

CHRISTIAN SERVICE UNIVERSITY COLLEGE

DEPARTMENT OF BUSINESS STUDIES

**EXPLORING THE ROLE OF INTERNAL AUDIT UNIT
AT KWAME NKRUMAH UNIVERSITY OF SCIENCE
AND TECHNOLOGY**

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DECLARATION

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

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DEDICATION

This work is dedicated to the God almighty whose mercies and provision has been the strength of these researchers. We also dedicated it to our dear parent and sponsors and everyone who one way or the other made this research work a success.

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ABSTRACT

Internal Audit Function is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The role of Internal Audit Unit in an organisation cannot therefore be over emphasized. This research explores the role of Internal Audit Unit in KNUST. The research takes a single case study approach to present an in-depth analysis of the role of Internal Audit Unit in the case study institution. Questionnaire and interview guides were the main tools used in the data collection. The data were interpreted using SPSS and Microsoft Excel with tables and charts to boost clarity and comprehension. The places visited include the Finance Office, Accounts Offices of Colleges, Halls of Residence, both KNUST Basic and Senior High Schools, Institute of Distance Learning, Hospital and the Internal Audit Department of KNUST. The findings revealed that Internal Audit Unit plays an important role in KNUST. The study identified the internal controls that exist in KNUST and they include: approval and control of document; checking the arithmetical accuracy of records; maintaining and receiving control accounts and trial balance; reconciliation; segregation of duties; and internal audit. The Internal Audit Department evaluates the effectiveness of these Internal Controls through their activities and this, as a matter of fact, goes a long way to contribute to the achievement of the objectives of KNUST. The study recommends that, there should be enough Internal Audit staff and these staff should be provided with attractive motivational packages to boost their morale, thereby making them more objective in their duties. The study should have covered all public tertiary institutions in Ghana with respect to the role of Internal Audit Unit. Nevertheless, KNUST was taken as the case study because of time constraints and limited resources for the study.

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LIST OF ABBREVIATIONS	Page
ICA.....	Institute of Chartered Accountants1
KNUST.....	Kwame Nkrumah University of Science and Technology.....2
ISA.....	International Standard on Auditing.....8
GNAS.....	Ghana National Accounting Standards.....8
IIA.....	Institute of Internal Auditors.....9
COSO.....	Committee of Sponsoring Organizations.....11
US.....	United States.....11
UK.....	United Kingdom.....16
NPC.....	National Population Census.....20
ARIC.....	Audit Implementation Committee.....21
ICT.....	Information and Communication Technology.....21
SPSS.....	Statistical Package for Social Scientists.....24
BSc.....	Bachelor of Science.....27
BA.....	Bachelor of Art.....27
MSc.....	Master of Science.....27
MA.....	Master of Art.....27
PhD.....	Doctor of Philosophy.....27
PVs.....	Payment Vouchers.....30
VAT.....	Value Added Tax.....32

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

The growth of modern companies has led to the presence of absentee owners (stakeholders) and professional managers serve as agents for the stakeholders (principals) and fulfill a stewardship function by managing the corporation's assets. To check and improve the work of these professional managers, an independent examination (auditing) is therefore needed. Auditing today is deeply rooted in the concept of separation of ownership from management of affairs of companies. The Internal Auditing profession evolved steadily with the progress of management science after World War II (1945). The manner in which public sector entities maintain internal controls and how they are held accountable has evolved to require more transparency and accountability from these organizations that spend investor or taxpayer funds. This trend has significantly impacted on how management implements, monitors, and reports on internal controls, risk management and corporate governance.

Internal audit is the review of the accounting and internal controls system as a service to the entity (ICA-Ghana, 2008). Internal auditing in the various government institutions especially public tertiary institutions in Ghana has become a major concern to the government. It has been the duty of the government to detect and prevent fraud in the public sector as part of her aim of achieving the zero tolerance of corruption. The Government of the Republic of Ghana, by the Internal Audit Agency Act, 2003 (Act 658) enacted the Internal Audit Agency as an apex oversight body to co-ordinate, facilitate and provide quality assurance for Internal Audit activities within the public sector (Section 16 of Act 658). To affirm this, a former Minister of Finance and Economic Planning Mr. Kwadwo Baah-Wiredu, on behalf of the former President

(His Excellency John Agyekum Kufuor), made a statement at the second annual internal audit forum on the Theme “Mitigating Corporate Fraud, Abuse and Waste: The Role of the Internal Auditor” saying “Public sector organizations have been directed to establish functional internal audit unit by March next year” (The Ghanaian Times, November 21, 2007).

By the issuance of the Internal Audit Agency Act, it is therefore expected that every entity in the public sector should have an internal audit unit which seeks to further facilitate the prevention and detection of fraud in the sector. This study therefore sought to find out the role that the internal audit unit plays in public institutions in Ghana using Kwame Nkrumah University of Science and Technology (KNUST) as a case study. The study has used “KNUST” and “The University” interchangeably.

1.1 Statement of the problem

Globally, the management of various sectors especially the public sector are faced with the problem of rendering an effective transparency and accountability to stakeholders in stewardship role. In the light of this, the Government of the Republic of Ghana established the Internal Audit Agency Act, 2003 (Act 658) and Audit Service Act, 2000 (Act 584), which empowered Internal Audit as a key function that strengthens the oversight responsibility of the governing body in achieving their aim of rendering an effective transparency and accountability in their capacity as stewards. Unfortunately, Internal Auditors are seen more as fault finders rather than solution providers and partners in the Government’s strive for organizational excellence. This is as a result of an inadequate understanding of the role of the internal audit unit in public tertiary institutions.

Most researches (e.g. Zamzulaila, et al, 2009; Diamond, 2002; Cattrysse, 2005; Asare, 2008 and Manu, 2008) have attempted to examine the role of internal audit unit in public institutions both internationally and locally. In addition, deterrence and prevention are better than cure but in the case of fraud and corruption, deterrence, prevention and cure must go hand in hand. Here, the cost of deterring fraud and corruption is far less expensive than detecting and investigating them, not to mention the cost of trying to correct the irreparable damage they cause. As a result, this study seeks to explore the role of the Internal Audit Unit at KNUST.

1.2 Research objectives of the study

The general objective of this study is to investigate the role of internal audit unit at KNUST. In order to achieve this, the following specific objectives have been formulated as guides in the data collection and analysis.

1. To identify the internal controls at KNUST.
2. To investigate how the internal audit unit at KNUST evaluates the effectiveness of these Internal Controls and the governance practices (existing) at KNUST.
3. To explore the role of internal audit unit in achieving the objectives of KNUST.
4. To recommend to policy makers, how to improve upon internal controls and the internal audit unit at KNUST.

1.3 The research questions

This study critically examined the following areas with respect to the role of the internal audit unit at KNUST.

- a) What are the internal controls in KNUST?

b) How does the internal audit unit at KNUST evaluate the effectiveness of these Internal Controls and the governance practices at KNUST?

c) What role does the internal audit unit play in achieving the objectives of KNUST?

1.4 Significance of the study

Internal Audit Unit plays an important role in achieving effective accountability and transparency in public institutions in Ghana. The significance of this study is as follows.

The study will enable the government to be aware of the role internal audit unit actually plays in public tertiary institutions as far as internal controls, risk management and corporate governance are concerned in order to find appropriate steps in addressing them. This will help the Government to know whether the achievement of the zero tolerance of corruption can be materialized.

In addition, the findings and recommendations of the study will further help the management of the University responsible for setting and implementing controls to identify malfunctioning in internal controls and adopt measures to improve upon them. Also, the study will add to the knowledge of the academia about the specific roles of Internal Audit Unit in public tertiary institutions, hence enlightening them and reducing the misconceptions they have formed about internal audit.

Finally, this study will be of great relevance to researchers for further studies. The findings and recommendations of this study will be of immense benefit to further researchers in the area of Internal Audit, especially in areas such as Internal Audit and Information Technology and role of Internal Audit Unit in risk management.

1.5 Scope of the study

The study was structured using a single case study approach thereby restricting itself to KNUST, a public tertiary institution in Kumasi. Though there are many public tertiary institutions in Ghana, KNUST was taken due to data and facility availability.

The study covered the Internal Audit Department, Finance Office, and some of the Accounts Offices of Colleges, Faculties, Schools, and Halls of residence. Data were also collected through interviews and questionnaire administration.

1.6 Limitations of the study

Preferably, the study should have covered all public tertiary institutions in Ghana with respect to the role of internal audit unit. Nevertheless, KNUST was taken as the case study because of time constraints and limited resources for the study.

