DEPARTMENT OF BUSINESS ADMINISTRATION

TOPIC

DETERMINING THE EFFECTIVENESS OF INTERNAL AUDITING IN OUR CHURCHES.

CASE STUDY: THE PRESBYTERIAN CHURCH OF GHANA CHRIST THE KING CONGREGATION.

A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE AWARD OF BACHELOR OF SCIENCE DEGREE IN ADMINISTRATION

BY

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(OK588/07)

JUNE 2011
DECLARATION

I do hereby declare, that this work is the result of my own effort, and that it has not, either in part or the whole, been presented elsewhere as part of any academic requirement, except other works consulted for which appropriate acknowledgement and referencing has been done.

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STUDENT

…………………………….                                     ................................................

MR J R OSEI BONSU DATE

SUPERVISOR
CERTIFICATION

I, the undersigned having been certified with this work entitled:

DETERMINING THE EFFECTIVENESS OF INTERNAL AUDITING IN OUR
CHURCHES

A CASE STUDY OF THE PRESBYTERIAN CHURCH OF GHANA CHRIST
THE KING CONGREGATION.

I do recommend to the Department of Business Administration of Presbyterian University
College, Ghana to accept the project work for the partial fulfilment of requirement of
Degree in Bachelor of Science Business Administration, Accounting and Finance Option.

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(Student)

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MR. J.R. OSEI BONSU

(Supervisor)
DEDICATIONS

I dedicate this book to God my creator for the fullness of life He has given me I am so grateful to Him and also to the Christ the king congregation of the Presbyterian church of Ghana for their immerse support in contributing to the success of this research, also to my dear father Reverend Timothy Bediako-Ahoto for helping me throughout my education and to my lovely mum Mrs. Janet Bediako-Ahoto for her words of encouragement throughout my education I say a very big thank you to them and may God replenish whatever they have lost in bringing me this far.
ACKNOWLEDGEMENT

Great is thy name, faithful is the lord for He is now and forever shall be the same God. Holy Holy Holy is the lord God Almighty I acknowledge thy name. My greatest thanks go to the lord God Almighty for His love protection and guidance over my life I say may thy name be praise throughout the earth.

I wish to express my appreciativeness to my supervisor Mr. Osei bonus for has it not been him this research would not have been possible without his expert advice and unfailing patience. I am also grateful for his faith in this study especially when all hope was lost.

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I offer my gratitude to Rev Timothy Bediako-Ahoto for his financial support and his encouragement during my most trying times. May God bless Him. My acknowledgement would not be complete without the mention of Mr. James Bonn, Pearl Ollennu and to all my family members especially my siblings for giving me the kind of freedom I needed to do this research.

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ABSTRACT

Just the word "audit" makes shivers go up your spine and your heart race faster. However, a church audit is a process that provides reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of your organization and since contributions are the life blood of your organization….why wouldn't you want to ensure their proper handling?

Audit comes from a Latin word “audire” meaning to hear. Auditing started way back in the 19th century. Auditing means an independent examination and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of his appointment and in compliance with the relevant statutory obligations.

The main objectives of the study was to find the effectiveness of internal audit committee in our churches and also to find the strength and weakness of the internal auditing structure of the Presbyterian church of Ghana Christ the king congregation and also to give out the necessary recommendations to help improve the church in general.

In coming out with the research both primary and secondary data was used. In getting access to both data questionnaires were administered to number of 30 people of which 24 was returned the church consisting of the members, auditing committee members and some session members of the church.

Prior to the findings of the study and analysis of the data derived from the questionnaires administered, the study took an in depth look at:

I. The definition of Audit, the types of audit and their differences, the Audit Process, internal control, internal audit,
II. Further, the study analysed the method employed in gathering data for the research. These included choice of the population and sample for the study, research instrument and the research design that was used.

III. The research brought to light that majority of the members are very much aware of the church internal auditing committee and their independence they have, issuing of audit report and their benefit to the church,

The study also recommends that workshop on auditing should be organise for the members and the audit committee to help improve the internal auditing and its effectiveness in the church.
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CHAPTER ONE

1.0 BACKGROUND

Many at times people wonder what their monies are being used for in their local churches due to the sort of many churches springing up which sometimes is associated with the embezzlement of funds as such some churches would like to have auditing which could be quarterly, semi-annually or annually.

"Just the word "audit" makes shivers go up your spine and your heart race faster. However, a church audit is a process that provides reasonable assurance that good stewardship is being used in handling and accounting for the funds and other assets of your organization and since contributions are the life blood of your organization....why wouldn't you want to ensure their proper handling?

The audit may be external (performed by an outside Certified Public Accountant) and/or internal (reviewed by business people in the organization who understand financial management and are not related in any way to the Financial Secretary or Treasurer)

Auditing of such institutions are perform not because you don’t trust the person in charge but to:

- Protect the person’s the organization elects to offices of financial responsibility from unwarranted charges of careless or improper handling of funds;
- Build the trust and confidence of the financial supporters of the organization in the way their money is being accounted for;
- Set habits of fiscal responsibility to assure that when there is turnover in personnel there will be continuity in accountability;
• Assure that contributions made to the organization with special conditions attached are consistently administered in accordance with the donors' instructions, and thereby letting donors know their contributions are being used as intended;

• Provide checks and balances for sums received and expended.

Most church audit is internal. An internal audit consists of selected auditing procedures performed by individuals inside your organization rather than by an outside CPA.

Internal audits can be a very cost effective means of improving the organization's system of internal controls without the expense of a full scope outside audit.

The purpose of many of the internal audit procedures are to ensure that the organization's system of internal controls is operating as intended. The internal auditors (which very well could be volunteers from the organization's financial committee), should develop an audit program and an audit schedule.

The church may want to consider consulting with a CPA who is familiar with auditing to assist the organization in designing the internal audit program and training the internal auditors. Once the audit program has been effectively designed and documented, the church should be able to use the program for several years with only limited involvement of the outside CPA.

Generally, a person(s) who is "qualified" to perform an internal audit will have some experience with accounting principles, such as those gained through bookkeeping, office management, or accounting courses.

The person(s) must have the time to devote to the internal audit as it is quite a lengthy process.

Sometimes a small church will agree with another small church in the same locale to have the treasurer of each audit the other.
Often churches have accounting professionals in their congregations who are not serving that church in any of the financial positions who are willing to perform the audit as a donation of services.

An audit is not a reflection on the competence or integrity of the member of the church who is willingly handling the financial matters. Rather, it is a routine procedure designed to protect both the member and the church as a whole.

