

Assessing the Internal Control System of Cocoa Processing Company, Tema, Ghana

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Abstract

Assessing internal control systems of Cocoa Processing Company Limited, Tema Branch. In order to achieve the objectives of this research work, respondents opinion were sought through the administration of questionnaires and personal interviews gathered were evaluated to arrive at the findings and recommendations and conclusions were made. Findings of this study revealed that Cocoa Processing Company Limited has put in place internal control systems which help them in achieving their objectives. It was also revealed Cocoa Processing Company has an organizational chart which identifies lines of reporting, defines and allocates responsibilities among members of the organization. Furthermore it came to light that the academic qualification of some of the staff were below expectation and for that reason their professional competence were not up to standard. The researcher came out with the following recommendations. Organizing of workshop and seminars on internal controls to enlighten staff more on the use of the systems put in place. Review of internal controls in various departments every three months instead of the normal one year by management and limiting the minimum qualification to Higher National Diploma by management. These would contribute greatly to the effectiveness and efficiency the internal controls of Cocoa Processing Company Limited, Tema Branch to be precise.

Keywords

Management, Customers, Internal Audit, Account and Control System

1. Introduction

Internal control is considered as a vital key that contribute to the long-term stability and success of many organizations. Because when properly instituted, it serve as check and balance on both the managers and the employees as to they

should go about their duties.

In recognizing the role played by public sector organization the country, there is therefore the need to create an essential control system needed to serve as a check or regulator on the activities of those in charge of the administration of the various types internal control systems in the cocoa processing company.

The control has various elements. This study, due to time and other resource constraints, covers only three elements of internal control namely: Internal Accounting Control, Management Control and Internal Audit Controls.

Historically, the account department of organization in collaboration with the directors processes annual financial information for people who are interested in the affairs of the company to have to access to them.

Some organizations do not have effective control measures in place. Some organizations notwithstanding the fact that they have internal control measures in place have regular cases of fraud.

This is attributed to non-enforceable of internal control measures. The study therefore is to assess the internal control measures in place at the Cocoa Processing Company Limited and the extent of enforcement using the Tema branch as the case study.

2. Literature Review

2.1. Introduction

Reviewing of literature and the theories propounded by writers on internal control system are the main focus as far this chapter is concerned. It also highlights literature on the importance and problem facing internal and effects it has on an organization.

2.1.1. Nature of Internnal Control

Millichamp (2000) define internal control system as the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, and safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual component of an internal control system is known as controls or “internal controls”.

Donohoe & Robert Knechel (2014) also defined internal control as a process that is designed by management in order to provide reasonable assurance that the organizations objectives are being met.

The Committee of Sponsoring Organization (COSO) (1992) defines Internal Control as a process affected by an entity’s board of directors, management and other personnel designated to provide reason assurance regarding the achievement of three (3) categories: Reliability of financial reporting, Compliance with applicable laws and regulations and Effectiveness and efficiency operation.

The main content of internal control system includes the various systems and

tools. The following are the main part:

This definition reflects the fundamental concepts, namely; Process, Provide reasonable assurances and category objectives.

Woolf & Hindson (2011) defines Internal Control as the whole system of control, financially established by management. Auditing handbook defines Internal Control System as “a system that comprises the control system environments and control procedure”. It includes all the policies and procedures (internal controls) adopted by the directors and management of an entity to assist in achieving their entire objectives of ensuring practicable the orderly and efficient conduct of its business including adherences to management policies, safeguard of assets, prevention of fraud and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Therefore internal control is any action taken by management to enhance the likelihood that, established objectives and goals will be achieved. Management plans, organizes and directs the performances of sufficient actions to provide reasonable assurance that the objectives and goals will be achieved.

2.1.2. Types of Internal Control

Chorafas (2001) categorized the types of internal control as follows:

2.1.3. Physical

This concerns physical custody of assets and it involves procedures designed to limit access to authorized personnel only. These controls are especially important in the case of valuable, portable, exchangeable or desirable assets.

2.1.4. Organization

The enterprise should have a plan organization that should define and allocate responsibilities and identity lines of reporting. In all cases, the delegation of authority and responsibility should be clearly specified. For instance, authorities and responsibilities should be equal to employees in such a way that, individual employees know who to report to. It also establishes the framework within which the company conducts its various activities.

2.1.5. Authorizations and Approval

This requires that, all transactions should require authorization or approval by appropriate person and the limit of these authorizations should be clearly defined.

2.1.6. Management

Arthur (2016) said Management controls are internal controls procedures that are established and monitored by management, primarily with the view to achieving operational objectives and efficiencies, the identification and minimization of business risk and the generation of reliable financial information. Management controls are vital, if a good control environment is expected. These are controls are exercised by management that are outside the day routine of the systems. They include overall supervisory control exercise by management, the

review of management account and comparison with budget, the international audit function and any other special procedures.

Management role is to provide leadership that the organization needs to achieve its goal and objectives. Internal control is the technique used by managers to help an organization achieve these objectives. The four basic function of management are Planning, Controlling, Organizing, and Directing.

Adequate internal controls allow managers to delegate responsibilities with reasonable assurance that what they expect to happen, actually does. Managers must develop internal controls for each activity for which they are responsible.

2.1.7. Personnel

It helps ensure suitable employees performance. Three types of personnel controls are Recruiting and selection of suitable personnel, Orientation, Training, and development and Supervision.

2.1.8. Segregation of Duties

For this, activities are assigned to individuals in such a way that, one person should be responsible for the recording and processing of a complete transaction. The involvement of several people reduces the risk of intentional manipulation or accidental error and increases the element of checking of work.

2.1.9. Arthmetical Accuracy and Accounting

These are the controls in the recording function that check that the transactions have been authorized and are correctly recorded and accurately processed.

Procedures used include checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation, control accounts, trial balance and previews. The internal audit department is instituted to care of matters like these.

2.1.10. Auditors Aspect of Internal Control

Ghana National Standard (GNAS) “The auditor should obtain a sufficient understanding of the accounting and internal control system to plan the audit and develop an effective audit approach”. The understanding of the accounting and internal control system together with the inherent and control risks assessment and other considerations, enable the auditors to identify the types of potential misstatement that could occur in financial statements, consider factor that effect the risk of material misstatement, and Design appropriate substantive procedures.

2.1.11. Features of Internal Control

The main features of internal control include, Control Environment and Control Procedure.

2.1.12. Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other competent of

internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management philosophy and operating style; the way management assigns and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors. Millichamp (2000) defines control environment as "the overall attitude, actions of directors and management regarding internal controls and their importance in the entity". It sets the tone of an organization by influencing the consciousness of people. It can be viewed as the foundation for other component of internal control. Control factors include; management philosophy and operating style, commitment to competence, integrity and ethical values, organizational structure, board of directors or audit committee, human resource policies and practice, and assignment of authority and responsibility.

2.1.13. Management Philosophy and Operating Style

Management differ in their philosophies towards financial and their attitudes towards taking business risks. Some management is extremely aggressive in financial reporting and place great emphasis on meeting or exceeding earning proportion. Other management teams are extremely conservative and risk average.

2.1.14. Commitment to Competence

Employees should possess the skills and knowledge essential to the performance of their job. If employees lack skills or knowledge, they may be ineffective in performing their assigned duties.

2.1.15. Integrity and Ethical Values

The effectiveness of internal control depends directly on the integrity and ethical values of the personnel who are responsible for creating, administering and monitoring controls. Management should establish behavioral and ethical standards that discourage employees from engaging in acts that would be considered dishonest, unethical illegal. To be effective, these standards must be effectively communicated by appropriate means including official policies code of conduct etc.

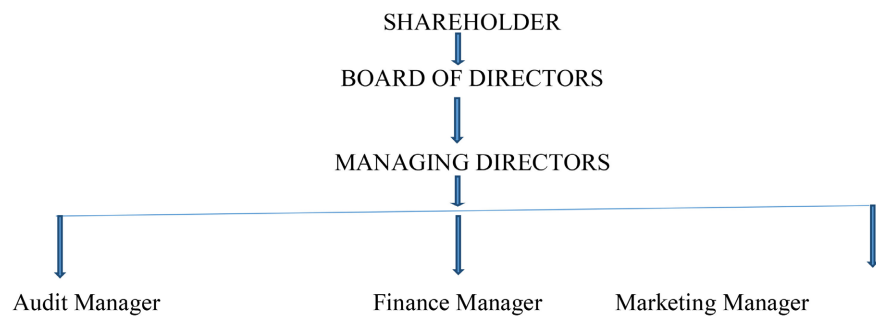
2.1.16. Organizational Structure

Another control environment factor is the entity's organization structure. A well-designed organizational structure provides basis for planning, directing and controlling operations. It divides authority, responsibility and duties among members of an organization by dealing with such issues centralized versus decentralized decision and appropriate segregation of duties among various departments.

2.1.17. Board of Directors

The control environment of an organization is significantly influenced by the effectiveness of its Board of Directors or Audit Committee. Factors that bear on

the effectiveness of the Board of Directors or Audit Committee include the extent of its independence from management. The experience and stature of members, and its interactions with the internal and external auditors.



2.1.18. Human Resource Policies and Practices

The most important aspect of any internal control structure is personnel. If employees are competent and trustworthy, other controls can be absent and reliable statements will still result. Honest and efficient people are able to perform at a high level even when there are few other controls to support them.

2.1.19. Assignment of Authority and Responsibility

In addition to the informal aspect of communication already mentioned, formal methods of communication about authority and similar control-related issues are equally important. These include methods such as memoranda from top management about the importance of control-related issues.

2.1.20. Control Procedure

Millichamp (2000) defined control procedures as “those policies and procedures in addition to the control environment which are established to achieve the entity-specific objectives”. He said specific control procedures include; Control over computerized systems and applications and the information technology environment. Approval and control documents example; Custody and use of purchase orders, comparing internal data with external sources of (Example: Bank Statement, Suppliers Statement of Account, Customer remittance advice). Internal control procedures consist of internal accounting control, and internal audit.

2.1.21. Internal Accounting Control

Internal accounting control comprises of all control over the operations of an accounting system to conform to the requirements of the companies' code 1963 Act 179 of section 123, Accounting either mechanized or computer based for recording, processing and controlling transactions, forms the basis of periodic financial statements. The matter that must be considered includes the following; what procedure is to be adopted for reviewing and following up on overdue accounts?

Arrangement to ensure that goods displayed but not involved in dispatches during an accounting period are properly dealt with in the accounts of the period concerned.

Gyasi (2005) in his book “Management Accounting”, defines accounting system as the management information system which provides management with accurate, relevant reliable and comprehensive information needed by managers to make decision for the effective and efficient management of their organizations.

It also provides the manager with classified, recorded and interpreted information such as a way as to enable the manager to assess the performance of the organization over a period and its financial position at a given date.

It also provides the manager with projections of financial information resulting from future planned decisions and actions. Taylor & Glezen (1997), Βοσνιάδου (2021) in their book said, “the accounting system consists of the accounting records (examples invoice, sales order, cheque, etc.) for certain types of entity (retailers)”.

Accounting systems is created and maintained to identify, assemble, analysis, classified, record and report on entity transaction and to maintain accountability for its assets and liabilities.

2.1.22. Internal Checks

Arthur (2016), said, the internal checks is the area for internal control which is exclusively considered with the prevention and early detection of errors and possibly fraud. It’s therefore the arrangement of book keeping and other clerical duties in such a way as to ensure that; No single task is executed by only one person from its beginning to the end, and the work of each personnel engages on a task to subject to an independent check in the course of other person’s assignment. The purpose of internal check can be summarized follows; to obtain the confirmation of facts and entries physical and financial by the creation and preservation of necessary records and to facilitate the breakdown of routine procedure so as to avoid bottlenecks and to establish an even flow of work.

2.1.23. Internal Audit

Millichamp (2000) in his book “Auditing” defines audit as an independent appraisal function established by the management of an organization for the review of an organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economy, efficient and effective use of resources. Internal audit is a capacity instituted by management to regularly review its internal controls and accounting system as well as some financial controls and to advice on how business assets and interest can be safeguard and enhanced for effectiveness, efficiency and economy while operating within the internal control system to achieve effectiveness at all levels.

Management should be involved in working on a regular basis. The work that comes out by the internal auditors of a company would depend on the types of company and the nature of its business. The internal audit department consti-

tutes part of the internal control systems instituted by management to safeguard its assets and interest, and ensure financial and operational efficiency. The department is operated as a service to management of the organization. The more independence it is, the more reliable it should be.

2.1.24. Management Concerns

In the designing of an organization system of control, management is likely to have some of the same concerns auditors have in evaluating the system as well as additional or different concerns.

An organization establishes a system of internal control with the aim of helping to meet its own goals. The system consists of many specific policies and procedures designed to provide management with reasonable assurance that, the goals and objectives will be met. These policies and procedures are often called control, and collectively they comprise the organizations internal control structure.

As management has a responsibility of reducing cost and increasing profit, it is therefore the responsibility of management to ensure that, the control system established is cost beneficial. The controls adopted are selected by comparing the costs to the organization to the benefits expected. In designing the internal control structure, the following three (3) points are of great concerns to management.

1) Reliability of financial reporting

Management is responsible for preparing financial statement for investors, creditors, government and other uses. Management therefore has both legal and professional responsibility to ensure that information is fairly prepared in accordance with reporting requirements such as the generally accepted accounting principles.

2) Compliance with applicable laws and regulations

Many laws and regulations guide the operations of organizations and it is the responsibility of management to ensure that, these laws and regulations are followed to avoid legal actions. Some of these laws are however only indirectly related to accounting. For instance, the environmental protection and civil rights laws, others are closely related to accounting. For example, income tax regulations and management or employee fraud.

3) Efficiency and effectiveness of operations

Control within an organization is meant to encourage efficient and effective use of its resources, including personnel to optimize the organizations goals. An important part of these controls is accurate information for internal decision making.

In making critical business decision, a wide variety of information is needed and through efficient and effective operations, management is able to get this adequate information. Another important part of effectiveness and efficiency is safeguarding assets and records.

2.1.25. Auditors Concerns

It is important for the auditor to study the organizations internal control structure and assess the control risks. These are especially included as a generally accepted auditing standard. The second stand of the fieldwork is audit and to determine the nature, timing and extents of test to be performed. The following are to be great concern to the auditor in the designing of internal control structure.

2.1.26. Extent of Control

According to Arthur (2016), it is the responsibility of management and directors to decide the extent of internal control system that is appropriate for the entity. The nature and extent varies between enterprises. The nature and extent of control depends on the following.

The geographical distribution of the enterprise, the degree of control which members of management are able to exercise personally, the materiality of transaction concerned, the number of administrative staff available, the management style of the particularly the trusted place on integrity and honesty of the key personnel.

2.1.27. Objective of Internal Control

Good management is itself an internal control but other procedure must be in place as directors and senior managers cannot supervise everything. It is the responsibility of management and directors to put in place an appropriate system of financial controls. However, an effective internal control system is how senior management discharges their responsibilities. The auditing standards (Willekens et al., 1996) stressed on the important of the general of the general objectives of internal control, the orderly and efficient conduct of a company's business. The objectives of internal control: Prevention and detection of fraud and error, adherence to management policies, safeguarding of assets, and timely preparation of financial information, accuracy and completeness of accounting records.

2.1.28. Prevention and Detection of Fraud and Error

If the company's internal control system cannot detect fraud and error, there would be serious legal consequences if the company continues to publish information that has not been certified or the company publishes false information.

2.1.29. Adherence to Management Policies

In order for management to be able to implement their decisions, there must be policies in place to ensure that directives from management are followed.

2.1.30. Safeguarding of Assets

Directors have important duties to manage the company's assets and also their facts.

2.1.31. Timely Preparation of Financial Information

It is statutory responsibility of directors to prepare accounts, which show the

true and fair view within time limit set by statutes. Internal financial information such as management accounts and budget also help directors.

2.1.32. Internal Controls in Specific Areas

In every organization, control is needed in specific areas of the business activities such as the Cocoa Processing Company. The area of activities where control is found includes; non-current assets, cheques payment, wages and salaries, cash balance, bank balances, and payment into banks, cash and cheques received by post.

2.1.33. Non-Current Assets

The objective of internal control in the area of fixed assets is to ensure that non-current assets are only acquired with proper authority, properly maintained and used only in the business, properly accounted for and recorded.

The measures to be taken to achieve the above objectives include the following; Capital expenditure should be subjected to authorization procedure that in all cases should be evidenced; Depreciation policies should be laid down by the board; Disposal whether by scrapping, sale or trading should be subjected to authorization procedure, all capital expenditure should be monitored by a senior official with approvals and adequate recording or fixed assets should be made with detailed breakdowns as necessary.

2.1.34. Cash Balances

The objectives are to prevent misappropriation of cash balances and prevent unauthorized cash payment. Measures to be taken are establishment of cash floats of specified amount and locations, appointment of officials responsible for each cash balance. The implementation of security measures, stringent cash payment authorization requirements, and routine independent cash counts.