Again, there is the possibility that the respondents might not tell the total truth. That is, the respondents may give a partial “picture” of the situation that may cast doubt on himself/herself or the organization in question (Saunders et al 2007). The researchers encountered problems in obtaining copies of documents on secondary data such as audit reports. The researchers were denied these documents because of the issue of confidentiality.

The above limitations did not render the findings of this research non-applicable since they were being managed carefully to make sure the research objectives are achieved and also to ensure the credibility and reliability of findings.

1.7 Structure and organization of the study

The study was organized into five chapters. Chapter one begins with the background of the study followed by: statement of the problem, research objectives, research questions, significance, scope, limitations, and structure and organization of the study. Chapter two concentrates on existing information regarding internal audit. The chapter was divided into introduction, definitions and key concepts, history of internal auditing, role of internal audit and chapter summary. Chapter three focuses on the methods used in the study and it contains introduction, population and sample of the respondents, data collection methods, data analysis techniques, profile of KNUST and chapter summary followed by chapter four which constitutes presentation and data analysis. Chapter five which is the final chapter gives a brief summary of the research findings, recommendations and conclusions and it is followed closely with references and appendices.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter seeks to explore written works of other researchers on internal audit. The relevance of this literature review is to give access to diverse results of this study conducted earlier, to further boost information quality and integrity. The present chapter is structured to discuss all relevant issues in respect of internal audit which include: definitions and key concepts, history of internal audit, internal control systems, Internal Audit Unit and effectiveness of internal controls.

2.1 Definitions and Key Concepts

2.1.1 What is Auditing/Audit?

The term audit or auditing has been defined in different ways by different authors.

Auditing is a process, carried out by an appointed qualified person or body, whereby the records and financial statements of an entity are subjected to independent examination in such detail as will enable the auditor form an opinion as to their truth and fairness (ISA). An audit is also defined by Ghana National Accounting Standards (GNAS) as an independent examination of financial statements or related financial statements of an entity, whether profit-oriented or not, and irrespective of its size, or legal form, when such an examination is so conducted with a view to expressing an opinion thereon . Auditing is the process of checking, vouching and verification. It is the act by means of which an auditor seeks to establish the accuracy or otherwise of the financial records and of the balance sheet or other statement of figure. It is a function based on which an auditor makes a report to express an opinion as to: whether the accounts furnish the information as required by a statute; and whether they give a true and fair

view of the state of affairs of a business and of the profit for the period under audit, *Dhruba (2004)*.

2.1.2 Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA 2008).

2.1.3 Internal Audit Function

Internal audit function is an appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of components of the accounting and internal control systems (ISA 200).

2.1.4 Public Tertiary Institutions

Tertiary institution is any educational establishment which offers higher education a type of education which begins after high school, usually carried out at a university, polytechnic, or college, and usually involves a study for a degree or diploma. Public tertiary institutions are those institutions that are owned and controlled by government. In Ghana, National Accreditation Board by the PNDCL 317, 1993, gives the authorisation to both public and private (tertiary) institutions to run their programmes.

2.2 History of Internal Audit

The Internal Auditing profession evolved steadily with the progress of management science after World War II. It is conceptually similar in many ways to financial auditing by public accounting firms, quality assurance and banking compliance activities. Much of the theory underlying internal auditing is derived from management consulting and public accounting professions. With the implementation in the United States of the Sarbanes-Oxley Act of 2002, the profession's growth accelerated, as many internal auditors possess the skills required to help companies meet the requirements of the law (Mautz R.K. & Sharaf H.A (1961). The shift to a war economy further expanded organizations responsibilities for scheduling, availability of materials and labourers, compliance with government regulations, and an increased emphasis on cost finding. In seeking ways to deal with these new problems, management appointed special staff people to review and report on what was happening and to probe for the why. These people came to be known as Internal Auditors. Auditors employed by individual companies, partnerships, government agencies, individuals, and other entities.

In some organizations, internal auditors were used to check on routine financial and operating activities with a heavy emphasis on compliance, security, and detection of fraud (Meigs, 1951).

In others, internal auditors were given higher levels of status and were asked to analyze and appraise more substantive financial and operational activities.

2.3 Internal Control Systems

Internal control system is defined as policies and procedures adopted by the management of 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, the safeguarding of assets, the

prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information (ICA GH, 2008). Albrecht and Albrecht (2004) noted that an effective control structure is probably the single most important step to eliminate (or minimize) the opportunity to commit fraud. A more capable Internal Audit Function is also more likely to detect and correct minor control problems before they become severe. In a PricewaterhouseCoopers study, Anderson and Chambers (2006) reported an increasing prevalence of grading by internal audit departments, concluding that grading is now generally considered to be a best practice. Grading motivates managers to put adequate controls in place to avoid a poor grade and facilitates design and implementation of monitoring systems. According to the US Committee of Sponsoring Organizations (COSO) of the Treadway Commission Report, internal control systems are processes affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations reliability of financial reporting and compliance with laws and regulations.

2.3.1 Components of Internal Control

Basically, Internal Control System, as defined above, consists of control environment and control procedures (ICA-GH, 2008). Control Environment means the overall attitude, awareness and actions of management regarding internal controls and their importance. It encompasses management style, corporate culture, philosophy and operating cycle, organizational structure, personnel policies and procedures. Control Environment provides a premise for control procedures and forms an important aspect of corporate governance framework of every business set up. The organizational structure aspect of control environment requires clear authority,

responsibility and reporting relationship. It also requires the institutionalization of the internal audit role as a service to management and the establishment of an audit sub-committee of the board of directors. The personnel policies aspect also requires transport and effective staff recruitment, staff retention and staff separation practices to help for operational efficiency.

Control Procedures consist of procedures established to achieve the entity's specific objectives. These objectives in an accounting context include proper authorization, timely and accurate recording of transactions in the correct period, safeguarding of assets and ensuring the existence of assets recorded. They include particular procedures to prevent, detect and correct errors.

2.3.2 Key Internal Control Systems

Specific control procedures that many organizations put in place include the following.

1. **Approval and control of documents:** The basic requirement is the approval of transactions by responsible persons. For example, a payment above certain limits should be approved by certain senior managers and overtime payments should be approved by departmental head.
2. **Checking the arithmetical accuracy of records:** An example of this type of control is checking to ascertain the accuracy of casting and extensions on individual invoices before being dispatched to customers.
3. **Maintaining and receiving controls accounts and trial balances:** Control accounts bring together transactions in individual ledgers; trial balances bring together transactions for the organization as a whole.
4. **Reconciliations:** Reconciliations involve comparison of a specific balance in the accounting records with what another source says that balance should be. Differences between the figures should be due to valid recording items. A good example is bank reconciliation where companies

are made aware of the cash balance at a particular date according to the bank with the balance according to the cash book. The bank reconciliation should be done by an independent person and not the person who normally prepare the cash book.

5. Segregation of duties: No one person should be responsible for the recording and processing of a complete transaction since the involvement of several people reduces the risk of intentional manipulation or accidental error, and increases the element of checking of work. As much as possible, the functions of recording, custody and authorization should be assigned to separate persons. For example, in sales order processing, initiating the order is by a sales representative, authorization by client control and/or sales manager, execution is by finished goods warehouse staff, custody is transferred to warehouse staff to the transport department and the transaction is recorded by the goods outwards section, the invoicing section and the accounts department.

2.3.3 Types of Controls

Control systems that are put in place in organizations for which internal auditors must be concerned with may be preventive, detective or corrective. Internal auditors must, however, put more emphasis on preventive controls than detective and corrective (ICA-GH, 2008).

Preventive controls: These are control systems put in place in an organization to ensure that losses and risks do not occur. For example, control systems that establish authorization limit are meant to prevent fraudulent practices. Separating authorization, recording and custodial functions is also an example of preventive control.

Detective Controls: If preventive controls do not exist or do not operate effectively and risks, errors or fraudulent practices do occur, there should be controls in place to detect them early.

They are designed to pile up errors that could not be prevented. Such control systems include reconciliation of accounts, preparation of exception reports, and internal checks.

Corrective Controls: These are controls put in place to address or remedy problems, risks and errors that occur. Examples of corrective controls include follow-up procedures and management actions such as disciplinary measures.

2.4 Internal Audit Unit and effectiveness of internal controls

Since the introduction of social programs, some government auditors have been called upon to validate the effectiveness of the government services themselves. Or, they may be required to determine whether the organization has established mechanisms to measure and report on its effectiveness of internal controls (Colleen, 2002). An effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations, and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Public sector governance relates to means by which goals are established and accomplished (IIA 2006a).

