

Internal Control System and Accountability in the Government Establishment

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Abstract: The current work evaluates internal system accountability and control in the public sector. This study aims to evaluate the role of internal systems of control in government firms, the function of internal systems of control in preventing fraud in public organizations, the relationships between internal systems of control and accountability, and finally the impact of internal system of control implementation on accountability. In the state of Osun, the study was completed utilizing a survey design. In this study, the personnel from the ministries of business, agriculture, and culture were taken into account. One hundred and seventy-seven questionnaires total were provided to and collected from the chosen staff members. For questionnaire analysis, the basic percentage technique was used. Chi-square analysis was used to test hypotheses. The findings demonstrate significant differences in the following areas: internal control effectiveness in government business accountability, fraud prevention by internal control in government firms, and the relationship observed between internal controls at internal together with accountability and the internal control used on behalf of government firms. Control has been implemented or applied in three specific ministries, and it has been correctly set up and is sufficient effectively and efficiently for financial accountability. According to the research, the government should routinely review and examine the control mechanisms in place in their organization.

1. INTRODUCTION

Due to the current financial report's lack of transparency and accuracy, users need a standard mechanism designed to address the vulnerability in the financial system and report in account information (Feiveson, 2015). Because of the well-known American Enron case, which is regarded as the "worst ever financial misappropriations" that devastated the business and financial environment in 2001, the internal control concept has received praise from experts and professionals in government corporate and finance (Ofoegbu, 2014).

To sustain and uphold belief, trust, and confidence in institutions by state firm, erring officers or personnel who broke the law must be sanctioned and the regulations for government establishments must be enforced (ter Bogt & Tillema, 2016). To ensure compliance with accounting standards, the protection of assets, and the orderliness of the workplace, assessment and evaluation of internal control functioning in government business requires independent judgment and an efficient monitoring system. Performance in accordance with the principles and standards outlined in the organization's vision and goal will be rewarded (Acheampong, 2016).

An internal control system is one that has been established to efficiently monitor and manage a company's operational procedures in accordance with its vision, purpose, and primary objectives (Adetula, Balogun, Uajeh & Owolabi, 2016). The board of directors of an organization may choose to use this strategy in order to promote procedural competence, realistic belief in the accomplishment of stated goals, and compliance with relevant regulations and laws (IOSA, 2004).

Systems for managing risk must include internal controls. It can be used to enhance a company's operational, compliance, financial, and strategic elements (Financial Reporting Council, 2014). According to Adeoye and Adeoye (2014), internal control system may be a niche issue after widespread false financial reporting and financial fabrications in virtually all advanced and developing countries: (Adetula, Balogun, Uajeh, and Owolabi, 2016). One of the many reasons why internal control systems are so important is that any organization must be able to manage its business processes in order to maximize its resources and safeguard its working capital.

Every firm's internal control has a high level of intensity. This is because a company's internal structure control is necessary for a well-organized accounting procedure. Internal control systems that are effective at both guaranteeing that public dealings are allowed

by law and combating fraud have been authorized. The reason for this is that active and coordinated use of government initiatives has required the development of an internal control system that is effective at stopping dishonest activities, whether they are financial or otherwise (Ishola, Abikoye & Olajide, 2015).

Information and communication that are tied to a particular position that must be strictly adhered to are among the components of internal control that work to spread management policy, procedural processes, and relevant regulations. This is one of the requirements for eliminating related internal control defects and business shortcomings, especially in government-owned companies.

Information is one of the working tools of control, but communication is equally crucial to the effectiveness of internal control. The two above-mentioned helpful components aim to promote policy sharing in management, develop regulatory requirements, and specify procedures and guidelines similar to certain posts that must be correctly followed when performing and discharging tasks (Asiedu & Deffor, 2017). The aforementioned factors of control are a must for completely eliminating anomalies and loopholes within a company, particularly in the government-related sector. It adheres to the Control environment, which outlines the organizational structure, the delegation of authority, and the reporting standards (Nana Yaw Simpson, 2014).

Previous governments have come under fire for failing to demonstrate their commitment to the protection of the fund and for wasting the limited resources allotted to the state, but the current working relationship between the government and the International Monetary Fund has resulted in the full implementation of a payroll system (mechanized) that detects and removes 26, 589 and 50,000 fake staff members in the first eleven months of 2015 as well as 50,000 additional fake staff members (Banyen & Nasamu, 2015).

