



INTERNAL CONTROLS AND SYSTEM AUDIT: IT'S APPLICATION IN THE PUBLIC SECTOR: A CASE STUDY OF NASARAWA STATE GOVERNMENT

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ABSTRACT: *The study sought to determine the application of internal control system and system audit which are important in achieving the objectives of public or private organizations. This study assessed the internal control system of public sector institutions in Nasarawa state Nigeria using five major state government ministries randomly selected. The study relied on both primary and secondary data. Primary data was collected using structured questionnaires while the secondary data was gathered from the government ministries based on availability and accessibility of data. The method of data analysis is simple percentages. Findings revealed that many components of internal control system are put in place except that the internal audit units of those ministries are not independent and are in partial compliance. The study therefore recommends that there should be effective disciplinary measures to be sustained to ensure strong compliance with internal control through appropriate penalty for breach of ethical conduct.*

KEYWORDS: Internal Control System, Internal Audit, Audit, Public Sector

INTRODUCTION

Public organizations that made effort to meet the socio-economic needs of the entire public as well as, bring about the expected level of economic development, are organizations that instituted effective audit and internal control system. Also, the organizations that have performed poorly in terms of achieving their objectives of providing effective services towards improving the general well being of its citizenry are the ones that failed to establish effective auditing system. In this regards, one can believe that the survival of every organization depends on effective audit which ensures the effective, efficient and economical utilization of scarce resources.

Government officials are responsible for safeguarding the assets of the State. They are empowered by the constitution and enabling laws in exercising authority over the assets belonging to the government. Adequate system of internal controls also assists the government in protecting the assets and ensuring that scarce resources available to them are transparently and efficiently deployed in providing social amenities for the citizens.

The operational standard (guideline) defines internal control as “The whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise, in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.



Although the manner in which managers may apply the concepts of management control may differ in some respects, the basic concepts of management control are the same for both for-profit and nonprofit organizations (Anthony and Young, 1994, p. 3).

Policies, procedures, rules and regulations set out by every organization to guide its operations and maintain accepted standards of performance, are examples of internal controls which provide benchmarks for measuring performance. As infraction of the control would most likely attract sanctions, employees are usually compelled to comply, in order to avoid being victims.

Systems Audit is seen as an audit approach which involves evaluation of internal control system established within the enterprise

Statement of the Problem

The Effectiveness of the application of internal control and systems audit should be considered most important in every public sector organization because the task of internal controls and systems audit is to prevent and detect fraud in the government sector. Internal controls and systems audit are put in place to ensure safe custody of all assets; to avoid misuse or misappropriation of the public assets and to detect and safeguard against probable frauds. Every organization whether public or private, should have management of the highest qualifications, caliber and dedication since its inception. The management should meet regularly to review the affairs of the firm and to direct the strategic path of the firm and also ensure continued goal congruence (Reid & Smith, 2000). Systems in a public organization should evolve over time and all the departments and units of the firm should undergo positive transformations. The firm should also employ world class professionals to fill all the keys departments and units. This should probably be ensured by having a transparent and open system of selection and recruitment aided by an ably staffed Human Resource Department of the organization. All departments and units should be adequately staffed with qualified and competent staff. The government ministries records and accounting systems should be refined overtime and be audited by professionally trained and recognized auditors with a good reputation (Chenhall, 2003)

A government ministry should always have an internal audit department to help in compliance with the internal policies and procedures. Most firms put the above efforts in order to achieve positive performance. However, despite all these efforts, government ministries and parastatals still struggle with liquidity problems, untimely financial reports, inefficient accountability for the organization's financial resources, frauds and misuse of the organizations' resources as well as a number of decisions made not yielding the expected results. Furthermore, business transactions are not carried out according to the Generally Accepted Accounting Principles (GAAPs). This leaves the assets of a firm being improperly safeguarded, records being incomplete and information being inaccurate which often results in misleading financial statements that cannot be relied on by the stakeholders of the firm. Jeremiah M. (2013) conducted a study and found out that some of the challenges experienced in regard to internal controls include; struggles with liquidity problems, financial reports are not made timely, accountability for financial resources is wanting, frauds and misuse of institutional resources have been unearthed and a number of decisions made have not yielded the expected results. Moraa O. (2013) conducted a study and stated that internal controls can have features built into them to ensure that fraudulent truncations are flagged or made



difficult, if not impossible, to transact. Internal control and system audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption. The objectives of internal controls audit relate to managements' plans, methods, and procedures used to meet the organization's mission, goals, and objectives. Ndegwa E. W. (2013) stated that measurement and evaluation of performance is central to control, and addresses three questions namely; what happened, why it happened and what to do about it. Financial performance provides short term feedback to the control systems as they monitor the implementation of strategic objectives by checking the organization's position, communicating the position, confirming priorities and compelling progress. It can therefore be construed that the application of internal controls are the means while financial performance is the end.

