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An Assessment of Selected Ghanaian Banks' Internal Control and Corporate Governance

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Abstract

The general objective of the study is to assess the effectiveness of internal control and corporate governance in the Ghanaian banking industry. The study was basically a case study based and was approached quantitatively. Five banks (Absa Bank Ghana, Ecobank, Standard chartered Bank, Agricultural Development Bank, and Ghana Commercial Bank) were sampled for the study. Four hundred (400) respondents from the above sampled banks helped offer meaningful and enough information to answer the study questions. Non-probability sampling was used for this study's sample strategy. The study made use of questionnaires to gather the data. In analyzing the data, the study made use of descriptive statistics, Kendall's coefficient of concordance (w), correlations and regression analysis techniques. The study found that internal controls and corporate governance in the Ghanaian banking industry are effective. The results of the study confirm that internal auditors and staff have the role to review systems established to ensure compliance with policies, procedures, plans, laws, and regulations impacting operations and reports; to detect and prevent illegal practices; to report illegal acts; provide information to management; act with competence; make a report to the company about the problems and follow the corporate policy in ensuring effective internal control in the Ghanaian banking industry.

***Keywords**: Compliance, Corporate governance, Corporate policy, Internal Control, Kendall's coefficient of concordance (w).*

Introduction

The centrality of Internal Control and Good Corporate Governance in the sound, sustainable and efficient management of banks has been of prime concern to regulators and managers of the banking system. The Bank of Ghana under the powers conferred thereupon by Sections 56 and 92(1) of the Banks & Specialized Deposit-Taking Institutions Act, 2016 (Act 930) [1], issued the Company Governance Directive, 2018 (CGD 2018) and this applies to Banks, Savings and Loans Companies, Finance Houses and Financial Holding Companies licensed or registered under Act 930. The Bank of Ghana (BOG) issued the Company Governance Directive (CGD) in February 2018 to regulate financial institution governance and management. The Central Bank revoked operational licenses of banks and other non-banking financial entities in large numbers from 2018 to 2019 due to poor internal controls and corporate governance. Bank of Ghana supervises banks and non-banking financial institutions in Ghana. The head of the Banking Supervision Division of the Central Bank is required to inspect banks annually.

The Corporate Governance Directive (CGD) 2018 set criteria for senior management employees and gave the Central Bank control over their selections to increase public confidence in the banking sector. The governance directive specifies the Board of

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Directors' tasks and mandates at least 30% of regulated financial institutions' boards to be Ghanaians. Non-executive directors and board chairpersons can only serve 12 and 9 years, respectively [2]. Effective internal control is a key component of Good Corporate Governance and a secure and stable foundation for banks' operations. Internal controls provide reasonable assurance that certain goals are met, or progress is understood. Strong internal controls and corporate governance help banks meet long-term profitability goals and provide accurate financial and managerial reporting. This method also ensures strict compliance with laws and regulations, reducing the risk of unanticipated losses or reputation damage to institutions.

"The most common explanation for what corporate governance is and how it works is as a system of internal controls. Corporate governance refers to the process through which a company's operations are managed and guided. It is well-known that effective internal controls are essential to good corporate governance. The relevance of internal control to sound management practices is thus called into doubt" [3].

"Since the late 1970s, there has been a significant rise in the significance of disclosing information on internal control" [4]. "The most significant accounting scandals that occurred around the turn of the twenty-first century are responsible for the rise in significance of this topic. As a result of these scandals, there is a pressing requirement to strengthen the quality of internal control and to place increased focus on the function that it plays in the governance of the organization" [5]. Businesses must build internal control measures to protect shareholders. Provide shareholders with a reliable financial reporting system and information on dangers that could derail the company's aims. Annual reports must include information on internal control design and effectiveness since investors may use it to evaluate management. Investors view internal control disclosure as value relevant since it affects capital costs.