2.1.35. Wage and Salaries

The objectives of internal control of wages and salaries are to ensure that, wages and salaries are paid only to actual employees at authorized pay rates, all wages and salaries are computed in accordance with records of work performed. The measures to be taken are, there should be separate records kept for each employee, procedures for specified officials responsible for engagements, retirements dismissals, fixing and charging rates of pay procedures should be laid down for notification of this matter to the personnel unconnected with wage duties, wages envelopes should be made by personnel independent of the wage roll preparation team and regular independent comparisons should be made between personnel records and wages records.

2.1.36. Bank Balances

The objectives are to prevent misappropriation of bank balances. Measures to be taken are; reconciliation should be prepared at prescribed frequency, arrangement should be made for bank statement to be sent direct to the person responsible for the reconciliation and special arrangement should be instituted on the

controls and recording of monies.

2.1.37. Payment into Banks

The internal control objectives include ensuring that all cash and cheques received are banked intact. The measures to taken include; cash and cheques should be banked intact, cash and cheques should be banked without delay. An official should prepare the bank pay-in-slips with no access to cash collection points and there should be independent companion of pay-in-slips with collection records.

2.1.38. Cheques Payments

The objective of internal control concerning cheques payments is to prevent unauthorized payment being made from bank accounts. The measures are, control over custody and issue of unused cheques books, appointment of an official to be responsible for the preparation of cheques, rules should be established for the presentation of supporting document before cheques can be made out, establishment of who can sign cheques. All cheques should be signed by at least two people with no person being permitted to sign if he is a payee, all cheques should be strictly crossed, the signing of blank cheques must be prohibited and rules to ensure prompt dispatch and to prevent misappropriation.

2.1.39. The Need for Assessing Internal Controls

The trend for corporations to evolve into organizations of large size and scope including a greater variety of specialized technical operations, has made it possible for corporate executives to exercise personnel, first hand supervision of operations. The assessment of control will enable management to control will enable management to control and direct the enterprise. It keeps management informed as to whether government regulations are being observed, and whether financial positions are sound. The organization prepares its accounts under the historical cost convention and also uses the fund accounting system. The system provides means for the control of cash disbursement and use of other resources in the organization. It is also able to determine whether the statutory requirements are complied with. The organizations accounting system generally is made conform to specific statutory regulations as outlined in the accounting manual of the organization. The entire accounting system is based on the double entry principles with a general ledger into which all financial transactions are recorded in detail or in summary. Where necessary, additional subsidiary records are maintained. The funds required by legislative instruments and other legal provisions governing the organization have been put in place. They are however, made to comply with standards required for sound accounting practice. As usual, the use of historical cost has brought about some measure of flexibility in the accounting system of most organization. With regards to this, several funds have been established with proper controls over it. Examples of such funds are; general staff welfare funds, endowment funds, staff provident, staffs

leave fund, home ownership fund and social security fund.

The above classification of fund is followed to the extent required in the budget document presented to the company's Board of Directors for approval annually. A complete balancing of accounts has been instituted for each of the above fund including all the accounts needed to set for financial condition and financial operations of the funds in to give a true reflection of compliance with legal provisions.

2.2. Statement of the Problem

Swindle refers to anything that is not what it is presented as being.

Fraud has called for many institutions including Cocoa Processing Company Limited to institute internal control systems. Some public sector organizations do not have internal control systems in place and others although they have, do not effectively enforce them leading to reported cases of fraud.

The study is to examine the effectiveness of the internal control practice of the cocoa processing company, and the extent of adherence, using Tema branch as the case study.

2.3. Objectives of the Study

The main objective of the study is to assess the effectiveness and efficiency of the internal control system of cocoa processing company Tema. To be able to achieve this, ensuing specific intentions are set; assess the independence audit department, enforcing the internal control systems, to examine how the assets of the company are safe-guarded, to assesses the preparation of financial statements in conformity with the generally accepted accounting principles and to makes appropriate recommendations in improving the effectiveness of internal control in public sector organization.

2.4. Research Questions

In relation to the research objectives, the following research questions will be pursued in the study:

- 1) What is the independence of internal audit department in enforcing the internal control?
- 2) How can the assets of the institution be safe-guarded?
- 3) Are financial statement prepared in accordance with the accounting standards and IAS 40 regulations?
- 4) What are of the appropriate recommendations in improving the effectiveness of internal control in the public sector organizations?

2.5. Significance of the Study

The research will be of tremendous value to numerous prospective researchers and also students can use it as a secondary data and as part of their literature review.

The study will also make it known, the need to institute measures to detect fraudulent act more quickly and effectively and this will be of great benefit to business organization by making reference to such report.

This research will help the external auditors to assess the risk level of the company and find solutions to that. It will also serve as a source of information for further research of company.

2.6. Scope of the Study

The study covers the controls and accounting procedures of Cocoa Processing Company, the study is limited to Tema, where all necessary information for the purpose of the study was obtained.

2.7. Organisation of the Study

The study consists of five main chapters, one deals with the background of the topic, statement of the problem, objectives, significance, scope of the study, methodology, Literature Review, and finally, limitation of the study; Chapter two looks at literature review on the study; chapter three considers the methodology of the research; Chapter four looks at the presentation of data and analysis of information gathered with regard to the research; Chapter five includes the study with summary and recommendations of the study.

3. Research Methodology

3.1. Introduction

This chapter provides a detailed account of the study's research design, the study area, target population, sampling procedure, research instrument, data collection and data analysis. The study sought to examine the impact of internal controls in Cocoa Processing Company Limited (A Case Study at CPC Tema). Methodology refers to a set of methods, systems and procedures used in a particular research to achieve stated objectives. In conducting research, there is the need to gather and collect data by using various tools with the aim of analyzing them into usable information decision making. A study of this nature makes it imperative for a properly laid down and planned procedures to execute it. It is this vain that, this section seeks to indicate clearly the various procedures used in accomplishing this research work.

3.2. Study Area

Internal controls lead to the promotion of adherence to laws, regulations, contracts and management directives and the development and maintenance of reliable financial and management data, and accurately present that data in timely reports. Cocoa Processing Company Limited was recognized in 1965, is located in the attractive harbor city of Tema in Ghana on the Greenwich Zenith (Longitude O). The corporation includes three industrial units: two cocoa factories and confectionery factory. Cocoa Processing Company Limited is Incomplete Obli-

gation Company incorporated in Ghana on November 30, 1981. The shares of the company are publicly traded on Ghana stock exchange.

3.3. Research Design

The research approach is a descriptive research. Descriptive research is conducted to describe the characteristics of some relevant group for the research and to understand the demographic and other characteristics of the population. Descriptive research is conducted on the basis of some previous understanding of the investigation difficult. Descriptive research design is usually structured and specifically designed to measure the characteristics described in the research question (Hair Jr., Babin, Money, & Samuel, 2003). Hypothesis derived from theory usually serves as guide and offer a list of what requirements to be measured (Hair Jr. et al., 2003). The object of an evocative research is to represent and precise outline of persons, events of situations (Saunders et al., 2003).

3.4. Sampling Technique

Sampling is “The selection of a fraction of the total number of unites of interest to decision makers for the ultimate purpose of being able to draw general conclusions about the entire body of unit” (Berry & Parasuraman, 2004: p. 356). A purposive sampling technique would be used because it gave us the opportunity to have direct contact with the respondents. In this technique, the researcher purposely chooses respondents who in their opinion are thought to be relevant to the research topic. Therefore, this type of sampling is very convenient and is relatively inexpensive (Kothari, 2004). Using purposive sampling, a researcher is allowed to choose a study based on specific features and process which justified on the study to be made Tongco (2007).

3.5. Sample Size

Sampling is the process of selecting a point to represent a whole. Sampling is used because the entire population is too difficult to define and most at times very large. Sampling frame refers to the embodiment of the total body.

The research was conduct by chosen sample of the population. The purposive sampling under non-random sampling method was used in selecting the various departments to be included in the study, purposively, seven respondents from the accounts department, three from the audit department and four from management were chosen. As a result, a sample size of fourteen was chosen for the purpose of eliciting data necessary for the accomplishment of this research work. The relationship between the research topic and the parameters laid down is very much essential to realization of possible good result from the study. The research population is this made of up of the staff of Cocoa Processing Company Limited. The total number of employees is 281.

3.6. Research Instrument

Structured questionnaire was developed for collection of primary data. Ques-

tionnaires has undoubted strength in its ability to describe features of internal control systems. It is relatively economical technique, comprising of mainly closed questions which is quick to complete and analyze (Evans & Easterby-Smith, 2001). In designing the questionnaire, issues such as; efficacy in data entry, measurement and quantification were considered (Dillman, 1978; Dillman et al., 1993). The survey instrument was divided into two sections: first section collects general information of the respondents like, age, gender, designation and experience. The other sections include the items that measure the variables; control environment, risk assessment, control activities, information and communication, monitoring of controls and organizational performance. The questionnaires and interviews were the main tools used in collecting data about the study. The questionnaire was used to obtain much information about assessment of internal control system of an organization within Cocoa Processing Company Limited Tema.

The questionnaire were carefully designed, pre-tested and debugged before they were administered to large number of management, Accounting personnel and clients of internal Auditors of Cocoa Processing Company Limited Tema.

Unstructured interview were also used in obtaining information on subject of the study. In interviewing, the researchers approached the management, accounting personnel and clients of internal Auditors of Cocoa Processing Company Limited Tema and granted them the interview after a complete introduction and explanation of the purpose of research.

3.7. Data Analysis

In order to draw meaningful and valid conclusions and make relevant recommendations both qualitative and quantitative methods of analysis were employed. By the use of tables, the writer attempted to establish how the internal control system was assessed in Cocoa Processing Company Limited Tema.

3.8. Description about the Case

3.8.1. Introduction of CPC

The Cocoa Processing Company Limited (CPC) based in Tema, near Accra in Ghana, was integrated in November 1981 as a Limited Liability Firm. The main objective is to process Cocoa beans by adding value to them, the company comprises two factories; namely The Cocoa Factory and the Confectionery Factory. The CPC factories process only the choicest premium Ghana cocoa beans. In 2002 CPC's position as one of the world's best chocolate manufacturers was re-established at the Monde Mixture Struggle held in Paris, France. At this competition its entire seven brands of Chocolate and ALLTIME Drinking chocolate powder won gold medals. CPC is listed on the stock index of Ghana Stock Exchange, the GSE All-share Index.

3.8.2. Organization of CPC

Cocoa is the main the agricultural export in Ghana. It is also the main cash crop

in the country. In fact, Ghana is ranked number two in cocoa production just after Ivory Coast. Cocoa production in Ghana began in the 1870's. And by 1911 Ghana was already the world's leading cocoa producer. At the time, Ghana was contributing to 30% - 40% of the world's total input of cocoa. In the late 1970's, prices for cocoa in most countries dropped and Ghanaian farmers had to look for alternatives. This forced most of the farmers to stop producing cocoa and farm other crops.

In the early 1980's the situation worsened due to droughts and this led to Ghana's production to fall to 12% of the world's total production. This situation was intervened by the World Bank which laid adjustment programs to help the country's economy recover. Cocoa Processing Company Limited is a Cocoa Processing Company located in Tema. It was started in 1965. The company has three factories-two of which are cocoa factories while one is a confectionery factory. Inside the cocoa factories, cocoa beans are processed into product such as butter, cocoa liquor, powder or natural cake.

Cocoa Processing Company Limited has achieved great success over the years and have won multiple local and international quality awards. Cocoa Processing Company Limited has one of the best Ghana Chocolate making factories. In 2002, nine products from Cocoa Processing Company Limited were presented at the World Quality Selection. The company managed to score gold in eight of their products while one received silver.

3.8.3. Description of CPC Internal Control System

Internal control, as defined by accounting and auditing, is a process for assuring of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization. Internal control review assumes greater importance in the light of current economic downturn. Monitoring and assessment of internal controls across various functions is performed through continuous evaluations to ensure whether the implemented internal control system is effective as intended by the Board of Directors of Cocoa Processing Company. The framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as "a process affected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories":

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

1) How Was CPC Internal Control System Established

To create an effective internal control system, CPC was able to establish the following:

- Policies and procedures including, among others, organizational structure, job descriptions, authorization matrix;

- Segregation of duties and responsibilities;
- Authorization and approval process;
- Performance monitoring and control procedures;
- Safeguarding assets, completeness and accuracy;
- Manpower management;
- Independent internal audit function;
- Regulatory compliance and risk management.

2) Are the Controls in CPC Organization Appropriate

The Controls of CPC is said to be appropriate by the following establishment in the company;

- Adequacy & compliance of policy and procedures;
- Proper governance structure;
- Monitoring the manpower management;
- Proper periodical review of business activities.

3) What Are Some Benefits of Internal Control Review to CPC

- Encourage adherence to prescribed policies and procedures;
- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations;
- Detection and prevention errors and irregularities in a timely manner.

4) Is Internal Control Review Mandatory

As per the various circulars issued by the Auditors General of Ghana, it is very important to review the internal controls from time to time; by CPC and other companies operate in the country. CPC are mandated to comply with ICR regulations. The ICR auditors are to provide their opinions and remarks on whether the regulations and internal control systems are sufficient enough in quality and quantity to manage the risks that the company faces in its day-to-day business.

I would discuss CPC internal control system in details in Chapter 4.

3.8.4. Control Environment

How to Evaluate CPC Control Environment

The internal control environment at CPC includes the following five factors.

Integrity and ethical value: Many organizations seek a high level of integrity and ethical value. Usually, those organizations have a clear Code of Conduct and/or Conflict of Interests policies. They periodically communicate these policies to employees to promote honesty and integrity. In addition, some organizations adopt business best practices and emphasize internal controls, which is also clear evidence that the organizations are striving to integrate the integrity and ethical value into the daily business operations.

Competence of the entity's people: Competence is the knowledge and skills necessary for particular functions. So does CPC set up the tone of hiring only competent employees, First, management determines the knowledge and skills required for each position, then establishes the job descriptions for these positions. Furthermore, there is a well-designed hiring process and performance re-

view process to ensure that new hires and employees are competent to perform their assigned tasks and assist the organization in achieving their objectives.

Management's philosophy and operating style: Management may not achieve its business objectives if it does not introduce and maintain a philosophy and operating style that supports the business objectives and strategies. Management's philosophy and operating style include management's attitudes towards the organization objectives, the approaches to minimize the business risks and attitude toward internal controls over financial reporting. For example, if management sets up an unrealistic financial goal and aggressively persuades employees to achieve the goal, what will happen? The chance of misstatement in financial statements becomes higher.

Authority and responsibility: The control environment is greatly influenced by the extent to which individuals recognize that they will be held accountable. Accountability plays a critical role in carrying out internal controls in an organization. Sections 302 and 404 of the Sarbanes-Oxley Act (SOX) hold management in an organization accountable for financial reporting to ensure financial reporting is accurate and timely. In the organization, management holds employees accountable for all activities and business practices to ensure the organization is in compliance with SOX. To have an accurate, effective and timely financial reporting system, management must ensure that adequate reporting relationships and authorization hierarchies are in place.

Direction provided by the board of directors: An effective Board of Directors and Audit Committee provide an important oversight function and, because of management's ability to override controls, they play an important role in the control environment, helping to set a positive tone at the top. For private companies, often there is no Audit Committee. However, to have the Board of Directors is very important for CPC. It oversees the organization's plans and performance, provides management directions with experiences, and oversees the organization's internal control function.

1) Control Procedure

The CPC audit procedure involves evaluating control risk, which means the company needs to find out as much as they can about your client's internal control procedures. Auditing those procedures involves several steps:

- **Consider external factors:** Uncover as much as you can about environmental and external influences that may affect the company, such as the state of the economy, changes in technology, the potential effect of any laws and regulations, and changes in generally accepted accounting principles (GAAP) that relate to the client's type of business. External changes (such as technological or GAAP changes) may decrease your reliance on the company's internal controls, unless the client can demonstrate that it has modified internal controls in response to the changes.
- **Evaluate how management assesses its controls:** The Sarbanes-Oxley Act of 2002 (requires that management of publicly traded companies create a

written self-assessment document at this stage, which demonstrates how well it believes its internal controls are working. The evaluation of how well management thinks its internal controls work during the initiating, authorizing, recording, and reporting of significant accounts can help you identify areas where material misstatements due to error (mistake) or fraud (intentional) could occur—thus increasing your efficiency during an audit of CPC.

- **Review management’s self-assessment:** After management finishes its work, it’s the turn of the internal auditor of CPC to review management’s written assessment to come to his own conclusion about how well management is performing.
- **Design your tests of controls:** After the internal auditor review management’s self-assessment and document he/she must understanding, the tests of controls and decide which procedures to use while testing.