Public sector governance including how an organization is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders (ANAO,2003). Corporate governance reflects the power relations and political settlements between shareholders, creditors, management and labour as they are embodied in a particular institutional history (Jackson, 2000). Internal Auditors role in governance is broadly identified to be twofold. Firstly, internal auditors provide independent, objective assessments on the

appropriateness of the organization's governance structure and the operating effectiveness of specific governance activities. Secondly, they act as catalysts for change, advising or advocating improvements to enhance the organization's governance and practices (IIA 2006). Internal auditing focuses on independence and objectivity, identifying an assurance and consulting role for internal audit and emphasizing adding value and improving effectiveness of risk management, control and governance processes (Krogstad et al, 1999). Similarly, an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders. In helping to achieve the effectiveness of internal controls, auditors use the following methods: examining previous audit work, client's own documentation of the system, interviews with staff, tracing transactions, examining client's documents, and observation of procedures.

2.5 Internal Audit Unit and Objectives Achievement of an Institution

The value of the modern day auditing lies in the ability to help management to achieve its objectives. According to a research jointly conducted by Deloitte and Touche and the Institute of Internal Auditors, U.K (2004) improved attitudes toward internal audit are built on a belief that internal audit functions are creating value for their organizations. The overall objective of internal audit is to assist members of the organization in the effective discharge of their duties and responsibilities, thus, management is furnished with analysis, appraisal, recommendation, and information concerning the activities reviewed (Ali et al, 2007). Therefore, the internal auditor must plan his audit in such a way that, it is helpful and useful to the employer more to the above (Koontz and O'Donnell, 2000).

As an essential element of a strong public sector governance structure, government internal auditing adds value through its roles of oversight, insight, and foresight. Because government's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, government audit functions should have authority. Moreover, internal auditors must also protect the core values of the government, as it serves all citizens.

2.5.1 Oversight Role

Internal Auditors assist decision-makers in exercising oversight role by evaluating whether government entities are doing what they are supposed to do, spending funds for the intended purpose, and complying with laws and regulations. This can also be possible in tertiary institutions as (Chamberlain et al, 1993) stated, internal auditors are in the best position to assist administration at all levels of a university to accomplish the stewardship function objectively. Also, (Oakland, 1998) holds no different view, stated in his total quality management that, an internal audit is used to establish whether the quality management system is being operated according to the written procedures. Audits focusing on oversight, answer the questions, has the policy been implemented as intended? And are managers implementing effective controls to minimize risks?

Internal Auditing supports the governance structure by verifying agencies and programs reports of financial and programmatic performance and testing their adherence to the rules and aims of the organization. Both elected officials and managers are responsible for setting direction and defining organizational objectives. Internal auditing is identified as one of the key participants to promote good governance in the corporate sector as stated by (Ali, 2000). In addition, managers

have the duty to assess risks and establish effective controls to achieve objectives and avert risks. In their oversight role, internal auditors assess and report on the success of management efforts. Oversight also describes the role many government internal auditors play to detect and deter public corruption, including fraud, improper or abusive acts, and other misuses of the power and resources entrusted to government officials. Auditors monitor the effectiveness of management's internal control structure to identify and reduce the conditions that breed corruption. In many areas of the world, public sector auditors also are responsible for responding to allegations of corruption in the government organizations they serve through detection and deterrence. Detection is intended to identify improper, inefficient, illegal, fraudulent, or abusive acts that have already transpired and to collect evidence to support decisions regarding criminal prosecutions, disciplinary actions, or other remedial changes. Detection efforts can take many forms: cyclical audits, audits requested by law enforcement officials, and reviews of potential conflicts of interest. Deterrence is intended to identify and reduce the conditions that allow corruption and irregularities. Schneider and Wilner (1990) found that, both internal and external auditing have a deterrent effect on financial reporting irregularities. Internal auditors seek to deter fraud, abuse, and other breaches of public trust by: assessing controls for existing or proposed functions, assessing organizational or audit-specific risks, reviewing proposed changes to existing laws, rules and implementation procedures, and reviewing contracts for potential conflicts of interest.

2.5.2 Insight Role

Auditors provide insight to assist decision-makers by assessing which programs and policies are working and which aren't, sharing best practices and benchmarking information, and looking

horizontally across government organizations and vertically between the levels of government to find opportunities to borrow, adapt, or re-engineer management practices. The internal auditing function as part of the corporate governance structure plays an increasingly important role in monitoring the internal control system of the company and its financial reporting systems (Khas, 1999). The audit function helps institutionalize organizational learning by providing ongoing feedback to adjust policies as affirmed by (Van der Meer et al, 2000) that, government audit office can be considered as part of the institutionalized learning abilities of government. Internal auditors conduct their work systematically and objectively to develop a detailed understanding of operations and draw conclusions based on audit evidence. Therefore, audits can provide a fair description of problems, resources, roles, and responsibilities that, combined with useful recommendations, and can energize stakeholders to rethink through problems and programs. For this role to be performed effectively there must be some degree of independence, as confirmed by (Vanasco, 1996) that, without independence, the desired results of internal auditing cannot be realized. The professional internal auditor must have independence to fulfill his/her professional obligation, to render a free, unbiased, unrestricted opinion, and to report matters as they are, rather than as some executives would like to see them (Sawyer, 1988; as cited by Vanasco, 1996). Not only can the performance of the specific programme under internal audit be improved, but working through the issues brought to light by a particular audit can enhance the capacity of government and the public to deal with similar problems. Audits focusing on insight contribute importantly to answering the broader question, has the policy brought about the intended results?

Concurrently, with the accountability function, audits contribute to improving the operations of government institutions. Similar to their counterparts in industry, colleges and universities are

facing increasing demand for accountability and therefore the need for internal audit (Chamberlain et al, 1993)

2.5.3 Foresight Role

Internal auditors also help their organizations look forward by identifying trends and bringing attention to emerging challenges before they reach crisis proportions. The audit function can highlight challenges to come (such as from demographic trends, economic conditions, or changing security threats) and identify risks and opportunities arising from rapidly evolving science and technology, the complexities of modern society, and changes in the nature of the economy. These issues often represent long-term risks that may far exceed the terms of office for most elected officials, and can sometimes receive low priority for attention where scarce resources drive more short-term focus on urgent concerns. The emerging organizational governance and accountability issues all over the world should shift the focus of internal auditors to more involvement in evaluating the risk exposure, control and governance of the organization (Colleen et al, 2002).

Additionally, a common approach used in auditing risk-based auditing focuses the audit on the organization's overall risk management framework, which can help in identifying and deterring unacceptable risks. Through risk-based auditing, the audit function provides useful and relevant information to the organization for managing its risks. Audits focusing on foresight help answer the question, what policy revisions or implementation would meet a future need or risk? When the government auditors focus on trends and look forward they help to support decision making. Government auditors also play a key role in helping managers understand and initiate risk assessments.

2.6 Internal Audit in Ghana

2.6.1 Country profile

Ghana is located in West Africa and it is considered a developing country. The economy of Ghana is one of the fastest growing in Africa. It has a numerical strength of 23,328,000 people (NPC, 2008 estimate). Internal audit unit in various public tertiary institutions is not a new phenomenon in Ghana. There are six public universities, ten polytechnics, 38 colleges of education and 25 nursing training colleges in Ghana. All these institutions have internal audit unit as a way of ensuring transparency and accountability.

2.6.2 Evolution of internal audit in Ghana

Internal audit has been helpful to the various public institutions in Ghana as part of achieving effective transparency and accountability. In Ghana, internal audit function of the government was the duty of Accountant-General's Department before the passage of the Internal Audit Agency Act in 2003. The Internal Audit Agency Act, 2003 (Act 658 s4) establishes the Internal Audit Board as the governing body which steers the affairs of internal audit practice in Ghana. As part of repositioning internal audit in Ghana, some policies were put in place to ensure an effective internal audit practice. On 27th November, 2009, the Internal Audit Agency in collaboration with the Institute of Internal Auditors organized orientation program for heads of institutions and Audit Implementation Committee (ARIC) members. Internal Audit Agency upgraded ICT skills of the internal auditors by organizing ICT training for them on March 15, 2010. The Internal Audit Agency in collaboration with the World Bank organized a high level forum on risk-based audit on 24th June, 2010.