The management of most organizations is focused on successfully and creatively protecting internal control structures in order to achieve organizational goals. Management must protect resources, confirm compliance with management policies, and, to the maximum extent possible, assure the correctness and overall completeness of the accounts in order to fulfill the specified goals (Flesher, 1996). Control was also examined in Nigerian tertiary schools (Uwajeh, and Owowlabi, 2016), and how internal systems impacted the success of higher educational institutions was also investigated (Akosile and Fasesin, 2013). Government and nongovernmental universities' internal systems were compared in south-west Nigeria (Mohamed and Willy, 2016). There has been research on how internal control systems affect the performance of higher education institutions, but little to no research has been done on how internal control systems affect the accountability of government parastatals, notably in the instance of the State of Osun. By analyzing the effect of control (internal) on accountability of public businesses, the suggested study will fill in the gaps in the literature.

1.2 Statement of the problem

Weaknesses of internal control in the management of finances and resources of public establishments are important areas that receive little attention as a result of neglect of control mechanisms, public business exposure to significant financial gross irregularities in management process, fund appropriation, and account for resources of the state giving to various government organs. In an effort to prevent financial mismanagement and irregular and unreliable records of finances, the public sector ignores conventional proper and ideal accounts, despite the existence of control mechanisms supported by legal and constitutional framework, as proven by a few restricted studies. Additionally, the problem at hand extends beyond a lack of compliance with usual diligences and complex processes and also includes behaviors that entail standard operation in terms of good stewardship, account transparency, and asset protection. The framework control of internal COSO produced by the researcher based on prior reviews and the statement of study will be used to test a set of hypotheses to determine if internal control and management of public finances operate well together (Ge, Koester, & McVay, 2017). Based on an analysis of the prior literature, this study seeks to determine the effect of internal control on the accountability of public corporations.

1.3 Study Objectives

The study aimed majorly on the roles of system of internal control on accountability in public sector. This general goal is broken down into the individual objectives listed below:

- i. Determining the effectiveness of internal controls on public sector accountability
- ii. Analyzing the impact of internal controls on public companies' efforts to avoid fraud
- iv. Evaluation of the connections between accountability and internal control systems and
- iv. Assessing how internal controls affect public companies' accountability

1.4. Hypotheses of the Research:

To facilitate investigation, proposition of hypotheses were made below:

H1: There are no appreciable differences in the internal control mechanisms for ensuring accountability in public institutions.

H2: There is no appreciable difference in the effects of internal system (control) on preventing fraud.

H3: There is no obvious connection between internal control mechanisms and responsibility.

H4: The impact of internal control systems on accountability is not noticeably different.

1.5. Research Questions

Answers were provided to the questions stated below in order to meet the study's goals.

i. How successful is the internal control system for ensuring accountability?

What impact does internal control over finances have on preventing fraud in the public sector?

iii. How are internal control systems in the public sector related to accountability?

iv. What impact does internal control have on public sector accountability?

2. LITERATURE REVIEW

2.1 Review of Concept

2.1.1 Concept of Internal Control Systems

Internal control is a term used to describe a policy that has a system and purpose and is established by an organization's organizational structure that displays the work flow, control span, command chain, and information management system based on conventional accounting and audit theory (Wynne & Mear, 2016). It is primarily established to match organizational resources with the aim and vision for a specific period of time. Internal systems of control are a collection of procedures and systems put in place by an entity's management primarily for asset protection, with the provision of accurate information accounts and permission to strictly adhere to management policies in order to achieve perfect contribution and performance with periodic evaluation for needed improvements.

2.1.2 Elements of Internal Control Systems

2.1.2.1 Monitoring

One definition of an effective control mechanism is a dynamic system of processes for measuring strategy, comparing current performance rates to organizational standards, and making periodic adjustments to ineffective, out-of-date, and unworkable procedures as well as policies that fall short of current expectations and challenges (Gitman et al., 2015).