Tests of controls over operating effectiveness should include the following five procedures:

- 1) Talk with the client
 - 2) Look at client documents
 - 3) Observe the client
 - 4) Conduct walkthroughs
 - 5) Do performance
- **Audit evidence:** Facts gathered during the audit procedures that provide a reasonable basis for forming an opinion regarding the financial statements under audit.
 - **Audit risk:** The risk of forming an inappropriate opinion on the financial statements under audit.
 - **Control risk:** The risk that CPC internal controls won’t detect or prevent mistakes.
 - **Due professional care:** Taking the time to gather reasonable audit evidence to support the fact that the financial statements are free of material misstatement.
 - **Generally accepted accounting principles (GAAP):** Standard U. S. accounting guidelines for reporting financial statement transactions.
 - **Going concern:** The expectation that a CPC will remain operating for at least another 12 months.
 - **Inherent risk:** The likelihood of arriving at an inaccurate audit conclusion based on the nature of the client’s business.

2) Management Philosophy and Operating Style

Management philosophy is the philosophy adopted by a company’s executives outlining how they believe a business should be directed, particularly with regard to the treatment of fellow workers and employees. As such, management philosophy is less concerned with the day-to-day mechanics of running a business. Instead, a quality management philosophy helps develop relationships based on ideal interpersonal practices.

Because it is a philosophy like any other, management philosophy is frequently abstract and based on rational principles rather than carefully outlined business models or daily best practices. As put by Accounting Library, management philosophy is a “belief system that guides how people will interact with other people... there are no process steps that can be defined and improved over time.” Instead, the manifestation of management philosophy appears in statements of corporate culture, or in an organization’s mission statement. Such statements frequently assert the primacy of employees as the most valued element in the business, and that the philosophy of that business is to guide them towards fulfilling their potential.

The Management Philosophy at CPC is working toward maximum efficiency and motivating the employees of CPC. The operating Style of CPC.

Democratic Style of Working

- In such a style of working, superiors welcome the feedback of the subordinates.
- Employees are invited on an open forum to discuss the pros and cons of plans and ideas.
- Democratic style of working ensures effective and healthy communication between the management and the employees of CPC.
- The superiors listen to what the employees have to say before finalizing on something.

3) Integrity and Ethical Values

Honesty and Transparency

Truth is the foundation of all values. Integrity, honesty and transparency are the basis of trust and trust is the source of effective and enduring relationship between people or the customer. So honesty and transparency have to be maintained in every stage, process or activity of the professional work of the engineer like for example procurement of material, relationship with the government, people, worker or the customer or drawing of specification. Any discrepancy or error or lapse in integrity has to be transparently exposed and corrected at the very first occurrence. Honesty and integrity ultimately pays in terms of bottom line result, whatever may be the temporary setbacks. Take for example, the practice of bribing which is a common form of ethical lapse among engineering and contracting firms in their dealing with government agencies. Many professionals justify it by saying that it is necessary and unavoidable in getting things done in government departments. But this state of affairs exists because most of professional organization and individuals have not made any concerted and collective effort to counter it with a persistent will for truth like for example, exerting pressure through professional association.

4) Board of Directors

In general, the board makes decisions as a fiduciary on behalf of shareholders. Issues that fall under a board’s purview include the hiring and firing of senior executives, dividend policies, options policies, and executive compensation. In

addition to those duties, a board of directors is responsible for helping a corporation set broad goals, supporting executive duties, and ensuring the company has adequate, well-managed resources at its disposal. A board of directors is used in a number of settings, including the corporate world, academic institutions and nonprofit organizations. The size and formation of a board of directors is usually determined by the needs of the particular institution or business. The board of directors governs the overall operations and future plans of a corporation or institution.

The size of a board of directors can be anywhere from a handful of people to a large number. A company's shareholders vote at annual general meetings on the structure and powers of a board are determined by an organization's by laws. By laws can set the number of board members, the manner in which the board is elected (e.g., by a shareholder vote at an annual meeting), and how often the board meets. While there is no set number of members for a board, most range from 3 to 31 members formation of the board of directors.

The board of directors should be a representation of both management and shareholder interests and includes both internal and external members of CPC.

DIRECTORS OF CPC

Hon. Jacob S. Arthur—Chairperson, Nana Agyenim Boateng—Acting Managing Dir., Prof. Joshua Abor, Dr. (Mrs) Rose Emma Mamaa Entsua-Mensah, Dr. Yao Asamoah, Samuel Danquah Arkhurst, John Kofi Mensah, Nana Kojo Toku, Brigadier Gen. (Rtd) Charles Harrison Mankatah, Dr. Stephen Kwabena Opuni, Mr. Jacob Oforu-Koree, Darlington Afari-Dwamena.

5) Human Resource Policies and Practices

Some human resource policies in CPC are as follows:

- Regulatory policies
- Paid time off policies
- Leaves of absence policies
- Flexible work schedule policies
- Acceptable use policies
- Business and travel reimbursement

In the employee handbook, of CPC HR practices that support your culture and encourage growth of the Company.

- Effective interviewing tips and developing an interview process.
- Pre-employment background check practices, including drug screening and criminal checks.
- New hire orientations and employee integration strategies—creating the plans your organization needs in order to effectively assimilate a new hire.
- Compensation planning approaches—how your organization reviews pay rates for employees systematically, reviewing market data to ensure you're paying within range, adjusting annually for inflation, and creating strategies for performance-based/merit increases.

- Best practices for regular employee surveys that take your employees' pulse on whatever you want to measure and then incorporating that feedback into your organization.

6) Assignment of Authority and Responsibility

Top Management is defined as the person or group of people who directs and controls an organization at the highest level (within the scope of the quality management system). Top Management has the power to delegate authority and provide resources within the organization. Top management must ensure that the responsibilities and authorities for relevant roles are assigned, communicated, and understood within the organization. The top management must primarily take accountability for the effectiveness of the QMS and understand that its success or failure depends on them. Defining the Quality Policy and objectives is a task that cannot be fulfilled without engagement of the top management, as both the policy and the objectives must be aligned with the context and strategic direction of the organization. The QMS must be integrated with the business processes of the organization, and this is also a responsibility of the top management. The provision of resources for QMS operation is also part of the top management responsibilities, as without the appropriate resources, the QMS cannot work. Promoting the use of the process approach and risk-based thinking, along with communicating the importance of the effectiveness of the QMS and compliance with the requirements. Engaging, directing, and supporting personnel to contribute to the effectiveness of the QMS, and supporting other management roles to demonstrate leadership in their areas of responsibility. Defining the corporate responsibility policy, which needs to include an anti-bribery policy, the employees' code of conduct, and an ethics escalation policy (whistle-blowing policy). Identifying process owners who will be in charge of managing the processes and related outputs. Conducting management reviews in order to assess the condition and performance of the QMS and define necessary actions for improvement.

In addition to the roles and responsibilities that the top management must take, the top management must assign to the mid-management and other employees within the organization.

7) Internal Accounting Control

Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

At the organizational level, internal control objectives relate to the reliability

of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes. Internal control is a key element of the Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes-Oxley Act of 2002, which required improvements in internal control in United States public corporations. Internal controls within business entities are also referred to as **operational controls**.

Controls can be evaluated and improved to make a business operation run more effectively and efficiently. For example, automating controls that are manual in nature can save costs and improve transaction processing. If the internal control system is thought of by executives as only a means of preventing fraud and complying with laws and regulations, an important opportunity may be missed. Internal controls can also be used to systematically improve businesses, particularly in regard to effectiveness and efficiency.

8) Internal Control

An effective **internal control structure** includes a company's plan of organization and all the procedures and actions it takes to:

- Protect its assets against theft and waste.
- Ensure compliance with company policies and federal law.
- Evaluate the performance of all personnel to promote efficient operations.
- Ensure accurate and reliable operating data and accounting reports.

As you study the basic procedures and actions of an effective internal control structure, remember that even small companies can benefit from using some internal control measures. Preventing theft and waste is only a part of internal control.

In general terms, the purpose of internal control is to ensure the efficient operations of a business, thus enabling the business to effectively reach its goals.

4. Presentation and Analysis of Data

4.1. Introduction

In order to ascertain the true nature of the internal control system of Cocoa Processing Company Limited Tema and to come out with a meaningful conclusion, the researcher analyzed the data collected under appropriate headings and discussed the questions which were similar under the relevant headings. This was to assess how effective is the internal control system of Cocoa Processing Company Limited Tema using the Tema Branch as a case for the study.

This chapter presents the analysis and interpretation of data collected from questionnaires administered to get the opinion of management, the audit department, the accounts department and the staffs who work at Cocoa Processing

Company Tema.

