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THE AUDIT EXPECTATION GAP IN PUBLIC FIRMS IN NIGERIA: A FOCUS ON SELECTED FIRMS IN NASARAWA STATE

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ABSTRACT: *Audit expectation gap (AEG) is the deference between what the public expects from an audit function and what the audit profession accepts the objective of auditing to be. The existence of an audit expectation gap is likely to be detrimental to the value of auditing and the well-being of the auditing profession. This has stirred a number of professional and regulatory reforms aimed at protecting shareholders who rely on the financial statements for decision purposes. Despite the existence of research elucidating the difference between what the public expects from audit and what the audit profession accepts as the objectives of auditing, there appears to be few researches on how to address this issue in Nigeria. This study was conducted with the primary aim of contributing to knowledge towards narrowing the apparent expectation gap between the users of financial statements on one hand and the auditors on the other hand. This research investigates whether Audit expectation gap exists in public firms in Nigeria with focus on Nasarawa State. Respondents view was also sought on how to narrow the gap. Four hypotheses were formulated and tested using descriptive and Kolmogorov – Smirnov (K-S) test. The study reveals that an audit expectation gap exists in Nigeria, specifically on issues relating to auditor's responsibility. Therefore, the study recommends educating the public about the objects of an audit, auditors' role and responsibilities, to narrow the audit expectation gab.*

KEYWORDS: Audit, Audit Expectation Gap, Public Expectation, audit Function, Nigeria.

INTRODUCTION

Auditors and the public hold different beliefs about the duties, responsibilities and the messages conveyed by audit reports: and similarly, that the existence of this expectation gap may cause the end users to in the longrun lose their trust in audit reports. The existence of an audit expectation gap signifies that the auditees and audit beneficiaries are dissatisfied with the performances of auditors (Koh and Woo, 1998). It was common knowledge before now that firms with certified financial statements are always seen as been economically efficient, but after a year or two; a sudden collapse follows (for instance Worldcom and Enron in USA, intercontinental Bank, Oceanic Bank, Fidelity Bank and Sky Bank in Nigeria). These sudden failures of finance companies turned the heat on accounting firms and accountants generally and hence the public sought for someone to blame.

It can therefore be asserted that the auditing profession, which at a time was highly regarded and whose members were among the most credible professionals, has now become clouded by mistrust and skepticism (Salehi, 2007). In a similar vein, Best et al (2001) claim that society's trust is the heart-beat of a profession. Hence, if such trust disappears in any way, the result is likely to involve doubt and the depletion of value attributed to such profession.

Clearly, public misconceptions are a major cause of the legal liability crisis facing the accounting profession (Maccarrone, 1993, Lee et al, 2007). The level of significance accorded the expectation gap, has left no one in doubt that the expectation problem (Humphrey et al, 1993); Koh et al, 1998).

Liggio (1974) was the first to introduce the term "audit expectation gap (AEG)' to audit literature, he defines the AEG as the difference between the levels of expected performance envisaged by users of a financial statement and the independent accountant. Similarly, Monroe and woodcliff (1993) defined audit expectation gap as the difference in belief between auditors and the public about the duties and responsibilities assumed by auditors and the message conveyed by audit reports.

Jennings et al, (1993) on the use of audit decision that it aids to improve auditor adherence to a "standard", are of the opinion that the audit expectation gap is the variance between what the public expects from the auditing profession and what the profession actually provides. Porter (1993) empirically reviewed the audit expectation – performance gap in his work. He defines the expectation gap as the gap between society's expectations of auditors and auditor's performance, as perceived by society.

Despite the significance of the AEG to the auditing profession, there is paucity of research on how to address this issue in Nigeria. Therefore, this study seeks to empirically establish the perceptions of auditors, auditees (management and accountants) and audit beneficiaries, investors, customers, employees and the general public), on the existence of audit expectation gap in Nasarawa State and how the gap could be narrowed.

Objectives of the Study

The broad objective of this study is to investigate the expectation of the public on auditors as they discharge their professional duties in Nigeria. In order to achieve these objectives, the study seeks to:

i. Investigate if auditors have direct bearing with a fraud committed in organizations in Nasarawa State.

ii. Investigate if auditor's independence has direct relationship with management control in Nasarawa State.

iii. Examine whether auditors collect gratification from management of any form as they prepare their final reports.

iv. Investigate if auditors have direct duty of care to anyone who relies upon his opinion for judgement for investment purposes.

Research questions

The study is designed to provide answers to the following research questions in order to achieve the aforestated objectives:

i. To what extend does auditors have direct bearing with frauds committed in organizations in Nasarawa State?

ii. To what extent does auditor's independence has direct relationship with management control in Nasarawa State?

iii. To what extent does auditors collect gratification from management as they prepare their final reports?

iv. To what extent does auditors have direct duty of care to anyone who relies upon his opinion for judgement for investment purposes?

Research Hypotheses

The following null hypotheses were tested in order to provide answers to the aforementioned research questions:

Ho1: Auditors have no direct bearing with frauds committed in organizations in Nasarawa State.

Ho2: Auditors independence has no direct relationship with management control in Nasarawa State.

Ho3: Auditors collecting gratification from management of any form has no direct bearing on their final reports.

Ho4: Auditors have no direct duty of care to anyone who relies upon his opinion for judgement for investment purposes.