"The purpose of corporate governance is to help build an environment of trust, transparency, and accountability necessary for fostering long-term.

investment, financial stability, and business integrity, thereby supporting stronger growth and more inclusive societies" [6]. The Bank of Ghana's Corporate Governance Directive [7] defines Corporate Governance to mean same as by the Bank of Ghana Corporate Governance Disclosure Directive, 2022 " to mean the manner in which the business and affairs of a Regulated Financial Institution is governed by its Board and senior management, including how its strategy and objectives are set; its risk appetite/tolerance is determined; its day-to-day business is operated; interests of depositors are protected and shareholders obligations are met, taking into account the interests of other recognized stakeholders; and aligning corporate activities and behaviors with the expectation that it would operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations".

The Corporate Governance Code for Listed Companies 2020 SEC/CD/001/10/2020 [8] defines Corporate Governance to have the same meaning as in the Ghana Companies Act, 2019 (Act 992) [9], as amended): to mean the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders.

Basel Committee on Banking Supervision (2015) [10] states the definition of corporate governance as: 'A set of relationships between a company's management, its board, its shareholders, and other stakeholders which provides the structure through which the objectives of the corporate are set, and therefore the means of achieving those objectives and monitoring performance. It helps define the way authority is allocated and the way corporate decisions are made'.

“The idea of corporate governance is strongly dependent on the requirement of having effective internal controls. This is since effective internal controls guarantee that processes run as intended and that risk management is carried out. In addition, it is essential to devise plans to ensure that the aforementioned processes will be carried out as planned. These include monitoring by managers to ensure that the appropriate attitudes and behaviors are maintained, as well as a focus on honesty and competence” [11].

Over the course of the last several decades, there has been a significant surge in the significance of corporate governance. Good corporate governance is seen to boost the value of companies because it has the potential to help eliminate agency problems (issues that arise because of inappropriate behavior on the part of business officials) and to build investor trust” [12]. “In addition, there is a common belief that effective corporate governance not only lessens the possibility of fraud and the failure of the company as a whole, but that it also generates wealth by enhancing the company’s financial performance” [13]. Its prominence may be attributed to the precarious financial position of a great number of organizations, which has led to their desire to enhance their operations and boost their earnings.

Corporate governance is defined as the structure through which organizations are directed and governed, according to the Organization for Economic Cooperation and Development (OECD). It goes on to state that the corporate governance structure details the allocation of rights and responsibilities among various participants in the corporation, such as the board of directors, managers, shareholders, and other stakeholders. It also outlines the policies and procedures that must be followed in order to arrive at decisions regarding matters pertaining to the operations of the corporation. In addition to this, it offers the framework for the establishment of the company’s objectives, as well as the methods for accomplishing those objectives and keeping track of performance [14].

Internal control is an integral aspect of management; hence it should theoretically contribute to better corporate governance (i.e., plan, organize, direct, and control). “An organization’s internal controls help it stay on track to meet its goals and fulfill its mission with as few hiccups as possible” [15]. A strong internal control system enhances a business’s efficiency, prevents asset theft, and meets legal requirements. It ensures accurate financial statements, ensuring transactions are recorded, valued, and classified. A weak system leads to poor corporate governance, resulting in less efficient and effective goals fulfillment. “There are a variety of metrics through which this partnership is evaluated inside a company. Characteristics of the board of directors, including the board’s independence, diligence, experience, and size, are the focus of this research on corporate governance. The board of directors is accountable for an organization’s performance, with the goal of maximizing shareholder value, and is widely recognized as an integral part of internal control mechanisms for keeping an eye on management” [16]. Quality financial reporting, in turn affecting investor confidence, is influenced by boards of directors who follow good corporate governance procedures” [17].

The objective of the study is to assess the effectiveness of internal control and corporate governance in the Ghanaian banking industry. The study specifically seeks to:

1. Determine the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry.
2. Assess the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry.
3. Evaluate the mechanism of corporate governance implementation vis-à-vis the two categories thus - governance structure, and governance mechanism.
4. Examine the relationship between internal

controls and corporate governance.

Research Questions

1. What is the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry?
2. What is the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry?
3. What is the mechanism of corporate governance implementation vis-à-vis the two categories thus - governance structure, and governance mechanism?
4. What is the relationship between internal controls and corporate governance in the Ghanaian banking industry?