4.2. Administration of Research Questions

The researcher prepared questionnaires (referred to **Appendix 1 - 3**) which were used to compile the data for analysis.

In all thirty (30) questionnaires were sent out. Ten (10) was presented to management, ten (10) were presented to audit and the account department (**Table 1**).

From **Table 1** below, thirty (30) questionnaires was submitted to each department namely management, account and internal auditors department of Cocoa Processing Company Limited Tema. All questionnaires administered to management were returned representing 100%. Out of 10 questionnaires to accounting personnel, 9 were received and 1 was not returned which represents 90% and 10% respectively. Internal auditors were given 10 questionnaires and out of this, 7 were returned and 3 were not returned making up to 70% and 30% respectively. In all, 30 questionnaires were administered to the chosen population and 26 making up to 76.6 were obtained from the respective respondents while 4, representing 12.3% were not returned by the respondents.

4.3. Gender of Staff

Table 2 below shows that twenty (20) representing eighty (80) percentage are males whiles ten (10) representing twenty (20) percentage were female. For the above it can be notices that more males are employed than the females at Cocoa Processing Company Limited Tema.

Table 1. Administration of questionnaire.

RESPONDENTS	NUMBER ISSUED	NUMBER RETURNED	PERCENTAGE RETURNED	PERCENTAGE UNRETURNED
MANAGEMENT	10	10	100%	-
ACCOUNTING PERSONNEL	10	9	90%	10%
INTERNAL AUDITORS DEPARTMENT	10	7	70%	30%
TOTALS	30	26	76.6	12.3

Source: Field survey, April 2020.

Table 2. Gender of staff.

GENDER	NUMBER OF RESPONDENTS	PERCENTAGE (%)
Male	20	80
Female	10	20
Total	30	100

Source: Field survey, April 2020.

4.4. Age Group of Staff

Table 3 below shows the age grouping of the respondents. Four (4) respondents representing 9.09% were in the age group of 18 - 24, five (5) respondents representing 22.72% were in the age group of 25 - 31 years. Similarly, nine (9) respondents representing 31.81% fell within 32 - 38 whilst eight (8) respondents representing 27.27% fell within the ages of 39 - 45 and lastly four (4) of the respondent representing 9.09% fell within the age group of 45 and above.

It can be noticed for the table that for the age of 32 - 38 are the most employed in Cocoa Processing Company Tema.

4.5. Number of Staff in Departments

The researcher dealt with only two departments that are the accounts and the audit department respectively. It was ascertained that in the accounts department that twelve (12) employees were working in the department, whilst from the Audit department it was found out that six staffs were working there.

4.6. Educational Background of Workers

From the research made on the educational background of the respondents, it was revealed that the Head of the Accounts department were both First degree holder and Institute of chartered Accountants (ICA) holder while the Head of the audit department was a holder of Institute of Chartered Accountants (ICA) and First degree holder.

More so, from the management it was ascertained that, one (1) of the manager was HND holders; four of them were Institute of Chartered Accountants (ICA) holders whilst four (4) were First degree holder.

The details of the composition of the staffs and the Head of the Accounts and the audit department are analyzed in **Table 4** below.

As indicated in **Table 4** below, the head of accounts departments representing 20 % are 1st Degree holder whilst the head of the Audit Department representing 20% are ICA holder.

On the part of management, 5% are HND holder, 40% are ICA holder and 40% are 1st Degree holders.

Table 3. Age group of staff.

AGE GROUP	NUMBER OF RESPONDENTS	PERCENTAGE (%)
18 - 24	4	9.09
25 - 31	5	22.72
32 - 38	9	31.81
39 - 45	8	27.27
45 and above	4	9.09
Total	30	100

Source: Field survey, April 2020.

Table 4. Educational background of workers.

HEAD OF DEPT/STAFFS	“A” LEVEL NO./%	HND NO./%	ICA NO./%	1 ST DEGREE NO./%	TOTAL NO./%
ACCOUNT	1 5	2 15	4 60	3 20	10 100
AUDIT	1 5	3 20	2 20	4 55	10 100
MANAGEMENT	1 5	1 5	4 40	4 40	10 90
TOTAL	3 15	6 40	10 120	11 115	30 290

Source: Field survey, April 2020.

Education is an important tool to the improvement of the internal control system. The researcher also ascertained that management, as well as heads of both accounts and audit departments are given annual training on internal controls procedures.

4.7. Behavioural and Ethical Standards

The effectiveness of internal controls depends directly on the integrity and ethical values of the personnel who are responsible for creating, administering and monitoring controls. For this reason, the researcher find out whether these behavioral and ethical standards were established to discourage employees from engaging in dishonest and illegal acts, it was revealed by the respondents that those standards were effectively communicated by appropriate means including official policies and code of conducts.

4.8. Review of the Internal Control System

Internal controls are vital for the success of an organization. Therefore, there is the need to review it. And when the researcher asked of how frequent it was reviewed. The respondents revealed that they are reviewed annually.

4.9. Problems with the Internal Control System

The researcher required from respondents whether they have problems with the internal control systems put in place, 90.90% responded that they do not have problems with the internal controls put in place whilst two (2) of the respondents representing 9.09% indicated that they have problems with the internal control systems put in place. Some of the problems given include:

- 1) Actions were not taken on reported problems early.
- 2) Management overrides some of the controls.

Table 5 below shows the response for the problems with internal control system.

4.9.1. Short Comings of the Internal Control System

When the researcher asked the respondents on whether there were any shortcomings concerning the internal control systems, the findings were displayed in **Table 6** below.

Table 5. Problems with the internal control system.

RESPONSE	NUMBER OF RESPONDENT	PERCENTAGE (%)
YES	2	9.90
NO	28	90.09
TOTAL	30	100

Source: Field survey, April 2020.

Table 6. Shortcomings of the internal control system.

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE (%)
YES	10	27.27
NO	20	72.73
TOTAL	30	100

Source: Field survey, April 2020.

According to **Table 6** 27.27% answered Yes, meaning that there were shortcomings in the internal control systems, whilst twenty (20) respondents representing 72.73% indicated that there were no shortcomings in the internal control systems.

Further inquiry revealed the following shortcomings:

- 1) Prescribing and limiting the number of persons who are authorized to receive cash.
- 2) Qualified personnel should be employed to work in the organization.

4.9.2. Books of Accounts

1) When the respondents were asked whether they keep proper book of accounts. All respondents answered yes representing 100% meaning they keep proper books of accounts.

2) It was further asked, as to what constitutes the proper books of accounts, the respondents gave the following:

- Sales Day Book
- Purchases Day Book
- General ledger
- Cash Book
- The respondents were asked, what the relationship between management is and accounting personnel, the answers from the respondents are as follows (**Table 7**);

From **Table 7** below, 4 out of 10 respondents said there is a cordial relationship between them forming 50%. 2 said personnel are thought what should be done in times of mistakes, been committed, representing 10%. Also, 2 said issues are discussed freely forming 20% and 2 respondents said, delegation of duties when the need arises and supervise accordingly forming 20%. This means the is

Table 7. Relationship that exist between management and accounting personnel.

RELATIONSHIP	NUMBER OF RESPONDENTS	PERCENTAGE (%)
Cordial Relationship	4	50
Personnel are thought what should be done	2	10
Freely Discussion of Issues	2	20
Delegation of Duties	2	20
TOTAL	10	100

Source: Field survey, April 2020.

a very good cordial relationship between management and accounting personnel in Cocoa Processing Company Limited Tema.

1) The researcher also ascertained whether staffs input are sought when internal controls procedures are being developed by management. Their responses are shown in **Table 8** below.

From **Table 8** below, 4 responded yes, representing 20% and 6 answered No, representing 80% as to the inclusion of staff in establishment of internal control for the company.

2) As to whether there is an effective internal control structure of management of the organization, the answers are as follows (**Table 9**).

From **Table 9** below, 6 respondents yes, representing 80% and 4 respondents No, representing 20%. Also, it can be seen that 80% Yes, which means there is an effective internal control structure in the Cocoa Processing Company Limited Tema.

3) The respondents gave the following as examples of what constitutes effective internal control system:

- Setting a tally card system to control the stocks.
- All the credit sales and payments must be signed by the customer.
- Clearly established line of authority.
- Clear segregation of duties.
- Following laid down policies regarding to purchasing of materials and employment of new staff.
- With regard to the nature of the internal control system in management of the organization, the responses are as follows:
 - All the expenses must be approved by the directors
 - All credit and purchases and sales must be filed
 - The cash in hand should be banked as quickly as possible
 - All sales must be recorded in the sales daybooks
- When the respondents were asked as to the importance of internal control system as management, the responses are as follows:
 - It reduces the workload for our audit
 - It helps to prepare and advice the organization on monthly or weekly basis

Table 8. The establishment of internal control for the company.