Significance of the Study

The auditing profession in Nigeria has been under intense pressure due to rising public expectations. The purpose of this study therefore is to investigate the expectation of the public on auditors as they discharge their professional duties. It was common knowledge before now that firms with certified financial statement are always seen as being economically efficient, but after some years, then sudden collapse follows. The sudden failures of financial companies, insurance companies, banks and other companies turned the heat on accounting firms and accountants generally and hence the public seek for someone to hold onto, it then follows that the general opinion of the public was that the focus must be on the Auditor. The confidence of the people or the public in the accounting profession that defects and prevents corporate abuse was well undermined. The widespread news of financial scandal, unauthorized securities trading and falsified financial reporting has cast doubts on organizational controls and Auditors.

The empirical investigation of the audit expectation gap in therefore a significant contribution to existing literature. Furthermore, the study provides evidence on the extent to which audit expectation gap exists in Nigeria and the perception of respondent groups on existing duties and responsibilities of auditors.

Dixon et al, (2006) investigated the expectation gap between auditors and financial statement users in Egypt. Similarly, Ahmed, (2010) investigated audit expectation gap between users of financial statements on one hand and the auditors on the other hand in Plateau State.

Adeyemi and Uadiale (2011) investigated audit expectation gap in Nigeria. These studies confirmed the existence of expectation gaps in the nature of the audit function; the perceived performance of auditors, their duties and role, their independence, and the non-audit services.

Hence, an empirical investigation of the audit expectation gap in Nasarawa State is an effort towards narrowing the gap and gaining investors' confidence in the auditing profession. The finding of this study would serve as reference point for further research works relating to the audit expectation gap in Nigeria.

Scope of the Study

The current state of the auditing profession in Nigeria as a result of recent financial scandals has motivated this study. Consequently, the perceptions of selected stakeholders were sought in providing answers to the questions raised in the study. For the purpose of this study. Only the auditor's duties and responsibilities as defined by schedule 6 of the companies and Allied Matters Act (CAMA) 1990 and section 359 Matters to be expressly stated in Auditor's Report were taken into consideration (meaning, their duties as defined by other regulatory bodies were not considered). The focus on the research in terms of study of groups includes (private accountants and management), (investors, customers and employees) the general public (external auditors, auditees), and audit beneficiaries in Nasarawa State.

LITERATURE REVIEW

An overview of audit expectation gap

The issue of "audit expectation gap (AEG)" has been very significant to the accounting profession since the mid-1970s and continues to be debated on till today (Liggio, 1974; Lee et al., 2010). In the 1970s and 1980s, massive corporate failures resulted in the accounting profession being severely criticized by the public. The audit expectation gap has become a topic of considerable interest worldwide, for research in general, and in the advanced countries like the U.S (Frank et al., 2001), the U.K (Innes et al., 1997), Australia (Gay et al., 1997), Denmark (Hojskov, 1998), New Zealand (Porter, 1993), and Singapore (Best et al., 2001). This is due to the occurrence of series of corporate failures, financial scandals and audit failures in these advanced countries and their subsequent impact on other countries' audit profession. The major corporate financial irregularity and related fraud which occurred in Nigeria in recent times, such as is reported in relation to Wema Bank, NAMPAK, Finbank, Sky Bank, Cadbury and Springbank have captured the attention of investors and regulators alike. The search for mechanisms to ensure reliable, high quality financial reporting has largely focused on narrowing the audit expectation gap. The auditing profession has been proactive in attempting to improve audit quality by issuing standards focused on discovery and independence. As a result, there has been a concerted effort to devise ways of enhancing auditors' independence (Corporate Governance Code of Nigeria, 2005). The foundations for research in audit expectation gap were laid down in the seminar works of Lee (1970) and Beck (1974), who investigated the duties which auditors were expected to perform.

These studies ascertain the auditors' and the public's view of the roles and responsibilities of auditors through the use of questionnaire surveys. Liggio (1974) visualized the changing role of auditors at the initial stages and pioneered the concept of audit expectation gap.

The AEG refers to the difference between what the public and other financial statement users perceive auditors' responsibilities to be and what auditors believe their responsibilities to entail (McEnroe and Martens, 2001). It is assumed that auditors and users of financial statements have a different perception of the term "external audit" (Beelde et al., 2005). Reiter and Williams (2000) are of the view that the expectation gap refers to the public's expectation that companies with "unqualified" audit opinion, hence a true and fair view of the financial statements, should be free of financial fraud and shortterm risks of business failure. These misconceptions of the public contribute to the legal liability crisis facing the accounting profession (Maccarone, 1993).

The term 'expectation gap' is commonly used to describe the situation whereby a difference in expectation exists between a group with a certain expertise and a group, which relies upon that expertise. The public perception of an auditor's responsibility differs from that of the profession and this difference is referred to as the expectation gap. The term has been used not only in the accounting literature, but also in other fields, for example, to describe the perceptions of the information systems industry relating to the academic preparation of graduates (Trauth et al., 1993); difference in expectations of advertising agencies and their clients with respect to campaign values (Murphy and Maynard, 1996); differences in relation to various issues associated with corporate environmental reporting on one hand and the clash between auditors and the public over preferred meanings of the nature, objectives and outcomes of an audit (Sikka et al., 1998).

Theoretical framework

A theoretical that provides an explanation for the existence of an audit expectation gap is the Role theory. Based on role theory, an auditor can be viewed as occupying a status or position as a professioned in the social system. Due to the 'position' of a 'profession', auditors are required to comply with the prescriptions ascribed to them by the society. 'Failure to conform to the ascribed role or to meet role expectations creates the risk of social action to enforce conformity and to penalize nonconformity' (Davidson, 1975).

According to Davidson (1975), 'the role of the auditor is subject to the interactions of the normative expectations of the various interest groups in the society (that is, different role senders) having some direct or indirect relationship to the role position.' He noted that these different groups (for example, management, the securities and exchange commission, institutional investors, analysts, auditors, accountants, etc.) may hold varying expectations of the auditor and these expectations may change from time to time depending on the re-specification of their own role requirements and the interaction of other forces in the society. Hence, the auditors are placed in multi-role and multi expectation situations. For the purpose of the study, stock brokers, investors, private accountants and management were used as role senders of the auditors.

Empirical Review

Empirical studies on audit expectation gap are extensive in developed economies. These studies (Adeyemi et al, 2011, Frank et al., 2001; Innes et al., 1997; Gay et al., 1997; Hojskov, 1998; Porter, 1993; Best et al., 2001, Ahmed et al, 2010) mostly use survey questionnaires to identify the nature of the gap or where the gaps are, impacts of the gap, and how to reduce the gap. Different respondents have been used in the literature to elicit their opinion, for example, auditors, lawyers and judges (Lowe, 1994), investors (Epstein and Gregor, 1994), shareholders (Beck, 1974), chartered accountants, financial directors, investment analysts, bankers and financial journalists (Humphrey et al., 1993; Porter, 1993), financial directors and users of corporate financial statement (Benau et al., 1993), (Ahmed, 2010) Customers investors, employees, management, accountants and management.

Low (1980) examined the expectation gap in Australia. The extent of auditors' detection and disclosure responsibilities concerning errors, irregularities and illegal acts as perceived by auditors and non-auditor groups was investigated. It was found that both groups differed significantly in their perceptions of the extent of auditors' detection and disclosure responsibilities, and that an expectation gap existed between the two groups.

Humphrey et al. (1993) examined the expectation gap by ascertaining the perceptions of individuals of audit expectations issues through the use of a questionnaire survey comprising a series of mini-cases. The respondents included chartered accountants in public practice, corporate finance directors, investment analysts, bank lending officers and financial journalists. The survey revealed a significant difference between auditors and the respondents (represented by some of the main participants in the company financial report process) in their views on the nature of auditing. The results confirmed that an audit expectation gap exists, specifically in areas such as the nature of the audit function and the perceived performance of auditors.

Mohamed and Muhamad-Sori (2002) revealed that the audit expectation gap exists in Malaysia. The existence of the gap is due to a number of contributing factors such as, uncertainties concerning the actual role of auditor; the satisfaction of clients with services provided by the auditors; and the audit firm's lack of independence and objectivity. A more comprehensive study was conducted by Fadzly and Ahmad (2004) to examine the audit expectation gap among auditors and major users of financial statements: bankers, investors, and stockbrokers. The study focused on the positive view of the expectation gap, which compared auditors' and users' perceptions on the duties of auditors.

To complement the findings of Fadzly et al. (2004), Lee and Palaniappan (2006) and Lee et al. (2007) conducted a survey on audit expectation gap in Malaysia to examine whether an expectation gap existed in Malaysia among the auditors, auditees and audit beneficiaries in relation to auditors' duties. The study analyzed the nature of the gap using Porter's framework. The results proved the existence of an audit expectation gap in Malaysia.

Dixon et al. (2006) investigated the expectation gap between auditors and financial statement users in Egypt. The study confirmed the existence of an expectation gap in the nature of the audit function, the perceived performance of auditors, their duties and role, their independence and the non-audit services. In a more recent study, Lee et al. (2010) analyzed the nature of the audit expectation gap in Thailand using Porter's (1993) framework. The study revealed that the auditees and audit beneficiaries have an expectation of auditors' duties that is far in excess of that of the auditors themselves. Their results confirm those of the previous study by Boonyanet and Ongthammakul (2006) that the audit expectation gap exists in Thailand. An empirical study of the audit expectation gap in a developing country like Nigeria is a step taken in the right direction, since most of the studies available on this issue are from the developed economies.

METHODOLOGY

Survey research design was used in this study. This design is found appropriate because of its ability to view the major questions raised in the study. The study surveyed the opinions of customers to the firms investigated, investors, employees and some members of the general public.

The purposive sampling technique was employed in this study. A sample consisting of respondents in Lafia was considered a good representation of the respondent group since the ultimate test of a sample design is how well it represents the characteristic of the population it intends to represent (Emory and Cooper, 2003).

The study used a representative sample of 36 customers, 8 investors, 10 employees, 10 management staff and 20 members of the general public with a view to assessing their views on the role of Auditors and what is expected of them by the users of the financial statements. The primary data was obtained from the target respondents through a carefully constructed questionnaire which was divided into two (2) sections. Section A was designed to obtain information on the number of responses in the study, while section B consisted of questions measuring the perception of respondent groups on audit expectation gap in Nasarawa State. The data collected were analysed using both descriptive and inferential statistics. The descriptive method used for participants were described using percentages while kolmogorov Smirriov (K-S) test were used for Hypotheses that were formulated. The research design satisfies the interpretation of the data collected from respondents. It is worthy of note that the K-S test’s calculation has a power of between 85 and 90 percent in rejecting a false null hypothesis and easy to analyze.

The sampled population drawn above covered five firms namely:

a. UBA Plc
b. Total Plc
c. First Bank Ltd
d. Mobile Oil Plc
e. Orlami Processing Company Ltd.

The researchers employed a stratified random sampling technique which made it easy to get the entire population to respond to the questionnaire administered to them.

Data Analysis and Interpretation of Results

Respondents were grouped into five, customers, investors, employees, management and General (Public). Out of the one Hundred (100) copies of questionnaire administered, a total of ninety (90) copies were returned and used for analysis. This represents an overall response rate of ninety percent (90%) for all the groups. These responses were used in providing answers to the questions raised in the study.

Statistical Procedure for Data Analysis

After the collection of the various raw data, the statistical procedure chosen for data analysis were largely percentages, descriptive and Kolmogorov-Smirnov (K-S) test. Using percentages and descriptive approaches brought out the result more clearly and also provided a simple interpretation of data collected from respondents. The research design satisfies these requirements and that is why it has been selected it is of importance to note that the K-S test's calculation is easy and has a power of between 85 and 90 percent in rejecting a false null hypothesis.

Presentation of Data

The variables put under focus in this study were the Auditors role in frauds committed, Auditors independence, and the effects of gratification on Auditors report and Auditors duty of care to people who rely on their reports.

Table 1.1: Summary of Responses in the Study

S/No	Category of participants	No. of participants	%
1	Customer	36	40.00
2	Investors	8	8.89
3	Employees	16	17.78
4	Management	10	11.11
5	General	20	22.22
TOTAL		**90**	**100%**

Source: Analysis of survey data (2018)

Question by Question Analysis

1. As to whether Auditors have no direct bearing with frauds committed in any organization.

Respondents	Customer	Investors	Employees	Management	General public
SA	2	-	-	4	2
A	2	-	-	6	2
UD	12	-	4	-	4
D	4	4	6	-	4
SD	16	4	6	-	8
TOTAL	**36**	**8**	**16**	**10**	**20**

Source: Analysis of survey data (2018)

2. As to whether Auditors independence has no direct relationship with management control.

Respondents	**Customer**	**Investors**	**Employees**	**Management**	**General public**
SA	8	4	10	-	12
A	16	2	4	-	6
UD	2	2	-	-	-
D	8	-	2	6	2
SD	2	-	-	4	-
TOTAL	**36**	**8**	**16**	**10**	**20**

Source: Analysis of survey data (2018)

3. As to whether collecting gratification from the management of any form has no bearing on their final report.

Respondents	**Customer**	**Investors**	**Employees**	**Management**	**General public**
SA	-	-	-	8	-
A	8	-	4	2	2
UD	-	-	-	-	-
D	8	2	6	-	6
SD	20	6	6	-	12
TOTAL	**36**	**8**	**16**	**10**	**20**

Source: Analysis of survey data (2018)

4. As to whether Auditors have no direct duty of care on anyone who relies upon his opinion for judgment.

Respondents	**Customer**	**Investors**	**Employees**	**Management**	**General public**
SA	-	-	4	-	-
A	2	-	4	-	6
UD	4	-	-	-	-
D	6	2	6	2	6
SD	24	6	2	8	8
TOTAL	**36**	**8**	**16**	**10**	**20**

Source: Analysis of survey data (2018)

HYPOTHESIS 1: Auditors have no direct bearing with frauds committed in any organization

TABLE 1:

S/N		SA	A	UD	D	SD	AV. TOTAL
	Auditors have no direct bearing with frauds committed in any organization						
1	Observed Number in each category	0.8	1.0	2.0	1.8	3.4	9.0
2	Expect Number in each Category	1.8	1.8	1.8	1.8	1.8	9.0
3	Cumulative frequency observed for Row 1 (FO)	0.8	1.8	3.8	5.6	9.0	
4	Cumulative freq. Expected for Row 2 (FE)	1.8	3.6	5.4	7.2	9.0	
5	Absolute Diff b/w cum/ distribution in Row 3 & 4	1.0	1.8	1.6	1.6	0	
	PROPORTIONS	**0.01**	**0.02**	**0.018**	**0.018**	**0**	

Source: Analysis of survey data (2018)

KEY: SA = Strongly Agreed, A= Agreed, UD = Undecided D= Disagreed, SD, Strongly Disagreed.

Highest Proportional difference (D) Calculated = 0.02, probabiblity level = 0.05

Therefore, the critical value (D) = 1.36

i.e.

$= {}^{D/}\sqrt{45} = {}^{1.36/}\sqrt{45} = \frac{1.36}{6.70820} = 0.2027$ since the theoretical value 0 = 0.203 > 0=0.022 we reject our hypothesis 1.

HYPOTHESIS II: Auditors independence has no direct relationship with Management

S/N		SA	A	UD	D	SD	AV. TOTAL
	Auditors independence						
1	Observed Number in each category	3.4	2.8	0.4	1.8	0.6	9.0
2	Expect Number in each Category	1.8	1.8	1.8	1.8	1.8	9.0
3	Cumulative frequency observed for Row 1 (FO)	3.4	6.2	6.6	8.4	9.0	
4	Cumulative freq. Expected for Row 2 (FE)	1.8	3.6	5.4	7.2	9.0	
5	Absolute Diff b/w cum/	1.6	2.6	1.2	1.6	0	

	distribution in Row 3 & 4						
	PROPORTIONS	**0.018**	**0.029**	**0.013**	**0.013**	**0**	

Source: Analysis of survey data (2018)

Highest Proportional difference (D) Calculated = 0.029, probability level = 0.05

$= {}^{D}/\sqrt{45} \;=\; {}^{1.36}/\sqrt{45} = \frac{1.36}{6.70820} = 0.2027$

0=0.2027 > 0=0.029 we again reject the null hypothesis II.

HYPOTHESIS III: Auditors independence has no direct relationship with Management

S/N		SA	A	UD	D	SD	AV. TOTAL
1	Observed Number in each category	0.8	1.6	0	2.2	4.4	9.0
2	Expected Number in each Category	1.8	1.8	1.8	1.8	1.8	9.0
3	Cumulative frequency observed for Row 1 (FO)	0.8	2.4	2.4	4.6	9.0	
4	Cumulative freq. Expected for Row 2 (FE)	1.8	3.6	5.4	7.2	9.0	
5	Absolute Diff b/w cum/ distribution in Row 3 & 4	1.0	1.2	3.0	2.6	0	
	PROPORTIONS	**0.011**	**0.013**	**0.03**	**0.029**	**0**	

Source: Analysis of survey data (2018)

Highest Proportional difference (D) Calculated = 0.029, probability level = 0.05

$= {}^{D}/\sqrt{45} \;=\; {}^{1.36}/\sqrt{45} = \frac{1.36}{6.70820} = 0.2027$

0=0.2027. 0=0.029 we again reject the null hypothesis III.

HYPOTHESIS IV: Auditors have no direct duty of care on anyone who relies upon his opinion for judgement

S/N		SA	A	UD	D	SD	AV. TOTAL
	Auditor Independence						
1	Observed Number in each category	0.4	1.2	0.4	2.2	4.8	9.0
2	Expected Number in each Category	1.8	1.8	1.8	1.8	1.8	9.0
3	Cumulative frequency observed	0.4	1.6	2.0	4.2	9.0	

	for Row 1 (FO)						
4	Cumulative freq. Expected for Row 2 (FE)	1.8	3.6	5.4	7.2	9.0	
5	Absolute Diff b/w cum. distribution in Row 3 & 4	1.4	2.0	3.4	3.0	0	
	PROPORTIONS	**0.016**	**0.02**	**0.038**	**0.03**	**0**	

Source: Analysis of survey data (2018)

Highest Proportional difference (D) Calculated = 0.038, probability level = 0.05

Therefore, the Critical value (D) = 1.36= $^{D}/\sqrt{45}/=$ $^{1.36}/\sqrt{45}/= \frac{1.36}{6.70820} = 0.2027$

0=0.2027. > 0=0.038 we again reject the null hypothesis IV.

A careful look at the data presented and analyzed shows that

1. The auditors have direct knowledge of any fraud committed in an organization
2. The Auditors independence has direct effect on management control i.e. if the auditor does not have independence then certainly not much will be expected.
3. The Auditor agreeing to collect any form of gratification will certainly affect his sense of judgment and activities and finally.
4. The Auditors indeed have direct duty of care on anyone who relies upon his opinion for judgment.

CONCLUSION AND RECOMMENDATIONS

The concept of an audit expectation gap suggests that the public expects auditors to act in ways which are different from what auditors themselves would expect to act, in other words, the role senders are dissatisfied with the information from audit reports. The increase in litigation against and criticism of the auditor has left little room for doubt that the auditors are facing a liability and credibility crisis. (Russell 1986). Lim (1993) and Woolf (1985) assert that the blame should not be placed on the auditors totally as the nature and objectives of auditing are perceived differently among the auditors, auditees and audit beneficiaries. These differences in perception caused the existence of the audit expectation gap.

This study empirically examines the existence of expectation gap in Nigeria by evaluating the perceptions of auditors, auditees (accountants and management) and audit beneficiaries (stockbrokers and investors). It also considers respondents' perception on the existing duties and responsibilities of auditors. In addition, the study explores respondents' perception of the quality and usefulness of the auditors' report which reflects the effectiveness of an auditors' report as a communication

In the light of the research findings, the following recommendations are made:

i. The existing duties and responsibilities of auditors should be clearly defined and widened to include fraud detection.

ii. The public (users of financial statements) should be educated about the objects of an audit, auditors' role and responsibilities.

iii. Quality control in audit firms should be implemented to ensure quality performance of the auditors thereby ensuring investors' confidence.

To be able to narrow the audit expectation gap, the following recommendations of immense relevance:

1. The financial statements users should have elementary knowledge of accounting so that they can appreciate the constraints of an auditor assigned to audit a firm.

2. That it is not the duty of the auditor to prevent fraud, or detect it or other irregularities or errors, but that the responsibility of such lies squarely on the management, as such users of financial statement should seek for more legislations that Will compel management to make all relevant disclosure available.

3. The auditors should to large extent properly plan, perform and evaluate their audit work so as to have reasonable expectations of detecting material misstatements in the financial statement.

4. Users of the financial statement should be aware that the audit opinion is simply an expression of professional judgment that the financial statement taken as a whole, presents a true and fair view of the company's affairs for the period and in accordance with companies act and auditing standards as the case maybe.

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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); Dzomira, (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.

NTOSAI'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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MANAGEMENT ACCOUNTING INFORMATION AND CORPORATE PERFORMANCE OF MANUFACTURING COMPANIES IN RIVERS STATE, NIGERIA

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ABSTRACT: *Since the industrial revolution era, management accounting has become a recognized field of accounting practice. However, many organisations (manufacturing companies inclusive) do not completely appreciate the need for the institution of a full-fledged management accounting system to support managerial decision making. This could be basically attributed to the lack of knowledge of what constitutes management accounting information and the fact that financial reporting mentality still dominates the accounting activities and procedures of many manufacturing companies. The main objective of this study was to establish the nature of the relationship between management accounting information and corporate performance of manufacturing companies in Rivers State, Nigeria. To achieve the primary objective of the study, the cross-sectional survey design was adopted. The population of the study was made up of the thirty-two (32) manufacturing companies in Rivers State registered with the Rivers/Bayelsa State branch of the Manufacturers Association of Nigeria (MAN). All the population elements make up the sample of this study; hence, a census of the population was done. Purposive sampling technique was adopted in selecting ninety-six (96) respondents for the purpose of data collection. Data collection was done primarily using structured questionnaire. Analysis of data was carried out using descriptive statistics while linear regression and correlation analysis were used in testing the hypotheses. The investigation revealed that a positive linear relationship exists between management accounting information and corporate performance of manufacturing companies in Rivers State and that management accounting information accounts for less than 10% of change in corporate performance (measured using net profit). The study concluded that the performance of a manufacturing company does not substantially depend on management accounting information since the correlation between the two variables is very weak. One of the recommendations made was that management of manufacturing companies should continue to demand management accounting information so as to sustain the positive relationship that has been identified to exist between management accounting information and corporate performance.*

KEYWORDS: Management Accounting Information, Budgeting, Budgetary Controls, Corporate Performance, Net Profit.

INTRODUCTION

Before the industrial revolution, management accounting was not a recognised field of accounting practice. So many organisations relied solely on financial accounting information whereas management accounting was relegated to the background. Thus, the industrial revolution gave primary impetus for the practice of management accounting. The industrial revolution era was a period characterized by separation of ownership of business from management, large scale production as well as complex management structures, thereby increasing the need for accounting information to assist management in planning and controlling the operations of the entity and in decision making.

All levels of management within an organisation require management accounting information for decision making. Essentially, the success or failure of an enterprise is to a very large extent determined by the quality and quantity of information available to the management for decision making. A reliable and relevant source of information for management decision making is the management accounting system. Management accounting is concerned with providing information to managers, that is, those within an organisation who direct and control its operations (Garrison & Noreen, 1999). Managerial accounting information – which is the result of management accounting data processing – includes information on the costs of an organisation's products and services, budgets, performance reports and other information which assists managers in their planning and control activities. Thus, management accounting systems are mainly designed to measure the efficiency of internal processes (Horngren & Foster, 1987; Kaplan & Norton, 2001). As the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources, management accounting is instrumental in the strategic positioning of an enterprise.

To achieve its short and long team objectives, an organisation most, at regular intervals, evaluate its performance. Corporate performance is a term which describes the relationship between organisational input and output. It is a measure of the effectiveness of management in utilising resources to achieve the nominated objectives of the enterprise. A major contributor to the achievement of organisational objectives is the information available to management for directing, planning and controlling the enterprise. The management accounting system provides the required information, which enhances internal decision making. Though there are other factors and systems that enhance the corporate performance of an enterprise, it is important to acknowledge that the management accounting information system is a value adding system which guides management action, motivates behaviour, and supports and creates the cultural values necessary to achieve an organizations strategic, tactical and operating objectives.

Even though the industrial revolution gave a primary impetus for the practice of management accounting, yet most business organisations (manufacturing companies inclusive) do not completely appreciate the need for the institution of a full-fledged management accounting system to support managerial decision making. There is also the issue of what type of information should be reported by accountants; while the problem for management is what information should be demanded. The relevance and importance of management accounting information has often been undermined if not completely ignored by most manufacturing companies. Ironically, manufacturing companies require management accounting information relating to raw material costing, labour as well as finished goods. Furthermore, financial reporting mentality still dominates the accounting activities and procedures of some manufacturing firms in Rivers State, Nigeria. This could be basically attributed to the lack of knowledge of what constitutes management accounting information.

LITERATURE REVIEW

Conceptual Framework

Meaning of Management Accounting

So many scholars and authors have in a bid to give meaning to the term "management accounting", made valuable contributions to enhance the understanding of the concept. One of the simplest definition of management accounting is that management accounting is the process of providing useful information to managers (Bruns & McKinnon, 1993). This definition implies that management accounting encompasses communicating and reporting of accounting information as well as the control of the systems and processes by which the information reaches the managers.

The Chartered Institute of Management Accountants (CIMA) (1991) defined management accounting as the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for resources. Thus management accounting is concerned with identifying, presenting and interpreting information used for: formulating strategies, planning and controlling activities, decision making, optimizing the use of resources, disclosure to those charged with governance of the entity, disclosure to employees, and safeguarding assets.

Management accounting measures, analyzes and reports financial and non-financial information that helps managers to make decisions to fulfill the goals of an organisation (Horngren, Datar, Foster, 2006; Drury, 1992; Kaplan, 1984). In essence, management accounting is a body of knowledge, the understanding of which is necessary for the success of managers. Managers use management accounting information to choose, communicate and implement strategies. They also use management accounting information to coordinate product design, production, and marketing decisions. Management accounting enhances decision making, guides strategy development and evaluates existing strategies and focuses effort related to improving organisational performance and evaluating the contribution and performance of organisational units and members (Kaplan, 1995).

In his contribution to the concept of management accounting, Sizer (1989) posited that management accounting is the application of professional skills in the preparation and presentation of accounting information in such a way as to assist management in the formulation of policies and in the planning and control of the operations of the undertaking. This definition is synonymous with that given by Hendrickson (2001) which states that management accounting is the information support system that best facilitates communication, motivation and performance evaluation within a variety of organisational structures. Internal management accounting is responsible for providing information and helps managers make decisions on the efficient and effective use of enterprise resources. Thus, management accounting is an essential tool for managerial decision making vis-à-vis planning, controlling, motivation, directing as well as communication.

A very close look at the various definitions of management accounting will reveal that management accounting is concerned with providing information to managers for decision making. In essence, management accountants are seen as the "value creators" amongst accountants. They are interested in the future and in taking decisions that will affect the future of the organisation, then in the historical recording and compliance aspects of the profession.

Concept of Accounting Information

Accounting information can rightly be described as the language of business. Accounting is often analysed as a series of activities which are linked and form a progression of steps beginning with observing, collecting, recording and analyzing and communicating information to users. The task of the accountant is to transform raw data into information. Data is a collection of raw facts expressed as symbols and characters which have no meaning and are unable to influence decisions until transformed into information. Accounting information is a very essential ingredient or tool in the management decision making process. Management need information which relates to their past performance, cost classification and clarification, profit contribution of product lines, cost control, etc; the accounting information system provides this information.

Trevor (1983) defined accounting information as whatever contributes to the diminution of ignorance or uncertainty surrounding an impending decision. Thus, accounting information eliminates to a reasonable extent the existence of ignorance and uncertainty. Accounting information can be obtained through the development and analysis of data; testing of their validity, reliability or relevance; interpretation and communication of result to intended users.

Accounting information is also viewed as any economic information, that is, any data which might cause a decision maker to reallocate or redistribute wealth among individuals (Neumann, 1981). The information provided by an accounting system is primarily monetary in nature and helps management in planning, in carrying out the day-to-day operations of the business and in arriving at solutions to operational problems.

In the opinion of Coster (1974), an accounting information system refers to the methods by which financial data about a firm’s activities are collected, processed, stored and distributed to members of the firm or other interested parties. Thus, any data or information which is obtained from or created in the accounting system of a firm is an accounting information whether or not contained in the financial statements.

From the foregoing, it can be deduced that accounting information is any information that provides insight on the resources, obligations, and performance of the reporting entity or enterprise. Such information is required by a variety of users and is basically contained in the financial statements or management internal (accounting) reports (Ukpai, Kiabel & Obara, 1998). However, the set of accounting information users that this study focuses on is management. Management of any firm is the custodian of the firm’s wealth and determines to a large extent the firm’s level of performance. Accounting information is necessary for management analysis used for planning and control. Thus, management require accounting information as it guides them in making decisions bothering on finance, investment, liquidity, profitability and in monitoring the firm’s performance. Management also needs accounting information to make budgets, control operations, assess the adequacy of financing, ascertain the cost consequences of a particular course of action and to project future earning and financial position.

Brief History of Management Accounting

According to Maher (2001), management accounting has a short but exciting history. He pointed out that management accounting concepts can be traced to the beginning of the industrial revolution, and that, management accounting, as a teaching discipline appears to have gotten off the ground in the late 1940s. Thus, management accounting has its roots in the industrial revolution of the 19^{th} century. During this period, most firms were tightly controlled by a few owner-managers who borrowed based on their personal relationships and assets.

Parker (2002) pointed out that management accounting has historical antecedents that stretch back longer than we might expect and certainly, accounting historians have not yet concluded their investigation of its earliest genesis. The historical development of management accounting is of particular importance in answering relevancy questions in a rapidly developing technological environment.

Documented materials indicate that management accounting existed before the classical period (1700 – 1950s). According to the international Federation of Accountants (IFAC) (2002), the first management accounting revolution occurred before the classical period which ended in the late 1950s. Prior to the first management accounting revolution, the term management accounting was not in common use, rather cost accounting was used in the computation of costs and for financial control. Although management accounting was not recognised before the 19th century when masses of financial information had to be recorded, it is quite possible that business men were already using management accounting concepts at the time.

The first management accounting revolution, which became known as the "modern management accounting period", started in the late 1950s and ended in the early 1980s (Epstein & Lee, 1999). This period was characterized by new research as a result of which academic accountants provided new decision-making tools for managers. According to Epstein & Lee (2008), the management accounting tools that were developed during this period reflected economic theory and were based on the following assumptions:

(1) Tasks are routinised at the managerial and operational levels.

(2) The external environment (in which the company operates) is stable with few price or demand fluctuations.

(3) The sole purpose of management accounting is to aid decision making.

This modern management accounting period was deeply rooted in the Ford Foundations initiative to restructure management accounting education in the United States (Maher, 2000).

Between 1980 and 1999 (the period known as the "post-modern period" of management accounting), management accounting was characterized by a shift from the mechanistic view of organisations to acknowledging a complex set of organisational interdependencies. During this period, management accounting systems focused on the attainment of organisational goals and on extending the management accountant's ability to measure newer and more complex business situations and consequently affected practice as well as research issues (Epstein & Lee, 1999).

Differences Between Financial and Management Accounting

Although financial and management accounting constitute two different fields of study, one cannot exist without the other. However, financial accounting differs from management accounting in a number of ways. A basic difference between financial and management accounting lies in the fact that financial accounting is primarily externally oriented while management accounting is primarily internally oriented. Thus, financial accounting provides information to parties outside the organisation (e.g creditors, investors, government agencies and the general public), whereas management accounting generates confidential information for use by an entity's management.

Other areas where financial accounting and management accounting differ are discussed under the following headings (Garrison & Noreen, 2006).

(1) **Emphasis on the Future**: Since planning is an important part of the manager's job, managerial accounting has a strong future orientation. In contrast, financial accounting primarily provides summaries of past financial transactions.

(2) **Relevance of Data**: Financial accounting data are expected to be objective and verifiable. However, for internal use the manager wants information that is relevant even if it is not completely objective or verifiable. By relevance is meant appropriate for the problem at hand.

(3) **Less Emphasis on Precision**: Timeliness is often more important than precision to managers. If a decision must be made, a manager would rather have a good estimate now than wait a week for a more precise answer. Estimates that are accurate may be precise enough to make good decision. Since precision is costly in terms of both time and resources, management accounting places less emphasis on precision than does financial accounting. In addition, management accounting places considerable weight on non-monetary data, for example, information about customer satisfaction is of tremendous importance even though it would be difficult to express such data in monetary form.

(4) **Segmental Reporting**: Financial accounting is primarily concerned with reporting for the company as a whole. By contrast, management accounting focuses much more on the parts or segments of a company. These segments may be product lines, sales territories, divisions, departments or any other categorizations of the company's activities that management may find useful. Financial accounting does require breakdowns of revenues and costs by major segments in external reports, but this is a secondary emphasis. In management accounting, segment reporting is the primary emphasis.

(5) **Generally Accepted Accounting Principles**: Financial accounting statements prepared for external users must be prepared in accordance with Generally Accepted Accounting Principles (GAAP). External users must have some assurance that the reports have been prepared in accordance with some common set of ground rules. These common ground rules enhance comparability and help reduce fraud and

misrepresentations, but they do not necessarily lead to the type of reports that would be most useful in internal decision making.

(6) **Management Accounting is not Mandatory:** Financial accounting is mandatory, that is, it must be done, but management accounting is not mandatory. An organisation is completely free to do as much or as little management accounting as it wishes. No regulatory bodies or agencies, specifies what is to be done.

Components of Management Accounting Information

What constitutes management accounting information depends on the nature of the organisation and the information need of management. As stated earlier in this study, management accounting information is provided for managerial decision making. Management accounting information often take the following forms:

(1) **Forecasting/Financial Planning:** All businesses, irrespective of their size, must conduct strategic planning in order to remain competitive. Forecasting is the process of planning for future operations through the use of forecasts. The goal of the forecasting process is to try to predict the outcome of future operations through trend analysis. Trend analysis takes past revenue, sales and growth statistics and carries these calculations into future periods. For example, if the average revenue growth rate has been ten (10) percent, then the forecast model will use and annual growth rate of 10 percent.

(2) **Cost Accounting Calculations/Estimates:** Management accounting information can be obtained from an organisation's cost accounting system. According to Braide (2000), cost accounting encompasses the procedures and processes involved in ascertaining the cost of a tangible product or an intangible service. He pointed out that the purpose of cost accounting is to aid management in planning and controlling the operations of the enterprise. Cost accounting provides a basis for estimating and also provides information that enables estimates to be checked against actual achievement. Through the medium of cost accounting, cost data can be provided that can be used in the resolution of particular management problems such as product pricing, make or buy decision, expansion of facilities for increased production or sales.

(3) **Budgets and Budgeting:** The Institute of Chartered Accountants of Nigeria (ICAN) (2006) defined a budget as a financial and/or quantitative plan of the operations of an organization for a forthcoming accounting period. According to Braide (2000), a budget is a detailed plan indicating the things which a business organisation intends to do during some defined future time interval. Budgeting embraces the totality of the processes or procedures involved in preparing a budget. In other words, a budget is the end-product of the budgeting process (Braide, 2000).

According to Horngren (2004), budgets are designed to: communicate ideas and plans to every one affected by them, coordinate the activities of different departments or sub-units of the organisation, establish a system of control by having a plan against which actual results can be progressively compared and variance analysed for prompt attention and action, and to motivate employees to improve their performances. The budget process allots capital (money) for future operations.

(4) **Standard Costing:** Management accounting formation can also be obtained via the organisation's standard costing system. Standard costing is a cost accounting technique which attempts to determine what the cost of manufacturing a product or rendering a service will be during a given specified future period (Braide, 2000). Thus, standard cost is a predetermined cost of manufacturing a product or providing a service. Managers can utilize standard costing in controlling costs. The operation of a standard costing system presupposes the existence of an in-built mechanism whereby actual cost incurred are periodically compared with the standard costs. Apart from serving as a control mechanism, standard costs are also useful in performance measurement, stock valuation and in the establishment of selling prices. Some of the basic reasons why firms adopt a standard costing technique are: to encourage management and employees, since it ensures that they have to plan ahead; to serve as a basis for quoting for jobs or fixing prices, to ensure that performance improvement measures are adequately guided; as well as to provide a basis for setting budgets.

(5) **Ratio Analysis:** Ratio analysis provides management with information that can enhance decision making vis-à-vis profitability assessment, liquidity measurement as well as short and long term solvency decisions. A ratio is a measure of the mathematical (or financial) relationship between two or more accounting figures (items) such that qualitative opinion about a company's financial results can be expressed at a particular point in time. Ratio analysis forms the basis for assessing the financial results and performance of a company using accounting data or figures that make the measurement of financial relationship possible. In essence, ratio analysis can be used to determine a company's effective use of raw materials and inventory, to determine what receivables collection periods would be, as well as to assist in determining the strengths and weaknesses of a firm and also serve as a tool for predicting the future.

(6) **Capital Investment Analysis:** This can aid a firm in its decision on how its current funds can be invested in long term activities in anticipation of an expected flow of future benefits over a number of years. The investment decisions could be in the form of acquisition of additional fixed assets, replacements, and modification of activities or expansion of a plant. Capital investment techniques which provide management information for decision making may include the payback period, accounting rate of return, net present value (NPV), and the internal rate of return (IRR).

Importance of Management Accounting Information

Management accounting information is relevant to the overall well-being of a business organisation. As already mentioned earlier in this study, management accounting information aids managers in making decisions vis-à-vis what line of action to take to improve efficiency. Management accounting information is particularly important in the following areas (Drury, 2004; