



Good Governance  
and Accountability

# Audit Service Bulletin

**Vision :** To become a world class supreme audit institution, delivering professional, excellent and cost effective auditing services

## Internal Control - Solomon Nii Kotey Ashie (Senior Auditor, Offinso District Office)



Internal control is defined as all the policies and procedures conceived and put in place by an entity's/organization's management to ensure:

- the economical, efficient and effective achievement of the entity's/organization's objectives;
- the adherence to external rules (laws, rules, etc.) and to management policies;
- the safeguarding of assets and information;
- the prevention and detection of fraud

### Examples of Internal Control

- S - Segregation of Duties
- O - Organisational Structure Policy
- A - Authority and Approval
- P - Personnel
- I - Internal Audit
- S - Supervision
- P - Physical Controls
- A - Arithmetic and Accuracy
- M - Management Posture
- S - System Controls
- P - Policies and Procedures
- R - Reconciliation
- I - Information Processing Controls
- T - Transaction and Activity Reviews

### Segregation of Duties

When work duties are divided or segregated among different people to reduce the risk of error or inappropriate actions.

### Physical Controls

When assets such as equipment, inventories, securities, cash and other assets are secured physically. This can occur through the use of locks, safes, or other environmental controls. Access is restricted to those with authority to handle them.

### Reconciliations

Comparisons are made between similar records maintained by different people to verify transaction details are accurate and that all transactions are properly recorded. Specific examples would include: Performing a reconciliation from bank statements to check register/records. Balancing/reconciling cash on hand to sales or transaction activity on the cash register totals.

### Policies and Procedures

Established policies, procedures, and documentation that provide guidance and training to ensure consistent performance at a required level of quality. These should be available at all levels of the organization. Departmental and Organization wide.

### Transaction and Activity Reviews

Management reviews of transaction, operating, and summary reports help to monitor performance against goals and objectives, spot problems, identify trends, etc. Specific examples include: Monthly review of budget statements to actual expenses. Review of telecommunication call activity reports for personal or non-business related phone calls. Review of timecards and overtime hours by employees.

### Information Processing Controls

When data is processed, a variety of internal controls are performed to check the accuracy, completeness and authorization of transactions. Data entered is subject to edit checks or matching to approved control files or totals. Numerical sequences of transactions are accounted for, and file totals are controlled and reconciled with prior balances and control accounts. Development of new systems and changes to existing ones are controlled, as is access to data, files and programmes.

### Types/Activities of Internal Control

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1. Preventive controls are proactive in that they attempt to deter or prevent undesirable events from occurring.
2. Corrective controls are put in place when errors or irregularities have been detected.
3. Detective controls provide evidence that an error or irregularity has occurred.

### Components of Internal Controls

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

#### 1. Control Environment

The control environment refers to the overall culture of compliance.

In other words, it is how both management and employees buy into internal controls. The more seriously the organization views internal controls, the stronger the system will be.

If management disregard existing controls, employees will likely follow suit. Over time, this can create vulnerabilities across the system. Compliance can also happen from the bottom up since audit teams can use their data to make a business case for cyber risk management.

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## Internal Control - cont. from pg 1

### 2. Risk Assessment

To effectively manage risk, organizations need to identify their potential risks, then implement internal controls to mitigate them. Accounting teams should have an always-on approach to monitoring since new risks can surface without warning. The teams should then deliver audit reports to the board to surface any new risks.

This is especially important if an organization's products or services frequently evolve since changes in the organization's infrastructure will also impact its system of internal controls.

### 3. Control Activities

'Control activities' means ensuring that the proper controls are in place and using accounting systems and automation to verify that controls are functioning as intended. This can include regular controls testing or inventory audits, all of which should follow an internal audit strategy.

### 4. Information and Communication

Knowledge is power. Communicating with management about any lapses in internal controls is the best way to mitigate risks quickly. Though audit teams likely have hundreds or even thousands of data points, taking a proactive approach to enterprise risk management is essential.

Audit teams can likely tackle minor breaches independently, but they should inform management of any major vulnerabilities. Communicate precisely the information the person needs to know, whether that is a well-versed Audit Manager who is more of a layperson in the components of internal controls.

### 5. Monitoring

Audit teams should monitor internal controls on an ongoing basis. Doing so ensures that they will be able to identify when internal controls are functioning properly and when there are potential lapses in the internal controls system. That is what makes this one of the key compo-

nents of internal controls, since monitoring is how teams identify failures and make improvements. Without monitoring, vulnerabilities may go unchecked, turning minor issues into major breaches.

### Internal Audit With Internal Control

The five components of internal controls may seem like they are the concerns of only the accounting and audit teams. In reality, every member of an organization should understand and support the internal controls system. Without internal controls and the teams supporting them, organizations could face major breaches, compromising their reputation and bottom line.

Understanding the components of internal control opens up an opportunity to future-proof internal audit. Audit teams can prove the internal audit function's value through the internal controls system. They can automate processes, analyze data and deliver insights, all of which can make them an invaluable strategic partner to the management or board.

## Try again - Josephine Danful-Fanyinka (Assistant Director/ EIDA, SZ)



Everyone has a story, a lesson to teach and wisdom to share. Open up and share your story, you may become an inspiration to the world.

Live your life with intention; go out there and make a difference. Know that each and every

sunset gives you one day less to live and every sunrise gives you one more day of hope and so be very hopeful in life.

Nothing in life comes easy and so as you journey through it, you've got to be focused and mentally tough. Don't take anything for granted; maintain a positive focus no matter

what's going on around you and never dare to quit because quitters never win and winners never quit.

Work hard and never give up on your dreams. Disappointments and frustrations may come your way, but don't be a quitter.

## ICAG Honours: Audit Service Staff Shine in Academic Excellence

In a remarkable display of dedication and academic excellence, two exemplary members of the Audit Service have been honoured with prestigious awards for their outstanding achievements at the 47th ICAG congregation, held on February 10, 2024.

Mrs. Theresah Agyemang, an Assistant Director at the Dodowa Branch, was crowned the best student in Advanced Taxation, while Mr. Senseland Kofi Asante, an Assistant Auditor at the Asankragwa District Office, excelled as the best student in Corporate Reporting and Advanced Audit & Assurance.

Theresa, born on December 21, 1983, has been a beacon of inspiration within the Audit Service since joining in 2008. Theresa's academic journey is adorned with numerous accolades and qualifications.

She first showcased her aptitude for accounting by clinching the award for the overall best candidate in Part 3 of the May 2005 Ghana Accounting Technician exams.

Fueled by her passion for numbers and a thirst for knowledge, she pursued higher education, earning a BBA in Accounting in 2011, followed by an EMBA in Finance in 2018.



However, her crowning achievement came in 2024 when she conquered the challenging terrain of Advanced Taxation, emerging as the Best Student in level 3 of the November 2023 CA exams.

Apart from her professional pursuits, Theresa finds solace in reading and delights in cooking for her family and friends. Her advice to colleagues resonates deeply with her ethos of continuous learning and unwavering determination.

Equally deserving of acclaim, Mr. Asante, born on July 3, 1992, joined the Audit Service in 2020 and has swiftly risen to prominence through his relentless pursuit of excellence. A graduate in Bachelor of Management Studies and MBA in Finance from the University of Cape Coast, Senseland's academic journey reflects his commitment to excellence, evidenced by his impressive CGPA.

In 2024, he accomplished a remarkable feat by clinching the Best Student awards in Corporate Reporting and Advanced Audit & Assurance during the CA July 2023 exams.

Not only did he secure the awards but he also achieved an extraordinary accomplishment of writing nine papers with first-time passes, without a single resit.

Senseland's dedication extends beyond the realms of academia, as he finds joy in watching football and immersing himself in the domain of Information Technology.

His advice to colleagues echoes the sentiments of perseverance and gratitude, underscoring the virtues of determination and hard work.

The recognition bestowed upon Theresa and Senseland not only highlights their individual brilliance but also serves as a proof to the Audit Service's commitment to nurturing talent and fostering a culture of excellence.

Their achievements inspire colleagues to aspire to greater heights and reinforce the belief that with dedication, diligence, and divine providence, anything is attainable.

Ayekooooo!!!!



## Highlights of key aspects in the Financial Audit Methodology - Fred Lokko



From the third quarter of the year 2023 edition of the GAS Bulletin, we concluded on the applicable working papers to be used by the financial auditor at the pre-engagement phase of the Financial Audit Methodology (FAM).

In this edition, I will address the requirements of the Understanding the Entity phase of the FAM. ISSAI 2315 requires the auditor to identify, assess and document Risk of Material Misstatement (ROMM) by obtaining understanding of the entity or client's environment and its internal controls. By this, the auditor is able to plan and perform the audit in an efficient and effective manner.

As we are already aware, the main object for performing financial audit is for the auditor to conclude that, the client's financial statements are presented using the applicable reporting standards and are free from material misstatement either due to fraud or error. This objective is significantly impacted by the auditor's understanding of the entity's environment and its internal controls. It simply means that, the auditor's lack of understanding of the entity may significantly increase the audit risk (risk of the auditor expressing a wrong opinion) beyond acceptable level.

There are eight (8) working papers to be considered at the understanding the entity phase of the FAM that highlights the following aspects:

1. Obtain and document general information about the entity.

2. Obtain information on the entity's governance structure.
3. Understand the legal framework of the entity.
4. Understand the operational environment of the entity.
5. Understand fraud considerations.
6. Understand the entity's internal controls.
7. Other relevant considerations.
8. Identify the significant and material transactions and balances audited from the financial statements.

### **Obtain and document general information about the entity**

This working paper helps the auditor to document information relating to the entity such as its nature and operations (e.g. Ministry, Department or Agency etc.), address, banking details etc. and related ROMM that may be identified in considering these administrative aspects. For example, if considering the administrative aspects of the entity reveals that, the entity has four (4) bank accounts instead of two (2), this may be identified by the auditor as a potential ROMM; this is because, the other two bank accounts may be used to 'hide some inflows' which may lead to a possible understatement of the revenue or receipts recorded in the financial statements. Another example is that, if the auditor through consideration of general information about the entity finds that, the head of finance position has become vacant for a prolong period of time (say nine months); there may be a risk that, the preparers of the entity's financial statements may lack the necessary supervision from an experienced

head of finance and this may result in material misstatements in the financial statements.

In documenting the above, the auditor will be able to develop appropriate audit procedures such as ensuring that, experience audit staff will be allocated the task of reviewing the financial statements vis a vis the applicable reporting standards and checking the validity of the extra two bank accounts (as demonstrated earlier) and reviewing the transactions related to them accordingly.

### **Obtain information on the entity's governance structure**

Governance in this context refers to how the entity is directed and controlled. This means that, those charged or tasked with governing the entity is fundamental in respect to how the entity operates; including overseeing the financial reporting process. Those charged with governance are responsible for the strategic direction of the entity and as such, their actions or inactions may negatively impact the true and fair view of the entity's financial statements.

The auditor needs to clearly identify who is responsible for governance of the entity and document same. Examples of those responsible for governance includes governing Boards, Councils, management personnel etc.

### **Understand the legal framework of the entity**

ISSAI 2250 requires auditors to consider Laws and Regulations applicable to the entity being audited. These

laws and regulations may have a direct impact on how transactions are to be treated in the financial statements such as the Public Financial Management Regulation's requirements in dealing with internally generated funds (IGF). However, there may be laws and regulations that may not directly impact the treatment of transactions in the financial statements but may be very important to the operations of the entity (eg Right To Information (RTI) Act). An entity's non-compliance with aspects of the RTI Act may result in fines being imposed by the RTI Commission. There is the risk that these fines may not be disclosed in the entity's financial statements which may result in material misstatements.