2.6.3 Stakeholders of Internal Audit in Ghana

At the launching of the repositioning public sector internal auditing in Ghana, Nii Adomansa-Baddoo, the chairman of Internal Audit Board in his speech made mention some internal audit stakeholders in Ghana. In his speech, stakeholders include: Ghana Audit Service, Public Procurement Authority, the Legislature, the Judiciary, Ghana Integrity Initiative and the media (Internal Audit Agency Board Forum, 2010).

2.7 Research Gap

Asamoah Rosina Addo, 2011, made a study on the effectiveness of internal Audit in the Public institute. Her research found that internal Auditors were most often regarded as an external body of most public institute and suggested that they should be viewed as partners of management who are focused to help achieve company goal. Also most recommendations made by the internal Auditors are not taken into consideration. Her work however didn't express and talk mostly on the role of Internal Auditors in the public Institutions and the mechanisms they use in ensuring effective internal controls; hence the decision to do this research to fill the gap left her own research work became a necessity.

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 Introduction

The previous chapter highlighted on literature. This chapter, however, sought to emphasize the techniques employed in carrying out the study, that is, the data collection mechanisms and the statistical tools employed in analyzing the data. Here, the researchers outlined the main sources of data which are primary data and secondary data including all relevant issues such as population of the study, sample of the study, and data collection techniques. This chapter also sought to enlighten the reader about the profile of KNUST, the institution under study.

3.1 Sources of data

3.1.1 Primary data

Primary data refer to data collected purposely for this research work, which are meant for the attainment of the research objectives. With the research design, the researchers undertook the study at KNUST to explore the role of internal audit unit at the University through the use of questionnaire and interviews.

The questionnaire and interviews, as data collection techniques, were selected due to the following reasons:

The nature of the work involved interaction with the internal auditor and College Accountants to explore the internal control systems at KNUST, how the internal audit unit evaluates and improves the effectiveness of these internal controls and governance practices at the university, hence the interview technique.

The researchers also adopted the questionnaire technique as one of the effective tools to aid data collection because it would have been time consuming interviewing every respondent. The questionnaires were given to the accounting officers at the Finance Office, Colleges, Halls of Residence, both KNUST Basic and Senior High Schools, Institute of Distance Learning and KNUST Hospital on the role of internal audit unit at KNUST. The questions were thoroughly and carefully balanced to address the findings with accuracy and reliability.

3.1.2 Secondary data

The researchers used secondary data as part of their methodology. Secondary data concern data which others have already collected with respect to the study. Secondary sources such as management letters, audit reports and other documents relevant for the purpose of this study were considered.

3.2 Population of the study

The case study institution has several elements that could be contacted for responses as far as internal audit function is concerned. The study however looked at those elements that frequently interact with internal auditors and whose duties internal audit function is indispensable. The population of this study is approximately 114 persons comprising the Finance officer, Accountants, Bursars, and Internal Auditors of KNUST.

3.3 Sample of the study

All accounting officers including the Finance Officer, Accountants, Bursars, and Internal Auditors of KNUST were the potential respondents for the study. Out of the total population of

114 persons, a sample of 40 respondents was taken purposively. The responses given by this number were a good representative because they helped achieve the research objectives.

3.4 Data collection techniques

The researchers developed a questionnaire to collect data. These were administered at the Finance Office, and some of the accounts offices of Colleges, Faculties, Schools, Halls of Residence and the Internal Audit Department. Also, verbal interviews were conducted with College Accountants and the Chief Internal Auditor.

3.5 Data analysis techniques

Data analysis gives compelling reasons to reduce bias and to assist the study to make fair analytical conclusions that rule out misinterpretations (Yin, 1994). This process helps to transform the collected data into meaningful descriptive interpretations. Data analysis helps the researcher to synchronize the data collected against the meaning or implication of the study being conducted. Data analysis involves reducing the data, presentation of the data, verifying and drawing conclusions. Data reduction aims at screening the data gathered for the materials that are relevant to the study. Data presentation, however, deals with how the reduced data is presented either by the use of graphs or table. The conclusion aspect deals with the final analytical conclusion by the researcher.

Statistical Package for Social Scientists (SPSS), a computer programme, was employed to analyze the results of the questionnaire while the qualitative research data (interviews results) were analyzed descriptively. The gathered information explicitly contained the expressed opinions of the respondents involved in the study.

3.6 Profile of KNUST

3.6.1 History of KNUST

The University of Science and Technology succeeded the Kumasi College of Technology which was established by a Government Ordinance on 6th October, 1961. It, however, opened officially on 22nd January, 1952 with 200 Teacher Training students transferred from Achimota, to form the nucleus of the new College.

In December, 1960, the Government of Ghana appointed a University Commission to advise it on the future development of University Education in Ghana, in connection with the proposal to transform the University College of Ghana and the Kumasi College of Technology into an independent University of Ghana.

Following the report of the commission which came out early 1961, Government decided to establish two independent Universities in Kumasi and Legon near Accra. The Kumasi College of Technology was thus transformed into a full-fledged University, Kwame Nkrumah University of Science Technology by an Act of Parliament on 22nd August, 1961.

The University name was changed to University of Science and Technology after the Revolution of 24th February, 1966. The University of Science and Technology was officially inaugurated on Wednesday, 20th November, 1961. However, by another act of Parliament, Act 559 of 1998, the University has been renamed Kwame Nkrumah University of Science and Technology, Kumasi. The University has since January 2005, transformed from its previous centralized system of administration into a significantly decentralized one called collegial system.

3.6.2 Vision of KNUST

To be globally recognized as the Premier Centre of excellence in Africa for teaching in Science and Technology for development; producing high caliber graduates with knowledge and expertise to support the industrial and socio-economic development of Ghana and Africa.

In summary, the vision can be stated as "Advancing knowledge in Science and Technology for sustainable development in Africa".

3.6.3 Mission of KNUST

To provide an environment for teaching, research and entrepreneurship training in Science and Technology for the industrial and socio-economic development of Ghana, Africa and other nations. KNUST also offers service to community, is opened to all the people of Ghana and positioned to attract scholars, industrialists and entrepreneurs from Africa and other international communities.

3.6.4 Objectives of KNUST

The Government's objectives for higher education sub sector focus the work of the University and provide the framework within which the KNUST objectives are developed. These objectives are as follows:

1. Expand and improve post-basic education;
2. Promote Distance Education;
3. Prioritize female education at all levels including technical and vocational education;

4. Promote academic and research activities relevant to national development in collaboration with the private sector;
5. Promote the dissemination of research findings for development;
6. Identify and promote STD/HIV/AIDS prevention, care and support at all levels of education;
7. Ensure relevant education and training for employability;
8. Promote science, mathematics and technology education and training; and
9. Promote Information and Communication Technology (ICT) in schools and institutions of higher learning.

3.6.5 Programmes

KNUST runs both undergraduate and postgraduate programmes. Some of the undergraduate programmes include: B.Sc. in Business Administration, B.A. in Economics, B.Sc. in Mechanical Engineering, B.Sc. in Mathematics, B.Sc. in Agriculture, just to mention a few. Some of the postgraduate programmes also include: Master of Business Administration, M.Sc. in Agricultural Engineering, M.A. in Art Education, M.Sc. in Environmental Science, PhD. in Architecture and several others.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents analysis, results and discussions on the role of Internal Audit Unit at KNUST based on the research objectives of this piece of work. The chapter commences with the elements of analysis followed by discussion on Internal Control Systems, the general role of Internal Audit Unit and specific roles of Internal Audit Unit as depicted by tables and diagrams, and ends with a chapter summary.

4.1 Elements of Analysis

Elements of analysis concern the various stakeholders involved in coming out with the required data and information. The Finance officer, Accountants, Bursars and Internal Auditors were the main elements contacted. The data were collected from the Finance Office, Colleges, Halls of Residence, both KNUST Basic and Senior High Schools, Institute of Distance Learning, KNUST Hospital and the Internal Audit Department of KNUST. The questionnaires were filled by the subordinates in the above offices while their heads including Internal Auditors were interviewed.

4.2 Discussion on Internal Control Systems at KNUST

In exploring the internal controls that exist in KNUST, the following control procedures were identified and discussed in the sub-sections following.

4.2.1 General Control Procedures

The study revealed approval and control of documents as a control measure. The basic requirement is the approval of transactions by responsible persons, that is, authorities that need to approve payments and other issues that necessitate their consent. For example, any payment above five thousand Ghana Cedis (GH¢5000.00) must be approved by the Procurement Committee; any other payments below GH¢2000.00 must be approved by the head of department concerned. Also above GH¢2000.00 but less than GH¢5000.00 can also be approved by the Provost of the College.