Hypotheses

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a group working to prevent corporate fraud and promote organizational governance, corporate ethics, internal control, business risk management, fraud, and financial reporting. The COSO internal control framework consists of five interconnected components: the control environment, risk assessment, control activities, information and communication, and monitoring. The effectiveness of internal controls is crucial for a company's success and long-term survival [18].

Effective internal control is essential for corporate governance, as it ensures businesses operate effectively, comply with mission statements, and provide accurate management data and financial reporting. It encourages conformity with current rules and regulations, enabling firms to respond to hazards, achieve performance and profitability goals, protect resources from loss, report control deficiencies, and commit to relevant laws and regulations. The study therefore hypothesizes that:

1. **H1:** Good control environment, risk assessment, control activities, information and communications and monitoring lead to effective internal control.
2. **H2:** fairness, transparency, accountability, and responsibility lead to effective corporate governance in organizations
3. **H3:** Effective role of internal auditors lead to effective internal control of the organization.
4. **H4:** there is a significant and positive relationship between internal controls and corporate governance of an organization.

Methodology

The study was basically a case study based and was approached quantitatively. Non-probability sampling was used for this study's sample strategy. The study made use of questionnaires to gather the data. In analyzing the data, the study made use of descriptive statistics, Kendall's coefficient of concordance (w), correlations and regression analysis techniques.

Five banks (Absa Bank Ghana, Ecobank, Standard chartered Bank, Agricultural Development Bank, and Ghana Commercial Bank) were sampled for the study. Four hundred (400) respondents from the above sampled banks helped offer meaningful and enough information to answer the study questions.

Data Collection

Questionnaires were distributed. There were five main sections to this survey (Part I, II III, IV and V). The first section will be geared on eliciting information about the respondents' demographics. The second section includes evaluation questions focused on internal controls and corporate governance. The third section focused on the function of internal auditors and other staff members in achieving the goal of efficient internal control. In Part IV, will look at how the two broad headings of "governance structure" and "governance mechanism" intersect.

In sum, the following tools were utilized for the data collection:

1. Administration of questionnaires,
2. Face to face interview,

3. Observation,
4. Review of secondary sources of data (journals, articles, publications, etc).

Data Analysis Procedure

The recorded data from the structured questionnaire served as the basis for the quantitative data, which was presented in accordance with the various parts and subsections of the questionnaires. The quantitative information will first be shown in the form of tables or charts. That's the idea behind data visualization: to make complex information easy to digest. Each data set was summarized with numerical scores and percentages arranged in categories to give context for the information presented. Second, the researcher will be able to provide an analytical description and interpretation of data by using descriptive statistical processes thanks to the data's visual presentation (tables, charts, and graphics) in numbers and percentages. A Non-probability sampling technique was used in selection elements for the study from general staff under the relevant areas of study. This technique was considered relevant because the study required statistical inference about the population. It also afforded the researcher the opportunity to select elements that accurately represented the total population from which the elements were drawn. Due to the sheer size of the population, a significant part of it was considered for the study across all selected banks.

Data gathered were examined and presented in the form of tables and graphs. This would facilitate easy analysis of the data. For example, the use of tables would help in the summarization and condensation of data, analysis of ranges, variances, trends, and relationships. Appropriate statistical data analysis tools such as descriptive, inferential and test statistics would be reviewed before analyzing the data. Raw data collected would be edited for completeness, consistency and to ensure it is systematically organized. In analysis, the deductive explanations will be made of quantitative data to give meaning to them as well as explain their implications and descriptive statistics like the mean score and standard deviation. The outcome of the statistical analysis of the data would be represented through graphs, bar charts and pie charts for easy appreciation by stakeholders. Based on the outcome of the data analysis, appropriate recommendations would be made on the findings of the research.

Results

This part of the study focuses on the tabular representation of the findings obtained from the investigation. Considering the characteristics of the results, more consideration has been given to the ramifications of the findings. Statistical Package for the Social Science (SPSS) and IBM Amos version 23 were utilized to do the analysis on the results.