Inadequate controls have also led to corruption and collusion of management and external auditors leading to organizations failing to achieve their set objectives. Technological changes have also brought with them challenges in control systems and this has necessitated the development of new ways of controlling organizations. This study shall attempt to investigate the persistent poor performance of government ministries and parastatals from the perspective of the application of internal controls and system audit which has hitherto been ignored. The effectiveness of internal controls and its application in government ministries' performance should be a key concern for most governments especially Nasarawa state

Objectives of the Study

1. The objective of this study is Evaluate the perception of stakeholders about the effectiveness of internal control framework of checks and balances instituted by government on transparent financial management in the Public Sector.
2. Provide an understanding and impact of the application of the system audit and internal control system in the public sectors
3. to give potential system auditors an understanding of the main activities and the impact of system audit or the auditor

Research Questions

1. What is the perception of stakeholders on the effectiveness of internal control framework of checks and balances instituted by Nasarawa state government on transparent financial management?
2. How can the impact of the application of internal control and system audit in the public sectors be assessed?
3. What level is the understanding of potential system auditors?



LITERATURE REVIEW

Conceptual Framework

In this study, attention is given to related existing field of study and theoretical assumptions. A critical review of literature was done to identify possible gaps in research knowledge. This study highlights the problem necessitating further research in order to determine the research objectives; research questions are raised to fulfill the objectives. Answers are based on results obtained. The conclusions and recommendations drawn from the results led to contributions to the existing field of knowledge.

Theoretical Framework

This study is based on the need for public sector to comply with the requirements of Criteria of Control Board Guidance on Control (COCO) (1995) and Control Objectives for Information and related Technology (COBIT) (1996).

This study also adopts stewardship theory since the management (agent) is charged with the responsibility of establishing internal controls. It is believed that their actions are in the best interest of the owners, (public) and so they are given a reasonable level of autonomy to manage the institutions.

COSO and COBIT set out the preconditions for meeting standard requirements in internal control effectiveness in organizations.

Effective Internal Control System is expected be implemented by every section of the Public Sector to safeguard the assets, improve operational efficiency and productivity. These Internal Control Manuals are very useful in this respect as it has carefully articulated necessary guidelines for implementation of sound internal controls in various aspects of government business, in one document. This would assist in providing quick reference point for clarifying issues whenever such information is required.

Internal Control System is the whole system of controls, financial and otherwise, established by Management in order to carry out business of the organization (either public or private sector) in an orderly manner; safeguard its assets and secure as much as possible the accuracy and reliability of its records. It is therefore a process that integrates the plans, policies, culture, and activities of the people of an organization, working together to provide reasonable assurance that the organization will achieve its objectives Millichamp, (2002).

Glance (2006) defined that internal control system as “the Institution process and procedure that is been established with the aim of objective achievement. The internal control system also serves as a process that guides an organization towards achieving its established objectives. According to International Organization of Supreme Audit Institution (2004), internal control system is a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of the set objectives and the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Generally, there are of two types of control. They are preventive and detective controls.



The 'Committee of Sponsoring Organizations of the Tread way Commission' (COSO 1994) describes internal control as a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives such as efficiency and effectiveness of operations - Accomplish Mission; Reliability of (financial and other) reporting - Accurate data for Decision Making; Compliance with laws and regulations and Safeguarding of assets.

Furthermore, Adeoye and Adeoye (2014) posited that considering a serious assessment of the existing internal control structures of public organizations are required so as to ascertain their capacity in ensuring the adherence of organizations to policies and procedures. It was discovered in their study that success of internal control system is measured by the reliability of financial reporting, level of compliance with applicable laws and regulations, and finally the effectiveness and efficiency of its operations.

Internal Controls also comprise the plans, methods and procedures used to meet the missions, goals and objectives of the organization, and in doing so support performance-based management. Internal Control is the first line of defense in safeguarding the assets of the organization which is largely achieved through prevention and detection of errors and fraud.

Therefore, effective Internal Control System would help government programme managers to achieve desired results through effective stewardship of public resources.