Leading authorities have suggested that a company's control system needs to be flexible enough to develop over time while still being in line with its existing mission and vision (Balabonien & Veerskien, 2015). Researchers who are concerned about the financial sector concur that the monitoring process entails evaluating and assessing the effectiveness of system procedures, particularly financial reporting practices, over a long period of time. As a result, assurance from an independent audit firm must be established, flaws must be identified, reviews must be conducted regularly, recommendations must be made quickly, and objectivity must be determined. Transparency and regular information accounts to users must also be provided (Weerakkody, Omar, El-Haddadeh, & Al-Busaidy, 2016)

2.1.2.2 Risk Assessment

The management's capacity to perceive and foresee future risk and anticipate likely outcomes is crucial to the sustainability of a corporation (Johansson & Siverbo, 2014). According to experts in the field of enterprise management, risk assessment is a deliberate process with a set of policies aimed at identifying systems involved and structural failures that could have an impact on an organization's long-term goals. These failures include those that could affect an organization's liquidity, risk of bankruptcy, machine breakdowns, and technological gaps that could limit its long-term effectiveness (William Jr et al., 2016).

Based on findings from Ghana Fire Service, several firms especially public business and few private firm lost dollars what billions to outbreak of fires between year 2012 and 2013 as result of poor planning and inability to carry out regular checks in offices of government in order to provide safety measures through replacement of expired and outdated fixtures, fittings and gadgets that are main causes of fire outbreak (Aveh *et al.*, 2016). In a related vein, poor performance and low output in government firms are linked to inadequate and improper training to update and replace outdated information storage with cutting-edge technology in order to safeguard crucial data related to government transactions and contract agreements against fire outbreak, theft by staff or outsiders, and access without authorization or due process (Le et al., 2016).

Financial inaccuracies and omissions run the risk of impairing timely updates and accurate financial reporting. Inaccurate financial reporting has a terrible impact on an organization's capacity to raise money in the future and to maintain the trust of stakeholders (Brown, 2016). In addition to analyzing the internal level of competition and the external business environment, risk assessment can also be used to identify emerging trends, threats, and opportunities. According to public sector management theory, this is acceptable for public businesses that compete with the private sector (Bolton, Lian, Rupley, & Zhao, 2016)

2.1.2.3 Control of Activities

A well-organized format that serves as a guide and a working concept is used to coordinate and govern an organization's resources and personnel to work together toward a common goal (Banyen & Nasamu, 2015). The approach primarily focuses on risk reduction and prevention as well as unforeseen events that could severely impact the organization's future functionality, in terms of day-to-day monitoring and orders from top management to complete a certain assigned task (Ciak, 2017).

According to a different perspective, control activities are a set of guidelines that guide the management teams and a company's overall decision-making with reference to establishing purpose, such as setting goals and missions, while performance is measured against standards and conformity to ensure that there is strictly adherence of correction to working control systems are yardstick and roadmap to services and works with top efficiency at a particular period of time (Bryan, 2017). Verifications, authorization, reconciliations, performance of operations assessment of assets security, and division of duties are not specifically mentioned as control activities under another related but more clearly defined control activity heading (Mandzila & Zeghal, 2016).

The government of Ghana purchased GIFMIS software in 2009 for the public sector as a case study in fraud prevention procurement, financial misappropriation, and public sector irregularity (Asare, 2016). In recent years, effective working mechanisms and systems have been developed with the goal of achieving institution security, detecting errors and theft, and uncovering deliberate attempts by individuals or staff to manipulate or outwit the financial system or conceal the diversion of crucial information.

2.1.2.4 Internal Audit function

The institution audit unit's primary duties are to adhere to ethical standards, the standards of financial reports, and account application because of their responsibility for verifying account records, objectives evaluation, and the transparency of financial information similar to a particular year of accounting (Geraets et al., 2016). The internal audit division supports management in carrying out its responsibilities, with a focus on implementation and effective monitoring via internal control.

2.1.2.5 Control Environment

Effective control is a process that ensures that all employees adhere to a common set of behavioral standards and the organization's generally acceptable culture (Asiama, Akosah, & Owusu-Afriyie, 2014). What is referred to as environmental control in an organization is the organizational structure together with command, authority, movement, and departmental responsibility (Sarbanes, 2002). Environmental conversion and standards, which are an organization's ethics and which lead members' activities in a manner and mode of behavior that are decided in unison in an ideal and lawful way, make up the non-visible portion of the control. The way that employees behave while working is based on a number of control environment parameters (Sarbanes, 2002).