Objective 1: Effectiveness of Internal Controls and Corporate Governance in the Ghanaian Banking

The study determined the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry. The results on the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry are demonstrated in this section of the chapter.

Hypothesis 1

The study hypothesized that the internal controls and corporate governance in the Ghanaian banking industry are effective. Taking this into consideration, the test value for the analysis was 5. Therefore, this was the population mean since the study imagined that the internal controls and corporate governance in the Ghanaian banking industry are effective, and the 5 represent the extreme positive responses given by the respondents. The analysis was done as two-tailed test with alpha (α) = 0.05.

Table 1 shows the one-sample statistics for the effectiveness internal controls and corporate governance in the Ghanaian banking industry.

The calculated mean of the effectiveness internal controls was 3.3604 which is closer to the extreme positive score 5 with a SD= .57337 and a standard Error = .03069 and calculated mean of the effectiveness corporate governance was 3.6218 which is closer to the extreme positive score 5 with a SD= .57337 and a standard Erro = .03069.

Table 1. One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Internal Control	349	3.3604	.57337	.03069
Corporate Governance	349	3.6218	1.03683	.05550

Source: Researcher's field survey 2023

H_0: The internal controls and corporate governance in the Ghanaian banking industry are not effective.

H_1: The internal controls and corporate governance in the Ghanaian banking industry are effective.

The Table 2 presents the results of the one sample t-testing in verifying the hypotheses stated on the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry. T-statistics and critical values were estimated. The study tests the null hypothesis (H_0): the internal controls and corporate governance in the Ghanaian banking industry are not effective. The study will reject the null hypothesis (H_0) if the T-statistics is greater than the critical value and will fail to reject the null hypothesis (H_0) if the T-statistics is less than the critical value. The null hypothesis is rejected when: t obtained is equal to or more extreme than t 1.9852. Where t 1.9852 is the critical value from the t-distribution and is found using the T Distribution Critical Value Table.

As shown in the Table 2, the T-statistics, for the variable is greater than the critical value, the study therefore reject the null hypothesis and concluded that the internal controls and corporate governance in the Ghanaian banking industry are effective. In view of this, based on the variable considered under the study, the internal controls and corporate governance in the Ghanaian banking industry are effective.

Objective 2: In this section the study examined the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry. The findings on the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry are shown in this section.

Hypothesis 2: *Effective role of internal auditors leads to effective internal control of the organization.*

Table 2. One-Sample Test

	Test Value = 5					
					95% Confidence Interval of the Difference	
	t	**df**	**Sig. (2-tailed)**	**Mean Difference**	**Lower**	**Upper**
Internal Control	53.422	348	.000	1.63964	-1.7000	-1.5793
Corporate Governance	24.833	348	.000	1.37822	-1.4874	-1.2691

Source: Researcher's field survey 2023

Table 3 displays the results of the calculated Kendall's Coefficient of Concordance (W), which shows a value of 0.846, which is significant at the 5% level. The study found that 84.6% of respondents agreed that it was important to look at how internal auditors and personnel can work together to improve internal control in Ghana's financial sector. As a result, we cannot accept the null hypothesis that respondents do not share a common ranking of the roles. Because the P Value is less than 0.05 (0.000), it is evident that respondents agree on how important internal auditors and employees are in maintaining strong internal control in Ghana's financial sector. According to the results shown in Table 3, the mean scores with the highest scores indicating the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry. Survey respondents recognized and selected "Review of systems established to ensure compliance with policies, procedures, plans, laws and regulations impacting operations and reports" as the #1 most commonly the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry, according to the results of the survey. As the second most the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry, "Review of operations and programs" came in second place. "Duty of detecting and preventing Illegal practices; Duty of reporting illegal acts; Duty of providing information to management; Duty to act competently; Duty to make a report to the company about the problems and Duty to follow the corporate policy" ranked 3rd, 4th, 5th, 6th … roles of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry correspondingly. In view of this, the results of the study confirm that internal auditors and staff have the role to review of systems established to ensure compliance with policies, procedures, plans, laws and regulations impacting operations and reports; to detect and prevent of illegal practices; to report illegal acts; provide information to management; act with competence; make a report to the company about the problems and follow the corporate policy in ensuring effective internal control in the Ghanaian banking industry

Objective 3: The study further evaluated the mechanism of corporate governance implementation vis-à-vis the two categories of governance structure and mechanism. The findings on the mechanism of corporate governance implementation vis-à-vis the two categories—governance structure and governance mechanism—are shown in this section.

