

CHRISTAIN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

**EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS AMONG SELECTED
PUBLIC INSTITUTIONS IN KUMASI METROPOLIS**

By

BOAHEN GEORGE

NKUKPORNU KOFI

NIMAKO GIFTY

ADDO ROCKSON

FRIMPONG SPENDILOVE

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
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ADMINISTRATION**

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STATEMENT OF AUTHENTICITY

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

Name	Index Number	Signature	Date
BOAHEN GEORGE	10002490	.....	.....
NKUKPORNU KOFI	10001732	.....	.....
NIMAKO GIFTY	10002097	.....	.....
ADDOROCKSON	10001762	.....	.....
FRIMPONG SPENDILOVE	50000110	.....	.....

Supervisor's Declaration

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

Certified by

Mr. Clement Oppong

Supervisor	Signature	Date
.....

H.O.D, Accounting and Finance	Signature	Date
.....

Dean of School of Business	Signature	Date
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DEDICATION

To our family and friends.

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We are grateful to the Almighty God, who has been our strength and provider. We also express our profound gratitude to our supervisor Mr. Clement Oppong, lecturer of Christian Service University College for his support, immense advice, encouragement and guidance, without which we would not have been able to complete this research work. In fact, he provided the kind of intellectual interaction and feedback best suited to our style of work. Our sincere gratitude also goes to our families and friends for their support. Finally, we are greatly indebted to all those who consented to answer our questionnaires for us during the research work and all those who contributed in diverse ways to make this work a success, we say Ayekoo!

ABSTRACT

This research work investigates the effectiveness of internal control systems of public service organization using Judicial Service institutions in Kumasi, Ghana. We use descriptive approach or method to assess the five components of internal controls namely risk management, control environment, information and communication, control activities and monitoring activities. The targeted respondents are the 100 administrative and non-administrative staff of Judicial Service in Kumasi, Ghana. Questionnaire are design and administered to the targeted 100 respondents of which they fully participated in the study. The primary data from the questionnaires were coded into SPSS 21 software for the data analysis. From our results, it is indicated that ethical and integrity values are observed among top managers, and management have not fully established disaster recovery plan for all its primary data in relation to internal controls. However, Judicial Service institutions have put in place policies and procedures to mitigate risk, and also there are internal auditors at various institutions that assists in monitoring the operations of the institutions. Overall, internal control system shows a high level of effectiveness in our study, and of the five components assessed under internal control system, control activity shows the higher level of effectiveness. We recommend that, management must immediately develop a backup system for all its primary data so that in case of breakdown of the systems, there would be existing data for reference. Internal auditors at Judicial Service must review operational activities on daily or continuously basis so that management and workers would not deviate from internal controls compliances and processes. Finally, Judicial Service must implement reports and recommendations outlined by both internal and external auditors to ensure very effective internal control systems.

TABLE OF CONTENT

STATEMENT OF AUTHENTICITY	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
TABLE OF CONTENT	i
LIST OF FIGURES	ix
LIST OF TABLES	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Research Objectives	4
1.4 Research Questions	4
1.5 Research Methodology	5
1.6 Significance of the Study	5
1.7 Scope and Limitation of the Study.....	6
1.8 Organization of the Study	6
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Evolution of the Internal Control System	8
2.3 Definition of Internal Control System	11
2.4 Types of Internal Control System	13
2.4.1 Detective Controls	13
2.4.2 Preventive Control	13
2.4.3 Corrective Control	13
2.4.4 Compensating Controls.....	14
2.5 Main Components of Internal Control Systems.....	14
2.5.1 Control Environment	14
2.5.2 Risk Assessment	15
2.5.3 Control Activities.....	15

2.5.4 Information and Communication	16
2.5.5 Monitoring Activities.....	17
2.6 Effectiveness of Internal Control System	17
2.7 Limitations of Internal Control System	19
2.7.1 Judgment.....	19
2.7.2 Breakdowns.....	19
2.7.3 Management Override	19
2.7.4 Collusion	20
2.8 Empirical Review.....	20
2.9 Conceptual Framework.....	22
 CHAPTER THREE.....	24
RESEARCH METHODOLOGY AND PROFILE OF JUDICIAL SERVICE ...	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Population of the Study.....	24
3.4 Sample and Sampling Technique.....	25
3.5 Sources of Data	26
3.6 Data Collection Procedure	26
3.7 Data Analysis	27
3.8 Validity and Reliability of Data	27
3.9 Ethical Considerations	28
3.10 Profile of Judicial Service of Ghana	28
 CHAPTER FOUR.....	31
DATA ANALYSIS AND DISCUSSION OF FINDINGS	31
4.0 Introduction.....	Error! Bookmark not defined.
4.1 Statistics for Respondent's Profile.....	31
4.1.1 Gender.....	31
4.1.2 Educational Background of Respondents	32
4.1.3 Professional Qualification.....	32
4.1.4 Rank/Department	33
4.1.5 Working experience	34
4.2 Descriptive Statistics of Internal Controls Effectiveness.....	34
4.2.1 Risk Assessment	34

4.2.2 Control Environment	35
4.2.4 Information and Communication	36
4.2.3 Control Activities	37
4.2.5 Monitoring Components	38
 CHAPTER FIVE	40
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS ..	40
5.0 Introduction	40
5.1 Summary of Findings	40
5.1.1 Impact of Control Environment Components on Judicial Service in Ghana	40
5.2.2 Impact of Risk Assessment Components on Judicial Service in Ghana	40
5.2.3 Impact of Control Activities Components on Judicial Service in Ghana	41
5.2.4 Impact of Communication and Information Components on Judicial Service ...	41
5.2.5 Impact of Monitoring Components on Judicial Service in Ghana	42
5.2 Conclusion	42
5.3 Recommendations	43
 REFERENCES	44
APPENDIX	48

LIST OF FIGURES

Figure 2.1: Adopted COSO (2013) framework	23
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LIST OF TABLES

Table 3.1 The attribution of sample	23
Table 4.1: Descriptive statistics for Gender.....	29
Table 4.2: Descriptive statistics for Respondent's Education.....	30
Table 4.3: Descriptive statistics for Professional Qualification	30
Table 4.4: Descriptive statistics for Ranks/Departmental Staff.....	31
Table 4.5: Descriptive statistics for Respondent's Working experience.....	31
Table 4.6: Scores for Risk Assessment	32
Table 4.7 Scores for Control Environment.....	33
Table 4.8: Scores for Information and Communication (IC).....	34
Table 4.9: Statistics for Control Activities.....	35
Table 4.10: Scores for Monitoring Components.....	36

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Internal control is an important element in an organization's management and form basis for its operation efficiency and effectiveness and supports in achieving the objectives of an organization (Oppong et al, 2016). The collapse of companies in recent times has heightened the demand for sound accountability practices on regular and timely basis. Internal control system has become very popular and important in recent times in the wake of these fraudulent financial reporting in different countries around the globe. Additionally, the rapidly changing business environment is putting immense pressure on corporate leaders to institute sound and effective internal control system to meet objectives. It is noted that the implementation of sound and effective internal controls will significantly ensure that objectives are met.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) defines internal control systems as a process, affected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the attainment of stated objectives in the following areas: efficiency and effectiveness of operations, reliability of financial reporting, compliance with applicable laws and regulations. These reasonable assurances are predominant visible in the profit making businesses due to the profit maximizing motive and corporate agenda. Ayom (2013) wholly agrees with the definition by COSO (2013), and expanded the conception that a sound and effective internal control over the administrative, operational, financial, procurement, systems and procedures contribute significantly to the success of organizations. He however conceded that

weaknesses and internal control failures leads to fraud, errors, and inherent misstatements of financial reports.

Bongani (2013) affirmed that instituting and implementing good control systems somehow ensures that assets and resources are safeguarded, business are done in an orderly and efficient manner. Any organization without effective controls is more likely to encounter more irregularities and errors, more prone to fraudulent activities and bound to miss its objectives (Ndungu, 2013). Quite unfortunately, judging by the recent spate of financial malfeasance reported among Ghana Cocoa Board (COCOBOD) which lost US\$ 10 million of revenue and also thousands tons of cocoa appear that this is not yielding the desired results. Also, the Daily Graphic (2007) reported the embezzlement of GHS5.5 billion of withholding tax belong to the Ghana Revenue Authority (GRA) by two officials of the service due to ineffective internal controls and supervision over the work of the culprits.