	YES	NO	TOTAL
RESPONDENTS	4	6	10
PERCENTAGES (%)	20	80	100

Source: Field survey, April 2020.

Table 9. The effective internal control structure.

	YES	NO	TOTAL
RESPONDENTS	6	4	10
PERCENTAGE (%)	80	20	100

Source: Field survey, April 2020.

- It detects and prevents errors and fraudulent deals in the organization.
- It ensures the performance of the organization.
- It assists in decision making.
- It enables efficient and effective management operation.
- It also helps in the timely preparation of financial information.

4.9.3. Section “B” an Assessment of Internal Control System

➤ The respondents were asked whether their expectations regarding the objectives of the internal controls are met and the results were as follows:

From **Table 10** below, it can be seen that, the accounting personnel in Cocoa Processing Company Limited expectations regarding internal controls are met.

4.9.4. The Efficiently and Effectively towards Organizational Goals

- On the question as to whether respondents contribute efficiently and effectively towards the organizational objectives/goals by being regular and faithful in carrying out their assigning duties. All the respondents affirmed that, they contribute effectively and efficiently towards the organizations objectives and goals.
- The respondents were asked, that as members of staff what are their observation/experiences between management and staff, the answer are as follows.
- There is a good cordial relationship between management and staff since the staff in most cases, are invited to take part in decision making,5 forming 60%.
- Management and staff of the organization is very good because in times of mistakes been committed by a staff, management do not get angry but rather sit down with the staff and show him/her how that thing should be done, 2 respondents forming 15%.
- Also, Management always enlightens staff about what is going on in the organization and how their work contributes to the welfare of the organization. 2 forming 15%.

Table 10. An assessment of internal control system.

	YES	NO	TOTAL
RESPONDENTS	8	2	10
PERCENTAGE (%)	80	20	100

Source: Field survey, April 2020.

- There is an efficient coordination, supervision and control and this has helped improve the general condition of the organization. 1 respondents forming 10%.
- When the respondents were asked, whether they understand the term internal control system with particular reference to their organization. All the answers are yes representing 100%.
- On the question, what effects has the internal control system on the organization, the responses were:
 - It helps in checking of stock cards, debtors and creditors control.
 - It has been able to help in monitoring staff work and giving us better end results.
 - Through the internal control system, the activities of the organization are properly streamlined and both management and staff adhere to the laid down rules and regulations in the organization.
 - The major problem is the bureaucracy way decisions are followed before they are approved.
 - This has results in high cost to the organization.
 - It helps to achieve the objectives and goals of the organization.
 - It enables the organization in the prevention and detection of errors and fraudulent deals in the organization.
 - Also, help assigned different duty to the personnel in the organization.
- With regard to whether management attitude towards the internal audit unit and the responses are as follows:
 - Always allowed us to conduct our work on fairground without any interference.
 - There is co-operation and trustworthiness between management and the internal auditors.
 - They have confidence in the internal audit department so we always represent during decision making.
 - There is a good co-ordination between management and the internal auditors.
- When the question was asked, do you discuss your findings with the accountant before advising management? The answer was in the affirmative meaning all answered yes representing 100%.
- On the question; are you familiar with your organizational internal control structure, they all answered yes representing 100%.
- Also, a question was asked whether the organization internal auditors eva-

luate the effectiveness of the entity’s internal control structure, policies and procedures in preventing and detecting material misstatements in the financial statement, they all responded yes.

- Do the organization value and recognize the importance of internal control in the organization and the responses are all in the affirmative, meaning Yes, representing 100%.
- More so, on the question, do you perform test control to obtain audit evidence about the effective operation of the accounting and internal control system, the response were the following (Table 11):

From Table 11 below all the 10 respondents representing 100%.

1) It was further asked, if yes, what test of controls and the answers are as follows:

- Stock monitory
- Cash and bank reconciliation
- Walk-through test with respect to sale/debtors
- Walk-through test with respect to paid invoice/bills
- In terms of purchasing of materials, we ensure that there was a proper authorization, quotation tenders were received from various sources and also materials have been inspected on arrival to see to it that they are of standard quality and quantity.

2) Is there any control in ‘small business’ and they all answered yes which represents 100%.

3) A further question was asked, if yes, what are they and the answers are:

- Segregation of duties for two or three staff especially between sales and staff and cashier.
- Stock control and monitoring mechanisms.
- Respondents were asked, how can the adequate separation of duties be achieved in their organization and the responses are:
 - By explaining to management the importance of segregation of duties.
 - The right caliber of workers should be employed so that the top management will have confidence in them.
 - Also, the extent to which each department should go must be spelt out so that others cannot infringe on the right of some personnel.
 - If more staff is engaged but the size of most of the organization make this uneconomic.
- Another question was asked, what problems do organization internal auditors encounter in the practice of segregation of duties and the answers are:

Table 11. The efficiently and effectively towards organizational goals.

	YES	NO	TOTAL
RESPONDENTS	10	0	10
PERCENTAGE (%)	100	-	100

Source: Field survey, April 2020.

- It was very difficult at first for management to understand its importance.
- Also, the staffs thought that management has lost confidence in them and that the organization is becoming too bureaucratic.
- Organization reluctance to engage more staff.
- It is at times very difficult to have a clear cut demarcation at which each department should operate and this at times brings conflict among one department and the other.

5. Summary, Conclusion and Recommendation

5.1. Introduction

This part of the study gives a general overview in the form of summary drawn from the study and analysis of the data gathered. The last and final part of the chapter offers suggestions and recommendation based on the research findings on the internal control system of Cocoa Processing Company Limited Tema.

5.2. Summary of the Finding

Organizations usually use internal controls which are established systems aimed at helping the organizations to achieve the set objectives. This research work is dedicated to assessing the effectiveness and efficiency of internal control systems in Cocoa Processing Company Limited Tema.

The work is aimed at achieving some objectives at the end of the period such as identifying the internal controls put in place in Cocoa Processing Company Limited Tema, identifying the short comings of internal control systems and to assess the dependency of management on the internal control systems of Cocoa Processing Company Limited Tema. The main research instruments used were questionnaire and interviews.

5.3. Findings

The following were revealed from the management, the accounts section, the audit section and the staffs of the organization during the research:

- 1) There was an organizational chart which identifies lines of reporting, defines and allocates responsibilities among members of the organization.
- 2) Behavioral and ethical standards were established to discourage employees or staffs from engaging in dishonest and illegal acts.

The following structures were put in place to ensure efficient controls in the organization:

- a) Authorization and Approval
- b) Supervision of subordinates by responsible officials
- c) Organizational plan defining and allocating responsibility
- d) Segregation of duties
- e) Personnel development
- f) Management control through supervision and review of accounts.

It was also found out that management reviews the internal controls of the

various departments every year after the outcome of the external auditors report.

Furthermore it was disclosed that staff and the heads of departments were educated on internal controls at twelve (12) months interval that is every year.

The following problems were, however disclosed as setbacks to internal controls put in place in the organization:

- 1) Actions were not taken on reported problems early and
- 2) Management sometimes overrides some of the controls.

Again the following were found as the means of overcoming the short comings on internal controls in the organization.

a) The department should make sure that no one person is responsible for recording and processing a complete transaction.

b) Prescribing and limiting the number of persons who are authorized to receive cash.

c) Qualified personnel should be employed giving job description to all employees.

The following were found as means of improving the internal controls system in the organization:

- a) There should be proper understanding of instruction.
- b) There should be effective education on new internal controls implement.
- c) Qualified personnel should be employed to work in the organization.
- d) There should be effective authorization of transaction and supervision.
- e) Head of departments should be motivated to perform their duties.
- f) Seminars should be organized for the staffs regularly.

3) The board of directors initiates the acquisition of assets and at the same time authorizes the acquisition of assets. This is not the best and must be changed.

Also it was found out that the audit department reports to the audit committee and the accounts department reports to the management whiles majority of the staff, to be precise 87% reports to their heads of departments and the report to management and committees respectively.

Furthermore the researcher found out that there were controls which check that transactions were correctly recorded and accurately processed, these includes the following:

- a) Various ledger books were opened for all transaction.
- b) Checking the arithmetical accuracy of the records.
- 4) Internal controls help management in the following ways:
 - a) Prevention and detection of fraud and error.
 - b) Accuracy and completeness of accounting records.
 - c) Adherence to internal control policies.

