

**THE IMPACT OF MONITORING AS AN IMPORTANT  
COMPONENT OF INTERNAL CONTROL SYSTEM ON  
PRODUCTIVITY.**

**(A CASE STUDY OF GHANA TELECOM KUMASI)**

**GADDIEL ANSAH**

**MAY, 2008**

Investigation Report submitted to the Business Administration Department of  
Christian Service University College in partial fulfillment of the requirement for the  
degree of Bachelor of Business Administration.

Supervisor:

Mr. Philip Antwi Agyei.

## ABSTRACT

The main objective is to assess the effect of monitoring as an important component of internal control system on productivity and recommend ways of managing it in Ghana Telecom, Kumasi the leading company in the telecommunication industry in Ghana.

Using the conventional questionnaires administrative, interviews and observations, analysis of data collected from the staff of Ghana Telecom, Kumasi to know how internal controls and to emphasis on the monitoring component and to know how it affect productivity. It also found out that management had little attention for internal control systems. Furthermore, it was observed that management does not review internal controls regularly and in time.

It is recommended that management should manage the internal control system of the company with emphasis on monitoring as an important component of an internal control system by:

1. Periodically find out the extent to which the workers are working with the internal control system through questionnaire to the staff.
2. Making the internal control system flexible for changes in environmental and technological changes.
3. Open door communication policy.
4. They should also aim at putting in place forcible indicators of internal control system with emphasis on the monitoring component.

The study concluded that staff performance has drop as a result of less monitoring of the internal control system of the company.

## TABLE OF CONTENT

CONTENT	PAGE
Declaration	i
Dedication	ii
Acknowledgement	iii
Abstract	iv
<b>CHAPTER ONE</b>	
<b>INTRODUCTION</b>	
1.1 Background Of The Study	1
1.2 Problem Statement	1
1.3 Objectives of the Study	2
1.4 Research Question	2
1.5 Significance Of The Study	2
1.6 Organisation of the Study	3
<b>CHAPTER TWO</b>	
<b>LITERATURE REVIEW</b>	
2.1 What is Monitoring?	4
2.2 The Role of Monitoring	4
2.3 Structure of Effective Internal Control Systems	5
2.4 Fundamentals of Monitoring	8
2.5 Attributes of Ongoing Monitoring And Separate Evaluations	9
2.6 Attributes of Effective Communication and Follow-Up	9
2.7 Elements of Effective Monitoring	10
2.8 Designing Effective Monitoring	11
2.8.1 Prioritizing and Designing Monitoring Procedures	12
2.8.2 When and How Often To Monitor?	12

2.8.3	Formality of Monitoring and Level of Documentation	12
<b>CHAPTER THREE</b>		
<b>METHODOLOGY</b>		
3.1	Introduction	13
3.2	History of Ghana Telecom	13
3.3	Key Organisational Activities.	15
3.4	Research Design	15
3.5	Population and Sampling	15
3.6	Instrument Used and Research Process	16
3.7	Data Collection Procedure	16
3.8	Limitation of the Study	16
3.9	Data Analysis Procedure	17
<b>CHAPTER FOUR</b>		
<b>ANALYSIS AND DISCUSSIONS OF FIELD SURVEY DATA</b>		
4.1	Introduction	19
4.2	Management's Concern About Monitoring	21
<b>CHAPTER FIVE</b>		
5.1	Summary of Research Findings	24
5.2	Conclusions	25
5.3	Recommendations	25
	References	26
	Appendix	28

# CHAPTER ONE

## INTRODUCTION

### **1.1 Background Of The Study**

Internal control systems exist to help organizations meet their goals and objectives. They enable management to deal with changes in internal and external environments. They also promote efficiency, reduce the risk of loss, and help ensure financial statement reliability and compliance with laws and regulations.

Internal control is, therefore, critical to the success of any organization. When it is effective, management and the board have reasonable assurance regarding achievement of an organization's goals and objectives. When it is not effective, neither management nor the board has such assurance. It follows, then, that organizations need a mechanism for assessing the quality of their internal control systems' performance over time. That mechanism is monitoring.

Effective monitoring helps ensure that internal control continues to operate effectively. It involves assessment by appropriate personnel of the design and operation of controls on a suitably timely basis, and the taking of necessary actions.

Monitoring is most likely to achieve its purpose through the mutually dependant characteristics of effectiveness and efficiency. Over time, ineffective monitoring leads to control breakdowns, which reduce the efficiency of the entire internal control system. Likewise, inefficient monitoring may limit an organization's ability to focus finite resources in the areas of greatest risk, thus reducing its effectiveness.