Hypothesis 3: the mechanism of corporate governance implementation vis-à-vis the two categories thus - governance structure, and governance mechanism.

Table 3. Role of Internal Auditors and Staff in Ensuring Effective Internal Control

	Mean Rank	Ranking
Duty to provide information to management.	5.83	5th
Duty to make a report to the company about the problems.	4.40	7th
Duty to follow the corporate policy	4.10	9th
The internal audit reports are discussed by the Audit Committee	4.11	8th
Detection and prevention of illegal practices.	6.52	3rd
Review of systems established to ensure compliance with policies, procedures, plans, laws & regulations impacting operations & reports	7.84	1st
Duty to report illegal acts.	6.02	4th
Duty to act with competence	5.41	6th
Review of operations & programs	6.85	2nd
Test Statistics		
N	349	
Kendall's W[a]	.846	
Chi-Square	771.341	
df	9	
Asymp. Sig.	.000	

Kendall's Coefficient of Concordance Source: Research Data (2022)

Table 4 displays the results of the calculated Kendall's Coefficient of Concordance (W), which shows a value of 0.667, which is significant at the 5% level. The study found that 66.7% of respondents agreed that it was important to look at the mechanism of corporate governance implementation vis-à-vis the two categories of governance structure and governance mechanism. As a result, we cannot accept the null hypothesis that respondents do not share a common ranking of the mechanisms. Because the P Value is less than 0.05 (0.000), it is evident that respondents agree on the mechanism of corporate governance implementation vis-à-vis the two categories thus - governance structure, and governance mechanism. According to the results shown in Table 4, the mean scores with the highest scores indicate the mechanism of corporate governance implementation vis-à-vis the two categories of governance structure and governance mechanism.

Objective 4: The study finally examined the relationship between internal controls and corporate governance in the Ghanaian banking industry. The research utilized a hierarchical multiple linear regression analysis, where the control variables were age, gender, current position, and education qualification level. We decided to include these control variables since most scholars have hypothesized that these factors may potentially have an influence on the model including corporate governance and internal controls (Steinke et al., 2015; Sahi et al., 2013; Lee & Steers, 2017; Kulkarni, 2010; Abdulkarim, 2013; Wahyuni, 2013; Schneider & Barbera, 2014; Rutishauser & Sender, 2019).

Hypothesis 4: There is a significant and positive relationship between internal controls and corporate governance of an organization.

Multiple linear regression analysis with a hierarchical structure in two stages was used. Socio-demographic factors such as gender, age, education level, and current position were collected as a first step. The second stage, or model, factored in organizational environment and job satisfaction as independent variables. Internal Controls was shown to be a significant predictor of corporate governance (β =.526, p .05), as shown in Table 5. This lends credence to H4, which hypothesized that "*there is significant and positive relationship between internal controls and corporate governance of an organization".* Internal controls are the rules, processes, and technology protections that any business has in place to protect its assets from being harmed as a result of inappropriate behaviour or errors. One might think of them as the more hands-on component of corporate governance; they are the mechanisms by which the company guarantees that it abides by its own internal moral code.

There was a 26.3% explanatory variance for the influence of the independent factors on corporate governance (F = 22.126, $p<.01$). However, in the first model (β= -.011, $p<.001$) and the second model (β = -.084, $p<.01$), age is the only demographic factor that negatively predicts corporate governance.