International Organization of Supreme Audit Institution (INTOSAI) (2008) defined, Internal audit as an independent appraisal activity within an organization, for the review of accounting, financial and other operations including the reliability and integrity of information; compliance with policies plans, rules and regulations; safeguarding of assets; ensuring economical and efficient utilization of resources; and accomplishment of established objectives, which serves as a basis for protective and constructive service to the management. The organization is of the opinion that an efficient and good internal control system in public organizations will: assist in the alignment of performance of the entity with the corporate objective, encourages control of the report to the set targets with the actual achievements and preparing and presenting to the management timely highlighting variances and deviations, provide assurance and evaluate reliability and proper financial reporting in line with the set standards, provide protection to the entity's assets including physical, intellectual property and monetary assets from fraud, theft and errors, provide detection and prevention of fraud and error. The system should quickly identify errors and fraud and misappropriations if any when they occur, meditate exposure to risks, provide the base for establishing parameters on power delegation and authority to guide, support the remediation effort by examining the limits of authority as defined, test and report on compliance with those established parameters as confirmed by (Ogundana et al, (2015); Dzumira, (2014); Myers, (201); Petrovits et. al, (2009), However, discovered that a good internal control system without monitoring will effectively be non-existing because it will not be efficient but open to abuse by staff through collaboration which will negate the sacred goals and stewardship of the spiritual leadership of the church (Ahiabor & Mensah, 2013; Irvine, 2005).

Myers (2014) advised that internal control system should be evaluated often to meet with perceived inadequacies to ensure proper utilization of the organization resources.



The basic Types of Controls include Preventive, Detective, Corrective and Compensating. Control point is a point in the process where an error of irregularity is likely to occur, creating a need for control.

Internal Control System Deficiency in Government Stewardship Responsibility in the Public Sector

Internal control is a key institutional driver for performance. Kiabel (2012); Baltaci and Yilmaz (2006); INTOSAI (2004) explained that internal control elements reflect locus of controls in the management mode of operations. It requires organizations to institute self - control adjustments as backed by an organization's structure and effective business process mechanism. However, various researches identified the deficient nature of the internal control system that is obtainable in the public sector. For instance, Kiabel (2012) carried out research on the assessment of internal auditing practices on financial performance of government in companies (GOC) in Nigeria. The study finds that there is no strong relationship between internal auditing practices and financial performance in GOC in Nigeria. Amudo and Inanga (2009) argue that effective internal control system is lacking in the public sector projects in Uganda.

Government has the responsibility of instituting an efficient internal control that will keep it on track in actualizing its goals in stewardship towards public accountability. However, this has failed in the public sector. Rhahleh (2011) argue that there is a multiplicity of overlapping controls in the public sector and that attention is not paid to performance. Ajenjo (2011) argues that the duty of accountability is an inescapable element of governance. Dandago (2007) explains that the accomplishment of a programme is a problem in Nigeria due to poor accountability. Babatunde (2013) finds a significant relationship between internal control and accountability in the Nigerian public sector. Oyewobi et al. (2011) find that corruption has effect on all stages of construction from planning, tender and completion stages. Nwachukwu and Emoh (2011) argue that there is a need for utilization of proven management techniques of internal control system.

Yang (2012) suggests that to ensure the efficiency of internal controls, administrators should ensure that attention is paid to the design of internal controls to ensure that the peculiarity of the organization is embedded. The establishment of internal control systems in an organization is critical to ensure the reliability of accounting records, since an effective internal control system reduces over indulgence of management and possible random errors by staff (Bongani, 2013).

International Standard on Auditing (ISA) 315 categorizes internal controls into the following types:

Performance Reviews. These include reviews and analyses of actual performance against budgets, forecasts and prior period performance. Most of these control activities will be performed by management and are often referred to as management controls. They include supervision by management of the work of subordinates, management review of performance and control reporting (including management accounting techniques such as variance analysis).



Information Processing; A variety of controls are used to check the accuracy, completeness and authorization of transactions. These controls are split into two broad groupings which are; Application controls and General IT controls

Physical Controls; these include controls over the physical security of assets and records to prevent unauthorized use, theft or damage. Examples include limiting access to inventory areas to a restricted number of authorized personnel, and requiring authorization for access to computer programs and data files.

Segregation of Duties; this control involves assigning different people the responsibilities of authorizing and recording transactions and maintaining the custody of assets. This reduces the likelihood of an employee being able to both carry out and conceal errors or fraud.