Checking the arithmetical accuracy of records is another control procedure identified. Here, emphasis is laid to ensure that transactions are recorded with the correct amounts. Postings from Receipts register to the Cash Book for example, must be done with the correct amounts involved. The basic aim of this control is to prevent material misstatements of items and its subsequent consequences such as fraud. Maintaining and receiving controls accounts and trial balances is also a control procedure that exists. This involves the bringing together of transactions in individual ledgers and trial balances bring together transactions for the organization as a whole. It is required of departments in KNUST to draw trial balances yearly to provide data in the preparation of financial statements.

Reconciliation was also discovered as a control procedure and it is done monthly. Reconciliation involves comparison of a specific balance in the accounting records with what another source says concerning the same balance. Here, bank statements are normally compared with the Cash Books in order to identify any differences that may arise as a result of direct transfers, timing

difference in processing data, bank charges, just to mention a few. Differences arising during reconciliations are investigated and corrected.

Segregation of duties is yet another internal control procedure practised in KNUST. Segregation of duties ensures that one person does not perform an activity from the beginning to the end. From the data collected, it was observed that different duties such as payment vouchers (PVs) processing, authorization of payments by authorities, recording and preparation of accounts, collecting and banking of revenues, cheques writing and payment are performed by different people. Basically, segregation of duties is centered on persons who perform signatory role for various transactions and persons involved in receiving revenue and those making payment.

The study also revealed that Internal Audit in itself is a control measure. This is because Internal Auditors oversee revenue and expenditure controls in KNUST, that is, they ensure that policies and procedures are complied with. From the interviews conducted, pre-audit must be done before any payment is made and this is in line with section 16 of KNUST Financial and Stores Regulations. The interviews further revealed that all revenue collected must be checked by the Internal Audit Department and this also meets the provisions in KNUST Financial and Stores Regulations (Section 7).

4.2.2 Financial Control Documents

From both the questionnaire administered and the interviews carried out, documents that guide financial control include: KNUST Financial and Stores Regulations, Financial Administration Act 2003, (Act 654), and Public Procurement Act 2003, (Act 663).

KNUST Financial and Stores Regulations is a document relating to the control and disposition of all University property, funds and investments. It contains provisions concerning finances, stores

and purchases. This document guides all the spending officers in the University in their spending, thereby helping prevent unnecessary spending. The document also guides revenue collectors in their duties such as accounting for all revenue collected on proper receipts and in Cash Books and other records. This ensures proper documentation of revenue. Financial Administration Act 2003, Act 654 is an Act meant to regulate the financial management of the public sector; prescribe the responsibilities of persons entrusted with financial management in the government; ensure the effective and efficient management of state revenue, expenditure, assets, liabilities, resources of the government, the Consolidated Fund and other public funds and provide for other matters related to these. The study revealed that, this financial control document is used in KNUST and it is a familiar document to the extent that the average subordinates are not ignorant of the provisions of this Act and therefore go by them. This document also serves as a control procedure which guides payments of the various spending officers.

Public Procurement Act 2003, Act 663 is also an Act which provides for public procurement, establish the Public Procurement Board; make administrative and institutional arrangements for procurement; stipulate tendering procedures and provide for purposes connected with these. It was discovered in the study that, KNUST has a Procurement Board with a permanent Office which sits to enforce the provisions of the Act. The document is important that, the various heads of departments and accounts offices do not compromise on the violation of the provisions of the Act.

4.2.3 Documentation to Accounting Transactions

Table 1: Whether there are documentations supporting accounting transactions

Response	Frequency	Percentage
Yes	37	92.5
No	3	7.5
Total	40	100

Source: Field data May, 2012

From table 1 above, it is evident that most transactions are normally supported by the required documents. Out of 40 respondents, 37 of them attested to this assertion representing 92.5% while the remaining three responded in the negative. From the interviews conducted, it was realized that all purchases must be made from Value Added Tax (VAT) registered suppliers and therefore VAT invoices are required as supporting documents. However, in exceptional situations, where purchases are made from non-VAT registered suppliers, honour certificate is required. Again, before any payment or purchase is made, there must be a covering letter requesting such payment or purchase. Receipts, Pay in Slips, pro-forma invoices among others also support accounting transactions.

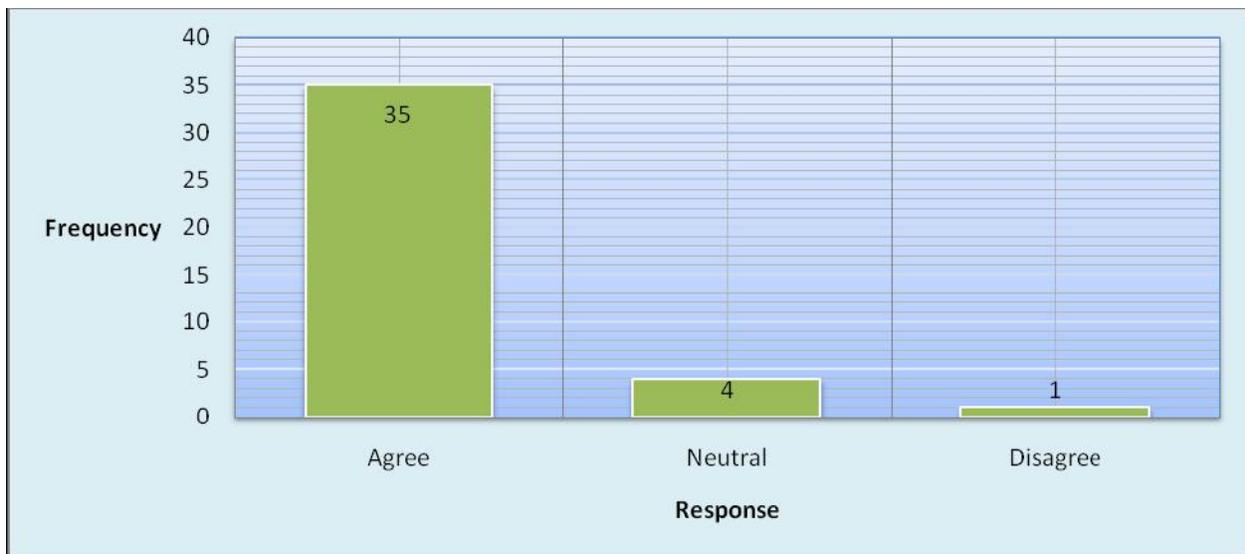
4.3 Internal Audit Unit and Effectiveness of Internal Controls

This section presents information on how Internal Audit ensures effectiveness of internal controls in KNUST. That is, the role of internal audit in strengthening controls procedures existing in the University. Results showed a positive relation. To be specific, the researchers came out with the following sub-sections to explain this section.

4.3.1 Impact of Internal Audit on Application of Internal Controls

In this sub-section, information is provided on how Internal Audit helps in the application of internal controls. Thus, the extent to which internal audit makes impact with regard to compliance with control procedures and governance practices that exist in KNUST.