Arguably, most organizations are unable to meet objectives efficiently due to weakness and inherent limitations of internal control system as already mentioned. Most times procedures are not followed and therefore the credibility of the controls are in doubt (Yang & Chun-Li, 2009). Internal control system will make sure that the entities will observe rules and guidelines as well as procedures, to reduce risk with high severity impact on the organization's operations.

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 and creating, enhancing, and protecting stakeholder value. From the above, it is therefore imperative to say that, internal controls play a significant role in helping organizations to achieve their goals hence the need for this study to assess the effectiveness of internal control

systems of public agencies using Ghana Judicial Service in Kumasi Metropolis as a case study.

1.2 PROBLEM STATEMENT

The increasing demand of high quality financial reporting has led regulators to look for validated internal control systems to mechanized company's operations (Onumah, Kuipo and Obeng, 2012) that has generated research interest in the area of effectiveness of internal control systems in an organisation. Though, there has been a lot of research in the area of internal control system on listed companies and other large enterprises in Kumasi and to the best of our knowledge, none of these works have concentrated on government institutions especially the judicial service. Thus, our research study is the first to assess the internal control systems effectiveness of Judicial Service in Kumasi.

Also, most of the prior research on internal controls do not used validated framework or models to assess internal controls systems. Some of these works includes Altamuro and Beatty (2007); Appong et al. (2016); Doyle et al. (2007); Eko & Hariyanto (2011); and Fenget et al (2009). Most researchers used disclosures by management as well as internal and external auditor's recommendations to assess a company's internal controls in Kumasi, which has cause a great disparity in research results (Onumah, Kuipo and Obeng, 2012). Also, in Kumasi, there are no regulatory requirements for firms especially the public institutions to make any disclosure on their internal control systems and this research will find out the level of internal control effectiveness of firm in a non-regulatory disclosure environment. Therefore, the researchers will use the five (5) main components of COSO framework or model namely risk assessment, control environment, information and communication, control activities, and monitoring

activities to assess the level of internal control systems effectiveness of public agencies using the Judicial Service agency in Kumasi as case study.

1.3 RESEARCH OBJECTIVES

This study is mainly to assess the effectiveness of the internal control system in public agencies in Kumasi using the Judicial Service of Kumasi in the Kumasi Metropolis as case study. The following specific objectives are pursued in order to achieve these objectives:

1. To determine the effectiveness of risk assessment activities of Judicial Service in Kumasi.
2. To investigate the effectiveness of control environment of Judicial Service in Kumasi.
3. To determine the effectiveness of information and communication components of Judicial Service in Kumasi.
4. To establish the adequacy of the established control activities of Judicial Service in Kumasi.
5. To determine the effectiveness of monitoring activities of Judicial Service in Kumasi

1.4 RESEARCH QUESTIONS

1. How effective is the existing risk assessment component of Judicial Service in Kumasi?
2. Are the control environment components of Judicial Service in Kumasi effective?
3. How effective is the information and communication component of Judicial Service in Kumasi?

4. How adequate are the established control activities of Judicial Service in Kumasi?
5. Does the monitoring system of Judicial Service effective in Kumasi?

1.5 RESEARCH METHODOLOGY

The research design used was the descriptive research method. The population is the study of all the staff of Judicial Service. The sample size used was 100 administrative staff Judicial Service in the Kumasi Metropolis which was group into 80 administrative and 20 non-administrative staff. The sample procedure used was purposive selection for administrative staff as also the simple random selection for non-administrative staffs. This study largely used primary data. Primary data were collected from direct interview and administering of questionnaires. The questionnaires and responses from respondents interviewed were then coded to aid easy analysis. SPSS version 21 is used to analysis the data and statistical tools such as frequency table and percentages were used to present the data for discussion.

1.6 SIGNIFICANCE OF THE STUDY

The conceptual framework of this research work can offer a standard against which companies could assess the effectiveness of their systems of internal control. This study also contributes to advance the knowledge of internal control effectiveness in the Judicial Service in Africa. To regulators and practitioners, the research brings to bear the perceived strength of internal controls in the Judicial Service using the 2013 COSO framework. Internal and external auditors can also pay detailed attention to the risk assessment, control activities, and information and communication components of the internal control system of Judicial Service in Kumasi, without losing sight of the control environment and monitoring activities either. The outcome of this work could assist

judicial service agencies or institutions to set-up their control measures in their day to day operations. Despite the fact that this study is to complete a university obligation, it is anticipated that suggestions can be given to add to policies by the regulators and also equip public institutions with much problem solving techniques and managerial skills to organize, coordinate, direct and control business activities.

1.7 SCOPE AND LIMITATION OF THE STUDY

There are many public institutions or companies in Kumasi. However, the study used case study method with reference to Judicial Service of Kumasi. The study focuses on the employees of Judicial Service of Kumasi particularly of those working in the Kumasi Metropolis to assess its internal controls systems effectiveness. Hence, there is the likelihood that issues to be discussed in the case study might not apply to entire judicial services or public agencies in Kumasi. Also, definitions of internal control system are wide and contain a number of sub-variables. This posed a limitation to the study, since just as the definitions are wide and varied, employees who participated in the study could have rated internal control systems differently. However, to mitigate this limitation, the study borrowed from standard existing measures that have been found reliable in measuring internal control system to minimize respondent bias. Also, the sensitivity and confidentiality of management information regarding internal control and other management review reports and responses make it difficult getting easy access to the needed data for the research.

1.8 ORGANIZATION OF THE STUDY

The study was organized in five chapters. Chapter one includes background of the study, problem statement, research questions and objectives, research methodology, scope and limitation of the studies and chapter organization. Chapter two takes into

consideration relevant literature in the subject area. Chapter three shall detail out the procedures and methods that are used to carry out the study. The chapter also presents a brief profile of the Judicial Service of Kumasi. Chapter four shall contain analysis done on the data collected and presents them in forms that shall be easily and readily understood by readers. This includes tables, figures, and narrations. Finally, the chapter five presents summary of findings, conclusions and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter focuses on the evolution of internal controls systems, the definition of internal control systems, components of internal control systems, effectiveness and importance of internal control system, empirical literature on the effectiveness of internal controls and conceptual framework of the study.

2.2 EVOLUTION OF THE INTERNAL CONTROL SYSTEM

The internal control activities do not arise in a specific historical context (D'Onza, 2015). For a long time, the directors of the single companies have realized the need to introduce a system to monitor the entire corporate structure". The administration control system and the management system already had a continuous implementation in order to codify the rules supporting the systems; the first by setting hierarchical roles within the company, the second, with the introduction of double entry bookkeeping as a basic rule to record the financial statement items.

Over the years, the need to introduce the codes of conduct and define the rules adopted by companies in order to harmonize their control system springs out. In recent years, the "proper operation" of a control system is not only an internal requirement, but also a guarantee for all those who are interested in the proper business management and in particular for those who do not have administration and organization tools. The internal control system has roots in the last century and developed mainly in the US. Until the 40s, the internal controls are considered as a significant element to context of the internal auditing. As different companies became more complex, attention to this concept has assumed to imperative the performance of organizations.

During the mid-50s, the concept of internal control was much extensive and needed to be defined in a more restricted context. The aim was the approval of the internal clear rules for the big companies, in such a way that companies did not refer to their own self-regulatory codes but also to an “internal control” shared approach. The Statement on Auditing Procedures No. 29, published by the American Institute of Certified Public Accountants (AICPA, 1958), distinguished the concept of administrative controls from the one of accounting controls. The first are framed to support operational efficiency, while the latter concern the corporate assets safeguard and therefore the transparent and correct transcription of financial documents.