In conclusion, remember...conducting an audit is not a symbol of distrust. It is a mark of responsibility. (VickeyBoatright)

The church therefore is also an organisation with main aim not to make profit but to build and support people in all sorts of ways both spiritually and physically. The church more often than not deals with issues of cash that is receive offerings, tithes, donations and other forms of contribution and also sometimes make contribution and may also contribute to the national development as an obligation in fulfilment of their quota to the nation. So there is the need to audit a church account to its members so they can know what the church does with their money

**1.1 STATEMENT PROBLEM**

Most non-profit organisation or churches today are faced with a lot of problems such as, financial material and human resource problems. Coupled with these are the problems of auditing.

Public and private sector organisations that fail to give proper attention to internal auditing end up not achieving their set objectives. Lack of effective internal auditing usually leads to embezzlement of funds and pilferage which also do happen in our churches these days. The above problems results in the following questions:
Does the church know about auditing and the importance of having internal auditing?

How the church does perform its internal auditing?

Is the internal audit unit or committee of the Presbyterian church of Ghana (Christ the king congregation) working effectively? Therefore this research is being carried out to find answers to these questions.

1.2 RESEARCH OBJECTIVES

The main objectives of the research are to:

1. Find out the strengths and weaknesses of the internal auditing structure of the Presbyterian Church (CTK).

2. Evaluate the effectiveness of the Internal Audit committee of the Presbyterian church

3. Assess the extent to which information produced by the financial manager (treasure) is utilized by the church.

4. Establish how well assets are safeguarded in the church

1.3 RESEARCH HYPOTHESIS

The hypothesis of the study is to find out whether auditing for that matter internal auditing is being carried out in the churches today and how effectively information are utilized from conducting an audit.
1.4 SIGNIFICANCE OF THE STUDY

My research on determining the effectiveness of internal audit in our churches is very beneficial because it will help know how internal audit are carried out, the importance and the effectiveness of internal auditing pertaining to non-profit organisation or churches(Christ the king Presbyterian church). With this, members of the church will also be of sound mind or will not worry about their use of their money though it meant for the work of God, people do think otherwise about the use of their money. The research will therefore go a long way to have a positive impact on the church and the country as well.

1.5 METHODOLOGY

In coming out with this research work, both primary and secondary data will be used. In getting access to primary data, interviews will be conducted on selected members from the church, plus some leaders of the church and structured questionnaires would be administered to these members and leaders in order to get the information. The identities of these members and leaders would be upheld in secret in order not to jeopardize their life. Secondary data will be obtained through literature review, publicized journals, books and the internet to help the researcher find answers to the research problem.

1.6 SCOPE OF THE STUDY

The area of the study will be limited to a particular organization which is the church used in the research. The research is centered on the effectiveness of internal auditing in our church which will help bring out the necessary information pertaining to the topic to light and give out recommendations to ease the problem associated with it.
1.7 LIMITATIONS OF THE STUDY

There will be a number of limiting factors that the researcher will face. Some of these limitations will be the inability of some respondents to give the required information for fear of victimisation.

Also inadequate financial support and the short period of time available for the completion of the research study.

Furthermore, most organizations are usually not willing to release information for research purposes.

Lastly, the researcher will often be hindered by academic work that will have to be combined with the research study.

1.8 ORGANISATION OF THE STUDY

The research or the study is structured into five (5) chapters.

Chapter one covers the background to the study, statement of the problem, research objectives, and organisation of the study.

Chapter two deals with the literature review related to the topic.

Chapter three provides the research methodology employed. It shows how the research was conducted and how the problem was investigated.

Chapter four consist of analysis and presentation of data gathered during the field survey, the number of questionnaires sent out and how many were completed and returned.

Chapter five provides the summary, conclusions and recommendations of the research work.
CHAPTER TWO
LITERATURE REVIEW

2.0 INTRODUCTION

The main objective of this chapter is to review existing works by scholars within and outside the country (Ghana) on the theory of internal auditing. It also provides a background to the doctrines that are generally accepted in the performance of the internal audit function and describes the details of the prospects that are associated with it. The concept of internal auditing has been subject to much exposure by different school of thoughts. Most of the doctrines underlying the study have therefore been based on the standards set by the Institute of Internal Auditors (IIA).

Why audit

Public organisations are required by law to audit their account before the end of the financial year according to company’s code1969 Acts179 but the case of a private company is not so because they are not under any obligation to audit their accounts likewise non-profit making organisation.

Auditing came from a Latin word “audire”, that is to hear. Auditing started as far back as the nineteenth century when owners of farmlands placed managers on their farms to supervise the workers and later, at the end of their harvest, account to the owners. The owners summoned the supervisory managers to render accounts of monies and resources entrusted into their care. The problem which has always existed when managers report to owners is that, can the owners believe the report? Thus, the report may contain errors, not disclosing fraud, be inadvertently misleading, be deliberately misleading, fail to disclose relevant information and fail to conform to regulation. The solution to this problem of
trustworthiness in report and accounts lies in appointing an independent professional person called the auditor to investigate the data and report their findings.

This practice gradually became a formality for most companies and since then it has gain recognition across the length and breadth of the universe of which Africa (Ghana) is no exception thus according to Millichamp and Taylor (2008) in their book Auditing,

**Definition of audit**

Numerous definitions have been given to the term “Audit” by various researchers and authorities. However, according to Soltani (2007) in An International Approach to Auditing, an audit can be defined as “a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested parties.” Auditing is therefore seen as a discipline which corresponds with established criteria such as the Generally Accepted Auditing Standards (GAAS).

The definition reveals four key areas related to auditing and they are;

Auditing is a systematic process based on logic and reasoning. It is an activity that must be planned and conducted in a methodical manner but not a process that can be performed haphazardly.

Furthermore, the auditor obtains and evaluates evidence. The auditor gathers evidence as he/she makes decisions related to financial information presented by an entity. This evidence is used in relation to the third key aspect related to auditing. That is, ascertaining the degree of correspondence between assertions.
(financial statements prepared by an entity) and established criteria (Generally Accepted Accounting Principles). In evaluating evidence, the auditor is interested in determining whether the financial statements have been prepared and presented in accordance with Generally Accepted Accounting Principles.

Lastly, the auditor communicates the results of the audit to internal users. This communication is accomplished by the auditor’s report which evaluates the financial statements prepared by the management according to their correspondence with established criteria.

The Audit Practice Committee of UK, (1980), is believed to have given a general definition of the term audit as “an independent examination and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of his appointment and in compliance with the relevant statutory obligations”. From the above definitions, the main points revealed are;

- the independence of the auditor, his objectivity and integrity
- examination or critical investigation and verification of the account presented to the by the entity.
- expression of opinion on the financial statements of the organisation.

**External audit**

External auditing as defined by the Audit Practice Committee of U.K (1980), is “an independent examination and expression of an opinion on the financial statements of an enterprise whether profit- oriented or not, irrespective of its size and legal forms”.

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External audit is defined as the independent examination and expression of opinion on the financial statement of an entity. An independent person is brought in from outside the organisation to review the accounts prepared by management. The primary aim of external audit is to enable the auditor to express opinion as to the truth and fairness of the financial statements so as to add credibility to them.

An objective of external audit is to detect and prevent errors and fraud, and help the client to improve upon his accounting and internal control systems. External audit is not designed to identify errors, fraud and weakness in the client’s system but the audit work is carried out in such a manner as to be able to unearth errors, frauds, and weaknesses (if they exist).

**Internal audit**

Many researchers and authorities have given different definitions to internal auditing; however, the substance remains the same. The principles that governed the study are the standards set by the Institute of Internal Auditors. Millichamp and Taylor (2008), express their view on internal auditing as “an independent and objective assurance and consulting activity designed to add value and improve an organisation operation”. From this we can infer that internal auditing helps an organisation to accomplish its objectives by bringing a systematic disciplinary approach to evaluate and improve the effectiveness of risk management, control and governance process. It is also clear that internal audit is intended to be proactive not reactive, their intention is to add value to the organisation and not to be simply an overhead cost.
Arens and Loebbecke (1994) in Auditing Integrated Approach, argue that internal audit “is a process by which a competent independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria”.

Cosserat and Rodda (2008) Modern Auditing, gives the opinion that internal auditing merely refers to “any audit activities carried out by audit professionals who are employees of the entity that is being audited”.

In all, the objective of internal auditing is to assist management of the organisation in the effective discharge of its responsibilities by furnishing them with the needed information. They also look into how organisations are managing their risks and provide the audit committee (if any) about whether risk have been identified, and how well they are being managed.

In performing these functions, internal auditors can be seen as part of the organisations internal controls. They represent a higher level of control that functions by measuring and evaluating other controls. The Internal Auditing Standards state that the internal audit function form part of the monitoring component of an organisation’s financial controls. In recent years, it has become common for public accounting firms to provide an internal audit services that improves the independence of those undertaking internal audit activities as well as ensuring the quality of the service provided.

According to Rittenberg and Schwieger (2000), the internal auditing profession defines internal auditing as ‘an independent and objective assurance and consulting activity that is designed to add value and improve an organization’s operations. From this one can
deduce that an audit should be undertaken in a planned and controlled manner to achieve specific objectives leading to the auditing opinion as the process by which a competent independent person appointed to investigate and evaluates evidence about quantifiable information concerning an organization using as established criteria.

From the above definitions, auditing can be seen as independent and objective investigation of an entity’s financial statement whether it is public or private and establishment of opinions on the truth and fairness of the financial position, financial performance and cash flow position of the entity.

**Differences between internal audit and external audit**

Internal audit is a function although operating independently from other departments and reports directly to the audit committee, reside within the organisation. It is responsible for performing audit both financial and non-financial within wide range areas in a business, as directed by the annual audit plan.

Internal audit look at key risk facing the business and what is being done to manage the risk effectively to help the organisation achieve its objectives.

External audit is an independent body which resides outside the organisation, they focus on financial accounts or risk associated with finance and they are appointed by shareholders. The main function is to perform statutory audit of the financial accounts providing an opinion on whether it is true and fair reflection of the company’s financial position. Examination and evaluation of internal control becomes part of their responsibilities.
The differences that exist between internal and external auditors include:

Objectives; the objectives of the internal auditor is to evaluate the organisations risk, management processes and systems of controls and to make recommendations for the achievement of organisational goals whiles the external auditor provide an opinion on whether the financial statement shows a true and fair view, and whether proper accounting records have been maintained.

Responsibility; the internal auditor responsibility is to management, part of quality system and corporate procedures on an on-going basis but external auditor is responsible to shareholders and report on financial account on an annual basis.

The scope of their work; the extent of work undertaken by the internal auditor is based on all aspect of the organisations activities including operational consideration and compliance issues whiles that of the external auditor is also based on financial records and risk management processes. (Millichamp A. And Taylor J, 2008)

The Ghana National Auditing Standards (GNAS) (2007), also have the following distinction between the internal and external auditors;

The internal audit function is part of the entity and irrespective of the degree of its autonomy and objectives; it cannot meet the prime criteria of independence which is essential when the external auditor expresses his opinion on the financial information. The report of the external auditor is his sole responsibility and is not influenced by the work of the internal auditor. Thus, an opinion formed relating to the audit of financial information must be that of the external auditor.

The role of internal audit function within an entity is determined by management and its prime objective differs from the external auditor who is appointed to report independently
on the financial information. However, some of the means of achieving their respective objectives are similar and, thus, much of the work of the internal auditor may be useful to the external auditor in determining the nature, timing and extent of procedures.

The external auditor as part of his audit evaluates the internal audit function as long as the auditor believes that it will be relevant in determining the nature, timing and the extent of his compliance and substantive procedures. An adequate and effective internal audit function will justify a reduction in the procedures performed by the external auditor but cannot eliminate them.

However in accounting matters, the external and the internal auditors have a common interest in ascertaining that, there is an effective system of internal checks to prevent or minimise and also detect fraud. Moreover, there is an adequate accounting system to provide the information necessary for preparing true and fair financial statement.

2.1 THE AUDIT PROCESS

- Planning

The International Standard on Auditing (ISA) 300, states that “the auditor should plan the audit work so that the audit will be performed in an effective manner”. Adequate planning of the audit work will help to ensure that appropriate attention is devoted to important areas of the audit that potential problems are identified and that the work is completed with speed and efficiency.

Planning also assist in proper assignment of the work to assistants and in co-ordination of work done by other auditors and experts.

According to Hayes R, Dassen and others (2005) Principle of Auditing, the audit firm must plan its work to enable it conduct an effective audit in an efficient and timely
manner. Plans should be based on knowledge of the client’s business. Plans are developed after obtaining a basic understanding of the business background, control environment, control procedures, the client’s accounting system, and after analytical procedures. The second part of planning is to determine the riskiness of the engagement and a set materiality levels. Finally, the auditor prepares an audit programme which outlines the nature, timing and extent of audit procedures required to gather evidence.

