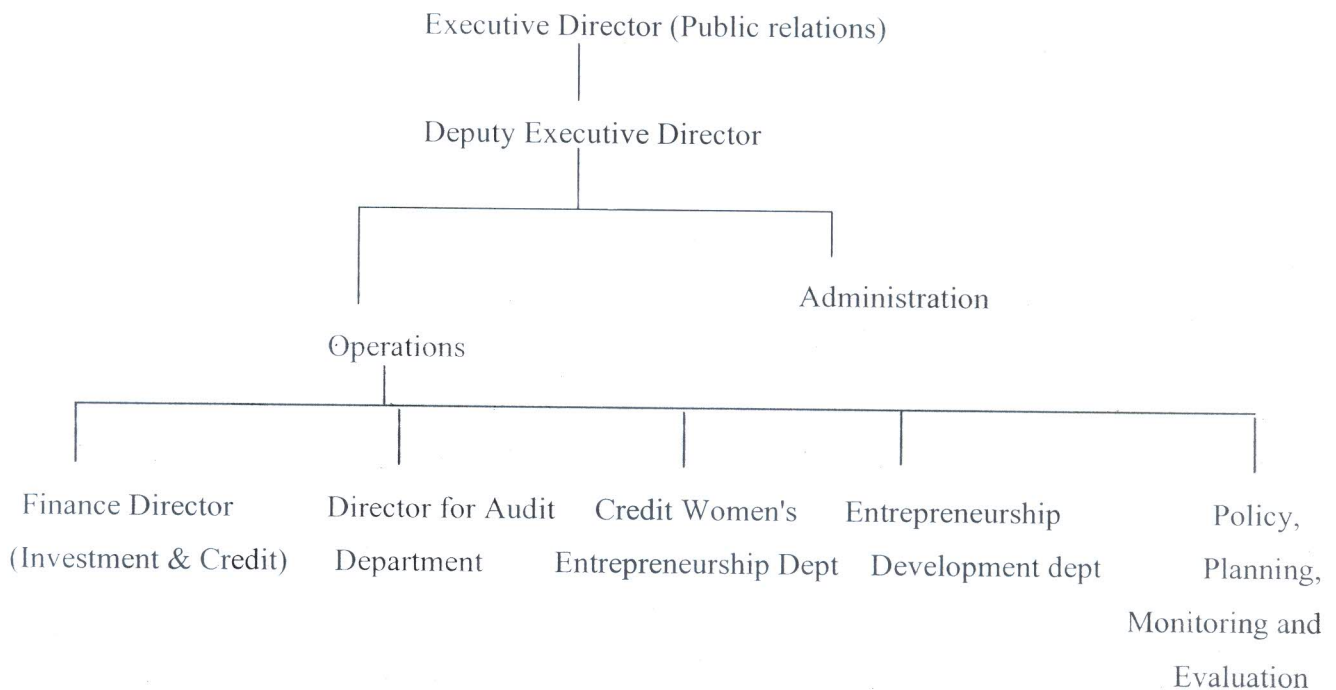
The overall governing body of the board is an eight member board of directors.

##### **4.1.2 DEPARTMENT**

The board has five operational departments namely; policy planning, monitoring and evaluation entrepreneurship, development investment and credit women entrepreneurship development department.



## ORGANIZATIONAL CHART OF THE NBSSI



### 4.2 FUNCTIONS OF INTERNAL AUDITOR

Internal audit is not a substitute for a good management and it is in this area that misunderstandings have arisen. Consequently, the manager of this organization providing public service is responsible for the whole system of financial and other controls which are established within his department to safeguard its assets, ensure reliability of records, promote operational efficiency and monitor adherence to policies and objectives. Almost all the respondent said Audit's role is to provide management with an independent view on the system and procedures and assess whether the standards are achieved in a secure and efficient manner. The other part also revealed that the internal audit still works to narrow terms of reference and continues to concentrate on appraising for example; the accuracy of incomes and petty cash and the propriety of creditors.

### 4.3 Resources of the department

The study reveals that the department is adequately resourced with the required personnel in terms of qualification, experience and proficiency. Some staffs of the department have

worked over five years which makes their experience well assured. From their job specification, to be a staff one must meet standard required by law as internal auditor of the state. In terms of logistics, the department is partially resourced with adequate tools and equipment to help them carry out their duties successfully. They are equipped with outmoded computers and other office equipments which do not seek for their comfort in their duties.

#### **4.4 Independence of the Internal Auditor**

As the study has one of its objectives as to observe the level of independence and the isolation of internal auditors in decision making, it was found out that the Internal audit Department has sufficient independence to enable it carry out its job satisfactory. The purpose of authority and responsibility of the Internal Audit Department has been formally defined in the NBSSI Audit Department Handbook.