Figure 1: Whether Internal Audit Unit helps in applying internal controls



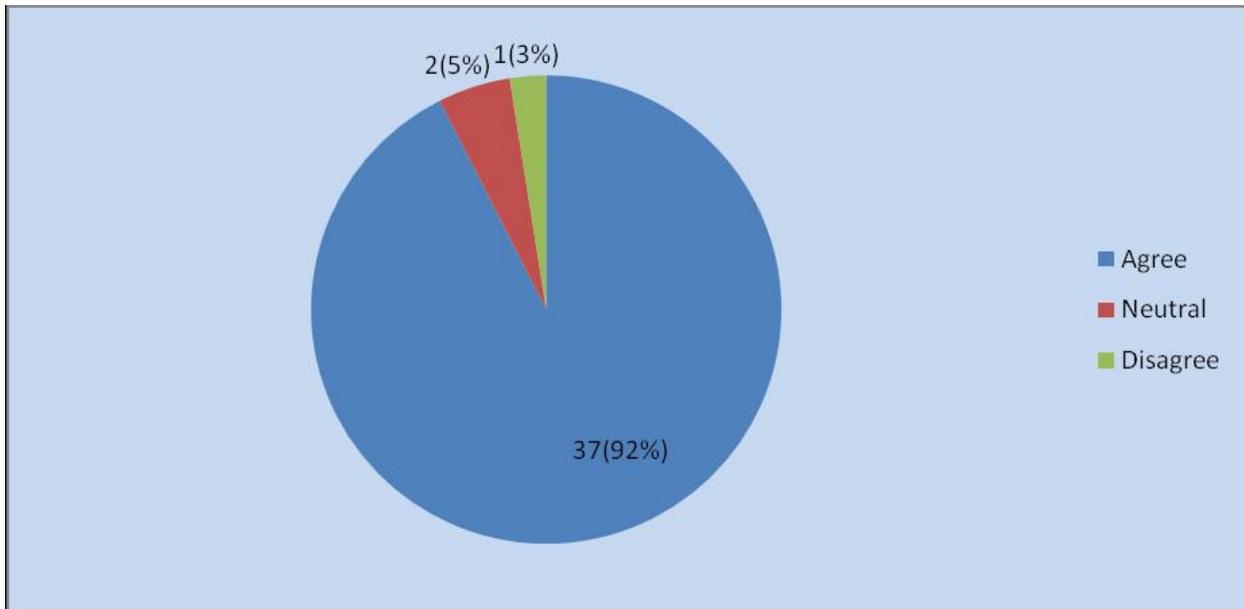
Source: Field data May, 2012

The bar chart above displays results on whether Internal Audit has an impact on internal controls application. The results revealed a positive relation, 35 out of the 40 respondents agreed that internal audit plays a role when it comes to applying control procedures. This could be attributed to the fact that, Internal Audit plays a judiciary role by interpreting the control procedures to staff who probably do not understand them clearly. Four (4) respondents were uncertain while the remaining respondent disagrees with this assertion. The research revealed that internal auditors give recommendations highlighting on the extent to which controls are working. These

recommendations are normally given in their audit reports. Therefore, it is evident that indeed, internal audit has an impact on the application of control procedures in KNUST.

4.3.2 Checking of Arithmetical Accuracy of Figures by Internal Auditors

Figure 2: Internal Auditors check to ascertain arithmetical accuracy of figures



Source: Field data May, 2012

From Figure 2 above, 92% of the respondents agreed that Internal Auditors check to ascertain arithmetical accuracy of amounts recorded. This supports the fact that Internal Audit Unit evaluates and improves the effectiveness of Internal Controls and governance practices in KNUST. Out of the remaining percentage, 3% disagreed to this fact and 5% of the respondents were uncertain as to whether Internal Auditors do check figures or not. According to Section 18 of KNUST Financial and Stores Regulations, invoices and debit notes must be certified by the Internal Auditor before payments. It is the responsibility of the certifying officers to see that

calculations and additions are correct and the prices charged are according to contract or are fair and reasonable. In the interviews conducted with Accountants, it was confirmed that Internal Auditors do check individual figures and their totals before payments are effected.

4.3.3 Revenue Checking by Internal Auditors

Table 2: All revenues collected are always checked by internal auditors

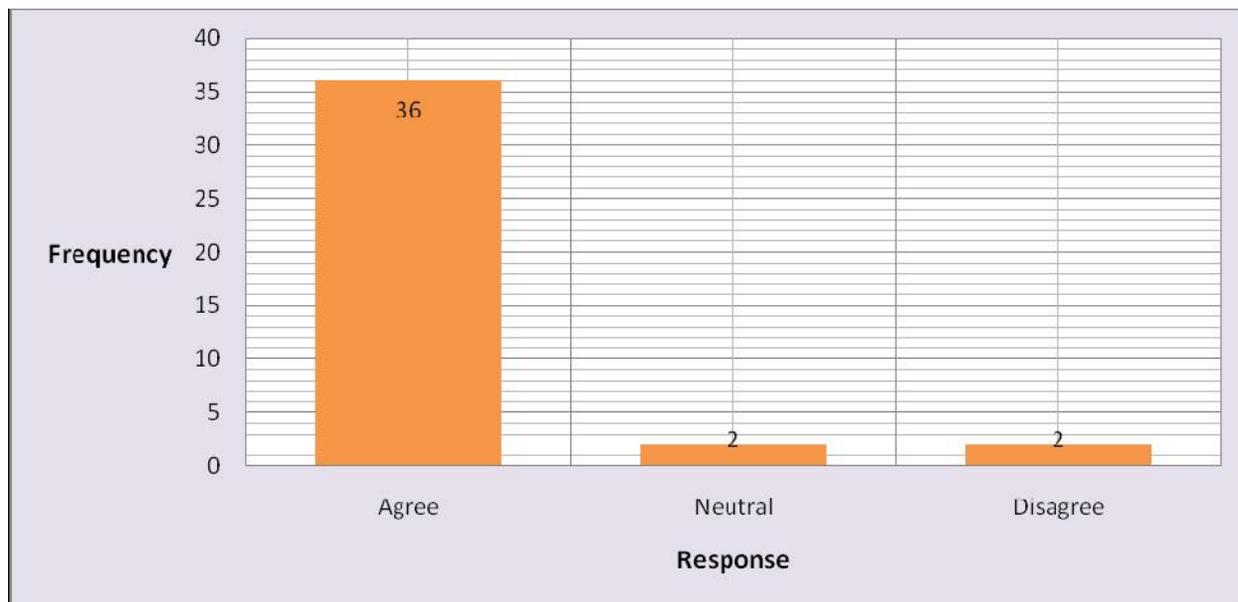
Response	Frequency	Percentage
Agree	32	80
Neutral	7	17.5
Disagree	1	2.5
Total	40	100

Source: Field data May, 2012

The table above indicates that, 32 respondents out of the 40 testified to the fact that, all revenues collected are always checked by internal auditors, constituting 80%. Seven (7) respondents which constitute 17.5% were not certain as to whether this is done, while the remaining respondent disagreed to this statement. From the interviews conducted, it was revealed that, internal auditors do not check the physical revenue collected but do inspect the books such as receipts book, cash book, pay in slips, to make sure that revenues have been recorded and at their right amounts. The responses confirm that internal auditors improve upon the effectiveness of internal controls by checking revenue.

4.3.4 Pre-Audit by Internal Auditors

Figure 3: Whether all payment vouchers are always pre-audited



Source: Field data May, 2012

The diagram above presents the results of whether all payment vouchers are always pre-audited. Thirty-six (36) respondents out of the 40 agreed that all payment vouchers are always pre-audited by internal auditors, 2 disagreed and 2 were uncertain. During the data collection process, it was made known that pre-auditing must be done before payments. This is a provision of the KNUST Financial and Stores Regulations (section 16). Per the data collected, this is done to prevent potential risks that may arise in the course of making payments. However, there are exceptional cases such as projects where payments are made before audit is carried out. It is obvious by this result that Internal Audit Unit makes an impact on the effectiveness of control procedures through pre-audit.

4.4 Internal Audit Unit and Objective Achievement of KNUST

The previous section concentrated on how Internal Audit Unit improves upon the effectiveness of internal controls which meets the second objective of this long essay. Improving upon the effectiveness of internal controls in KNUST by Internal Auditors goes a long way to achieve the objectives of the University. This section specifically looks at some of the ways through which the Internal Audit Unit contributes to the achievement of KNUST's objectives and these ways are dealt with in the sub-sections below.

4.4.1 Consideration of Internal Auditors' Recommendations

Table 3: Recommendations made by internal auditors are normally taken into consideration.

Response	Frequency	Percentage
Agree	31	77.5
Neutral	8	20
Disagree	1	2.5
Total	40	100