One of the most widely accepted concepts on auditing is the importance of client internal control structure to reliable financial information. If the client has adequate internal control for providing reliable data and safeguarding assets and records, the amount of the audit evidence required, planned for, is significantly less than where internal controls are inadequate. Therefore, assessing internal controls is very important part of the planning process.

Planning

Audit planning is a very important area in audit which is conducted mainly at the commencement of an audit assignment. The initial plan drawn would be revised in the course of the audit. It calls for understanding the client’s business and assessment of the level of risk.

An audit plan is the nature, timing and extent of audit procedures to be performed by engagement team members in order to obtain sufficient appropriate audit evidence to reduce audit risk to acceptable low level.

Planning an audit of financial statement, the auditor should plan the audit so that the engagement will be performed in an effective manner.
Planning an audit also involves establishing the overall audit strategy for the engagement and developing an audit plan in order to reduce an audit risk to an acceptable low level. In addition, planning also involves the engagement partner and other key members of the engagement team to benefit from their experience and insight and to enhance the effectiveness and efficiency of the planning process.

Documentation of the audit plan also serves as a record of proper planning and performance of further audit procedures.

The audit plan includes:

- A description of the nature, timing and extent of planned risk assessment procedures sufficient to assess the risks of material misstatement.
- A description of the nature, timing and extent of planned further audit procedures at the assertion level for each material class of transactions, account balance and disclosure.
- The plan for further audit procedures reflects the auditor’s decision whether to test the operating effectiveness of controls, nature, timing, and extent of planned substantive procedures; and such other audit procedures required to be carried out for the engagement.

**Planning Procedure**

There are so many ways to plan an audit and planning an audit depends on the type of audit or organisation to be audited. Planning varies from audit to audit and organisation to organisation.

The auditor should consider the outline audit approach he proposes to adopt, including the extent to which he may wish to rely on internal controls and any aspects of the audit which need particular attention.
Planning procedure includes the following:

- Reviewing matters rose in the audit of the previous year which may have continuing relevance in the current year.
- Assessing the effects of any changes in legislation or accounting practice affecting the financial statements.
- Reviewing interim or management accounts where necessary and consulting with management and staff of the business. Matters like current trading circumstances and significant changes in the business carried on and in the management of the business must be considered.
- Identifying any significant changes in the entity’s accounting procedures, such as introduction of new accounting software.
- Determining the number of audit staff required, the experience and special skills they need to possess and timing of their audit visits.
- Briefing the audit team about the client company’s affairs and the nature and scope of the work they are required to carry out.
- Consider the need for expert help and the involvement of auditors in group audits.
- The preparation of a planning memorandum setting out the outline audit approach.
- Establishing materiality and risk factors.
- Setting out the audit programme of tests to be undertaken.
- Setting staff allocation and a fee budget. The budget is used to control the time spent on that audit and any major variations should be investigated by the manager responsible for the audit.
- Informing the client of the expected date of attendance by the auditor’s staff.
In case of joint audit, there should be consultation between the joint auditors to determine the allocation of the work to be undertaken and the procedures for its control and review.

**Planning Memorandum**

This is a document of the overall audit plan prepared by the auditor to cover essential details like:

- The timing of the audit work.
- The changes of the client’s business since the previous audit.
- The various decisions taken as a result of the planning process.
- The assessment of the internal audit of the client.
- The briefing instructions to the audit team.
- The control of the audit, supervision and review of the audit work.
- The staff and time budget.

The work of planning is a continuous process throughout the audit. Although the planning memorandum is prepared before the audit work begins, it worth nothing that the audit works does not end there.

**Execution**

Audit execution is the phase of the audit in which the auditor conduct examination required to meet audit objectives determined during the planning phase.

These are the activities undertaking by the auditor in order to obtain an audit evidence to draw a reasonable conclusions on which to base the audit opinion by performing audit procedures (execution).
The International Standard on Auditing (ISA) 200, “Objectives and principles governing an audit of financial statement” states that the auditor should carry out an audit in accordance with ISAs and ethical principles so as to provide reasonable assurance that the financial statements are free from material misstatement. The auditor assumes that circumstances may exist which cause the financial statements to be materially misstated. Thus, the auditor should look to find additional evidence to support representations from management; and should not simply assume that they are correct. It is for the auditors to decide on the extent of the audit work they consider necessary in order to support their opinions.

Execution of the audit requires first testing controls that the auditor expects to rely upon. Once the controls are tested; the auditor must decide on additional, substantive, tests. The understanding of controls is needed to determine what kind of tests (the nature), when they should be done (timing), and what the number (extent) of the tests should be.

The auditors should obtain sufficient appropriate audit evidence through the performance of control and substantive procedures to enable him draw reasonable conclusions on which to base his audit opinion. Tests of controls are tests designed to obtain reasonable assurance that financial information system controls are in place and effective. Substantive procedures are designed to obtain evidence as to the completeness, accuracy and validity of the data produced by the accounting system.
Audit execution involves the following:

- **Inspection of records or documents**

Inspection consists of examining records or documents, whether internal or external, in paper form, electronic form, or other media. It provides audit evidence of varying degree of reliability.

- **Inspection of tangible assets**

It consists of physical examination of the assets. It may provide reliable audit evidence with respect of their existence, but not necessarily about the entity’s right and obligations or the valuation of the assets.

- **Observation**

It consists of looking at a process being performed by others. Observation provides audit evidence about the performance of a process, but is limited to the point in time at which the observation takes place and by the fact that the act of being observed may affect how the process is performed.

- **Inquiry**

Inquiry consists of seeking information of knowledgeable persons, financial and non-financial, throughout the entity or outside the entity. It an audit procedure that is used extensively throughout the audit and often is complementary to perform other audit procedures.
• **Confirmation**

It is a specific type of inquiry which is the process of obtaining a representation of information or of an existing condition directly from a third party. Confirmations are frequently used in relation to account balances and their components, but need not to be restricted to these items. They are used to obtain audit evidence about the absence of certain conditions, like the absence of a side agreement that may influence revenue recognition.

• **Re – calculation**

This consists of checking the mathematical accuracy of documents or records. It can be performed through the use of information technology, such as obtaining an electronic file from the business and using CAATs to check the accuracy of the summarisation of the file.

• **Re – performance**

Re – performance is the auditor’s independent execution of procedures of controls that were originally performed as part of the entity’s internal controls. For example, re – performing the aging of accounts receivables.

• **Analytical Procedures**

Analytical procedures consist of evaluation of financial information made by a study of plausible relationships among financial and non – financial data. It encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information from predicted amounts.
• Reporting

The International Standard on Auditing (ISA) 700 “the independent auditor’s report on financial statements, discusses the introductory paragraph, management responsibility for the financial statements, auditors responsibility and audit opinion.

Introductory paragraph

The introductory paragraph in the auditor’s report should identify the entity whose financial statements have been audited and should state that the financial statements have been audited. The report should specifically identify the title of each of the financial statement that comprise the complete set of general purpose financial statements, the date and period covered by these financial statements, and refers to the related note.

Managements responsibility for the financial statements.

The auditor’s report should state that management is responsible for the preparation and the fair presentation of the financial statements in accordance with the applicable financial reporting framework and that this responsibility includes:

(a) Maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

(b) Selecting and applying appropriate accounting policies that are consistent with applicable financial reporting framework; and

(c) Making accounting estimates that are reasonable in the circumstances.
**Auditor’s responsibility**

The auditor’s report should include a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit. The auditor’s report should describe the scope of the audit by stating the audit was conducted in accordance with the ISAs and explain that those standards require that the auditors plan and perform the audit to obtain reasonable, but not absolute, assurance whether the financial statements are free from material misstatement, whether due to fraud or error.

The auditor’s report should include a statement that the auditor believes that the audit evidence that the auditor has obtained is sufficient and appropriate to provide a reasonable basis for the auditor’s opinion on the financial statements.

**Auditor’s opinion**

An unqualified opinion should be expressed when the auditor concludes that the financial statements gives a true and fair view or are presented fairly, in all material respects in accordance with the applicable financial statement

The auditor review and assess the conclusions drawn from audit evidence on which he will base his opinion on the financial information. This review and assessment involves forming an overall conclusion as to whether:

- the financial information has been prepared using acceptable accounting policies, consistently applied;

- the financial information complies with relevant regulations and statutory requirements;
the view presented by the financial information as a whole is consistent with the auditor’s knowledge of the business of the entity.

2.2 INTERNAL CONTROL

Soltani (2007) in his book An International Approach to Auditing referred to internal controls as defined by the Committee of Sponsoring Organisation (COSO) of the Treadeway Commission as “a process that is designed by a company’s board of directors, management and other personnel to provide reasonable assurance regarding the achievement of objectives in the following areas:

- improving the effectiveness of management decision making and the efficiency of business process;
- increasing the reliability of financial reporting;
- fostering compliance with applicable laws and regulations;
- safeguarding of assets.

Okai (1996) in his book Auditing for You, argues that the term internal control comprises “all the methods, procedures and arrangement adopted within an organisation to ensure, as far as practicable the safeguarding of assets, the completeness, accuracy and adherence to management”.

The Auditing Standards also 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, safeguarding the assets and secure as far as possible the completeness and accuracy of the records”.

24
Internal controls are measures utilized by a church to safeguard assets from waste, fraud/embezzlement, and inefficient use. Internal control can be a sensitive issue in churches, especially those that relies on volunteers.

The church is built on the concepts of honesty, truthfulness, and mutual trust. However, most of the church volunteers realize that internal controls not only protect the church's interests, but can also protect the staff members from false allegation.

Most volunteers and church staff members are good honest people and do not mind controls put into place that protects the church's assets from theft or loss.

Because each church is unique and operates with its own set of unique circumstances, the financial leaders of each church must design their own system of internal controls to meet their specific needs.

Hopefully you have an accountant in your congregation you can trust. If not, you might want to consider hiring one, who is familiar with non-profits, if you are not comfortable with setting up a policy yourselves. (Vicky Boatright)

From the four definitions it is clear that internal control is a system that intertwines with an entity’s activities and is most effective when it is built into the entity’s infrastructure to form an integral part of the essence of the organisation.
Types of internal controls

The main types of controls given by Okai (1996) are explained below:

1. Organization

Every enterprise should ideally have a plan of their organisation, defining and allocating responsibilities and identifying lines of reporting for all aspects of the enterprise’s operations. Authority delegation within the organisation and responsibilities should be clearly specified.

2. Segregation of Duties

It is important to separate those responsibilities or duties which would if combined enable one individual to record and process a complete transaction. Segregation of duties thus reduces the risks of international manipulation or errors and increases the element of checking. The functions which should be separated include authorization, execution, custody, and recording and in the case of computer based accounting systems development and daily operations.

3. Physical

These are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorised personnel. This includes both direct and indirect access through documentation. These controls assume importance in the case of valuable, portable, exchangeable or desirable assets.
4. Authorization and Approval

All transactions should require authorization or approval by an appropriate responsible person. The limits for those authorizations should be specified.

5. Arithmetic and Accounting

These are the controls within the recording function which check that the transactions to be recorded and processed have been authorised. Such controls include checking the arithmetical accuracy of the records, maintenance and checking of totals, reconciliations, control accounts and trial balances and accounting for documents.

6. Personnel

There should be procedures to ensure that personnel have capabilities commensurate with their responsibilities. Inevitable, the proper functioning of any system depends on the competence and integrity of those operating it. The qualification, selection and training as well as the innate personal characteristics of the personnel involved are important features to be considered in setting up any control system.

7. Supervision

Any system of internal control should include the supervision by responsible officials of day-to-day transactions and the recording thereof.

8. Management

There are controls exercised by management outside the day-to-day routine of the system. They includes the overall supervisory control exercised by management, the review of management accounts and comparison thereof with budget, the Internal Audit function and any other special review procedures.
Aside the main types of internal control a church can use these as it internal control procedures;

1. **Separation of duties:** There are three basic types of financial activities that are performed in a church. These are (1) authorization of transactions, (2) recording of transactions, and (3) custody of assets. A lot of small churches have one person handling all three activities. However, if at all possible...for that person's sake as well as the church...you should try to use enough individuals to achieve proper segregation of these activities.

2. **Establishing clear guidelines for the handling of church funds:** If at all possible...a written financial procedures manual will help establish these guidelines.

3. **Conducting an annual financial audit:** The audit may be external (performed by an outside Certified Public Accountant) or internal (reviewed by business people in the church who understand financial management).