It is therefore very important that, the auditor is very well abreast with the Laws and Regulations (accounting policies, financial reporting framework, directives from Ministry of Finance, directives from Controller and Accountant General etc.) applicable to the operations of the entity being audited to be able to clearly identify possible ROMM as a result to non-compliance by the entity. These risks should be documented and appropriate audit procedures designed to mitigate against them in order to minimize to an acceptable level, the auditor's detection risk (risk of the auditor's procedures not being able to detect misstatements).

In the next edition of the GAS Bulletin, I will consider the other aspects of Understanding the Entity phase of the FAM and conclude on it accordingly. Watch out for the next edition.

## The Counsellor by Elizabeth Senyo-Pongo (Director of Audit, Akropong-Akuapem) Topic: Know Your Temperaments Part 2 (Choleric)



Temperaments reflect our true inner nature and they eventually influence our choices, our inclinations, behaviour and interactions. It is defined as a person's nature, especially as it permanently affects their behaviour. Most relationships go through challenges due to temperament issues, so understanding of temperaments can help to solve most challenges in every area of our lives. Temperaments directly influence our response to the various positive or negative experiences that we encounter.

The four-temperament theory which suggests that there are four fundamental personality types: **melancholic, choleric, phlegmatic and sanguine**. No individual temperament is better than the other. We were moulded by God and given peculiar and

exceptional identities and they are all good. We need to understand one another and learn to leave together in peace and harmony. The way out is to work on our weaknesses and utilise our strengths as opportunities to benefit our environment.

In the first part of my discussion on temperaments, we looked at the **Melancholic – Peace at all cost**.

In this second part, I will write on the **Choleric – Profit at all cost**.

Just like all other temperaments, the choleric also manifests in three areas of need namely, Inclusion, Control and Affection.

The choleric in Inclusion expresses great deal of self-initiated social interaction but responds or wants very little association initiated by others. To the choleric in inclusion, surface

relationship and social interaction must bring profit to him.

In Control, the choleric is domineering and expresses or shows a great deal of control over other people's lives and behavior but will not tolerate control over their own lives and behavior from other people. The choleric in control is extremely responsible. He has only one goal, "the work must be done". If it must be done, it must be done now and it must look perfect.

The choleric is a visionary with great goals that must be achieved at all cost. To them, everything is possible and desires to see things happen. In control, the choleric moves at a furious pace. The catch phrase for the choleric is "results". The word "can't" is an abomination to the choleric and infuriates him. Due to the aggressive nature of the choleric in executing tasks, he soon experiences burn out.

The choleric in Affection expresses a high need for love, affection, approval and deep relationship, however, this must be accepted only on their terms. The choleric acts as though they have no emotions, remorse or guilt therefore susceptible to making mistakes in their decisions and actions. Because of their charisma, they easily attract people to themselves but lose them too soon due to pressures for high demands.

In conclusion, the choleric traits are; sociable, task-oriented, aggressive, not discouraged, makes rash decisions, ambitious, can reject people unless it is for gain. The choleric is a "fun lover" but this cannot be at the expense of work that must be done.

(Reference: *Understanding Human Behaviour Vol. 4 2020, Samuel Oheneba Dornyo, PhD*)

## Halitosis (Bad Breath)

### What is halitosis?

Halitosis is an oral health problem where the main symptom is bad smelling breath. In most cases, finding the cause of the bad breath is the first step toward treating this preventable condition.