Table 4. Mechanisms of Corporate Governance Implementation

Mechanisms of Corporate Governance	**Mean Rank**	**Ranking**
The firm has a proper mix of directors with the appropriate skills, knowledge, and experience to enable them to effectively participate in board deliberations.	7.53	9th
The board has a process of selection that ensures an optimum mix of directors and officers who can perform competently and professionally and add value to the company	7.9	6th
The powers, roles, responsibilities and accountabilities between the board and management are clearly defined, segregated, and understood.	8.49	1st
The board of the company has the necessary committees to assist in the performance of its duties and responsibilities	7.91	4th
The board formulates and reviews, as well as updates, the company’s corporate vision and mission, values and purpose, strategic objectives, policies, and procedures that serves as a guide to the company’s activities	7.02	11th
The board size is lesser than or equal 12	5.72	13th
The expected remuneration of top managers is tied to the value of firm shares	8.28	3rd
The board of the firm schedules and holds regular meetings and special meetings when required by business exigencies	7.6	8th
The company has a remuneration committee and is it chaired by an independent director	7.53	9th
The Chief Executive/MD is accountable to the governing body for the ultimate performance of the firm and implementation of the governing body’s policies	7.9	6th
The governing body established an audit and finance committee, comprising non-executive members, with responsibility for the independent review of the framework of control and the external audit process	8.49	1st
The board oversees the implementation of the company’s human resource and personnel development programs and provides for a succession plan for senior management	7.91	4th
The company is actively involved in projects within the local community	7.02	11th
Proxy voting is allowed on the governing board of the firm	5.72	13th
Test Statistics		
N	349	
Kendall’s Wa	0.667	
Chi-Square	305.059	
df	13	
Asymp. Sig.	0	

Table 5. Hierarchical Multiple Linear Regression Analysis with Internal Controls as Predictor of Corporate Governance

	Model 1				**Model 2**			
	B	***SE B***	**β**	**t**	***B***	***SE B***	**β**	**t**
(Constant)	3.268**	0.305		10.723	1.075**	0.327		3.29
Gender	0.074	0.094	0.042	0.787	0.052	0.081	0.03	0.648
Age	-0.015	0.072	-0.011	-0.204	-0.112	0.062	-0.084	-1.79
Current Position	0.007	0.073	0.005	0.094	0.029	0.063	0.023	0.466
Years in Position	0.005	0.053	0.005	0.093	-0.016	0.046	-0.017	-0.357
Academic Qualification	0.202	0.092	0.12	2.189	0.065	0.08	0.039	0.817
Internal Controls					.801**	0.072	.526**	11.174
R^2		.017***				0.28		
F		1.161***				22.126**		
ΔR^2						.263†		

Note: * p<.05, **p<.01, and ***p<.001 and † = tendency

Summary of Key Findings

The current study investigated the effectiveness of internal control and corporate governance in the Ghanaian banking industry. Based on an extensive literature review, four hypotheses were formulated and tested. The first hypothesis predicted that "*a good control environment, risk assessment, control activities, information and communications, and monitoring lead to effective internal control.*" The second hypothesis argues that *"fairness, transparency, accountability, and responsibility lead to effective corporate governance in organizations." Thirdly, it was posited that "effective internal auditors lead to effective internal control of the organization."* And finally, the study argued that *"there is a significantly positive relationship between internal control and the corporate governance of an organization."* The study targeted staff from Absa Bank Ghana, Ecobank, Standard Chartered Bank, the Agricultural Development Bank, and the Ghana Commercial Bank in Accra. However, due to time constraints and the limitations of other resources, 349 samples were selected using simple random sampling and purposive sampling techniques. Based on the nature of the study, cross-sectional design was employed in which a well-structured and close-ended questionnaire was the main measurement instrument for data collection. Descriptive analysis, hierarchical multiple linear regression analysis and path analysis were performed to test the various hypotheses. The study found that the internal controls and corporate governance in the Ghanaian banking industry are effective. The results of the study confirm that internal auditors and staff have the role to review of systems established to ensure compliance with policies, procedures, plans, laws and regulations impacting operations and reports; to detect and prevent illegal practices; to report illegal acts; provide information to management; act with competence; make a report to the company about the problems and follow the corporate policy in ensuring effective internal control in the Ghanaian banking industry. The study also discovered that internal controls predicted corporate governance positively.