In the Statement on Auditing Procedures No. 54 of 1972 (AICPA, 1972), the distinction between the concepts of accounting and administrative controls was better defined in which administrative control support issues related to decision-making processes, while the accounting control is concern to the safeguard of reliable corporate resources and the financial records. A first important step towards the recognition of the internal control importance occurred in the late 70s. The Watergate scandal (1973-1976) emerges the problem of corruption among American companies that operated abroad, and particularly in the third world countries. The discussions and studies that followed led the US government to the belief that internal control is the only tools to safeguard fraud and scandals in organizations. When in 1977, the Foreign Corrupt Practices Act (FCPA) imposed to listed companies the adoption of an “adequate” internal control system, a strong role of compliance guarantee was recognized to the tool. The notion of accounting control provided by the Statement on Auditing Procedures No. 54 was literally transposed, making the implementation of the system a compulsory requirement for listed companies. However, as until that moment, the internal control systems had been considered a matter for management, nor the practice nor the

literature offered a univocal and generally agreed answer to incorporate the contents of the generic prescriptions provided by the FCPA 1977. In the US, the first who faced the problem were directly the associations involved in financial information management (internal auditors, accountants, accounting academics, business leaders, and experts in industrial accounting). Around the mid-80s in fact, emerged the need to provide for the internal controls inefficiencies also considering bankruptcy procedures often associated with serious illegality components.

For this reason, this established the National Commission on Fraudulent Financial Reporting (known as Treadway Commission) to plan the study of the accounting fraud causes. The work of the Commission was published in 1987. It was named “Report on Fraudulent Financial Reporting” and focused mainly on internal controls as a tool to prevent accounting fraud. The Report was proposed for a solution for the adoption of a risk management policy, seeks to identify areas of the company exposed to a higher risk of fraud in order to mitigate the risks inherent to these areas. It was through the report that gave out with the five major components of internal controls which was published in 1992 by COSO committee. Following a long debate, which was attended by all the representatives of the associations involved in the project, the need to publish a single framework arose. In fact, in 1992, the Commission published the COSO Internal Control - Integrated Framework (COSO IC-IF), a four-volume framework on the internal control system that is still the benchmark. The COSO Report was conceived as an operational manual for management and has become in a few years one of the most popular models (Domenico & Salvatore, 2009).

2.3 DEFINITION OF INTERNAL CONTROL SYSTEM

Internal control means different things to different people. This causes confusion among business people, legislators, regulators and others resulting in miscommunication and different expectations from the various stakeholders in an organization. Problems are compounded when the term, if not clearly defined, is written into law, regulation or rule (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1994). This is especially valid when it comes to the issue of whether control system should be mandatory, advisory, or proprietary based.

COSO (2013) defines internal control systems as a process, affected by an entity's board of directors, management and other personnel, designed to provide "reasonable assurance" regarding the attainment of stated objectives in the following areas: efficiency and effectiveness of operations, reliability of financial reporting, compliance with applicable laws and regulations. The definition highlights four essential characteristics of internal control (Dionne, 2013). These are: internal control as a process; People are crucial for strong internal controls; internal control systems only provide reasonable assurance; and that internal control has four main objectives - Accomplish its mission and reach its objectives; produce accurate, reliable data for decision-making; Comply with statutes, laws and policies; and Safeguard its assets (Dionne, 2013).

The definition as enumerated by COSO (2013) has some few shortcomings. Firstly, COSO's definition sees internal control from the advisory perspective rather than from the mandatory and proprietary perspective. Also, the COSO definition defines internal control as providing reasonable assurance. That is, internal controls cannot possibly detect all errors. Also, the definition does not explicitly mention the four main roles of

internal control systems which are the direction, prevention, detection, and correction of errors. Lastly, the definition limits the purpose of internal control to four main objectives.

Institute of Chartered Accountants of Kumasi (2008) defines internal control as the policies and procedures adopted by management of an entity to assist in their objective of achieving as far as practicable, the orderly and efficient conduct of the business, including adherence to internal policies, safeguarding of assets, the prevention and detection of fraud and/or, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information. Mawanda (2008), defined internal control as measures and processes instituted by management of organizations generally to provide realistic assurance on how the organization's objectives are achieved with particular regards to operational efficiencies, effectiveness and the level of compliance with applicable laws, rules and regulations. They are measures that provide credible financial reporting (Gray, 2008). Ndungu (2013) added that understanding the concept of internal controls is very central for developing a framework for its impact in the organization.

Schroy (2010) defines internal control as the process affected by an organizations' structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. He added that it is a means by which an organizations resources are directed, monitored, and measured; and plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (for instance, machinery and property) and intangible (reputation or intellectual property such as trademark). Based on the above definitions internal control may be summarily defined as any system established or

adopted by an organization which may be mandatory, advisory or proprietary in nature for the direction, prevention, detection, and correction of errors for the achievement of specific objectives and goals.

2.4 TYPES OF INTERNAL CONTROL SYSTEM

DiNapoli (2005) have concurred that the types of internal controls include directive controls, preventive controls, compensating controls, detective controls, and corrective activities. These types of internal controls are explained below.

2.4.1 Detective Controls

These are controls types that spot that an omission and malicious act that has occurred. It is use mainly to locate mistakes and it occurrence. E.g. it comprises replica, examination and summations of periodic presentation reporting with inconsistencies in totals.

2.4.2 Preventive Control

Preventive controls relate to measures taken by a firm to deter noncompliance with policies and procedures. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation and physical control over assets, (Di Napoli, 1999). Also, it comprises errors, omissions or hateful act from occurring except of such control will include appropriate separation of responsibilities access to physical facilities (Spafford, 2005).

2.4.3 Corrective Control

These are set of pedals which seek reduce the effect of dangers associated with the source and remedying difficulties, exposed by detective controls. It involves at adjustment of standing and dealing with system(s) to reduce future incidences.

2.4.4 Compensating Controls

Compensating controls are intended to make up for a lack of controls elsewhere in the system. For example, firms with an electronic database could maintain a hard copy of the client list in the office library. Such a list would compensate for downtime in electronic systems and difficulties in locating client names in an electronic system. While the list would have to be reprinted from time to time to add new clients would mitigate some of the obsolescence that exists with hard copies (DiNapoli, 1999).

2.5 MAIN COMPONENTS OF INTERNAL CONTROL SYSTEMS

According to COSO (2012), for organizations to achieve internal control effectiveness, then they have to implement the following five (5) distinct components. The five components are Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. Below are the explanations of each of these components according to COSO (2012):

2.5.1 Control Environment

Control environment is the basic for all the other components of internal control. This element deals with the actions, policies and procedures that reflect the overall attitude of top management of the organization. It is the fundamental basis of all the other four elements. For control environment to be effective, first and foremost, the ethical standards and integrity should be understandable by top executive officers in conducting the operations of the business over financial reporting (Ernst and Young (2003). Secondly, internal controls issues should be understandable by management and there should be proper adherence to financial reporting and the ideology of management should be in line with operations of the organization (COSO (2013). Moreover, the structures in the company must be line with operational activities in order

to achieve effectiveness of controls in the environment Onumah et al. (2012). Also, the organization should have knowledgeable and experience personnel in reporting and detection of oversight duties, and lastly, policies and actions on the development of human resources must be implement and develop to assist internal control effectiveness above financial reporting (Ernst and Young, 2003; Onumah et al., 2012; and COSO, 2012, 2013).

2.5.2 Risk Assessment

All organizations face variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is the establishment of objectives, linked at different levels and internally consistent (COSO 2013). Risk assessment involves the dynamic and iterative process which help to identify and analyze risks to achieve the objectives of the organization (Ndungu, 2013). According to COSO (2013), to assess and manage risks, management should specify financial reporting objectives with sufficient clarity and criteria to enable them identify risk to ensure reliable financial reporting. Also, the company must analysis the risk if identified to ascertain it causes and find the appropriate solutions to the achievement of organizational objectives. Ndungu (2013) asserted the potential for material misstatement as a result of fraud should be explicitly considered in assessing risks to the achievement of financial reporting objectives.

2.5.3 Control Activities

The COSO framework (2013) defines control activities as the policies and procedures that help ensure that management directives are carried out. Manwada, (2008) describes it as an established rule, policies and procedures that help management to direct and mitigate against risks for organizations to achieve their expected results. Under the

control activity, necessary actions related to financial reporting should be adhered to solve possible risks (Manwada, 2008). Also, the procedures and actions in relation to the reliability of reporting should be recognized and the information of such actions or procedures have to be disseminated to all functional of the organizations. Also, an effective control activity involves the use of applicable technology in designing and implementing decisions that support the attainment of the objectives of financial reporting.

2.5.4 Information and Communication

This element or components help the organization to carry out internal control responsibilities and enables personnel to understand internal control responsibilities and their important to the achievement of objectives. It gives out reports on the activities, financial compliance information to help organization to function properly (COSO, 2013). Ndungu (2013) argued that information is not enough but should be backed by effective communication within the entire organization. In other words, there should be broad communication channels and medium that ensures that information flows easily from top, down and across all sections of the entity (Badara and Saidin, 2013). The information and communication follows certain procedures in order to assess the effectiveness of internal control according to COSO (2013). Firstly, pertinent information must be identified, captured and used at all levels of the company. Secondly, the information used to execute other control components must be communicated to enable and support understanding and execution of internal control objectives, processes and individual responsibilities at all levels of the organization. On the whole, this component is about gathering the right and necessary information and communicating it to the right people for the attainment of organizational objectives.

2.5.5 Monitoring Activities

These are the ongoing evaluations or separate evaluations by auditors to ascertain whether each of the other components of internal controls are present and functioning. If the evaluation responses are ineffective or delayed, the corrective responds from management may reduce the credibility of monitoring activities. The scope and frequency of separate evaluations primarily depend on an assessment of risks and the effectiveness of ongoing monitoring procedures. Any deficiency in the internal control should be reported to the appropriate higher level in the chain of command for corrective actions, and serious matters should be reported immediately to top management. Ernst and Young (2003) asserted that internal control deficiencies identified by internal or external auditors must be communicated in a timely manner to parties responsible for taking corrective action, and to management and the board as appropriate. Therefore, there should be periodic, continuing and distinct assessments by internal auditors to assess their internal controls and early detection of lapses in internal controls must be communicated timely to interest stakeholders for proper corrective actions.

2.6 EFFECTIVENESS OF INTERNAL CONTROL SYSTEM

Internal control effectiveness is related to the fluidity of the systems' internal interaction and how rooted the system is in the company's processes. One of the important factors that ensure internal control effectiveness and assurance is the institution of agents of effectiveness (Ayagre, Appiah-Gyamerah, and Nartey, 2014). These agents of effectiveness are vibrant board and autonomous internal audit office. Even though internal control is procedural, its effectiveness is a state of the process. Ayagre, et al (2014) indicated that it is important to continually evaluate the internal

control systems intermittently. Internal control effectiveness is assessed on three levels. These are: 1) the degree to which the directors comprehend that the organization's objectives are being realized; 2) the reliability of published financial statements; and 3) compliance with appropriate rules and guidelines.

According to COSO (1994), an internal control framework can be judged to be viable on the high level Amudo and Inanga (2009) stated that a deficient internal control system is the one that ignores how internal control components can be measured but emphasized on elaborate control framework. COSO (2011) indicated that the effectiveness of the individual components determines the effectiveness of the entire control structure. Thus the effectiveness of the five control components determines the control framework's effectiveness. Accordingly, evaluating control structure effectiveness must be in tandem with the individual components. However, the effectiveness of control a framework is a subjective decision on the individual components of entire the control system (COSO, 2011). The internal control evaluator must comprehend the individual workings of the five control elements, the working philosophies of the control elements, and the application of the components throughout the company (Agyare, et al, 2014).

The essence of internal control is to prevent, correct and detect errors and possibly frauds in the business. In view of this, this researcher is of the view that, an effective internal control is the one that is able to: prevent errors from occurring; detect errors if they occurred; and correct detected errors. COSO (1994) indicated that the control effectiveness levels across different businesses stem from the diverse ways of implementing, controlling, and monitoring systems adopted. The effectiveness of controls are subjective decisions on whether there is a sound assertion that the aims of internal control are being met.

2.7 LIMITATIONS OF INTERNAL CONTROL SYSTEM

No matter how well internal controls are designed, they can only provide reasonable assurance that objectives have been achieved (COSO, 1999). Some limitations are inherent in all internal control systems (Mercer University, 2015). These include:

2.7.1 Judgment

The effectiveness of controls will be limited by decisions made with human judgment under pressures to conduct business based on the information at hand. According to Lannoye (1999) effective internal control may be limited by the realities of human judgment. Decisions are often made within a limited time frame, without the benefit of complete information, and under time pressures of conducting agency business. These judgment decisions may affect achievement of objectives, with or without good internal control. Internal control may become ineffective if management fails to minimize the occurrence of errors, for example misunderstanding instructions, carelessness, distraction, fatigue, or mistakes (Lannoye, 1999).

2.7.2 Breakdowns

Even well designed internal controls can break down. Employees sometimes misunderstand instructions or simply make mistakes. Errors may also result from new technology and the complexity of computerized information systems.

2.7.3 Management Override

High level personnel may be able to override prescribed policies and procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes. According to Lannoye (1999), management may

override or disregard prescribed policies, procedures, and controls for improper purposes. Override practices include misrepresentations to state officials, staff from the central control agencies, auditors or others. Management override must not be confused with management intervention (i.e. the departure from prescribed policies and procedures for legitimate purposes). Intervention may be required in order to process non-standard transactions that otherwise would be handled inappropriately by the internal control system. A provision for intervention is needed in all internal control systems since no system anticipates every condition.

2.7.4 Collusion

Control systems can be circumvented by employee collusion. Individuals acting collectively can alter financial data or other management information in a manner that cannot be identified by control systems. The effectiveness of segregation of duties lies in individuals' performing only their assigned tasks or in the performance of one person being checked by another. There is always a risk that collusion between individuals will destroy the effectiveness of segregation of duties. For example, an individual receiving cash receipts from customers can collude with the one who records these receipts in the customers' records in order to steal cash from the entity (Williams 2009).

2.8 EMPIRICAL REVIEW

There are various studies carried out to assess the nature of the internal control systems of companies. Some of these studies were carried out in Kumasi, Africa, and other parts of the world. These researches came out with different results. In this section, empirical findings relating to components of internal control systems are reviewed. Tunji (2013) conducted on the topic, "Effective Internal Controls System as Antidote for Distress in the Banking Industry in Nigeria", which examined the role of effective internal controls

system in the reduction or total elimination of distress in the banking sector in Nigeria. A survey research design was adopted in which fifty-six workers of selected deposit money banks were used and data were collected using questionnaire. Tunji (2013) study has shown the importance of effective internal control system by correlating effective internal control system to business operational issues such as fraud detection and accuracy and reliability of records. However, Tunji (2013) study differs from this research in two major ways. Firstly, the research design of Tunji (2013) study is causal while this research adopted the descriptive research design. Secondly, the study location of Tunji (2013) was deposit banks in Nigeria but this research focus on Judicial Service of Kumasi using Kumasi Judicial Service as case study.

Another one was conducted by Giriunas (2009) on the topic “Evaluation of Condition of Internal Control System in the Company”. Assessment of this study shows that the components of the internal control system of the companies studied are internal control environment, data generation system, information and communication connection, system of indicators, and feedback. This means that Giriunas (2009) used internal control model other than the COSO framework since the components revealed in his studies are quite different from the COSO framework which this current research adapts.

Also, Teketel and Berhanu (2009) researched on the topic “Internal Control in Swedish Small and Medium Size Enterprises”, revealed that the components of the internal control system of the seven SMEs investigated are sound control environment, sound risk assessment process, sound operational control activities, effective information and communication system, effective monitoring and evaluation system. The researchers added that the components of the internal control system revealed in the study were in

line with the COSO theoretical framework. Even though the study discovered the different parts of the internal control frameworks of the selected SMEs to be in line with the COSO framework, it cannot be gainsaying that similar discovery can be made in the current study.