### What causes bad breath?

There are many causes of bad breath, just as there are many sources of bacteria in the mouth. Halitosis may be caused by the following:

- Certain foods. The things you eat are linked to your oral health, including your breath. Items such as garlic and onions, or any food, are absorbed into the bloodstream. Until that food leaves the body, it has the potential to affect your breath.
- Poor oral health care. Without correct and regular brushing and flossing, and routine dental exams, food remains in the mouth. This is a breeding ground for bacteria. Food that collects on the teeth, gums, and tongue may rot. This causes an unpleasant odor and taste in the mouth.
- Improper cleaning of dentures. Dentures that are not cleaned correctly may be collecting bacteria, fungi, and remaining food particles, which cause bad breath.
- Odor-causing bacteria on the tongue. Certain bacteria on the back of the tongue can interact with amino acids in foods and produce smelly sulfur compounds.
- Periodontal disease. One of the main symptoms of this gum disease is bad-smelling breath, and an unpleasant taste in the mouth. This condition needs immediate care by an oral health professional.
- Dry mouth (Xerostomia). This condition is often a key part of halitosis. When there is a major decrease in saliva production, the mouth can't cleanse itself and remove debris and particles left behind by food. Dry mouth may be caused by certain medicines, a salivary gland disorder, or by always breathing



through the mouth instead of the nose.

- Tobacco products. Tobacco products such as cigarettes, cigars, smokeless tobacco, and snuff stain the teeth and put the body at risk for a host of diseases. But they also help cause bad breath.
- A health condition. Bad breath may be a symptom of a condition such as a respiratory infection, Diabetes, gastrointestinal disorder or liver or kidney disorder.

### What are the symptoms of halitosis?

The main symptom of halitosis is a bad odour from the mouth that is considered beyond a socially acceptable level. The odour can be worse in the morning or after smoking, drinking coffee, or eating certain foods such as garlic.

### How is halitosis diagnosed?

Dentists often diagnose halitosis. The diagnosis is based on the person's history and mouth odour during the dental exam. The entire mouth is checked to see if a cause can be found, such as an infection. If the dentist can't find the cause, he or she will refer you to an appropriate specialist, such as a doctor.

### What is the treatment for halitosis?

Treatment depends mainly on the cause of the condition, including:

#### Poor oral health care

If the bad breath is due to improper oral healthcare, in most cases your dentist will treat the cause of the problem.

#### Gum disease

If the cause is an underlying gum disease, the condition may be treated by your dentist. Or you may be referred to an oral specialist--in most cases, a periodontist. A periodontal cleaning often helps to remove the bacteria and tartar or plaque

that has built up and is causing inflammation at the gumline.

### Extensive plaque buildup

Your dentist or periodontist may recommend an antimicrobial mouth rinse. Also, you may be told to brush your tongue gently each time you brush your teeth to help remove odour-causing bacteria.

### Health Condition

Diagnosis and treatment of an existing health condition may get rid of the bad breath.

### How can I prevent halitosis?

Halitosis can be prevented or decreased if you:

Brush and floss your teeth at least twice a day.

Brush your tongue, cheeks, and the roof of your mouth. Most bad breath bacteria live on the tongue. , So brushing or scraping the tongue can make a big difference in your breath.

If you have dentures, take them out at night and clean them completely before putting them back in your mouth. Talk with your dentist before using deodorizing sprays or tablets. Some only mask the odor for a short time.

If you smoke, quit. You will have better smelling breath, and a healthier body overall.

Keep your saliva flowing by eating healthy foods that make you chew. Carrots and apples require a lot of saliva. You can also chew sugar-free gum or suck on sugar-free candies. If you still don't have enough saliva to keep your mouth moist, your dentist may suggest artificial saliva.

Visit your dentist on a regular basis. Regular check-ups can find problems such as gum disease, infections, and dry mouth. If you have bad breath and the dentist can't find a cause, you may be referred to your primary healthcare provider for more follow-up.

Source: <https://www.hopkinsmedicine.org>

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### Personality profile



Mahama Nurudeen

### Principal Auditor, Techiman District 'B'

Joined the Service in March 2012

Hails from Daboya-Wawato in the Savannah Region

Favourite food is riceballs and bra soup

Hobby is watching and playing football