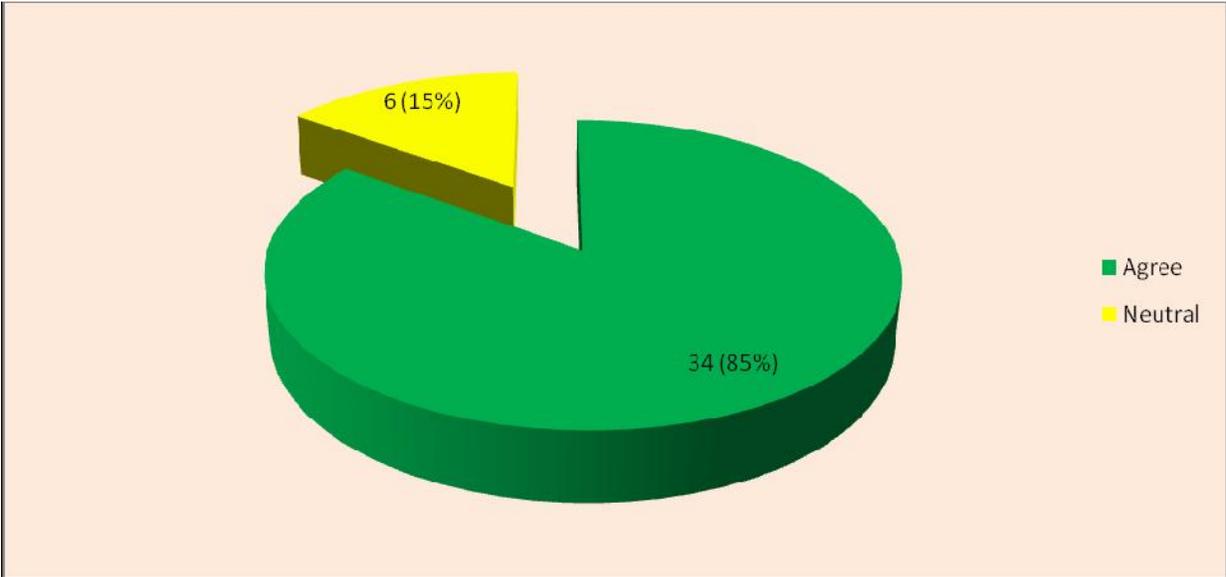
Source: Field data May, 2012

The research discovered that, recommendations made by internal auditors in their reports to management are normally taken into consideration and this is represented by table 3 above. Out of 40 respondents, 31 of them agreed to this statement, whereas 1 disagreed and the other 8 remained neutral. Information obtained from the interviews proved that recommendations and suggestions made by auditors are normally given the necessary consideration. For instance, a recommendation was made concerning attendance system in KNUST. With the old system,

attendance books were provided in offices for workers to sign in and out. This system had its disadvantages, for instance a staff signing in for a fellow staff to cover him or her up in terms of lateness and absenteeism without permission. The internal audit department identifying the weaknesses of this system recommended that a biometric device should be installed. Currently, this system is being installed and it is running at the administration block one (1) and two (2) of KNUST. This proves that recommendations made by internal auditors are normally taken into consideration.

4.4.2 Internal Auditors’ Role in Reducing Risk

Figure 4: Whether Internal audit helps reduce risk in KNUST



Source: Field data May, 2012

When it comes to risk management, internal audit plays a vital role. The result of the interview conducted with the internal auditor revealed that, initially, internal audit was system based, involving evaluation, verification and ensuring compliance. Currently, there has been a

modification in the scope of their activities through the introduction of the Risk-Based Audit. This system is about identifying and assessing key risk and designing and implementing processes by which those risks could be managed and maintained at an appreciable level. With this, internal audit insists that all vehicles belonging to the University are insured and fire extinguishers provided in all offices and at vantage points throughout the University. Also, all assets are labeled to ensure identification and checking of theft. Concerning expenditure, emphasis is placed on catering for only budgeted expenditure. This helps to controls overspending of funds. Basically, areas of risk management in the University include insurance issues, budgeting, human resources, construction sites, health and safety issues, lecture theatres, bungalows, offices and administration blocks. In this regard, an affirmation was obtained through the questionnaire administration as depicted by figure 4 above. The diagram demonstrates clearly, that, 34 respondents agreed that Internal Audit helps reduce risk in KNUST representing 85% and the remaining 16 which forms 15 % disagreed.

4.4.3 Best Practices by Internal Auditors

Table 4: Internal Auditors give best practices which help achieve the objectives of KNUST

Response	Frequency	Percentage
Agree	32	80
Neutral	8	20
Disagree	0	0
Total	40	100

Source: Field data May, 2012

The study revealed that, Internal Auditors give best practices which contribute to achieving the objectives of KNUST. From the field survey, 32 persons representing 80% of the sample, as depicted by table 4 above, attested to the fact that internal auditors provide best practices which help improve the way things are done in order to achieve best results. Eight (8) persons representing 20% of the sample are not sure of any best practices given by internal auditors. The interviews carried out showed that, the Internal Audit Department from time to time organizes seminars for staff of KNUST concerning best practices on issues such as risk management. These seminars enable participants improve upon their operations, resulting in better performance.

4.4.4 Internal Auditors' Role in Policies and Procedures Compliance

Table 5: Whether Internal Audit ensures that policies and procedures are complied with

Response	Frequency	Percentage
Agree	37	92.5
Neutral	3	7.5
Disagree	0	0
Total	40	100

Source: Field data May, 2012

Compliance with policies and procedures in the University is one of the three components (i.e. evaluation, verification and compliance) of systems-based audit. Policies and procedures are laid down as guides to activities in the University. Discussions with the Finance Officer, Accountants and Internal Auditors revealed that Internal Audit Unit in this regard is to monitor staff regularly

to make sure that these policies and procedures are being followed. From the questionnaire administered, evidence has been established, that undeniably, Internal Audit ensures that policies and procedures are being complied with as represented by table 5 above. Thirty-seven (37) out of 40 respondents representing 92% were in agreement to the fact that Internal Audit plays a role in terms of compliance with policies and procedures. A reason to their agreement could be as a result of Internal Audit drawing their attention to certain control procedures they do overlook. The remaining 3 respondents making 8% were uncertain to the statement. This could be attributed to the fact that, these 3 respondents probably do not understand clearly what Internal Audit role is as far as policies and procedures are concerned.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION, RECOMMENDATIONS AND
SUGGESTIONS

5.0 Introduction

The preceding chapter has presented, analyzed, and discussed the data collected. It gave a detailed analysis and discussions of the findings. This chapter however concentrates on summary of the findings, recommendations, suggestions for further studies and conclusion.

5.1 Summary of Findings

5.1.1 Summary of findings based on exploring the internal controls at KNUST.

Realistic evidence has been established in chapter four that internal controls exist in KNUST. The study discovered that, approval and control of document; checking the arithmetical accuracy of records; maintaining and receiving control accounts and trial balance; reconciliation; segregation of duties; and internal audit, are undoubtedly some of the internal control systems that exist in KNUST. The study also revealed KNUST Financial and Stores Regulations, Financial Administration Act 2003, (Act 654), and Public Procurement Act 2003, (Act 663) as Regulatory frameworks to permit and maintain accountability for assets. The research further explored documentation as a key control measure as attested by 37 respondents out of a sample of 40 and these documents include covering letters, VAT invoices, pro-forma invoices, honour certificates, pay in slips, receipts among, which support accounting transactions. The internal control measures, as gathered from the survey indicate that, satisfactory internal controls are concerned with safeguarding assets, checking the accuracy and reliability of accounting data, promoting operational efficiency and encouraging adherence to prescribed policies of KNUST.

5.1.2 Summary of findings based on Internal Audit Unit and effectiveness of internal controls

Internal Audit Unit contributes immensely to the effectiveness of internal controls in KNUST. The Internal Audit Department in helping to strengthen internal controls undertakes activities such as pre-audit, revenue checking, ensuring arithmetical accuracy of figures, and drawing clients' attention to certain control procedures they do overlook. Pre-audit is a way of improving upon the effectiveness of internal controls since it is purposely done to prevent any potential material misstatements that may arise at the initial stage. Data were also obtained which support the idea that internal auditors check revenue to ensure transparency and accountability. The research revealed that internal audit department improves upon the effectiveness of internal controls through revenue checking and ensuring that there is arithmetical accuracy of figures. This implies that, financial statements prepared from the books of records are accurate and can be relied upon by management in making decisions. The researchers also discovered that 35 respondents agreed that improvement in internal controls is as a result of internal audit Unit.

5.1.3 Summary of findings based on Internal Audit Unit and Objective Achievement of KNUST

Based on the findings, it is true that recommendations made by internal auditors are most often taken into consideration. These recommendations, when implemented go a long way to contribute to the achievement of the objectives of KNUST. Risk management is one of the integral elements used by internal auditors. The researchers discovered that internal audit role in risk management helps in the achievement of KNUST's objectives by ensuring that, all vehicles belonging to the University are insured and all assets are properly labeled. Emphasis is also laid

on the provision of fire extinguishers. It also came to light that internal auditors give best practices which helps in achieving the objectives of KNUST. Majority of the respondents attested to this and citing as an example, internal auditors do organize seminars for their clients on how best to improve upon operational efficiency. They also play an important role in the recruitment of qualified staff and therefore are in a better position to come out with best measures as far as selection and placement are concerned. For the University to achieve its objectives, policies and procedures must be followed. It is the responsibility of the internal audit department to ensure that those policies and procedures are adhered to. Thirty-seven respondents out of the sample confirmed that, internal auditors also ensure the compliance of policies and procedures in the University.