Empirical evidence of findings in Kumasi becomes imperative. Afum (2011) in his study, *Evaluation of Internal Controls in Papso Kumasi Limited*, discovered that Papso Kumasi Limited has effective internal control system and the internal auditor contribute immensely to it, but he is not independent. Analysis from Ali (2013) shows that the majority of respondents (32%), can confirm that adherence to internal control mechanisms in the firm can be described as poor. Another 9% also describes adherence as very poor, while 19% of respondents can describe adherence to be barely acceptable. In the opposite sense, 22% of employees asserted that adherence to the internal controls in the organization is good while another 18% of employees also described the system's adherence rate to be very good.

A recent study conducted by Ayagre and Appiah-Gyamrah (2014) on the topic, "The effectiveness of Internal Control Systems of banks: The case of Kumasi banks", discovered that solid controls exist in the control environment and monitoring activities parts of the internal control systems of banks in Kumasi. Even though the Authors used the COSO framework, they focused only on the control environment and the monitoring aspects in which this current research focuses on all the aspect of the COSO framework.

2.9 CONCEPTUAL FRAMEWORK

The literature review examined a number of concepts relating to internal control systems, types and components of internal control systems and effectiveness of internal control systems. The empirical literature review examined studies that have

investigated the effectiveness of internal control systems, and the results seems to be good and that there is some sound or effective internal controls systems in organizations. However, majority of the studies did not examine all the five main components of internal controls systems, and none of the studies concentrated on public agencies. This research work examines all the five main components of internal control systems to find out whether they are effective in public institutions using Judicial Service agency in Kumasi as case study. We adopted the COSO (2013) framework for our study.

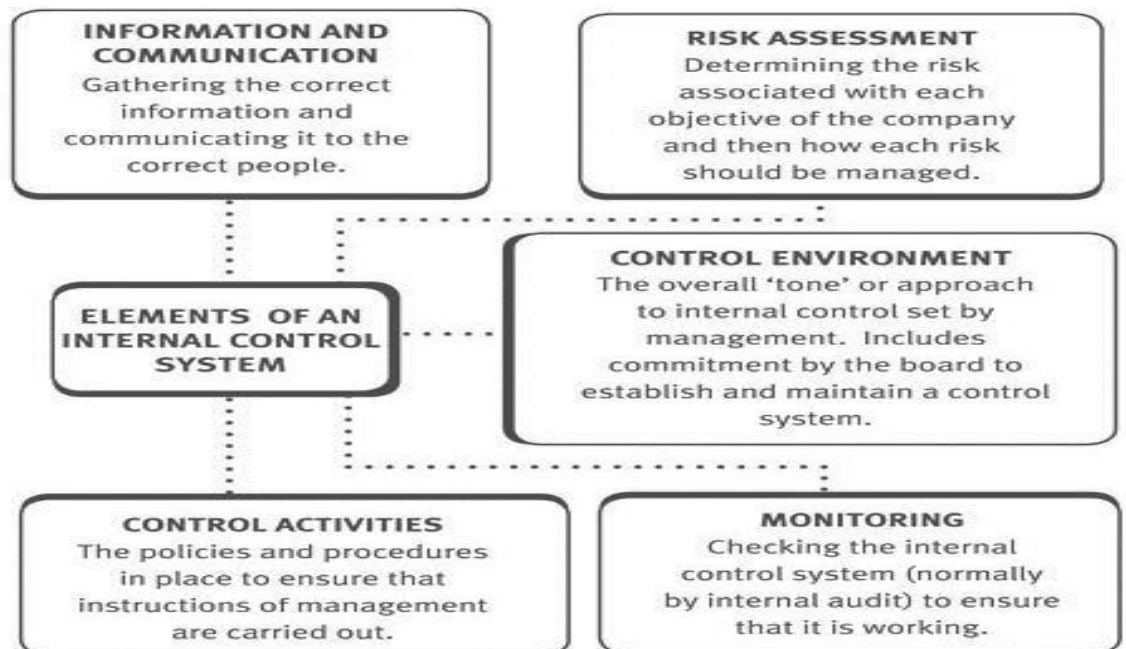


Figure 2.1: Adopted COSO (2013) framework

CHAPTER THREE

RESEARCH METHODOLOGY AND PROFILE OF JUDICIAL SERVICE

3.1 INTRODUCTION

The chapter outlined the research methods that was used in conducting the study. The chapter presents the research design, population of the study, sample and sampling techniques, data collection, variability and reliability of data, and data analysis. It further outlined the conceptual framework and the model used for the study. The chapter concludes by giving a brief profile of the company used for study.

3.2 RESEARCH DESIGN

Research design is the design and structure of inquiry to help obtain responses to answer research question. A descriptive research design was used in this research. The main goal of descriptive research design is to give facts on characteristics of a phenomenon or population. Also, descriptive research is used as a pre-cursor to quantitative study since it provides the overall outline of valuable variable(s) that are worth in testing quantitatively.

The research used a case study as a strategy to examine whether budgeting practices affects the financial performance of government institutions using Judicial Service of Kumasi, Kumasi. A single point of data was collected from each participant among departments, and it is less costly compare to longitudinal study and the results from the sample are inferred to the larger population.

3.3 POPULATION OF THE STUDY

The population for the study were all staff of Judicial Service of Ghana in Kumasi metropolis. They are grouped into administrative and non-administrative staff. The

administrative staff comprises the registrars, accountants and auditors, clerks, cashiers, recorders and secretaries, whereas the non-administrative for the purpose our study are the lawyers.

3.4 SAMPLE AND SAMPLING TECHNIQUE

As indicated earlier, the study focuses attention to the Kumasi agencies of Judicial Services and due to limited time frame and financial constraint, a sample was selected. In order to achieve the intended purpose of this study, the sample size of hundred (100) respondents were selected from various courts in Kumasi which comprises court of appeal, high court, circuit court and district court. The Table 3.1 below depicts the distribution of the sampled respondents.

Table 3.1 The attribution of sample

<i>Department</i>	<i>Number of Staff</i>
Non-administrative	20
<i>Administrative</i>	
Registrars	10
Finance/Accounting (including cashiers)	25
Auditors	12
Court Clerks	18
Recorders (including secretaries)	15
Total	100

The researcher adopted the purposive sampling technique. The purposive sampling method for the non-administrative staff (judges, lawyers) and simple random sampling for the non-administrative staff division. In purposive sampling, the selection of the

sample was based on judgment of the researchers such that those selected are the key individuals who can give the information required for the study.

3.5 SOURCES OF DATA

The study used primary data using questionnaire to collect quantitative data. This instrument was preferred because of its low cost even when the population is large, its free from the biases of the interviewer, and respondents have more time to give well thought answers. Also, this was to obtain favorable and objective response from the administrative and non-administrative staff of court of appeal, high court, circuit court and district court in the Kumasi metropolis to find out the effectiveness of internal control practices in their agency. Also, this method was selected in order to get a high response rate.

3.6 DATA COLLECTION PROCEDURE

Survey questionnaire has been used to collect the quantitative data. The questionnaires have been administered to respondents from various courts in Kumasi which comprises court of appeal, high court, circuit court and district court in order to obtain their perceptions of the effect of the integrated system of internal controls effectiveness of Judicial Services agencies in Kumasi. The questionnaires were given personally to collect the primary data from staff of Judicial Services in the Kumasi Metropolis. The questionnaire instrument was in form of statements measured on a five-point scale. The instrument was separated into two sections. The first section contained questions on the profile of respondent, and the second section was on the five main components of internal control systems to assess its effectiveness.

3.7 DATA ANALYSIS

For easy analysis of data, the questionnaire statements were coded according to the scales number chosen by respondents. The questionnaires retrieved for the purposes of the analysis were coded in Microsoft excel and then exported to SPSS version 21 for data analysis. The data analysis was basically on descriptive in table suing mean, standard deviation, minimum and maximum values to assess the effectiveness of internal control systems components. Also, the demographics of respondents were analyzed descriptively using frequencies and percentages. The data was systematically presented according to theme following the chronology of research objectives that enabled easy interpretation of the findings.

3.8 VALIDITY AND RELIABILITY OF DATA

The degree to which result of a study is consistent over a period and accurately represent the whole population is known as reliability of data. Also, the degree to which the results of the study can be reproduced under similar methodology to get the same results can be considered as reliable According to Kirt and Miller (1986), reliability of data is grouped into three main types; the degree to which a measure repetitively remains the same or similar, the stability of a measure over a period and the similarity of a measurement within a given period. The consistence within which a questionnaire is answered remains relatively the same can be determined through test methods at two different times. Validity decides whether the study actually measures what is proposed to measure and how authentic is the research result. The research question or hypothesis determine which data is to gathered and how to gather. To ensure the validity of data, a pilot test was done on a few staff of Judicial Service (JS) in which ten copies of the questionnaires were given out. After the pretest the questionnaire was appropriately amended and revised

3.9 ETHICAL CONSIDERATIONS

Ethical considerations were dully observed by the researcher. This is due the fact that contemporary organizations operate in a competitive environment hence information obtained well protected from other private agencies in the judicial service or protect themselves from other competitors. With this in mind, the researcher ensued that all information collected are treated with the highest level of confidentiality.

3.10 PROFILE OF JUDICIAL SERVICE OF KUMASI

The Bond of 1844 signed on 6th March by Commander H. Hill with the Fanti Chief of Cape Coast was a document that acknowledged the power and jurisdiction which had been de facto exercised in the territories adjacent to the British Forts and Settlements. It was a declaration that the first objects of law are the protection of individuals and property and human sacrifices, the kidnapping of hostages for debts and other barbarous customs are abominations and contrary to law. It was further agreed that serious crime should be tried by the queen's Jurisdiction Officers sitting with the Chiefs molding the customs of the country to the general principles of British Law.

In 1858, the Supreme Court Ordinance was passed establishing the Supreme Court of Her Martyrs forts and settles in the Gold Coast, which had in 1850 been severed from Sierra Leone and given its own governor in the person of commander Governor Hill. In 1866 the Charter of 1859 was revoked with executive Council and Supreme Court was also abolished which was replaced by court of Civil and Criminal Justice resided over Magistrate. In 1876 Supreme Court of Gold Coast was established which was constituted by Chief Justice and not more than for Puisne Judges. Currently the courts in Kumasi is made up of Supreme Court, Appeal Court, High Court, and Regional

Tribunals made up of Superior court and the Circuit and District Courts are the lower court.

The vision of judicial service is justice without barriers and mission of the service is to promote smooth and efficient administration of justice to all manner of person without fear or favour, affection or ill will thereby creating enable environment for good governance (JS Report 2016). The objectives are to promote rule of law, transparency, accountability and anti-corruption. Promote and uphold human rights and improve access to justice and change public perception and build public confidence about judicially. Also to improve efficiency and speedy delivery of justice.

The courts in Kumasi structured into two the superior courts and the lower courts. Currently the superior courts in Kumasi are made up of Supreme Court, Appeal Court, High Court, and Regional Tribunals made up of Superior court and the Circuit and District Courts are the lower court. The Supreme Court is the final appellate body of the whole courts in Ghana. The Appeal Court has no original jurisdiction. It serves as the appellate court for high court and circuit courts on civil matters. The High Court is duly constituted by a single judge unless he is required to sit with a jury or assessor. It has original jurisdiction in all matters civil and criminals. Currently it served as appellate body appeals from criminal judgments of the Circuit Court and all appeals from District Courts. The high courts are specialized into fast tract, human right, land, commercial, industrial and regional tribunals. The lower courts are also groups into circuit courts, district court, gender court, juvenile court motor court and family tribunal courts.

The Ashanti Region currently has 12 superior courts and 40 lower courts. The Service presently has a staff strength of 5,102 out of which 375 are Judges and Magistrates.

The remaining 4,727 are administrative staff (JS Annual Report, 2016). Judicial Service was chosen as case study design because it has the entire demographic characteristic that could be enough to make generalizations on the study areas or the entire population (Patton 2001). Judicial service was used because it has outsourced all its revenue collection. The casual instigation also revealed that the management were willing to receive the outcome of the report and therefore they were willing to allow me use all the important data in the court. Finally considering the limited time within which to finish this thesis and submit reports the researchers chose judicial service Kumasi in order to save time and cost.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

The chapter contains data analysis and discuss of findings from descriptive statistics of retrieved data or responses. The descriptive statistics are from the test results of our survey instrument on 100 respondents from Judicial Service in Kumasi. The chapter gives the statistical profile of respondents, and descriptive statistics of five COSO framework.

4.1 STATISTICS FOR RESPONDENT'S PROFILE

This session outlines the demographics and profile of respondents. The section shows the descriptive statistics of gender, the educational background of respondents, the current position of the respondents, the professional qualification and the range of years' respondents have worked with their companies. Below are the discussions of findings:

4.1.1 Gender

The result shows that 61 of the respondents out of the 100 respondents representing 61% were males and 39 of the total sample size representing 39% were females. The result implies that males were the majority of our respondents retrieved from Judicial Service institutions in Kumasi, Kumasi.

Table 4.1 Descriptive statistics for Gender

Gender	Frequency	Valid Percent	Cumulative Percent
Male	61	61	61
Female	39	39	100
Total	100		

Source: Field Survey (2018)

4.1.2 Educational Background of Respondents

In terms educational background of respondents, majority of the respondents 39 representing 39% hold Diploma certificate, followed by 26 representing 26% have Bachelor degree, and 22 representing 22% have Master's Degree. 13 of the respondents have other certificate representing 13%.

Table 4.2: Descriptive statistics for Respondent's Education

Education	Frequency	Valid Percent	Cumulative Percent
Diploma	39	39	39
Bachelor Degree	26	26	65
Master's Degree	22	22	87
Others	13	13	100
Total	100	100	

Source: Field Survey (2018)

4.1.3 Professional Qualification

In terms of professional qualification of respondents, only 32 out of the 100 respondents responded. 23 lawyers representing 23% are members of Ghana Bar Association (GBA), 9 were having ICA representing 9% including CIMA. The remaining 68

respondents do not give out their professional qualification which could be that they do not belong to any professional bodies.

Table 4.3: Descriptive statistics for Professional Qualification

Profession	Frequency	Valid Percent	Cumulative Percent
Lawyer (GBA)	23	23	23
ICA/CIMA	9	9	32
None	68	68	100
Total	100	100	

Source: Field Survey (2018)

4.1.4 Rank/Department

Out of 100 respondents, 29 representing 29% were lawyers, 12 representing 12 percent were registrars, 38 of the respondent representing 38% were accounting/finance staff, 13 representing 13 percent were from audit department, 8% were court clerks (including recorders). Majority are lawyers and respondents from accounting and finance department.

Table 4.4: Descriptive statistics for Ranks/Departmental Staff

Department	Frequency	Valid Percent	Cumulative Percent
Judges/Lawyers	29	29	29
Regsitrar	12	12	41
Finance/Accounting	38	38	79
Audit	13	13	92
Court Clerks	8	8	100
Total	100	100	

Source: Field Survey (2018)

4.1.5 Working experience

Finally, most of the respondents, 59 representing 59% are within the years range 1-10 years. This is followed by 11-20 years representing 23%, then to 21-30 years representing 11% and 7% have worked within the judicial service for 30 years and above. This results shows that majority of the respondents have work with the judicial service for the last 10 years.

Table 4.5: Descriptive statistics for Respondent's Working experience

Number of Years	Frequency	Valid Percent	Cumulative Percent
1-10 years	59	59	59
11-20 years	23	23	82
21-30 years	11	11	93
30 years and above	7	7	100
Total	100	100	

Source: Field Survey (2018)

4.2 DESCRIPTIVE STATISTICS OF INTERNAL CONTROLS EFFECTIVENESS

4.2.1 Risk Assessment

The risk assessment focused on 3 main variables as shown in Table 4.6. From, the results, most of these Judicial Service institutions have adopted the significant changes in auditing standards and IFRS compliance in relation to internal controls since this variable had the highest overall mean of 4.25. This was followed by the second variable with a mean of 4.20. This implies that Judicial Service have put in place mechanisms are in place to anticipates, identifies and reacts to any deviations that affects the company. The overall mean score under risk assessment was 3.96 which indicates that, Judicial Service institutions have undertaken effective risk management to identify and

prevent emergent risk that may occurred towards the achievement of the objectives of the companies. Also, our results show that there is strong internal control at Judicial Service and they are able to assess and manage associated risks with their operational activities.