5) The findings and recommendations made by the departments were taken very seriously and they are acted upon as early as possible.

6) It was found out that for quality, experience and competent people to operate the system, the qualification of the employees was seriously taken into consideration when recruiting them.

7) Also it was found out that, the minimum qualification were Advanced Level holders. They were only given some inductions training on how to go about their duties. For this reason their professional competency was therefore, not up to standard from the researcher's investigation. This was revealed by the Public Relation Officer (P.R.O) when he was interviewed.

8) It was found out that the numerical strength of the accounts department is twelve (12) while that of the audit department is six (6).

9) Also it was found out that the internal audit department is independent in its undertakings from its management.

Furthermore the research disclosed that apart from the accounts department the audit department works at the store and the sales department of the organization.

10) There were policies on payment of monies into the bank which includes,

- a) Payment through the bankers draft and
- b) A special accounts being opened for customers.

On the contrary policies were not made on receipt of monies from customers.

5.4. Conclusion

The findings revealed that the necessary internal controls were put in place. On the issue of the short coming of the internal controls, it was revealed that management do not use more time span for educating staffs on internal controls system, management do not organize seminars and workshops on internal controls to the staffs in the various departments and also management do not encourage accurate and far reaching reports from audit department by deliberately requesting the various departmental heads in the organization.

Furthermore, it has come to light that internal control systems is very relevant in Cocoa Processing Company Limited Tema, in that it helps management in prevention and detection of fraud and errors, ensuring the accuracy and completeness of accounting records and seeing to adherence to the internal control policies.

Finally, it was ascertained that management uses the internal control systems because it helps them in achieving their short term objectives and its strategic objectives.

5.5. Recommendations

The internal controls in Cocoa Processing Company Limited Tema as a whole could be improved if the following research suggestion/recommendations are seriously taken into consideration.

- 1) The management should as a matter of urgency increase the number of internal auditors to help ease the workloads on those already there.
- 2) Management should encourage accurate and far reaching reports from audit department by deliberately requesting the various departmental heads to respond quickly to report findings.

3) Management should review the internal controls in the various departments every three months instead of one year.

4) The management should organize seminars and workshops on internal controls to the staffs in the various departments regularly.

5) Management should reduce the time span for educating staffs on internal controls to every six months instead of every year.

6) Management should provide manuals on the various internal controls to each system to serve as a guide to staff in performing their functions.

There should be some regulations in the organization should be amended to meet the current trend of events. The organization should delegate authority and do away with over centralization of authority on Managing Directors.

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Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendix 1: Questionnaire for the Accounts Personnel

Dear Sir/Madam,

I am final year Professional Master's Degree Student of Anhui University of Technology China, Conducting a Study on The Assessment of Internal Control Systems at CPC Tema-GHANA.

You are requested to spare some time to complete this questionnaire. Your response and participation form a critical part of the success of this research. Please be reassured you that your response will be kept strictly confidential and will only be used for the purposes of this academic research.

Please tick in boxes provided where necessary

- 1) Age: a) 20 - 30 yrs b) 31 - 40 yrs c) 41 - 50 yrs d) 51 - 60 yrs e) 60+ yrs
- 2) Gender: a) Male [] b) Female []
- 3) Rank
- 4) What is the minimum qualification required to work in the accounting department?
a) "O" Level b) "A" Level c) SSCE d) HND/First Degree
- 5) In your view, do you think there is cordial working relationship between management and staff?
a) Yes [] b) No []
- 6) Do you contribute effectively and efficiently towards the organization's objectives/goals by being regular and faithful in carrying out your assigned duties?
a) Yes [] b) No []
- 7) Do you understand what it means by internal control system with particular reference to your organization?
a) Yes [] b) No []
- 8) What are benefits of internal controls in your organization?
- 9) Do you think the accounting and control system is appropriate to the Cocoa Processing Company Limited?
a) Yes [] b) No []
- 10) Does management provide incentives or rewards to staff when objectives/goals are achieved?
a) Yes [] b) No []
- 11) Do use manual or computerized Accounting?
a) If manual, Please list the ledgers and the books that are used for processing and recording transactions?
b) If computerized, what are the main features of the software used in processing and recording transactions?
- 12) In your opinion, do you think the internal control system in your organization is effective?
- 13) Please briefly describe the internal control systems for sales and receivables?
- 14) Please briefly describe the internal control systems for purchases and payable?
- 15) Please briefly describe the internal control systems for acquisition and

disposal of non-current assets?

16) Please briefly describe the internal control systems for payroll?

17) Please briefly describe the internal control systems for control inventory?

Appendix 2: Questionnaire for the Internal Audit Department

Dear Sir/Madam,

I am final year Professional Master's Degree Student of Anhui University of Technology China, Conducting a Study on The Assessment of Internal Control Systems at CPC Tema-GHANA.

You are requested to spare some time to complete this questionnaire. Your response and participation form a critical part of the success of this research. Please be reassured you that your response will be kept strictly confidential and will only be used for the purposes of this academic research.

Please tick in boxes provided where necessary.

1) Age: a) 20 - 30 yrs b) 31 - 40 yrs c) 41 - 50 yrs d) 51 - 60 yrs e) 60+ yrs

2) Gender: a) Male b) Female

3) What is the minimum qualification required to work in the internal Audit Department?

a) "O" Level b) "A" Level c) SSCE d) HND/First Degree

4) Do you carry out work freely and objectively? a) Yes b) No

5) Do you have the right of access to examine all books of account from the accounts department? a) Yes b) No

6) What is your scope of auditing?

7) i) Does your organization have accounting and internal control manual?

a) Yes b) No

ii) Are these manual being followed?

a) Yes b) No

iii) How often is the manual update?

8) Which areas of the organization to do consider to be high risk of fraud and errors?

9) What measures are put in place to detect errors and fraud in the areas identified above?.....

10) What actions are taken when fraud or errors are detected?

11) How do you grade these risks?

a) Low b) Medium c) High

12) Do you provide regular reports to management on risk and other weaknesses in the control system?

13) Do you discuss your findings with the accountant before reporting to management?

a) Yes b) No

14) Do you evaluate the effectiveness of the entity's internal control structure, policies and procedures in preventing and detecting material misstatements in the financial statement?

- a) Yes [] b) No []
- 15) i) Do you value and recognize the importance of internal controls in the organization?
 - a) Yes [] b) No []
 - ii) If yes, what test of controls?
- 16) i) Does management have influence on your work?
 - a) Yes [] b) No []
 - ii) If yes, how are influenced?
- 17) What the challenges that affect the internal control system?
- 18) What is your observation and findings as to the assessment of an internal control system?
- 19) What recommendation would you suggest to the observation and findings in the assessment of internal control system in the organization?

Appendix 3: Questionnaire for Management

Dear Sir/Madam,

I am final year Professional Master’s Degree Student of Anhui University of Technology China, Conducting a Study on The Assessment of Internal Control Systems at CPC Tema-GHANA.

You are requested to spare some time to complete this questionnaire. Your response and participation form a critical part of the success of this research. Please be reassured you that your response will be kept strictly confidential and will only be used for the purposes of this academic research. Please tick in boxes provided where necessary.

- 1) Age: a) 20 - 30 yrs b) 31 - 40 yrs c) 41 - 50 yrs d) 51 - 60 yrs e) 60+ yrs
- 2) Gender: a) Male b) Female
- 3) Rank
- 4) What is the minimum qualification required to work in the organization?
 - a) “O” Level b) “A” Level c) SSCE d) HND/First Degree
- 5) i) Is there any equivalent qualification apart from the above?
 - a) Yes b) No
 - ii) If yes which qualifications are they?
- 6) i) Do you keep proper books of accounts?
 - a) Yes, b) No
 - ii) If “yes” what constitute the proper books of accounts in your organization?
 - a)
 - b)
 - c)
 - d)
- 7) What is the relationship between you and the accounting personnel?
- 8) i) Is it your staffs who establish internal control systems for the various organizations?
 - a) Yes b) No

- ii) If yes why?
- 9) To what extent do you attach creditability to financial statement and report prepared by your accounting personnel?
 - a) Low b) Medium c) High
- 10) Do you consider the internal control system to be effective?
- 11) What are your objectives for internal control in the organization?
 - a)
 - b)
 - c)
 - d)
- 12) In your opinion do you think these objectives are achieved?
- 13) What are your findings as to the assessment of the internal control system of your organization?
- 14) What suggestions would you make to the findings concerning the assessment of internal control systems of your organization and other organizations?