Discussion of Findings

The study determined the effectiveness and relevance of internal controls and corporate governance in the Ghanaian banking industry. The results of the study show that the T-statistics, for the variable was greater than the critical value, the study therefore rejected the null hypothesis and concluded that the internal controls and corporate governance in the Ghanaian banking industry are effective. In view of this, based on the variables considered under the study, the internal controls and corporate governance in the Ghanaian banking industry are effective.

The study found that internal controls and corporate governance in the Ghanaian banking industry are effective, as the T-statistics were greater than the critical value. The COSO internal control framework consists of five interconnected components: the control environment, risk assessment, control activities, information and communication, and monitoring. These aspects provide a solid basis for describing and analyzing an organization's current internal control structure.

Effective internal control refers to a company's capacity to give reasonable confidence over the attainment of effectiveness and efficiency in operations, dependability in financial reporting, and compliance with rules. It ensures that businesses operate effectively and in accordance with their mission statements, and that management data and financial reporting are accurate. It encourages conformity with the rules and regulations that are now in effect.

To achieve their goals, organizations need to establish practical targets, allocate appropriate resources, and deal with various transaction cycles and strategic area operations. They also need to conduct risk assessments, disseminate data on risks and changes, and keep tabs on internal control functions to ensure they are doing their jobs and achieving their goals.

The study also examined the role of internal auditors and staff in ensuring effective internal control in the Ghanaian banking industry. Internal auditors have the primary goal of strengthening internal control, which involves reviewing systems established to ensure compliance with policies, procedures, plans, laws, and regulations. They also perform post-merger integration reviews and serve as intermediaries between agent managers and director principles. However, their function can be confused when they are treated as equals, as their involvement in system changes can lead to auditors monitoring their own work as the system is implemented.

The study evaluated the mechanisms of corporate governance implementation in relation to governance structure and mechanism. It found that clearly defined powers, roles, responsibilities, and accountabilities between the board and management, establishment of an audit and finance committee, and the expected remuneration of top managers were the mechanisms of corporate governance implementation. The Chief Executive/MD was accountable to the governing body for the firm's performance and implementation of the governing body's policies. The board of the firm scheduled and held regular meetings, and the firm had a proper mix of directors with the appropriate skills, knowledge, and experience to effectively participate in board deliberations.

The study also examined the relationship between internal controls and corporate governance in the Ghanaian banking industry. Internal controls are the rules, processes, and technology protections that businesses have in place to protect their assets from harm due to inappropriate behavior or errors. The study found that the audit committee's financial knowledge correlates significantly with the company's return on assets.

In Indonesia, [19] found a correlation between internal management, reflective leadership, and official accountability. In another study, [20] investigated the workings of each of the five parts of an efficient internal control system and how they relate to financial performance. The study found that the efficacy of internal controls was highest in private banks, lowest in state banks, and highest in Islamic banks, with a moderate gap between the three.

Implication of the Study

The study has got some contributions and implication to make like any other study. This has been convened under contribution to practice and contribution to theory.

Contribution to Theory

The study has contributed to theory, the use of the agency theory in this study has shown that firms with good internal controls are likely to have effective corporate governance. This is refreshing, as they act as a control mechanism through the performance of an independent monitoring function. Additionally, the disclosure of information related to internal control is considered a monitoring function and an antidote to reducing, if not completely eliminating, the persistent conflicts between shareholders and management. The study is also believed to be leading the pathway to improving the insight of the variables that have the potential of affecting internal control information disclosure in listed companies, more especially regulated financial institutions. On the basis of the findings, the researcher posits that firms in Ghana should focus on improving their corporate governance and internal control systems as a way of managing their risk factors for healthy and sustainable development. The outcome of the study provides empirical evidence on the extent of internal disclosure practices in Ghana, which are integral to the preparation of financial reports for all key stakeholders and potential investors. This study thus affirms the effectiveness of internal control and corporate governance practices in the Ghanaian banking industry, and by extension, this bolster and serves as an incentive for the international investment community to invest in Ghana.