2.1.2.6 Information and communication

Quick access to routine information may include directives from superiors to subordinates or corporate decisions made at the board level that illustrate the long-term objectives of an organization, such as governmental legislation that affects public institutions and the economic climate (Ajao et al., 2013). Information and communication are tools for communicating instructions and provisional actions intended for a group of people that are always in use on a regular basis to comply with standards (Meyer & Leixnering, 2015).

In the absence of communication and information, there will be a substantial gap between performance and policy; also, technical advice may be disregarded. In light of Edmonds et al (2017) 's assertions, management may use rewards, promotions, or disciplinary actions to deter employees from engaging in conduct that would reflect negatively on the business. However, for information and communication in the public sector or in any organization to be effective, a crucial input is needed to properly convey important news so that the audience can comprehend the content and provide pertinent comments.

2.2 Review of theories

2.2.1 Theory Agency Theory

An agency relationship is one in which a group hires one or more other groups to carry out specified tasks for them while they themselves make all of the decision-making (Jensen and Meckling, 1976). The idea of agency was based on resolving two issues that arise from agency relationships: problems with agency and the threat posed by division (Eisenhardt, K., 1989). When the interests of the primary and agent conflict, agency issues and conflicts arise, which has major consequences? Shared risk difficulties arise when both principal and agent use a variety of risk management techniques. The relative relevance of these disagreements will be murky if they continue to arise amongst agencies. One may see the stability at an inner ideal, much like in the trade-off theory. But as advised by Berkovich & Kim, the complexities of competing enterprise encouragements can have cumulative effects (1990). The dynamic agency and dynamic trade-off models are anticipated to bridge the theoretical gaps between various approaches in order for them to prevail over time (Morrellec, 2004; Atkeson & Cole, 2005).

.2.2 Reliability Theory

The possibility that a system will finish its duties in a specific amount of time is predicted by this theory (Gavrilov and Gavrilova, 2001). According to dependability theory, an internal control system is made up of connected parts called units, and each unit needs to achieve a specific level of success. The success or eventfulness of a component determines its status. If a component is in a successful state, it is considered to be reliable. There are also two possible outcomes for the complete internal control unit system: success or failure. The workings of reliability theory have not been applied in the research literature, despite the fact that it is tractable in terms of evaluation and design of internal control systems (Kinney, 2000). Organizational management and outside editors continue to operate under the highest probability reliability hypothesis. According to Kinney (2000) and Ndungu (2014), external audit should be used to gather as much data as feasible to support a professional opinion.

2.3 Empirical Review

The financial performance of Kenya's public higher education institutions was analyzed by Kisanyanya (2018). Out of a total of 140 employees from four different companies, 96 provided the data. Data analysis methods included multiple regression and descriptive methods. The report's findings demonstrate that the company had effective operation management, including regular reports of internal audits, sufficient job separation between the accounting and finance departments, and physical controls of assets to prevent resource overallocation.

Southwest Nigerian public and commercial businesses' internal control systems were examined by Akosile and Fasesin in 2013. Twelve institutions were chosen using a strategy selection planning process, and data were examined using multivariate factor and variance analysis. The findings showed that internal control mechanisms at some universities are comparable, but that private institutions have better visibility of synthesised commitments than do public institutions.

3. METHODOLOGY

3.1 Research Design

This study's investigative process involved a survey design. In survey research designs, questionnaire and interview techniques are frequently used. This will improve systematic data gathering from a target population utilizing a questionnaire to derive inferences and conclusions.

3.2 Population of the Study

The population of the study is made up of employees from the ministries of business, agriculture, and culture. Due to their significant knowledge of public sector financial supervision, the aforementioned ministries were chosen. As a result, as can be seen in table 1, the population consists entirely of those who work for the aforementioned government institutions.