5.2 Recommendations

Based on the findings on internal controls, the researchers recommend that Accounting and System manuals should be obtained and used by all accounting officers in KNUST. This will improve upon effectiveness and efficiency of operations including the preparation of financial statements. As part of physical control, it is recommended that, there should be vehicle log book to check movements of vehicles belonging to the University. This will prevent drivers from using the vehicles for personal issues such as attending funerals. If this system is put in place, it will lead to cost reductions on travel and transport expenses.

It is further recommended that, the Internal Audit Department should frequently check on energy consumption. The study revealed that, sometimes, lights are seen on in some of the offices at non-working hours. This can be prevented by ensuring that lights and all electrical gadgets such

as air-conditions, refrigerators and others are put off during non-working hours, in all departments and offices in the University and this will contribute to cost reduction.

Based on Internal Audit Unit and effectiveness of internal controls, the researchers recommend that, there should be enough Internal Audit staff. The study revealed that as and when internal auditors are needed, accountants do not get them due to lack of staff. The interviews conducted indicated that, when they are needed to check revenue, they are sometimes not available. A concern was also raised by accountants that, sometimes, internal auditors' recommendations come late and this delay makes these recommendations though relevant, not meeting their intended purpose. This could be attributed to lack of qualified staff for the Internal Audit Department. Another recommendation worth making is that, there should be attractive motivational packages for the Audit staff. This will boost their morale thereby making them more objective in their duties.

5.3 Suggestions for further studies

Further studies of similar nature should be conducted in other public universities and polytechnics in Ghana to test the findings of this study. Researchers are also encouraged to find out the role of internal audit unit in risk management, and also how information technology helps in internal auditing.

5.4 Conclusion

Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance in pursuit of the entity's mission. Internal control makes sure that there is orderly, ethical, economical, efficient and

effective operations; fulfilling accountability obligations; compliance with laws and regulations, and safeguarding resources against loss, misuse and damage due to waste, abuse, mismanagement, errors, fraud and irregularities.

The study explored internal controls such as approval of documents, reconciliations, and segregation of duties among others existing in KNUST. In order to help management know whether these internal controls are working, Internal Audit department - an independent body, is established to examine them and report to management. The research revealed that, Internal Audit Unit plays an important role in making these internal controls effective by carrying out activities such as pre-audit, revenue checking, and also by giving recommendations, best practices and ensuring that policies and procedures are complied with, which go a long way to contribute to the achievement of KNUST's objectives. The researchers gave their recommendations which include usage of accounting and system manuals, keeping of vehicles log book, inspection on light and electrical appliances to make sure they are put off during non-working hours, and recruiting more personnel for the Internal Audit Unit.

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LIST OF APPENDICES

Appendix 1 (Questionnaire for Accounting Officers)

CHRISTIAN SERVICE UNIVERSITY COLLEGE

Exploring the role of internal audit unit at KNUST (Kumasi)

Questionnaire as a methodology to aid data collection and presentation

We wish to introduce ourselves to you as BBA Business Administration students of Christian Service University College. As part of the programme, we are required to write a long essay with the title exploring the role of Internal Audit Unit at KNUST. This is an academic exercise and the confidentiality of the information provided by you would be strictly observed. We would be most grateful if you could please spare some few minutes of your time to answer the questions that follow. We thank you in advance for your co-operation.

A. Personal Data

- 1. Position of Respondent: Finance Officer [] Accountant [] Bursar []
Other, specify.....

B. Internal Control System

- 2. Which of the following control procedures are mostly applied in your office?
 - a) Approval and control of documents []
 - b) Checking the arithmetical accuracy of records []
 - c) Maintaining and receiving controls accounts and trial balances []
 - d) Reconciliations []
 - e) Segregation of duties []
 - f) Other, specify

3. What documents guide financial controls in your office?

- a) Store and Financial Regulations []
- b) Financial Administration Act 2003, Act 654 []

c) Procurement Act 2003, Act 663 []

d) Statute of the University []

e) Companies Code 1963, Act 179 []

f) Other(s), specify.....

4. Are all accounting entries supported by documentation that gave rise to the transaction?

a) Yes [] b) No []

5. If yes, list some of the documents

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

6. How are duties segregated in the office with regard to receipts and payments?

a) Authorisation [] b) Recording [] c) Custody [] d) Recording and Custody [] e) Authorisation and Recording [] f) Authorisation, Recording and Custody []

C. Internal Audit Unit and effectiveness of internal controls

Please indicate your level of agreement with the following statements.

7. Has there been an improvement in your application of internal controls as a result of Internal Audit Unit? a) Agree [] b) Neutral [] c) Disagree []

8. Internal Audit draws our attention to certain control procedures we overlook.

a) Agree [] b) Neutral [] c) Disagree []

9. Internal Auditors examine supporting documents to payments vouchers.

a) Agree [] b) Neutral [] c) Disagree []

10. Internal Auditors do ask for explanations and information during audit.

a) Agree [] b) Neutral [] c) Disagree []

11. Internal auditors check to ascertain arithmetical accuracy of figures.

a) Agree [] b) Neutral [] c) Disagree []

12. All revenues collected are always checked by Internal Auditors.

a) Agree [] b) Neutral [] c) Disagree []

13. All payment vouchers are always pre-audited by the Audit Department before payments are made. a) Agree [] b) Neutral [] c) Disagree []

D. Internal Audit Unit and Objective Achievement of KNUST

Please indicate your level of agreement with the following statements.

14. Recommendations made by Internal Auditors are normally taken into consideration.

a) Agree [] b) Neutral [] c) Disagree []

15. Internal Audit helps reduce risks in the University.

a) Agree [] b) Neutral [] c) Disagree []

16. Internal Auditors give best practices which help in achieving the objectives of the University.

a) Agree [] b) Neutral [] c) Disagree []

17. The Internal Audit Department ensures that policies and procedures are complied with.

a) Agree [] b) Neutral [] c) Disagree []

Appendix 2 (Interview Guide for Accountants)
CHRISTIAN SERVICE UNIVERSITY COLLEGE
Exploring the role of internal audit unit at KNUST (Kumasi)
Interview Guide as a methodology to aid data collection and presentation

A. Personal Data

1. Position of Respondent.....

B. Internal Control System

2. What control procedures exist in the office?
3. What documents guide financial controls in the office?
4. Are all accounting entries supported by documentation that gave rise to the transaction?
5. If yes, what are some of the documents?
6. How are duties segregated in the office with regard to receipts and payments?

C. Internal Audit Unit and effectiveness of internal controls

7. How helpful is internal audit to you in terms of internal controls application?
8. Does Internal Audit draw your attention to certain control procedures you overlook?
9. Do Internal Auditors examine supporting documents to payments vouchers?
10. Do Internal Auditors ask for explanations and information during audit?
11. Do Internal Auditors check to ascertain arithmetical accuracy of figures?
12. Are all revenues collected always checked by Internal Auditors?
13. Are all payment vouchers always pre-audited by the Audit Department before payments are made?

D. Internal Audit Unit and Objective Achievement of KNUST

14. Are Recommendations made by Internal Auditors normally taken into consideration?
15. Does Internal Audit help reduce risks in the University?
16. Do Internal Auditors give best practices which help achieve the objectives of the University?
17. Does the Internal Audit Department ensure that policies and procedures are complied with?

Appendix 3 (Interview Guide for Internal Auditor)
CHRISTIAN SERVICE UNIVERSITY COLLEGE
Exploring the role of internal audit unit at KNUST (Kumasi)
Interview Guide as a methodology to aid data collection and presentation

A. Personal Data

1. Position of Respondent:

B. Internal Control System

2. What control procedures exist in the University?
3. What documents guide financial controls in the University?
4. Are all accounting entries supported by documentation that gave rise to the transaction?
5. If yes, what are some of the documents?
6. How are duties supposed to be segregated in the University with regard to receipts and payments?

C. Internal Audit Unit and effectiveness of internal controls

7. How do you improve upon internal controls in the University?
8. Are there situations whereby your clients do overlook some control procedures? If yes, what are some of the areas they normally overlook and how do you deal with such situations?
9. Do you examine supporting documents to payments vouchers? If yes, what do you look for in these supporting documents?
10. In what situations do you ask for explanations and information during audit?
11. How often do you do casting to ascertain arithmetical accuracy of figures?
12. Are all revenues collected always checked by you?
13. Is there a situation whereby a payment voucher is not pre-audited by the Audit Department before payment is made? If yes, in which situations is such done?

D. Internal Audit Unit and Objective Achievement of KNUST

14. Are your recommendations always taken into consideration?
15. How do you help in reducing risks in the University?

16. What are some of the best practices you normally recommend in helping to achieve the objectives of the University?

17. How do you ensure that policies and procedures are complied with?