### **1.2 Problem Statement**

During the past several years, public companies and particularly smaller public companies have struggled with how to comply with the new legal and regulatory requirements in a cost effective manner. One key factor in making the assessment more

efficient and effective is the proper understanding of, and implementation of, the monitoring component of the Internal Control Framework of every Organisation.

It is for this reason that this was undertaken to identify the practical challenges associated with monitoring as an important component of the system of internal control in an organization.

### **1.3 Objectives of the Study**

The purposes of the study are to:

1. Identify the role of monitoring as an important component of internal control system.
2. Assess the impact of monitoring on the profitability of Ghana Telecom?
3. Assess the challenges associated with monitoring as a component of internal control system.

### **1.4 Research Question**

Bases on the above stated objective the following served as research questions to guide the study:

1. What is the role of monitoring in the internal control system of Ghana Telecom?
2. What are some of the practical challenges associated with monitoring as part of the internal control system?
3. How can the monitoring process be improved

### **1.5 Significance Of The Study**

The research principles and the concepts can support all forms of business internal control system. This research is designed to further develop the understanding of effective monitoring so that organizations can;

- (1) Recognize and properly utilize effective monitoring where it exists, and
- (2) Implement effective monitoring where it is needed.

Monitoring is most likely to achieve its purpose through the mutually dependant characteristics of effectiveness and efficiency. Over time, ineffective monitoring leads to

control breakdowns, which reduce the efficiency of the entire internal control system. Likewise, inefficient monitoring may limit an organization's ability to focus finite resources in the areas of greatest risk, thus reducing its effectiveness.

## **1.6 Organisation of the Study**

For the systematic and orderly presentation of ideas, the report has been organized into five chapters. Chapter one covers the introduction aspect of the research work. The main sections in the chapter one include objectives of the study, research questions and organization of chapters.

Chapter two presents the literature reviews that were used in the study. Chapter three covers the methodology adopted for the study. This includes the population and sampling techniques, sources of data, data collection instruments, data analysis and the limitation of the study.

Chapter four presents the results and discussions of the study. Chapter five highlights the summary, conclusion and recommendations from the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 What is Monitoring?**

In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Defines monitoring as a component of internal control system as “the fifth component of internal control system to ensure that internal control continues to operate effectively.”

#### **2.2 The Role of Monitoring**

In an effective internal control system, the COSO Framework’s five components work together, providing reasonable assurance to management and the board of directors regarding the achievement of the organization’s objectives. The effective operation of the monitoring component enables management and the board to determine whether the internal control system — which includes all five components — continues to operate effectively over time. It also promotes good control operation through oversight.

Monitoring is effective when it leads to the identification and correction of control weaknesses before they materially affect the achievement of the organization’s objectives. For example, monitoring should be designed to identify and correct weaknesses in internal control over financial reporting before they can result in a material misstatement of an organization’s published financial statements. In an operational setting, monitoring should be expected to identify and correct weaknesses in controls over a manufacturing process before they lead to the production and sale of defective goods.

Just as the presence of effective monitoring helps ensure and promote good internal control operation, a lack of effective monitoring leads eventually to deteriorating internal control systems. Internal controls within any or all of the five components may change or cease to be performed, or the circumstances for which controls were created may change, rendering them less effective or ineffective.



No system of internal control can guarantee that all control weaknesses that may result in material errors will be prevented and detected. However, effective monitoring programs will help ensure that internal control continues to operate effectively.

The scope (i.e., the type, timing and extent) of monitoring necessary to support conclusions about a system's effectiveness varies depending on the circumstances. The risk-assessment component of internal control provides the information necessary to make those determinations. In any case, the level of effort in monitoring should be proportionate to the importance of the underlying controls.

Some variables to consider in the risk assessment process, which are discussed further in this document, include the size and complexity of the organization, the nature of an organization's operations, the purpose for which monitoring is being conducted, and the relative importance of the underlying controls in meeting the organization's objectives.

The process of effective monitoring requires thoughtful planning and the evaluation of persuasive information to support conclusions regarding the effectiveness of the internal control system. Monitoring must become part of an organized effort that goes beyond simple observation of operations. It should be designed to provide evidence that:

- The internal control system remains effective, both in its current operation and in its ability to respond to changes in relevant risks; and
- Control weaknesses are analyzed, and appropriate follow-up actions are taken that address root causes.

### **2.3 Structure of Effective Internal Control Systems**

The KPMG report 2006 states that: internal control is a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.