Table 1 Distribution of Population of the Study in to Category

Categories of Population	Population	Percentage
Ministry of Commerce	150	48.4
Agriculture ministry	120	38.7
Ministry of culture	40	12.9

TOTAL	310	100	
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3.4 Sample and Sampling Techniques

This study employed straightforward random and purposeful sample procedures. The deliberate sampling strategy was used in the non-probabilistic method of selecting participants. The samples were selected using a random sampling process from the workforce of the aforementioned government organization. By offering each member their own independent consideration, this technique seeks to minimize bias. As a result, the population is more representative and the study's conclusions can be applied to the entire population. Taro Yamane was used to compute the sample size statistically and is shown below:

$$n = \frac{N}{1 + N(e^2)}$$

Where n = Size of sample

N = Number of Population

e = Significance Level (0.05)

$$n = \frac{310}{1 + 310(0.05)^2}$$

$$n = \frac{310}{1 + 310(0.0025)}$$

$$n = \frac{310}{1.775}$$

n = 175

The population sample size of the study is 175 under Taro Yamane

Table 2: Distribution of Population sample size of selected Government Parastatals

S/N	Categories of Population	Population	Percentage (%)	Number of Respondents
1	Ministry of Commerce	150	48	84
2	Agriculture	120	39	68
2	Culture	40	13	23
	TOTAL	310	100	175

3.5 Research Instrumentation

This study made use of the questionnaire as a research tool. In accordance with the work's stated goals, this was developed to extract important information. From both businesses, questionnaires were given to a total of 145 (175) respondents (Table 2). The

respondents' completed (filled) questionnaires were recovered after a few days. A total of 155 questionnaires were returned by respondents (Table 2).

3.6 Research Instrument validity and reliability

The designed questionnaire was given to specialists for critical, analytical, and logical review, as well as evaluation of the content and a statement of the instrument establishing the validity of the instrument for the study. The questions are clear and concise to ensure the instrument's adequate reliability and to prevent any potential for incorrect interpretation.

3.7 Method of data collection

A well-designed questionnaire was distributed to responders, and it was then collected. Multiple-choice questions were used in the questionnaire so that respondents could simply complete it and provide information on their opinions, views, and experiences.

3.8 Method of data analysis

A simple percentage analysis method was used to examine the questionnaire. The table and percentage approach was utilized to examine the data, and the Chi square test was employed to evaluate hypotheses.

4. RESULTS AND DISCUSSION

4.1 Summary Statistics

4.1.1 Hypothesis Testing

Hypothesis 1

HO: There is no significant difference in functionality of internal control system on accountability in public sector

Table 3: Chi Square (X^2) Tests on Internal control system do not plays significant role on functionality of accountability in public sector

	Value	Df	Asymp. Sig. (2-sided)
Chi-Square Pearson	21.050 ^a	9	0.006
Ratio of Likelihood	21.441	9	0.004
Linear by Linear Association	0.204	1	0.513
Number of validity	175		

The significance of an asymptomatic is 0.006 and the value of chi square is 21.050 (Table 3). This demonstrates that X^2 Calc X^2 tab 3.1443 at a confidence level of 5 with a degree of freedom of 9. As a result, the null hypothesis is disproved in this study. There is a considerable disparity in internal control mechanisms for accountability in the public sector.

Hypothesis 2

HO: Effects of internal system (control) on fraud prevention is not significantly different.

Table 3: Chi Square (X^2) Tests on internal control system do not play significant difference on fraud prevention in public sector

	Value	Df	Asymp. Sig. (2-sided)
Chi-Square Pearson	18.246 ^a	9	0.041
Ratio of Likelihood	18.405	9	0.020
Linear by Linear Association	1.183	1	0.174
Validity number	175		

The results of the aforementioned calculation show that the chi-square is 18.246 with 0.041 as the value of asymptomatic significance (Table 4). With a degree of freedom of 9 and a confidence level of 5, χ^2 Calc χ^2 tab3.1443 is at a level of confidence of 5. As a result of this study, the null hypothesis is disproved, and internal control (systems) has similar impacts on preventing fraud in the public sector.

Hypothesis 3

HO: No discernible link between accountability and control internal mechanism

Table 5: Chi Square (χ^2) Tests on internal control system is not significant related to accountability in public sector

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.658 ^a	9	0.012
Likelihood Ratio	9.950	9	0.010
Linear by Linear Association	1.105	1	0.147
No. of valid	175		

The results of the above computation show that the observed value for chi square is 9.658 with an asymptomatic significance value of 0.012 (Table 5). This indicates that χ^2 Calc χ^2 tab3.1443 at a confidence level of 5, with 5 being the level of confidence and 9 being the degree of freedom. Based on this study, the null hypothesis is disproved, demonstrating the important connections between internal control and responsibility in the public sector.