Five Specific Control Methods

1. **Organizational Control:** this establishes the framework within which the company conducts its various activities. For instance, Purpose, Authority, and Responsibility, Organizational Structure, Decision Authority, Job Descriptions, Segregation of Duties
2. **Operational Controls:** this dictates the manner in which the organization performs its various activities.
3. **Personnel Controls** help ensure suitable employee performance. For instance; Recruiting and Selection of Suitable Personnel, Orientation, Training, and Development, Supervision
4. **Periodic Review** help organizations assess the progress and performance of their employees, operations, and programs. They include: Reviews of Individual Employees, internal review of operations and programs and external Reviews
5. **Facilities and Equipment:** Suitable facilities help build effective & efficient operations while protecting the organization's assets. Unsuitable facilities and equipment jeopardize both the operations and the assets

System audit refers to the auditing in Electronic Data processing (EDP) system or the use of computer and IT software in the conduct of audit. This is also known as computer audit. The use of system/computer audit is gradually on the increase in Nigeria due to computerization of accounting functions, both in the public and private sector organizations. There is therefore, the need for auditors to acquaint themselves with the necessary knowledge of system or computer audit with a view to coping with the increasing challenges posed by audit large organization, as well as, the challenges resulting from the computerization of accounting functions, where the auditor encounters Information Technology (IT) systems and electronic records rather than paper documents.

INTOSAI's first internal controls general standard states that internal control structures are to provide reasonable assurance that the general objectives will be accomplished. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks. This means that the cost of internal control should not exceed the benefit derived.

The Focus areas of INTOSAI Subcommittee on Internal Control Standards are (i) Good Governance (ii) Sustainable Development Perspective (iii) Technology Perspective



System audit is defined as “A systematic and independent examination to determine whether activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.”

System audit is also defined as “A systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled.” ispatguru.com.

System audits are one of the key management tools for achieving the objectives set out in the policy of the organization. A system audit is a disciplined approach to evaluate and improve the effectiveness of a system. Audits are carried out in order to verify that the individual elements within the system are effective and suitable in achieving the stated objectives. The system audit also provides objective evidence concerning the need for the reduction, elimination and most importantly, prevention of non conformities. The results of these audits can be used by the management for improving the performance of the organization. Systems audits are carried out by the trained auditors who can be organization own staff or staff of an external auditing agency or independent professional auditors. They are carried out by looking up for objective evidence. ispatguru.com.

Research Methods

This study was designed to investigate the effectiveness of existing internal control mechanism and system audit in preventing and detecting fraud in Nasarawa State government ministries.

The approach used in this study is the survey method. The survey method was used to elicit information from respondents using questionnaires. Descriptive statistics was used to analyze data gathered. Data for the study were obtained through the primary source. The primary data were generated through self-administered questionnaire. The instrument was administered on participants to determine their rate of compliance with internal control. Due to the difficulty encountered in generating requisite data on performance, exclusive use of self-administered questionnaire to generate data on relevant variables was adopted. The questions in the questionnaire were divided into ten based on the five components of internal controls namely control environment, risk assessment, control activities, information/communication and monitoring. Relevant statistical tools such as the percentages and tables are used for the data analysis.

Sampling Procedure

The participating ministries were selected by random sampling. The criteria to participate in this study were that (a) the ministry qualifies for such study (b) the participants must have good knowledge of government’s operation; (c) the participants were ready to provide information required (d) the ministry has been operating for at least five (5) years.

The population for this study was all the state government ministries in Nasarawa state, Nigeria. There are about eighteen (18) ministries out of which five major ministries were selected.

A random sample of one hundred (115) participants was drawn as a subset of the total population of all the government staff and management in the state. One hundred (115)



respondents were chosen because it representative enough for the research work given the secrecy attached to exchange of government information in Nigeria. According to Fowler (2002), there are three attributes that must be considered in connection with a sampling frame: (a) comprehensiveness, (b) probability of selection, and (c) efficiency.

DATA PRESENTATION AND ANALYSIS

The Respondents were drawn from five, ministries namely ministry of finance, Education Health, Agriculture and Justice. Out of the one Hundred (115) copies of questionnaire administered, a total of ninety (105) copies were returned and used for analysis. This represents an overall response rate of ninety percent (91%) for all the ministries. These responses were used in providing answers to the questions raised in the study. The study was carried out to establish the application of internal control and system auditing in the public sector of Nasarawa state.

The data collected are expressed in tabular form showing the percentages of responses in each question.

Table 1: Summary of Responses in the Study

| S/No | Strongly Agreed | No. of participants | Percentage% |
|--------------|-------------------------|---------------------|-------------|
| 1 | Ministry of finance | 25 | 24 |
| 2 | Ministry of Education | 20 | 19 |
| 3 | Ministry of Health | 20 | 19 |
| 4 | Ministry of Agriculture | 20 | 19 |
| 5 | Ministry of Justice | 20 | 19 |
| Total | | 105 | 100 |

Source: Survey 2018

Research Question 1: In what area does the government observe risk assessment procedures as functionality for application of internal controls and system audit in your organization?

Table 2: To Determine the Effects of Risk Assessment Procedure in the Application of Internal Controls by Nasarawa State Government.

| Options | No of Respondents | Percentage |
|--|-------------------|-------------|
| Management has defined appropriate objectives for the organization | 35 | 33% |
| Management identifies risks that affect achievement of the objectives | 25 | 24% |
| Management has a criteria for ascertainment of which fraud-related risks to the organization are most critical | 25 | 24% |
| Management has put in place mechanisms for mitigation of critical risks that may result from fraud | 20 | 19% |
| Total | 105 | 100% |

Source: Survey 2018



In the table above, the results showed that state government defined appropriate objectives for the ministries, this have 35 respondents representing 33%, the management identifies risks that affect achievement of the objectives this stood at 25 respondents representing 24%, the management has a criteria for ascertainment of which fraud-related risks to the organization are most critical have the opinion of 25 respondents representing 24%, the management has put in place mechanisms for mitigation of critical risks that may result from fraud have 20 respondents representing 19%. This depicts that the Management has defined appropriate objectives for the organization. This also clearly showed that most government ministries observed risk assessment procedures as functionality of internal control of their ministries. The government ministries are also putting some measures to ascertain fraud-related risks to their organizations. The mechanism for mitigating critical risks that may result from fraud is not much attention.

Research Question 2: What is the effect of control activities on the performance of your organization?

Table 3: To Determine the Effect of Control Activities on the Performance of Nasarawa State Government Ministries.

| Options | No of Respondents | Percentage |
|---|-------------------|------------|
| Our organization has clear separation of roles | 15 | 14.29 |
| Every employee's work check on the others | 9 | 8.57 |
| Corrective action is taken to address weaknesses | 7 | 6.67 |
| Staff are trained to implement the accounting and financial management system | 12 | 11.43 |
| Our organization has a well-developed Chart of Accounts | 20 | 19.04 |
| It is impossible for one staff to have access to all valuable information without the consent of senior staff | 15 | 14.29 |
| Controls are in place to exclude incurring expenditure in excess allocated funds | 15 | 14.29 |
| Departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given | 7 | 6.67 |
| Our security system identifies and safeguard organizational Assets | 5 | 4.76 |
| Total | 105 | 100 |

Source: Survey 2018

The above table showed 15 respondents representing 14.29 that most government ministries had clear separation of roles, 9 respondents representing 8.57% are of the opinion that every employee's work check on the others, 7 respondents representing 6.67% are of the opinion that corrective actions were taken to address weaknesses .It can also be seen that 12 respondents representing 11.43% are of the view the staff were trained to implement the accounting and financial management system, 20 respondents representing 19.04 accept that the organization has a well-developed Chart of Accounts, 15 respondents representing 14.29



agreed that it is impossible for one staff to have access to all valuable information without the consent of senior staff, 15 respondents representing 14.29% admits that controls are in place to exclude incurring expenditure in excess allocated funds, 7 respondents representing 6.67% are of the opinion that departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given while the opinion of respondents on the security system identity and safeguard of organizational assets stood at 5 respondents representing 4.76%. This implies that State government carried out fair control activities as a functionality of internal control of its ministries in Nasarawa State. Unfortunately, they are too strong to address areas like employee's work check; corrective actions to address weaknesses, budget reviews and security system identity and safeguard of organizational assets.

Research Question 3: How does the government establish the effect of information and communication on the performance of internal controls and system Audit in your ministry?

Table 4: To Determine the Effect of Information and Communication on Internal Control.

| Options | No of Respondents | Percentage |
|--|-------------------|------------|
| Management has identified individuals who are responsible for coordinating the various activities within the entity | 26 | 24.76 |
| All employees understand the concept and importance of internal controls including the division of responsibility | 20 | 19.04 |
| Communication helps to evaluate how well guidelines and policies of the organization are working and being implemented | 35 | 33.33 |
| The reporting system on organizational structures spells out all the responsibilities of each section/unit in the organization | 24 | 22.86 |
| Total | 105 | 100 |

Source: Survey 2018

The above table revealed 26 respondents representing 24.76% that Management has identified individuals who are responsible for coordinating the various activities within the entity, 20 respondents representing 19.04% agreed that All employees understand the concept and importance of internal controls including the division of responsibility, 35 respondents representing 33.33 % are of the view that information communication helps to evaluate how well guidelines and policies of the organization are working and being implemented as a functionality of internal control while 24 respondents representing 22.86 % The reporting system on organizational structures spells out all the responsibilities of each section/unit in the organization. This implies that most government ministries and parastatals especially large implement information and communication in their activities and functions through established policies and procedures.



Research Question 4: What effort is the government doing to establish the effect of information and communication on internal control in relation to the length of operation of the government organizations?

Table 5: To Determine the Effort to Establish the Effect of Information and Communication on Internal Control in Relation to the Length of Operation of the Government Organizations.

| Options | No of respondents | Percentage |
|---|-------------------|------------|
| There are independent process checks and evaluations of controls activities on ongoing basis | 28 | 26.67% |
| Internal reviews of implementation of internal controls in units are conducted periodically | 24 | 22.85 |
| Monitoring has helped in assessing the quality of performance of the organization over time | 20 | 19.05 |
| Management has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports | 33 | 31.43 |
| Total | 105 | 100 |

Source: Survey 2018

In the table above, 28 respondents representing 26.67% demonstrate that there are independent process checks and evaluations of controls activities on ongoing basis, 24 respondents representing 22.85% opined that Internal reviews of implementation of internal controls in units are conducted periodically, 20 respondents representing 19.05% agreed that Monitoring has helped in assessing the quality of performance of the organization over time while 33 respondents representing 31.43% are of the view that Management has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports. This implies that even though monitoring is an important functionality activity of the internal control and system audit of the government in its operation period, not all government ministries implement this practice. Some of the government ministries do not reviews the implementation of internal controls periodically. These therefore, negatively impacted on the financial performance of some ministries.

SUMMARY OF FINDINGS

The study according to the respondents' demographics, revealed the following:

- i. Most government ministries observed risk assessment procedures as functionality of internal control of their ministries.
- ii. The governments have some measures to ascertain fraud-related risks to their organizations. The mechanism for mitigating critical risks that may result from fraud is not much attention.



- iii. The government is weak in addressing employee's work check; organization weaknesses, budget reviews and security system identity and safeguard of organizational assets.
- iv. Most government ministries and parastatals especially large implement information and communication in their activities and functions through established policies and procedures.
- v. Some of the government ministries do not reviews the implementation of internal controls periodically.

CONCLUSION

This study demonstrated that, whatever aspect one perceived public sector accountability, its principles are based on the fact that the recognition of the need for an organization to develop a strong internal control orientation particularly to its internal and external environment cannot be over-emphasized owing to its role in the public sector. It shows clearly from this study that public sector failures were partly due to a lack of strict adherence to internal control system. The hope of an effective internal control in Nigeria is now being placed in the hands of public officers, aided by accountable system audit and internal control systems to ensure that public services are delivered economically and efficiently.

RECOMMENDATIONS

The study recommends the following

- i. That both internal and external auditor should be constantly updated and well grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.
- ii. The study further recommends that the governing body, possibly supported by the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the organization's management.
- iii. All government ministries should transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports or on the organization's website.
- iv. Internal audit unit should be independent and the head of that unit should be a qualified Accountant and report directly to the highest level of management within the ministry



- v. There should be effective disciplinary measures to be sustained to ensure strong compliance with internal control through appropriate penalty for breach of ethical conduct.
- vi. It is time to incorporate Information Technology (IT) internal control process and procedures in the financial regulations of an IT environment like the Nigerian Public Sector. It should be incorporated in the guiding laws especially, the Finance (Audit) and Management Act (1958).
- vii. The different forms of internal control circumstances should reinforce each other in helping government and stakeholders understand the need to treat internal control as a key business tool and to follow the steps most necessary to reduce risk to public operations, prevent and control poor financial accountability.

Suggestions for Further Research

Due to the turbulent nature of the government operating environment, a similar study should be conducted after a period of three years in order to investigate whether there are any areas of commonalities or unique factors. This is because the level of modern technology in our world is very dynamic and keeps on changing if not on daily basis. It would be interesting to conduct a study on the assessment of the application of internal control systems and their implications on government performance; this will definitely shed more light on the appropriate model to choose when implementing better internal control systems that will enhance better performance of the state government operations.

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