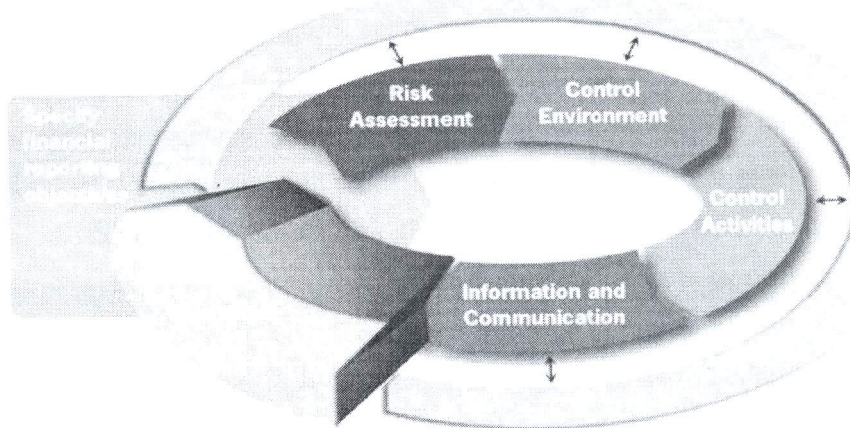
**Figure 2.1:** The Internal Control Integrated Framework

Source : KPMG Review Report (2006)

Organizations achieve these objectives through the operation of the five interrelated components of internal control, which are inherent in the way management runs the enterprise. The five components are linked and serve as criteria for determining whether the internal control system is effective.

The concepts embodied in the KPMG are frequently presented in terms of a three dimensional cube (Figure 2.1) that depicts the five components operating across each internal control objective and within all organizational units and activities. The cube not only demonstrates the connections between objectives and components, it also illustrates that the control components operate at different levels across the organization, a concept that is often overlooked. Like the other control components, monitoring can operate at different levels. As organizations increase in size, evaluators at the highest organizational

levels — who are removed from direct interaction with control components or process owners — often monitor by evaluating the results from lower-level monitoring. Conversely, in smaller organizations, evaluators often have more direct exposure to the operation of controls.



**Figure 2.2:** The COSO Monitoring Process

Source : COSO Review Report (2006)

The interrelationships embodied in the components of the KPMG report 2006 have also been illustrated in the process-oriented graphic included in COSO's 2006 Internal Control over Financial Reporting — Guidance for Smaller Public Companies (COSO's 2006 Guidance). This graphic (modified in Figure 2.2) depicts the internal control system as a process, whereby the monitoring component evaluates the effectiveness of all five components.

This process view of the COSO Framework shows that internal controls are developed

- (1) In response to one or more identified risks that affect the achievement of organizational objectives,
- (2) Within the context of an effective control environment, and
- (3) With proper information and communication. The process includes:
  1. Setting objectives;
  2. Identifying risks to achieving those objectives;
  3. Prioritizing those risks;
  4. Designing and implementing appropriate responses to the risks (e.g., internal control);

5. Identifying and prioritizing monitoring needs based on the level of risk, the nature of the controls designed, and the possibility of control failure;
6. Designing appropriate monitoring procedures that use appropriately persuasive information; and
7. Communicating results to management and others and taking any necessary corrective action.

Monitoring procedures, when designed and applied effectively, result in action to identify control weaknesses, report them, assess them, and correct their root causes — not just in the control activities component, but throughout the internal control system. Root causes of control weaknesses relate either to the failure of controls to operate as designed due to unintentional or intentional errors (in which case training, discipline, or control redesign may be in order) or to the improper design of controls so as to address the risk effectively (in which case the corrective action involves implementing better controls).

## **2.4 Fundamentals of Monitoring**

Statement of international standard states that “Monitoring is an assessment by appropriate personnel of the design and operation of controls on a suitably timely basis and the taking of necessary actions”. The result of that assessment may or may not be made public through a written report or assertion. COSO’s 2006 Guidance articulated 20 principles — focused on financial reporting — that organizations can use in evaluating whether they are achieving the financial reporting objectives in all five components of internal control system

Although COSO’s 2006 Guidance was developed specifically for smaller public companies, the 20 principles can be applied to any organization, large or small, public or private, for-profit or not-for-profit, or governmental and are not limited to use in year-end evaluations. Two of the principles in COSO’s 2006 Guidance relate directly to the monitoring component as follows:

Principle 19: “Ongoing and/or separate evaluations enable management to determine whether the other components of internal control over financial reporting continue to function over time.” Principle 20: “Internal control weaknesses are identified and communicated in a timely

manner to those parties responsible for taking corrective action and to management and the board as appropriate.” COSO’s 2006 Guidance also identified specific attributes that are associated with each principle. These attributes are designed to assist the organization in evaluating whether an approach to monitoring is likely to be effective.