Contribution to Practice

The findings of this study have implications for senior management and internal auditors in the Ghanaian banking industry. They provide an insight into the relationship between corporate governance and internal control. These insights suggest that the top management should adhere to the proper implementation of internal control systems in order to develop sound corporate governance to help increase economic attraction by Ghanaians and help ensure the rights and benefits of the business sector. Additionally, the findings encourage researchers to address other aspects concerning the relationship between internal control and corporate governance in Ghana as an example of a developing country.

Internal auditing plays an important role both in ensuring adequate internal control and good corporate governance. Beside the norms specific to these processes and activities, the information referring to the way of organizing the position, role, and responsibilities that this activity or function should have in the frame of an entity is comprised in the codes of corporate governance. Moreover, through the independent analysis and evaluation of the governing processes, risk management, and internal control, the internal audit could ensure the management of the conditions necessary for accomplishing the targeted objectives. Actually, internal audit contributes to the development and consolidation of these systems through the formulated opinions of internal auditors regarding the adequacy, functionality, or inadequacy of the audited systems, controls, and processes, as well as through the recommendations reported regarding their nature.

Recommendations

The study provided the following suggestions, which need to be carefully considered:

1. Internal controls can only be truly successful if they are both well-documented and widely disseminated information, and if compliance officers are assigned the responsibility of monitoring compliance concerns. They should have the knowledge and abilities required, and those should match the complexity of the institution’s operations. The board and senior management of banks should foster an internal culture that stresses and illustrates

the significance of internal controls at all levels of people. Everyone who works at a bank must be familiar with internal controls and actively participate in them.

2. For the purpose of improving the unity, operability, and comparability of disclosure, Ghanaian regulatory organizations ought to adopt norms and regulations on the substance and structure of internal control disclosure. In addition, Ghanaian firms that are publicly traded need to strengthen both their corporate governance and their internal control systems to maintain their companies' health and foster their growth.
3. Regardless of the organizational structure, top management is ultimately accountable for the planning, rollout, operation, and maintenance of an effective system of internal control and risk management that guarantees the fulfilment of the goals and execution of the steps required to put into practice the principles of good corporate governance. If the internal audit's intended purpose is met, and if its intended objectives are met, and if its implicated responsibilities are fulfilled, then the audit will provide an added layer of assurance that the internal controls are working as intended, are improving, and are controlling risks effectively.

Conclusion

Better governance and reduced corruption are the results of efficient and well executed internal control. State-owned enterprises in West Java, Indonesia, came to a similar result, finding that strong internal control was positively connected with excellent corporate governance. In a business setting, this collaboration may be measured across a range of criteria. The characteristics of the board of directors are the topic of this study of corporate governance. These characteristics include the board's independence, diligence, experience, and size. Boards of directors are responsible for an organization's performance with the aim of maximizing shareholder value, and they are generally seen as an essential aspect of an organization's internal control systems for monitoring management.

If there is a wall separating ownership and management, corporate governance processes will influence management's choices. This is carried out to raise the bar for transparency and productivity in the financial reporting process. Because shareholders are kept apart from business executives, there is a communication breakdown.

That's why it's important to have both internal controls set up by the board of directors and external checks and balances provided by a firm's auditors. The knowledge gap is exacerbated by the fact that business ownership and management are kept separate. In recent years, there has been a heightened awareness of the need of good corporate governance, leading to a rise in the level of scrutiny devoted to board oversight.

Building robust internal control systems and practicing good corporate governance are two of the most important factors in improving the productivity of a firm. As a direct consequence of this, a number of studies have been undertaken to investigate the effect that internal control systems have on the production of businesses.

Nevertheless, the dimensions or criteria that were selected for the Internal Control Systems imposed limitations on the scope of some of this research. The study assessed the effectiveness of internal control and corporate governance in the Ghanaian banking industry. Dependent on the findings of the study, it is concluded that the internal controls and corporate governance in the Ghanaian banking industry are effective, and the internal controls predicted corporate governance positively.

Conflict of Interest

Prince Boadi, the researcher, declares that there is no conflict of interest related to this research work.

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