Hypothesis 4

HO: Influence of control system (internal) on accountability is not significantly different.

Table 6: Chi Square (χ^2) on internal control system does not have influence on accountability in public sector.

	Value	Df	Asymp. Sig. (2-sided)
Chi-Square of Pearson	15.406 ^a	9	0.03
Ratio of Likelihood	15.825	9	0.02
Linear by Linear Association	1.861	1	0.441
Number of validity	175		

The chi square value from the aforementioned study is 15.406 with an asymptomatic significance of 0.03 (Table 6). As a result, χ^2 Calc χ^2 tab3.1443 shows, with a degree of freedom of 9 and a confidence level of 5. This investigation shows that the impact of internal control mechanisms on public sector accountability varies considerably.

4.2 Discussion of findings

The purpose of this research is to examine how internal control mechanisms, such as budget participation, money utilization, and accountability, influence management of finance practices and ultimately account probity in public service.

The results show that the system of internal control is what makes financial management techniques work. The management committee is in charge of creating an effective internal control system that guarantees that resources are used wisely, according to Sulaiman et al. (2008). Steps in financial management are closely followed to grow through the two related functional regulations. To strengthen mosque financial management and assure the mosque's successful development, according to Abdul Wahab (2008), several gifts—both in the form of money and evidence of work done should be given.

This research is also related to Adeduro's (2020) study, in which he assessed the influence of internal control mechanisms on public service in the State of Ekiti. The study's findings showed that each control factor had a significant impact ($Sig > 0.05$) on the financial efficiency and effectiveness of public parastatal activities. Information flow and control actions have p-values of 0.078 and 0.461,

respectively, whereas monitoring, assessment, and risk measurement had p-values of 0.001 and 0.008, respectively. There is a considerable impact on accounts used by the government and internal systems that are similar to controls.

The current study is similar to how Kisanyanya (2018) examined internal systems and financial performance in Kenyan government entities. The study found that the control undertakings significantly impacted the commercial success of the public institutions under investigation. Due to continuing analyses of their financial operations and regular, timely, and thorough audits, the concerned government entities also had acceptable risk management practices and risk measurement parameters.

In light of the aforementioned findings, Akosile and Fasesin (2013) investigated internal systems at government and privately held entities in Nigeria's southwest. The studies we analyzed indicate that internal control has the ability to enhance financial performance. Although the research varied in terms of geographic region, analytical approach, and time period, the results were not disaggregated. This implies that internal control has a method for raising productivity.

The authors of the paper Effect of Internal Control Systems in Nigerian Public Sectors: A Case Study Of Nigeria National Petroleum Corporation, S. A. Ishola, O. A. Abikoye, and R. A. Olajide (2015) found that internal control systems have a significant role in preventing fraud. They argued that the success of internal control systems in the public sector, such as those used by NNPC, has a significant bearing on the prevention and detection of fraud.

5. CONCLUSIONS AND RECOMMENDATION

The statistics show that internal control is essential in preventing fraud and anomalies. The conclusion that management and the appropriate authorities should focus on more strategic means of building internal controls is also supported by this evidence. Furthermore, even in situations where external controls are ineffective, like when public sector reform is taking place, having strong internal controls is still the best way to prevent fraud. Due to a weak management culture regarding fraud, a lack of internal control procedures, and other problems, it is evident that fraud has become the norm in the public sector.

As a result, the examination came to the conclusion that the public parastatal's internal control system was formed and suitable for efficient and effective financial accountability. The element of information and communication, on the other hand, needs to be reexamined to ensure adequate usage of the current communication channels. According to the research, the internal control unit should be encouraged to maintain its independence in order to provide greater assurance about the unit's efficacy, based on the results and conclusions.

- i. The government should make sure the internal control system is examined and evaluated on a regular basis.
- ii. The Internal Control Section/Internal Audit Session should receive adequate and regular training in the form of seminars and workshops from the government. Internal audit departments of public parastatals use information and communication technologies to speed up and simplify information and communication.

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