## **2.5 Attributes of Ongoing Monitoring And Separate Evaluations**

Effective monitoring:

- Is integrated, to the extent possible, with operations — Ongoing monitoring is built into the organization’s normal operating activities and automated monitoring routines.
- Provides objective assessments — Ongoing monitoring and/or separate evaluations should provide an appropriately objective consideration of internal control effectiveness.
- Uses knowledgeable personnel — Evaluators understand the components being evaluated and how those components relate to the organization’s objectives.
- Considers feedback — Management and the board receive feedback on the effectiveness of internal control.
- Adjusts scope and frequency — Management varies the scope and frequency of separate evaluations depending on (1) the importance of underlying controls in mitigating meaningful risks to the organization’s objectives, and (2) the results of other monitoring procedures.

## **2.6 Attributes of Effective Communication and Follow-Up**

No system can provide absolute assurance that control failures will not occur, but an effective system should be designed to identify and correct problems before they become material to the organization’s objectives. Principle 20 (“Reporting Deficiencies”) from COSO’s 2006 Guidance identified three attributes that are consistent with that goal:

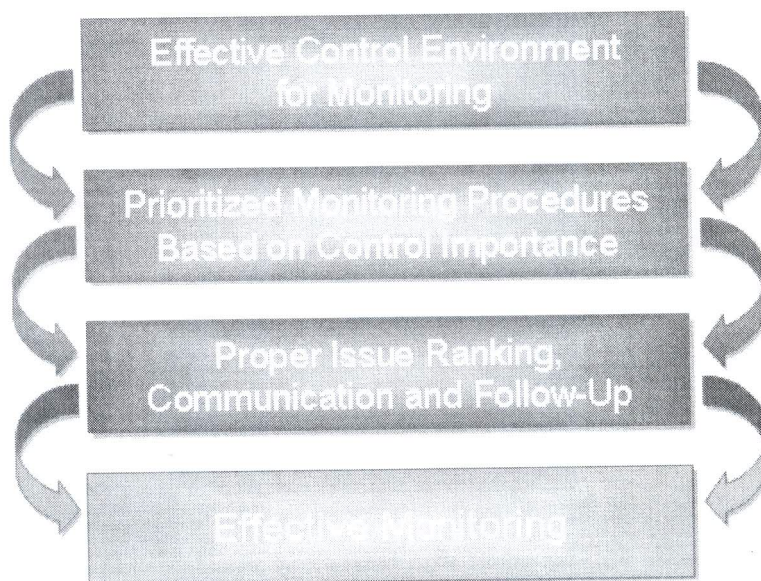
- Report findings — Findings of internal control weaknesses are reported (1) to the individual who owns the process and related controls and who is in a position to take corrective actions and (2) to at least one level of management above the process

- owner.
- Report weaknesses — significant weaknesses are communicated to top management and the board or audit committee.
  - Correct problems on a timely basis — Weaknesses reported from both internal and external sources are considered, and timely corrective actions are taken. These attributes reinforce the need for the right people to receive information such that (1) corrective action can be taken and (2) management can provide sufficient oversight to gain an understanding that the corrective action has been taken.

## 2.7 Elements of Effective Monitoring

Management implements effective monitoring by (see Figure 2.3):

1. Establishing an effective control environment for monitoring, including:
  - A tone at the top that stresses the importance of monitoring, and
  - An effective organizational structure that places people with appropriate skills and authority in monitoring roles.



**Figure 2.3:** Prerequisites for Effective Monitoring

2. Prioritizing monitoring procedures based on the importance of controls in managing or mitigating risk.

3. establishing a communication structure where:

- The results of monitoring, including control weaknesses, are reported to the right people in the organization in a timely manner, and
- Prompt corrective actions are taken as necessary.

## **2.8 Designing Effective Monitoring**

Designing effective monitoring involves prioritizing and designing the procedures and deciding when and how often to perform those procedures.

### **2.8.1 Prioritizing and Designing Monitoring Procedures**

To develop effective and efficient internal control systems, management identifies and evaluates risks to achieving the organization's objectives. This activity, ordinarily performed in the risk assessment component of the COSO Framework, allows management to respond to risks by designing and implementing appropriate controls.

The scope of monitoring necessary (i.e., its type, timing, and extent) may vary depending on:

- The size and complexity of the organization,
- The nature of the organization's operations,
- The purpose for which monitoring is being conducted, and
- The relative importance of the underlying controls in meeting the organization's objectives.

### **2.8.2 When and How Often To Monitor?**

Ongoing monitoring and separate evaluations differ in that ongoing monitoring is ingrained in the daily operations of the organization. As such, it allows the evaluator to identify potential internal control problems on a real-time, or nearly real-time, basis. Ongoing monitoring can occur continuously, especially through the use of automated control monitoring software. It can also be performed on a daily, weekly, monthly, or even annual basis, depending on how often the underlying controls operate. For example, the review of exception-resolution reports for the purpose of verifying that exceptions were properly resolved and root causes were corrected may cover all identified exceptions, but such a review may occur only once per week.