The Chief Internal Auditor reports directly to the Managing Director and the Board. His appointment and dismissal is entirely restricted to the Board of Directors. Being the head of department, he has top managerial authority to report on any activities of the organization and can delegate his authority and responsibility to other members of the Audit Department.

The Internal Audit Department does not take instructions from other departments. The choice as to what department or center or section to audit is all determined by the Chief Internal Auditors.

The Department seeks no approval from any other source before undertaking an audit and its reports are on objective assessment of their findings. It was found out that to carry out its audit in an orderly and efficient manner, to ensure adherence to management policies, safeguard its assets and secure the accuracy and of the reliability cords the internal audit department has put in place control measures regarding cash balances, bank balances, payment into bank, wages and salaries, fixed assets, Investments and bank payments.

**The department is also having an audit committee which does the following work;**

- Reviewing of financial statements
- Recommendation on appointment and remuneration of auditors.

In addition, the committee does the review of all transactions by the directors in the

shares of the company and all transactions with related parties and also the review of the directors' remuneration and pension arrangements.

Having an audit committee has helped strengthen the independence of the internal audit function of the NBSSI, improved the quality of the accounting and auditing functions and also improved communication between directors, auditors and management.

#### **4.5 Internal Control Systems**

It was found in the study that Management of the organization has established measures to control theft, frauds, and misstatements and to minimize the occurrence of errors. These measures are referred to as internal controls. It was very necessary to determine whether the internal control measures put in place were effective and in use. From the questionnaire administered, it was found out that 20% of the respondent said the controls were adhered to where as 80% revealed the opposite side of it.

#### **4.6 Effectiveness of Auditors in Performing**

Effectiveness and efficiency of the department under this study is base on the engagement of a number of activities which is as follows:

- Examination and evaluation of financial and operating information within the organization
- Review of the economy, efficiency and effectiveness of the operation
- Review of compliance with external Law and regulations and internal policy and procedure
- Review and advice on the development of any key organization systems and on the implementation of major change
- Acting as trainee officers in areas of internal control.

Moreover, it was found out that the internal audit department of the NBSSI does compliance tests. They do preliminary review of the system by using an internal control evaluation questionnaire which contains key questions on the controls such as: can wages be paid to personnel for work not done? The auditor will then inspect the system to see if it included procedures so that this could not happen. If the system is effective the auditor would seek evidence that the systems works as in his description at all times by



examining a sample of transactions but if the department found out that the system is weak, then it will abandon the systems approach and perform substantive testing where the auditor will examine the invoices, the authorization, the entry in the fixed assets register and other books, the accounting treatment and some evidence that the price obtained was reasonable and regarding an account balance direct confirmation of the balance in a deposit account obtained from bank.

The response rate of how effective is the internal audit in the organization was however very encouraging. Almost all the staffs of the organization but a few who has personal problems with the department did not agree with the effectiveness of the department.

#### **4.7 Hindrance to internal audit in the organization**

The researcher also found out that the following are the causes of the situation that prevents the department from achieving their absolute objectives;

- **Poor Remuneration**

It is an acceptable fact that Ghanaian workers are not paid realistic salaries to commensurate the high cost of living in the country. Thus many people use dubious means to make ends meet. The resultant effect becomes fraud.

- **Lack of Training**

Most workers upon their appointment is not trained to appreciate or understand the system, as to why and how certain things are done. Thus, internal audit department staffs are no exception.

- **Lack of Motivation**

Lack of job satisfaction in the organization is high. For example a worker may be on the same grade for about five years without being promoted. These disgruntled personnel connived with other unscrupulous elements in the society to cause financial loss to the firm or the state.

- **Lack of Refresher Courses**

It is well known that people who commit fraudulent acts are streets ahead of the personnel of internal Audit department with their nefarious activities. And since internal auditors do not go through regular refresher courses to be abreast with the present information technological dispensation, such crimes are committed long

before they are uncovered at the NBSSI.

- Lack of Equipment

The organization has not equipped the internal Audit department for example they lack vehicles to embark on their trekking program, they do not have enough computers to process or store information.

However, as much as we recognize the independence given the internal auditor in NBSSI, we find the mandate to be ambitious because it does not fine the minimum expectation from the Internal Auditor. The Audit of the department can therefore not be compared to give any indication of the dynamo or otherwise of the department.

The distribution of the audit reports makes it very unlikely for any other person to have influence on its implementation and evidence from as the study has shown that reports are responded to favorably. Most of the policy decisions and executive order are based on the audit report.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 SUMMARY**

In brief this study has been able to identify the weakness in the internal audit department setup of the National Board for Small Scale Industries.

However, as much as we recognize the independence given to the internal audit department we find the mandate to be ambiguous, because it does not give the maximum expectation from the internal auditor. The output of the department can therefore not be given any indication of the dynamo or otherwise of the department

#### **5.2 CONCLUSIONS**

Internal Audit is an effective tool of management control to carry on the operations of the organization in an orderly manner to protect its assets and ensure the accuracy and reliability of records. It also ensures the increasing of operational efficiency and also acts as a safeguard against errors or fraud in the public sector.

#### **5.3 RECOMMENDATIONS**

The researcher would like to make a number of suggestions, which to him could prevent or minimize impropriety use of resources and fraudulent activities

- Internal audit department must be adequately resourced by providing them with the required personnel in terms of qualification, experience and proficiency, adequate logistics such as computers, vehicles etc.
- Adequate provision should be put in place to enable them have periodic training through seminars so that they may be abreast with present information technology dispensation.
- Management must ensure to guarantee the internal auditors independence.
- Management must not suppress audit reports and recommendations, but must act promptly on such reports so as to deter would be perpetrators.
- Internal auditors must be adequately motivated in terms of job enrichment through relegations, self-actualization and self esteem.



- The internal auditors should foster constructively working relationship and mutual understanding with management, with external auditors and with any review agency.
- The department should behave much well as external auditors in terms of skill, care and judgment

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## QUESTIONNAIRE FOR MANAGEMENT

The questionnaire below is prepared to solicit your help in gathering information of the above topic for academic purpose only. The answers provided therefore will be used for nothing other than the academic purpose for which it is intended to serve. I therefore promise sincerely to treat these answers very confidentially.

Many people perform different roles in the office and bear the title Auditor.

This paper is seeking the views of executive on what they expect the internal auditor to do for them in this technological age.

Please tick where appropriate

1. Name and position in the organization.  
.....
2. a. If you were to ask for the recruitment of an internal auditor what qualities would you want.  
.....
- 2b. Why? .....
3. Do you have an internal audit department?  
Yes [ ]                      No [ ]
4. Is the function of the internal audit integral part of the financial accounting function?  
Yes [ ]                      No [ ]
5. What are the responses of the internal audit quarterly reports about the operations of the organization?  
Excellent                      [ ]  
Good                              [ ]  
Average                         [ ]  
Poor                                [ ]
6. Are the recommendations implemented?  
Yes [ ]                      No [ ]

7. Are regular meetings held between Management and the internal auditors?

Yes [ ]

No [ ]

7B. If yes, what are some of the issues normally raised?

.....

8. Are recommendations of such meetings implemented?

Yes [ ]

No [ ]

9. Do you have training initiative for your auditors?

Yes [ ]

No [ ]

10. How do you motivate your auditors? Please state briefly.

.....

11. Does the internal audit department have access to the company's yearly budget?

Yes [ ]

No [ ]

12. Does management always respond to recommendations from the internal audit department based on capital expenditure?

Yes [ ]

No [ ]

13. Is the internal audit department well resourced?

Yes [ ]

No [ ]

## QUESTIONNAIRE FOR THE INTERNAL AUDITORS

The questionnaire below is prepared to solicit your help in gathering information of the above topic for academic purpose only. The answers provided therefore will be used for nothing other than the academic purpose for which it is intended to serve. I therefore promise sincerely to treat these answers very confidentially.

1. Name and position in the organization?

.....

2. Who does the internal auditor report to?

.....

3. Do you have audit committee?

Yes [ ]

No [ ]

4. Kindly list some of the control which has been established to guide the financial management of your organization.

.....

.....

5. Is the internal audit department well resourced?

Yes [ ]

No [ ]

6. If No, what do you belief they lack? Please state briefly.

.....

7. Has the internal audit ever disallowed the payment of allowance of transaction before?

Yes [ ]

No [ ]

8. What are the conditions for disallowing such payment? Please state briefly.

.....

9. Is the internal auditor given enough freehand to enable him perform his duties as independently as possible?

Yes [ ]

No [ ]

10. If yes, what are some of the independency indicators?

.....

11. Does the internal auditing department perform post auditing? (Yes/No)

Yes [ ]

No [ ]

12. If yes, what are the most likely areas to perform such duties?

.....

13. Does the internal audit perform substantive test?

Yes [ ]                      No [ ]

14. If yes, state the weakness in the internal controls where such tests are conducted.

.....

15. Does the internal audit conduct cash count?

Yes [ ]                      No [ ]

16. If yes, how often? .....

17. Does the internal auditor have access to the company's yearly budget?

Yes [ ]                      No [ ]

18. If yes how does management respond to your recommendation in respect of capital expenditure? Please state briefly?

.....

19. What are some of the problems facing the department? Please state briefly.

.....

20. In your opinion what should be done to prevent such situation?

.....

.....

21. Is the audit plan coordinated with the external auditors so that unnecessary duplication of work can be avoided?

Yes [ ]                      No [ ]

22. Has the responsibilities of the internal audit department been clearly defined and set out formally?

Yes [ ]                      No [ ]

23. Has the purpose, authority and responsibility of the internal department been defined?

Yes [ ]                      No [ ]

24. If yes, where? .....

25. What are the types of internal controls in the specific areas of the organization?

.....