4. **Require two signatures on all church checks:** Those writing and signing the checks have the responsibility of checking all invoices for accuracy before payment is made.

We should know that the handling of church funds is an act of stewardship. So we should always do what we can to see that God's resources are properly managed and cared for.

**Importance of internal control**

The importance of establishing a system of control is to help achieve performance and profitability goals and prevent loss of resources by fraud and other means.
Internal controls can also help to ensure reliable financial reporting and compliance with laws and regulations.

The internal control systems also consist of many specific policies and procedures designed to provide management with reasonable assurance and this help the organisation to meet its goals and objectives.

Internal controls serves as effective measures in ensuring the completeness and accuracy of the accounting records and the validity of the entries.

**Limitations of internal control**

According to Millichamp and Taylor (2007), internal controls are essential features of any organisation that is run efficiently. However, it is important to realise that internal controls have inherent limitations which include:

1. A requirement that the cost of an internal control is not disproportionate to the potential loss which may result from its absence.

2. Internal controls tend to be directed at routine transactions. The one-off or unusual transaction tends not to be the subject of internal control.


4. The possibility of circumvention of controls either alone or through collusion with parties outside or inside the entity.

5. Abuse of responsibility by senior managers resulting in management override of controls.
6. Fraud


2.3 INTERNAL AUDIT

Arens and Loebbecke (1994) define internal audit as “a process by which a competent independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria”.

Types of internal audit

The Audit Practice Committee of U.K (1980) gives the following types of internal audit into which the duties of internal audit can be divided:

- Financial Internal Auditing
- Operational Internal Auditing
- Management Internal Auditing

Financial internal auditing

The financial internal auditing is described by Okai as “embracing the conventional tasks of examining records and evidence in order to detect errors and prevent fraud”. It would include reviewing routine financial and management reports looking for trends within the figures thus, being able to identify significant deviation from the norm.
Operational internal auditing

The term operational audit was referred to by Whittington and Pany (1995) Principle of Audit and Assurance, as a comprehensive examination of an operating unit or a complete organisation to evaluate its performance as measured by management objectives. This covers the examination of the control procedures and whether or not they are being adhered to. Such examination would seek to identify areas of improvement in efficiency as well as in internal control and control check.

Management internal auditing

The management internal audit relates to the review and evaluation of the management structure within the organisation and the performance of managers as a group or individually. It also includes the appraisal of the environment for the exercise of management skills as well as the measurement of external management performance against established criteria.

Value for money (V F M)

According to Millichamp and Taylor (2008), value for money auditing is “an audit methodology in which auditors are either required to, or exercise discretionary power to, satisfy themselves, by examination of the accounts and otherwise, that the organisation has made proper arrangements for securing economy, efficiency and effectiveness”. Economy, efficiency and effectiveness are given a term known as the ‘three Es’.

Economy means acquiring resources of appropriate quality and quantity at the lowest cost. Economy can also be seen as getting result by exercising due care and diligence. This affect input.
Efficiency is the most important and embracing of all the’ three Es’ and it affect both input and output. Efficiency is maximising the useful output from the resources used, or minimising the level of work in producing a given level of input. The main value for money consideration is whether the resources obtained are put into good use and the working practice in use represents the best practice.

Effectiveness is ensuring that output is achieved in an expected manner and at the same time be able to minimise cost. Value for money also considers whether these outputs are useful and whether they are actually achieving the objective.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter deals with the research procedures that were adopted to carry out the research. It gives a clarification on the procedures for data collection, the population of the study, the sample and the sampling method, research instruments and the methods of data collection.

3.1 PROCEDURE OF DATA COLLECTION

Data may be collected from two main sources; primary and secondary sources.

Primary source

Primary data refers to statistical material, which the researcher originated for the purpose of the enquiry. The primary data for this study was collected with the use of research instruments like the questionnaire and an interview schedule for the committee members and some members of the church.

Questionnaire here refers to a well-structured set of questions given to a target population to aid findings to meet the stated objectives of the study.

Secondary Source

This source of data collection refers to data which has already been collected elsewhere for some other purpose but which can be used for the current purpose of which library research plays an imperative role in here.
3.2 THE POPULATION AND SAMPLE

Population is a group of interest to the researcher. This is the group to whom the researcher would like to generalize the results of the study. A sample is a small part of the population that could be studied. By studying the sample, the researcher is able to derive insights and make inferences towards the conclusions arrived at for the entire population. Due to the unavailability of resources and short time frame which the research was to be completed as well as the lack of finance, a limited sample size was considered. A sample of twenty members of the church was chosen using the purposive sampling method. This was used in order to reduce the endless data to be collected so that they could be summarised more quickly.

3.3 RESEARCH INSTRUMENT

The research instruments used for the collection of the data were self-administered questionnaires with structured questions arranged in a logical sequence. The questions were simple and included open and close-ended questions. The structured questionnaires were employed in the study because the researcher believed they reduce respondent bias and grant spare time. The questionnaires were used because they offered the respondent the assurance of anonymity. In designing the structured interview schedule, care was taken to ensure that the questions were simple, straight-forward and without ambiguity. The researcher used this research instrument to collect data from the audit committee of the church and also an interview was conducted on some members of the church and thereby preventing their identity from being known.
3.4 DATA ANALYSIS

The data obtained were analysed by the use of both descriptive and inferential statistical tools. Responses from respondents were coded and presented in simplified form by the use of tables and figures.
CHAPTER FOUR
PRESENTATION AND ANALYSIS OF DATA

4.0 INTRODUCTION
This chapter looks at data collected from the questionnaires administered. A discussion of this information is presented in the form of tables and figures. This chapter ultimately analyses the information gathered from responses to the questions asked, and tries to draw implications and make deductions from the responses.

4.1 DISTRIBUTION OF QUESTIONNAIRES AND RESPONSE RATE
Target respondents were grouped into three namely: the audit committee of the church, the members and session members. The audit committee consist of the finance director, the treasurer, administrator and some presbyters. The members were made up of leaders, secretaries, and some members of the various groups in the church. The last group included the minister, the catchiest, the secretary and some session members. The questionnaires were distributed as follows: 5 questionnaires were given to the audit committee so that quiet number of them can do the answering since they are that many. The members received 20 questionnaires whiles 5 were issued to the session members.