To determine how often ongoing monitoring procedures should be performed, organizations consider the likelihood and significance of the risk's occurrence between evaluations. As the level of risk increases, the interval between monitoring procedures decreases. As noted in "Elements of Effective Monitoring", an organization's change identification and change-management processes form much of the support for these decisions. To the extent evaluators obtain reasonable support that risks and controls have not changed in a given area since the last control baseline was established, they might perform less-frequent separate evaluations. Where changes have or should occur, effective change-management procedures will establish a new control baseline for future monitoring.

### **2.8.3 Formality of Monitoring and Level of Documentation**

As organizations increase in size and complexity, they may find an increased need for formality in their monitoring activities. This need becomes increasingly important when external reporting requirements exist. The increased formality may include areas such as:

- Automated and manual processes to document and retain monitoring information.
- Detailed policies and processes regarding aggregation, evaluation, and reporting of weaknesses to senior management and the audit committee.

Such increased formality can improve the efficiency and effectiveness of monitoring in a large or complex organization. It may also improve the efficiency and effectiveness of external parties, such as auditors or examiners, who might separately evaluate internal control. Absent an external reporting requirement, smaller organizations may require less documentation to support conclusions regarding control effectiveness — especially where senior management and the board have implicit knowledge of control activities. As organizations increase in size, the level of implicit knowledge decreases at the senior management and board levels, thus increasing the need for monitoring documentation. Likewise, when external assertions are required, organizations should maintain documentation of the monitoring activities and results in support of the organization's conclusions about control effectiveness.



## **CHAPTER THREE**

### **MEHODOLOGY**

#### **3.1 Introduction**

The study seeks to research the extent to which staff of Ghana Telecom, Kumasi experience with internal controls. This chapter focuses on the a brief review of the company, research design, population sample, the instrument used and research for the study and lastly, data collection procedures

#### **3.2 History Of Ghana Telecom**

Ghana Telecom was a wing of the then Post and Telecommunications (P&T) Corporation that was established after the World War. Until then, P &T was a department of the Ghana Civil service under the supervision of the Public Works Department (P.W.D).

As part of a restructuring programme under the Government of Ghana's Telecommunications Sector liberation policy, the Corporation was split into two autonomous institutions:

1. Ghana Postal Services (Ghana Post), and
2. Ghana Telecom Company Ltd. (Ghana Telecom)

This was to enable the telecommunications division to function as a commercially viable entity. Thus on June 16, 1995 G.T. was incorporated as a successor to the telecommunications division of the then P&T.

On 20<sup>th</sup> February 1997, Ghana Telecom was officially privatized through the sale of 30% shares to G-Com Ltd., a consortium led by Telecom Malaysia Berhard. The company was given an exclusivity period of five years which ended on 20<sup>th</sup> February 2002.

In February 2002, the Government of Ghana abrogated the Management Contract with G- Com Ltd., and subsequently assigned Telenor Management Partner (TMP) in July 2002 to develop a Business Plan for GT covering the period 2003 -2007.

Following the acceptance of the Business Plan, the Government of Ghana entered into a Management contract agreement with TMP in February 2003 to implement the proposals in the Business Plan.

GT (then P&T) was incorporated 1974. The enactment of the statutory corporation transformed what had been a Telecommunication Division into Ghana Telecom Company (a company limited by shares) with the Ghana Government being the majority shareholder.

The objectives of Ghana Telecom is to make sure that they put a phone in every school, make their network reach every corner of the country and make sure telecommunications available in every aspect of our life.

The other objective is to ensure that they continue to listen to its customers and maintain a dialogue with them, will be resolute in their determination to develop Ghana Telecom as a highly profitable corporate concern.

Lastly, the other objective is to keep pace with their development objectives in making Ghana Telecom a highly desirable work address that will attract talent not only from Ghana but all over the world.

The mission of Ghana Telecom is to provide reliable, efficient and flexible telecommunication services to its customers with emphasis on innovation, technology and continuous manpower development. They also place emphasis on meeting stakeholders' expectations in attaining regional excellence.

### **3.3 Key Organisational Activities.**

Ghana Telecom's operating license allows it to render the following communications services:

1. Voice telephony
2. Cellular communication
3. Telex
4. Telegraph
5. Satellite communications

6. Value added services
7. Paging, and
8. The sale, lease and maintenance of subscriber premise wiring

### **3.4 Research Design**

The study was a descriptive survey. It is a study, which deals with the relationship among variables that are non-manipulated. Descriptive research studies are directed towards the determining of nature of a situation, as it exists at the time of the study. It deals with a set of orderly procedures by specifying what information to be obtained, how to obtain the information and from whom the information is to be obtained.