Table 4.6: Scores for Risk Assessment

Risk Assessment Variables	Mean	S.D
Entity-level objectives are supported by strategic plans and its application level have been established and communicated.	4.20	0.429
Mechanism are in place to anticipates, identifies and reacts to any deviations of affected that the company.	4.25	0.453
The finance section has adopted significant changes in auditing standards and IFRS in relation to internal control	3.43	0.830
Overall Mean	3.96	

Source: Field Survey (2018)

4.2.2 Control Environment

This component considers policies and procedures actions that reveal the general attitude of top managers of the organization. The control environment focused on 6 main variables as shown in Table 4.7. From, the results, majority of the respondents of Judicial Service recognized and exercised oversight duties for financial reporting and other associated internal controls issues. This had the highest mean of 4.44 with standard deviation of 0.493. This is followed by the fourth statement of mean of 4.26 and standard deviation of 0.45, and implies that there is organization structure, assignment of authorities and responsibilities support internal control over financial reporting. The overall mean score under control environment was 4.02 which indicates that, the control environment of Judicial Service is very effective.

Table 4.7 Scores for Control Environment

Control Environment Variables	Mean	S.D
Ethical values and integrity have be established and complied by top managers in the conduct of financial reporting.	4.16	0.641
Management’s recognizes and exercise oversight duties for financial reporting and other internal controls issues.	4.44	0.493
The ideologies of top managers and the style of operations support internal controls measures.	3.61	0.846
The structure of the company, assignment of authority and responsibilities are in line with its internal controls.	4.26	0.461
Top Managers and employees are assigned to acceptable levels of responsibility and authority	3.84	0.650
Human resource strategies and procedures have been established to facilitate internal controls over financial reporting.	3.83	0.684
Overall Mean	4.02	

Source: Field Survey (2018)

4.2.4 Information and Communication

From Table 4.8, most of the Judicial Service used information and communication systems to their workers and management to carry out their activities. A mean score of 4.37 was reported that information systems are provided by top managers with the required information on the company’s activities relative to established objectives. The high average score of 4.65 indicated that information systems have been established and reviewed centered on strategic goals which is consistent with the company’s general business strategy. Also a mean score of 4.33 was reported to assert that there is adequate communication throughout the organization for employees to perform their duties, and managers takes time and follow proper recommendations and suggestions given by clients and other stakeholders. However, the company has not formed a

continuity or breakdown retrieval plan for its current files and data because this variable item had low mean of 3.10.

Table 4.8: Scores for Information and Communication (IC)

IC		
Variable	Mean	S.D
Informational systems are provided by top managers with the required information on the company's activities relative to established objectives	4.37	0.726
Information systems are established and reviewed centered on the strategic goals which is consistent with the company's general business strategy	4.65	0.463
Management commits and involves the suitable resources to improve the essential information systems, and observes individual participation	3.57	0.521
The company has formed a continuity or breakdown retrieval plan for all its current files and data.	3.11	0.791
Management communicates employees' duties and control responsibilities and has established communication channels for individuals to give out information about alleged improprieties.	3.10	0.528
There is adequate communication throughout the organisation for employees to perform their duties, and managers takes time and follow proper recommendations and suggestions given by clients and other stakeholders.	4.33	0.555
Overall Mean	3.85	

Source: Field Survey (2018)

4.2.3 Control Activities

Under the control activities, 5 statements items were used to assess its effectiveness. From, Table 4.9, the result indicates that the Judicial Service have put in place guidelines and procedures to mitigate risk that may be associated to the objectives of the organization. All the five variable items had more than a mean score of 3.50 which

indicates that, necessary procedures and guidelines are there in relation to the company's operations, objectives outlined by management in relation to budget and other financial reporting statements are clear and communicated, duties are logically divided, and there is periodic comparison of actual and budgeted amounts. Overall mean for control activities was 4.40 which contradicts Onumah et al (2012) empirical results. Onumah et al. (2012) asserted that there is lapses in control activities of listed firms due to low mean score reported, on contrary, Judicial Service have established effective control activities through proper laid down actions or policies and procedures used to prevent risks that hinder the attainment of company's expected goals.

Table 4.9: Statistics for Control Activities

Control Activities Variables	Mean	S.D
Necessary procedures and guidelines are there in relation to the company's operations.	4.09	0.666
Objectives outlined by management in relation to budget and other financial reporting statements are clear and communicated.	4.55	0.564
Duties are logically divided among individuals workers to reduce inappropriate actions	4.47	0.585
There is periodic comparison of actual and budgeted amounts.	4.35	0.868
Policies for controlling access to program and data files have been established.	4.46	0.743
Overall Mean	4.40	

Source: Field Survey (2018)

4.2.5 Monitoring Components

This is the final components of the COSO framework which involves the ongoing evaluations in order to make sure the other components are present and functioning.

The research used three variable items to measure the monitoring components and the results indicated that, there was low recorded mean score of 2.13 which implies that some of the Judicial Service do not make periodic evaluations of internal controls in carrying out their regular duties. A similar observation is that, the second variable as shown in Table 4.10 had a mean score of 2.65 which also indicates that, management of some Judicial Service normally take a lot of time to implements internal controls reports and directives given by external and internal auditors and deficiency in reports are not corrected on time. However, the third variable items had an average of 3.50, which indicated that the company has an internal auditor that monitors the operations of the company. The overall low mean score, 1.66 of the monitoring component indicates that, Judicial Service institutions have lacks solid monitoring principles for its internal control systems.

Table 4.10: Scores for Monitoring Components

Monitoring Components Variables	Mean	S.D
Internal controls are periodically done and workers carryout their routine responsibilities of making sure internal controls continue to work.	2.13	0.97
Managers implement internal controls directives outlined by both external and internal auditors and deficiency in reports are corrected on time.	2.65	1.73
The company has an internal auditor that monitor the operations of the firm.	3.50	0.70
Overall Mean	1.66	

Source: Field Survey, 2017

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This is the final chapter of the research studies and it presents the major findings from the data analysis of the study, the conclusion and recommendation(s) of the research works

5.1 SUMMARY OF FINDINGS

This section gives out the major findings of the five (5) components of COSO framework or the five main research objectives to determine the effectiveness of internal controls systems of Judicial Service institutions in Ghana.

5.1.1 Impact of Control Environment Components on Judicial Service in Ghana

From the results, it was observed that majority of Judicial Service have complete ethical and integrity values observed among managers, and top managers understand and exercise oversight duties over financial reporting and associated internal controls and there is organization structure, assignment of authority and responsibilities that support internal control over financial reporting. On the whole, result on control environment was the second best components among the five components which indicates that, the controls environment of Judicial Service in Ghana are very effective.

5.2.2 Impact of Risk Assessment Components on Judicial Service in Ghana

This component was third best among the five components and clearly the result indicated that most of Judicial Service have adopted significant changes in auditing standards and IFRS compliance in relation to internal controls and have put in place

measures to participate, recognize and respond to any deviations of dramatic and prevalent influence of the company. The results were consistent with previous research works of Onumah et al. (2012) in which they indicated that there is an effective risk management undertaken to identify and prevent emergent risk that may occurred towards the achievement of the objectives of the companies.

5.2.3 Impact of Control Activities Components on Judicial Service in Ghana

This component had the highest overall average score among the other components. The findings also shows that Judicial Service have put in place policies and procedures to mitigate risk that may be associated to the objectives of the organization and all most all the respondents agreed that needed rules and guidelines are there for individual operations and objectives outlined by management in relation to budget and other financial reporting statements, duties are logically divided, and there is periodic comparison of actual and budgeted amounts. The results contradict the results of Onumah et al. (2012) in which they argued that there is lapses in control activities of companies due to low mean score reported, meanwhile the results of this study had the maximum score.