In general the response rate was so high. 80% of the total numbers of questionnaires issued were returned. The table below illustrates details of the questionnaire distribution and response pattern.
Table 4.1 Questionnaires distribution

<table>
<thead>
<tr>
<th>Distribution</th>
<th>No. Issued</th>
<th>Returned</th>
<th>Nonresponse</th>
<th>% Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing committee</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>90%</td>
</tr>
<tr>
<td>Members</td>
<td>20</td>
<td>15</td>
<td>5</td>
<td>75%</td>
</tr>
<tr>
<td>Session members</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>24</strong></td>
<td><strong>6</strong></td>
<td><strong>80%</strong></td>
</tr>
</tbody>
</table>

(Source: field work, 2011)

Below is chart illustrating the above information.

Figure 1
More so quite a number of the respondents have been in the church for over 10 years which forms a percentage of about 68 that is 19 out of 24 thus those respondents received. Moreover 70% of the respondents have had tertiary education and also only a few have held position in the church which 33% making 8 out of 24.

Majority of the respondents who returned their questionnaires were below 30 followed by those who were above 50. 3 of them were between the ages of 31 and 40 whiles 2 were between 41 and 50. See the table below.

Table 4.2 Age Distribution Analysis

<table>
<thead>
<tr>
<th>Age</th>
<th>No. Of Respondent</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30</td>
<td>15</td>
<td>63%</td>
</tr>
<tr>
<td>31-40</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>41-50</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Above 50</td>
<td>4</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source : (field work 2011)

The table above shows the age distribution of the respondent of which 63% are below 30 that is 15 out of 24. More so 13% falls within the ages of 31-40 whiles a smaller
percentage falls within the ages of 41-50 which is 8% and the last percentage of 16 are above 50. This is therefore represented in the graph below.

Figure 2

4.2 INTERNAL CONTROL PROCEDURES

In response to the question as to whether internal control system operates in the church, the following were gathered. Nineteen (24) out of the 24 respondents contacted confirmed that there was internal control in the church. Out of the 24 who said there was internal control 21 of them said the internal control system was effective. 3 responded that it was not. We could say from the above, that the internal control in the church was actually effective.

With respect to the review of the internal control system in the church 17 of the respondent were of the view that it was done yearly basis. 3 responded that it was on a six months basis whiles 2 persons were of the opinion that it was reviewed weekly and
another 2 also agreed it was reviewed on a monthly. This has been represented in the table below.

**Table 4.3 Internal Control Review**

<table>
<thead>
<tr>
<th>Internal Control Review</th>
<th>No. Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Monthly</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Six months</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Yearly</td>
<td>17</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

From the above table 8% of the respondents went for weekly review of the internal review another 8% also went for monthly,13% represent those who went six months review and the majority went for the yearly review so we can conclude that the internal control is reviewed on yearly basis.
Below is a chart illustrating the above information in table 4.3.

Figure 3

### Internal Control Review

- **Weekly:** 8%
- **Monthly:** 8%
- **Six Months:** 13%
- **Yearly:** 71%

#### 4.3 CASH RECEIPT AND ISSUANCE OF RECEIPTS

The respondents almost consistently agreed that cash receipt and receipt issuance is not done by just anybody which 21 out 24. 3 responded it was received by anybody which therefore means there could be an organized way of receiving cash and issuing of receipt. There could be reassurance therefore that it is easy to ensure accountability of the cash received.

Again majority of the responses say that it is not the same person who receives and keeps cash received. This means that there is a section where cash is received and another which ensures the safe keeping of the cash. This system could also eliminate or minimize the possibility of fraud and embezzlement.

With the majority of 18 respondents, they of the view that money received are deposited at the bank on a weekly basis, 2 responded that it was on a daily basis whiles another 3 also said it was on a monthly basis. This is represented in table 4.4 below.
Table 4.4 Cash Receipts and Issuance of Receipt

<table>
<thead>
<tr>
<th>Cash Receipt And Issuance of Receipts</th>
<th>No. Of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>No</td>
<td>21</td>
<td>87%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (field work 2011)

The chart below depicts the information in table 4.4

Figure 4
4.4 INTERNAL AUDIT COMMITTEE

Questions relating to the work of the internal audit committee were answered by 19 respondents out of the 24 who returned their questionnaires. This represents 79% of returned questionnaires. There was the need to ascertain who the internal audit committee report to. The question received the following responses. 50% of the responses indicated that the internal audit committee reports to the auditor of the church, while 35% said that they report to the reverend minister (See table 4.5 below). Going by the majority it is reasonable to conclude that the internal audit committee reports to the church’s auditor.

Table 4.5  Audit Report

<table>
<thead>
<tr>
<th>RECIPIENT</th>
<th>RESPONSE</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor</td>
<td>12</td>
<td>50%</td>
</tr>
<tr>
<td>Reverend minister</td>
<td>8</td>
<td>33%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>No answer</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>24</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(Source: Field work, 2011)
On the issuance of reports on internal control by the internal audit committee, 22 out 20 respondents that were returned answered the questions pertaining to the issuance of reports on internal control. The responses gathered revealed that it is done yearly basis (thus 13 of the respondents, representing 59%, say that it is issued every year). Other details are: 27% say that the reports are issued quarterly, while one respondent is of the view that it is done every six months representing 14% of that responses. This information is presented in the graph below:
Table 4.6 Internal Control Reports

<table>
<thead>
<tr>
<th>Internal Control Report</th>
<th>No. Of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>13</td>
<td>59%</td>
</tr>
<tr>
<td>Six months</td>
<td>3</td>
<td>14%</td>
</tr>
<tr>
<td>Quarterly</td>
<td>6</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: (field work 2011)

Below is a graphical representation of the above data.

**Figure 6**
Table 4.7 Preparation Of Final Accounts

<table>
<thead>
<tr>
<th>Final Accounts</th>
<th>No. Of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasurer</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Financial secretary</td>
<td>12</td>
<td>60%</td>
</tr>
<tr>
<td>Other(finance director)</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The survey also reveals that final accounts are prepared by the financial secretary which is 12 out of 20 (20 out of 24) agree to that, 6 are of view that it is prepared by director of finance and 2 agree that it was prepared by the treasurer of the church.

The above table 4.6 has been represented in the chart below

Figure 7
4.5 IMPORTANCE OF INTERNAL AUDIT UNIT

About 95% of the total number of respondent believes that it is important for the church to have an internal audit committee. Majority (23) out of the 24 respondents answered ‘yes’ to the question of whether the existence of an internal audit committee in the church was important. This means that they are well tuned to the essence of internal audit and the benefits to the church.