In view of the fact that the entire population could read and write, it was expedient to use the questionnaire. It was also observed that it was economical in terms of cost and time. Another reason for the use of this design was to assure the respondents of optimum confidentiality, which encourage them to provide needed information on the variables.

### **3.5 Population and Sampling**

The population refers to all the staff in different department of Ghana Telecom, Kumasi. The total population is five hundred (500). Out of this number, sample size of fifty (50) representing 10% was selected for the study

A system of random sampling was adopted to select the staff from each department based on the staff strength of the department. The rationale for the selection procedure was to give individual unit an equal chance of being selected.

### **3.6 Instrument Used and Research Process**

The instrument used for the study was the questionnaire. The researcher and supervisor developed this collectively. The questionnaire constructed based on the research questions that governed the study and the relevant literature reviewed

The instrument was designed one whole part to comprising of yes and no and other from

the respondents own view of the study topic.

### **3.7 Data Collection Procedure**

Letters of introduction was obtained from the general office department of CSUS to Ghana Telecom, Kumasi seeking permission an soliciting his assistance and co-operation for the project.

The various respondents randomly selected were given the questionnaire and were asked to respond to the items.

### **3.8 Limitation Of The Study**

The research limited the study of effects of monitoring as an important component of internal control system in Ghana Telecom, Kumasi. The study was also limited to Ghana Telecom, Kumasi due to the fact that it was the second biggest Region under the company domain.

### **3.9 Data Analysis Procedure**

The data was edited for consistency. All the responses were coded in the definite categories for easy and adequate analysis. To make the work orderly and systematic, the chapter has been divided into headings and where possible and appropriate findings on each category of respondent on a single table and bar chart.

## CHAPTER FOUR

### ANALYSIS AND DISCUSSIONS

#### 4.1 Introduction

This provides discussions on the findings of the study. The results were the outcome of the respondents of randomly selected staff of the Ghana Telecom in Kumasi. The chapter looks at the analysis and discussions of the data collected. It discusses data analysis procedure, selected background of the case study area Ghana Telecom, Department, Age, Number of years worked and Work Status

**TABLE 4.1 Working Experience And Sex Respondents**

<b>NO.OF YEARS SPEND</b>	<b>NO. OF RESPONDENTS</b>	<b>MALE</b>	<b>FEMALE</b>	<b>PERCENTAGE %</b>
Below 5	10	4	6	20
6 – 10	25	10	15	45
11 and above	15	5	10	35
<b>TOTAL</b>	<b>50</b>	<b>19</b>	<b>31</b>	<b>100</b>

Source: Field survey, 2008

All the fifty (50) respondents used in the survey have been in the company for more than four (4) years, which will be a good base for the assessing the impact of monitoring in the company. Table 4.1 indicates that the numbers of employees who have worked below five years, representing 20%, 4 were males and 6 were females.

The number of employees between 6 and 10, representing 45%, 10 were males and 15 were females. Similarly number of employees who have worked from 11 and above, representing 35% and 5 were males and 10 were females.

**Table 4.2 Respondent Grade Level**

Source: Field survey

<b>GRADE</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE %</b>
<b>Senior Staff</b>	20	40
<b>Junior Staff</b>	30	60
<b>TOTAL</b>	50	100

From table 4.2 above, 20 of the respondents representing 40% were senior staff while 30 of the respondents representing 60% were junior staff.

**Table 4.3 Respondents Knowledge About Internal Control System**

Source: Field survey, 2008

<b>NO.OF RESPONDENTS</b>	<b>YES</b>	<b>NO</b>	<b>PERCENTAGE %</b>
<b>Senior Staff</b>	20	-	40
<b>Junior Staff</b>	30	-	60
<b>TOTAL</b>	50	-	100

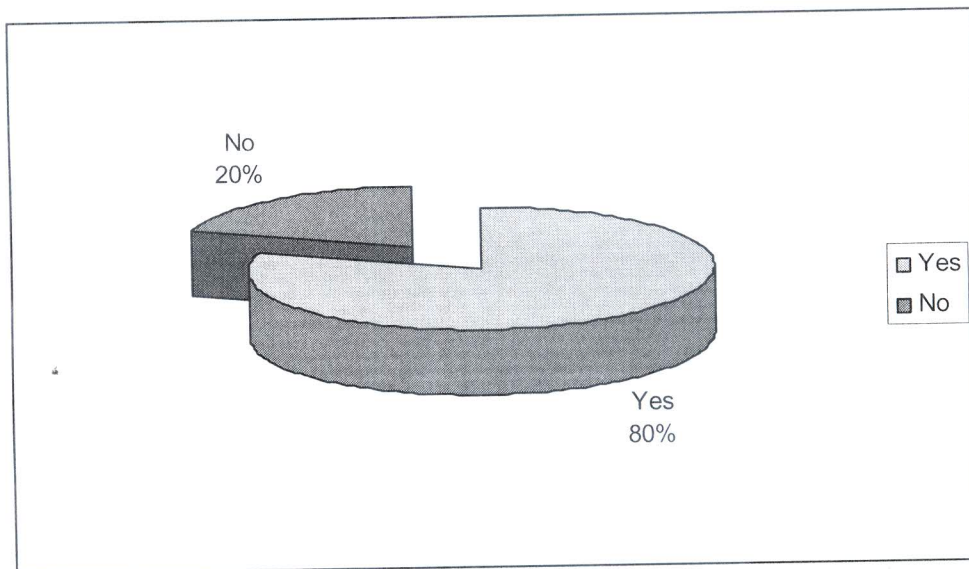
All the 50 respondents showed that they are all aware of internal control system of the company and sited that it has been made clear in their code of conduct and routines work of internal and external auditors who come around to work with them.

## 4.2 Management's Concern When About Monitoring

The following are the responses collected from the question whether management shows concern about monitoring the activities of it employees. It follows that respondents who recognize management's concerned about their monitoring activities were 65%. 25% of the responds mentioned that management do not show concern at all when they are checking the internal control system out as against 10% who do not notice management's concern towards monitoring.

**Table 4.5 Monitoring Having An Effect on Productivity**

Source: Field survey.



Respondents from the question of monitoring having an effect showed that 80% of the respondents were of the view that, monitoring had an effect on productivity and objective, while 20% said that monitoring had no effect.

The researcher wanted to know the component of internal control which affect has an effect on their productivity.

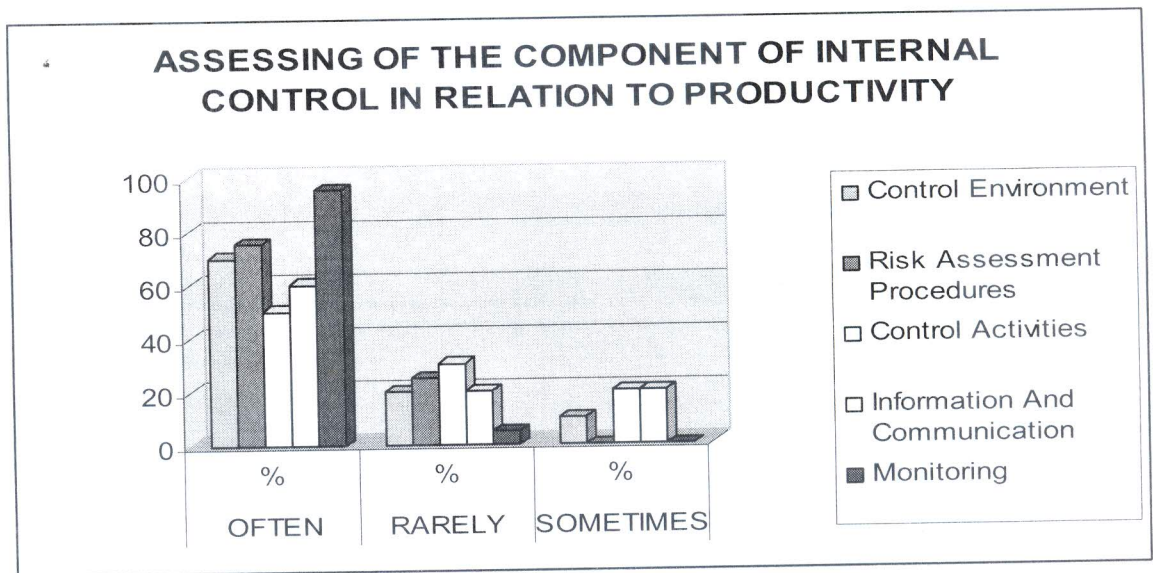
**4.6 Table 4.6: How Respondents Assess The Components Of Internal Control System In Relation To Productivity**

Source: Field survey

COMPONENT OF INTERNAL CONTROLS	OFTEN	RARELY	SOMETIMES
	%	%	%
Control Environment	70	20	10
Risk Assessment Procedures	75	25	0
Control Activities	50	30	20
Information And Communication	60	20	20
Monitoring	95	5	0

**Graph 4.6: How Respondents Assess The Components Of Internal Control System In Relation To Productivity**

Source: Field survey





From the graph and table it can be deduce that monitoring dominate as it takes the higher percentage. This means that the company depends mostly on the monitoring component in achieving its objective.

**Table 4.7 Knowing Internal Control Component**

ITEMS	YES	PERCENTAGE	NO	PERCENTAGE
	NUMBER	%	NUMBER	%
Do you have a difficult time in working through your internal control system?	40	80	10	20
Is the monitoring component utilized?	35	70	15	30
do they review that component of internal control?	5	10	45	90
Are you satisfied with condition of internal control system?	10	20	40	80
Who review internal control component?	15	30	35	70
Internal Auditors	5	10	45	90
			15	30

Audit Committee	35	70		
External Auditors				

*The following conclusions could be made from table 4.7:*

On the issue of respondents difficult time in working through your internal control system, 40 representing (80%) of the respondents answered Yes while 10 (20%) indicated No. This implies that staff are either not conversant with the internal control system and that it makes it difficult to move through the internal control of the company.

Out of 50 respondents representing 100%, 35 (70%) of the respondents indicated that monitoring components are underutilized. The conclusion is that monitors have to stand on their toes by setting up monitoring indicators and monitor them in the process of monitoring in order to help them achieve their organizational objective leading to profitability.

5 respondents representing 10% indicate that internal control systems are reviewed meaning they hardly review internal control components which will jeopardize the objectivity of the company.

As to whether respondents are satisfied with the condition of the internal control system in the organization, all the 50 respondents said No, it could therefore be said that lack of satisfaction with the condition of service is a major stress in the organization. This confirms the research findings by COSO (2004) that organizations establish a proper tone at the top by communicating expectations to evaluators regarding the importance of internal control and the related role of monitoring — namely, that monitoring throughout the organization is expected to:

- Support reasonable conclusions regarding the continued effectiveness of internal control, and
- Identify and correct control weaknesses before they materially affect the organization's objectives.

Organizations begin the process of meeting these expectations by placing competent and objective people in monitoring roles throughout the organization.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Effective internal control systems enable organizations to manage risks and uncertainties in their environment and processes and in the information they use to make decisions. They promote efficiency, reduce risk of loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Effective internal control systems are built into the activities of an organization's people and into its policies, procedures and technology. The five components of an internal control system — control environment, risk assessment, control activities, information and communication, and monitoring — all work in concert to provide the organization with reasonable assurance that it can realize its objectives.

If the control environment is the foundation of an effective system of internal control, then monitoring is the capstone. Monitoring serves two primary purposes. First, it provides management and the board with information that helps them conclude that the internal control system is working as intended over time. Second, it promotes good control operation because personnel responsible for the controls being monitored know that proper control operation is verified. The adage is true — “You get what you inspect, not what you expect.”

This project is intended to reinforce and clarify, not add to, the sound principles of monitoring previously established through the 1992 COSO Framework and COSO's 2006 Guidance. Its goal is to help Ghana Telecom develop monitoring programs that will contribute most effectively and efficiently to the operation of an optimal internal control system.

The monitoring process as described above and in this report is not intended to be a “cookbook” for how to monitor. Rather, it is designed to help Ghana Telecom take a holistic view of monitoring, recognize elements critical to effectiveness, and identify

specific points in their own monitoring where weaknesses might be mitigated or eliminated.

## **5.2 Conclusion**

Managing risks to organizational objectives, while allowing for the proper pursuit of opportunities, is the ultimate goal of every effective internal control system. Monitoring is a cost-effective approach to providing timely information about the continued effectiveness of an internal control system. As such, effective monitoring should be a net benefit to organizations and their stakeholders.

## **5.3 Recommendations**

In light of the findings and conclusion outlined above the following recommendations are made:

1. Management should review component of internal control system, most especially the monitoring component regularly in relation to environmental internal and external, technological to keep the internal control system running from defection.
2. They should also aim at putting in place forcible indicators of internal control system with emphasis on the monitoring component.
3. Employees should be given insight into the performance of internal control component system in relation of their duties to enable them become familiar and experience in the work they do.
4. Open door communication policy for risk assessment

## References

Committee of Sponsoring Organizations of the Treadway Commission (COSO),  
*Enterprise Risk Management—Integrated Framework*, 2006; Website: CPA2biz.com

Committee of Sponsoring Organizations of the Treadway Commission (COSO),  
*Internal Control—Integrated Framework*, 2004

Statement on Auditing Standards No. 55, *Consideration of Internal Control in a  
Financial Statement Audit*, Website: CPA2biz.com

Statement on Auditing Standards No 78, *Consideration of Internal Control in a  
Financial Statement Audit, an Amendment to Statement on Auditing Standards No.  
55*, Website: CPA2biz.com

Statement on Auditing Standards No 94, *The Effect of Information Technology on the  
Auditor's Consideration of Internal Control in a Financial Statement Audit*, Website:  
CPA2biz.com

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial  
Statement Audit*, Website: CPA2biz.com

Statement on Auditing Standards No.112, *Communicating Internal Control Related  
Matters Identified in an Audit*

Government Auditing Standards issued by the Comptroller General of the United  
States, Website: GAO.gov