5.2.4 Impact of Communication and Information Components on Judicial Service

The result shows that though most of the Judicial Service used information and communication systems to carry out their activities, some were not good at information and communication dissemination. Also, management has not fully established disaster recovery plan for all its primary data but information systems have been established and reviewed based on the company's tactical objectives and also, information systems

gives top managers the essential account on the company's performance. The finding therefore was that, majority of the Judicial Service in Ghana do not have problems with their information systems but their problem is about how to communicate the information effectively to carry out their operational duties.

5.2.5 Impact of Monitoring Components on Judicial Service in Ghana

The results from the analysis revealed that some of the Judicial Service do not make periodic evaluations of internal controls in carrying out their regular duties and they do not take a lot of time to implements internal controls reports and implements policies outlined by external and internal audit. Also, the results indicated that the deficiencies are not corrected on timely basis but on average the result shows that auditors are there various Judicial Service that assists to monitor the operations of the companies.

5.2 CONCLUSION

From the discussions of the overall average or mean of each components, it was observed that Judicial Service tends to concentrate more on control activities since it is through that policies and procedures are established to mitigate risks, followed by control environment which is the fundamental components that take actions on these strategies and techniques that reveal the general attitude of top managers and then to risk assessment that identify and analyze risks to achieve organizational objectives. However, Judicial Service's information and communication component was minimal though not that bad but some of the variable particularity of non-establishment of breakdown retrieval plan for all their current data and files. The monitoring components was not functioning well in the control systems of Judicial Service which need improvements. On a whole based on the evaluations mean scores, internal controls systems of Judicial Service in Ghana can be described as effective although there were

few scores which was low, however Judicial Service management have applied some measures to ensure that internal controls are properly adhered by staff and stakeholders.

5.3 RECOMMENDATIONS

We recommend that since most of the components of internal control systems were seen to be effective and therefore the Judicial Service in Ghana should continue to deepen their internal control systems in order to mitigate risks and errors as well as fraud which can halt in achieving organizational objectives.

Secondly, it was revealed from the results that managements of Judicial Service have not fully established breakdown retrieval strategy for all its current files and therefore the researcher recommend that, departmental and functional heads must immediately develop a backup system for all its data so that in case of total breakdown of the systems in the companies, there would be existing data for reference to compare results. This can help prevent fraud and other financial malfeasance and non-performance.

Also, the results indicated that some of the management of Judicial Service were not good at information and communication dissemination and therefore, management must establish communication tools for members to give out information of alleged improprieties. Top managers should involve all stakeholders of the companies in their decision making and should not neglect their views. Moreover, there must be appropriate human and financial development to monitor internal resources and monitor user's involvement.

Lastly, Judicial Service must implement reports and recommendations outlined by both internal and external auditors and there should be a periodic evaluations of internal controls to assess whether the systems continue to function.

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APPENDIX
CHRISTAIN SERVICE UNIVERSITY COLLEGE
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
QUESTIONNAIRES

***Topic:** Effectiveness of Internal control system among selected Public Institutions in Kumasi metropolis*

Dear Sir/Madam

This study is being undertaken for academic purpose and any information given will be treated with the highest degree of confidentiality. The questionnaire is divided into two main sections, A, and B. Questions may be answered by ticking [✓] against response (s) that best suits your opinion or filling the space where appropriate. Thank you for your participation.

SECTION A: RESPONDENT'S PROFILE

1. Gender:

[] Male

[] Female

2. Educational background of respondent

[] Diploma

[] Bachelor's Degree

[] Master's Degree

[] Others (Please specify)

3. Please indicate your rank/department/position

[] Judges/Lawyer (Equivalent)

[] Registrar

[] Finance/Accounting (including cashiers)

[] Auditor

- ☐ Court Clerks
- ☐ Recorders
- ☐ Others (Please specify)

4. Please indicate your membership, if any of one or more the following professional bodies.

- ☐ Ghana Bar Association (and its equivalent)
- ☐ ICAG, ACCA, CIMA (and its equivalent)
- ☐ Others professions (please specify):

.....

5. Years worked with the agency

- ☐ 1 – 10 years
- ☐ 11 – 20 years
- ☐ 21 – 30 years
- ☐ 30 years and above

COMPLETING SECTION B

On a scale of 1 to 5, with “1” indicating the greatest need for improvements in internal controls and “5” indicating that a strong system of internal controls already exists, select the number that best describes your current operating environment.

1 = Strongly Disagree 2 = Disagree 3= Neutral 4= Agree 5= Strongly Agree

**PART A: RISK ASSESSMENT COMPONENT OF INTERNAL CONTROLS
SYSTEMS EFFECTIVENESS**

Risk assessment: This involves a dynamic and iterative process which help to identify and analyze risks to achieve the objectives of the organization which forms the basis to determine how to manage risks.

	<i>Risk Assessment Variables</i>			1	2	3	4	5
6	Entity-level objectives are supported by strategic plans and its application level have been established and communicated.							
7	Mechanism are in place to anticipates, identifies and reacts to any deviations of affected that the company.							
8	The finance section has adopted significant changes in auditing standards and IFRS in relation to internal control							

**PART B: CONTROL ENVIRONMENT COMPONENT OF INTERNAL
CONTROLS SYSTEMS EXAMINATION**

Control environment: This component deals with the actions, policies and procedures that reflect the overall attitude of top management of the organization.

	<i>Control Environment Variables</i>	1	2	3	4	5
9	Ethical values and integrity have be established and complied by top managers in the conduct of financial reporting.					
10	Management's recognizes and exercise oversight duties for financial reporting and other internal controls issues.					
11	The ideologies of top managers and the style of operations support internal controls measures.					

12	The structure of the company, assignment of authority and responsibilities are in line with its internal controls.					
13	Top Managers and employees are assigned to acceptable levels of responsibility and authority					
14	Human resource strategies and procedures have been established to facilitate internal controls over financial reporting.					

PART C: INFORMATION AND COMMUNICATION COMPONENT OF INTERNAL CONTROLS SYSTEMS EFFECTIVENESS

Information and communication system: This component help the organization to carry out internal control responsibilities and enables personnel to understand internal control responsibilities and their importance to the achievement of objectives.

	<i>Information and Communication Variables</i>	1	2	3	4	5
15	Informational systems are provided by top managers with the required information on the company's activities relative to established objectives					
16	Information systems are established and reviewed centered on the strategic goals which is consistent with the company's general business strategy					
17	Management commits and involves the suitable resources to improve the essential information systems, and observes individual participation					
18	The company has formed a continuity or breakdown retrieval plan for all its current files and data.					
19	Management communicates employees' duties and control responsibilities and has established communication channels for individuals to give out information about alleged improprieties.					

20	There is adequate communication throughout the organisation for employees to perform their duties, and managers takes time and follow proper recommendations and suggestions given by clients and other stakeholders.					
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PART D: CONTROL ACTIVITIES COMPONENT OF INTERNAL CONTROLS SYSTEMS EFFECTIVENESS

Control activities: These are actions established policies and procedures that help management directives to mitigate risks to the achievement of organizational objectives.

	<i>Control Activities Variables</i>	1	2	3	4	5
21	Necessary procedures and guidelines are there in relation to the company's operations.					
22	Objectives outlined by management in relation to budget and other financial reporting statements are clear and communicated.					
23	Duties are logically divided among individuals workers to reduce inappropriate actions					
24	There is periodic comparison of actual and budgeted amounts.					
25	Policies for controlling access to program and data files have been established.					

**PART E: MONITORING COMPONENT OF INTERNAL CONTROLS
SYSTEMS**

Monitoring Assessment: There are the ongoing evaluations and separate evaluations, or both that help to ascertain whether each of the five components of internal control are present and functioning

	<i>Monitoring Internal Control Variables</i>	1	2	3	4	5
26	Internal controls are periodically done and workers carryout their routine responsibilities of making sure internal controls continue to work.					
27	Managers implement internal controls directives outlined by both external and internal auditors and deficiency in reports are corrected on time.					
28	The company has an internal auditor that monitor the operations of the firm.					

THANK YOU FOR YOUR PARTICIPATION