4.6 RECOGNITION OF INTERNAL AUDIT COMMITTEE

The session of the church believes that the establishment of the Internal Audit committee of the church is consistent with its internal control system. Reports from the committee are very much valued by session and the reaction to recommendations of internal audit reports is very prompt. This means that the recommendations are implemented. From the respondents it is believe that the audit committee is of much benefit to the church implying 22 out of the 24 that answered to that questions knows of its benefits to the church as a whole.

The survey also revealed that session always support and promote the independence of the internal audit committee. 23 out of 23 (100%) of respondents who answered the question of the independence of the Internal Audit committee consistently do agree that the session acts in ways that promote the independence of the unit. This suggests that individual interests of members of the session do not affect the decisions of the internal audit committee. Undue pressure and influence is, however, eliminated. Pertaining to the question on acting promptly to audit report had a bit of variation .this is represented in table 4.7
Table 4.8 Prompt on Audit Reports

<table>
<thead>
<tr>
<th>Acting Promptly On Audit Report</th>
<th>No. Of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>78%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source; (field survey 2011)

The illustration of the data above has been graphically presented

Figure 8

From the above survey the church however manage to act promptly on the audit report given to them no matter the situations at hand.
CHAPTER FIVE
SUMMARY ON FINDINGS RECOMMENDATIONS AND CONCLUSIONS

5.0 INTRODUCTION

This final chapter summarizes the findings and the research methods used in the analysis of the data upon which conclusions are drawn and recommendations made. The prime motive for conducting this research study was to find out the effectiveness of internal auditing in our churches. It is believed that internal audit will be very effective when these recommendations are well implemented by the organisation.

5.1 SUMMARY OF FINDINGS

The main objective of the research work was to obtain relevant and understandable findings that will help give accurate recommendations. Such recommendations will aid the Presbyterian church of Ghana, Christ the king congregation to improve upon their auditing skills to prevent any fraudulent act in the church and ensure that the members in charge are trustworthy and as such accounts of the church can be entrusted in their care without any doubt or conspiracy.

Below are the findings of the researcher:

5.1.1 The Accounts

The church prepares proper books of accounts in accordance with the Generally Accepted Accounting Principles (GAAP) and Accounting Policies.

The books of accounts and financial statements are prepared by the financial secretary and they are audited and reports presented to the church’s auditor on an annual basis, thereby ensuring sound level of accountability. Those in charge of the accounts are well in control of their duties and are very well efficient in the management of money and
resources within the church. There are little or no lapses in their bookkeeping procedures and financial management.

5.1.2 Strength and Weaknesses of the Internal Audit Unit

The church uses an audit committee to ensure verification of the accounts. Most of the members are not so much aware of the existence and effectiveness of the internal audit committee in the church but have bit of knowledge about what audit is.

The researcher also found out that, though there is in existence an of internal audit committee, a volunteer acts as an internal auditor.

The session of the church has a very strong recognition of the role and importance of auditing and as such their reports and recommendations are promptly adhered to.

5.1.3 Effectiveness of the Internal Audit committee

The Internal Audit committee reports to the session of the church and reports regularly on the internal control used in the church. This is done quarterly. Owing to the independence of the Internal Audit committee from session, the committee is very effective and performs its functions without undue influence or pressure from anybody in the church.

5.1.4 Safeguarding of Assets

Asset protection in the church is very creditable. For example the instruments, pews, and the chairs in the church as the assets of the church are very well safeguarded. Maintenance of these assets is very regular. This informs why all the tangible assets in the church are very well kept.
5.2 RECOMMENDATIONS

Upon careful analysis of the findings of this research the following recommendations are suggested:

5.2.1 Audit Committee

It is recommended that an audit committee should be so independent so to do a clear, clean and of true and fair auditing of the financial statements of the church.

5.2.2 Workshop

The church should organise a workshop for the church most especially the audit committee to increase their knowledge on auditing and also to create the awareness of auditing in the church as a whole.

5.3 CONCLUSION

The research was conducted with a view to finding among other things, the effectiveness of the Internal Audit committee within the Presbyterian church of Ghana Christ the king congregation, the extent to which asset are protected within the church as well as the strength and weakness of internal audit.

So far these set objectives have satisfactorily been achieved. However the researcher has certain recommendations and it is the belief of the researcher that if these recommendations are seriously implemented internal auditing in the church will achieve optimal efficiency and performance of the church in the best possible way.
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APPENDIX

QUESTIONNAIRES

This is designed for academic purposes and all information furnished will be treated with utmost confidentiality. Responses will be beneficial to other people and so you are implored to answer these questions in a candid manner.

Please tick ( √ ) where appropriate or give brief answers where necessary.

Section A

All respondents to answer

1. Age: below 30 (   ) 31-40 (   ) 41-50 (   ) 50 and above (   )

2. Educational background..................................................................................

3. Position in the church...................................................................................

4. Number of years position has been held......................................................

5. Number of years in the church.....................................................................

Section B

Audit committee

1. Is there an internal control procedure in place for the church?
   
   Yes (   ) No (   )

2. If yes, in your opinion is it effective: Yes (   ) No (   )
3. How often is the internal control system reviewed:
   - Weekly ( ) monthly ( ) every six months ( ) yearly ( )

4. Can anyone receive cash and issue a receipt? Yes ( ) No ( )

5. If No, is the person who receives the one who keeps the money?
   - Yes ( ) No ( )

6. How often is the cash receive deposited at the bank?
   - Daily ( ) weekly ( ) fortnight ( ) monthly ( )

7. Who does the internal audit committee report to?
   - The church’s internal auditor ( ) the reverend minister ( ) auditor ( ) other ( )

8. How often does the internal audit unit issue report on internal control? Monthly ( )
   - quarterly ( ) every six months ( ) yearly ( )

9. Who prepares the final accounts?
   - Treasure ( ) financial secretary ( ) other ( )

Section C

Members

1. Do you know what internal audit is? Yes ( ) No ( )

2. If yes, do you know if there is one in the church?
   - Yes ( ) No ( )
3. In your view do you think it is important for the church to have internal audit committee? Yes (   ) No (   )

4. If yes, what are your reasons?

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Section D

Session members

1. Is the forming of the audit committee consistent with the internal control system of the church? Yes (   ) No (   )

2. Is the audit committee of the church of any benefit to the church? Yes (   ) No (   )

3. Does the session of the church appreciate the report of the audit committee?

   Yes (   ) No (   )

4. Does session promptly act on audit report?

   Yes (   ) No (   )

5. Does session promote independence of the audit?

   Yes (   ) No (   )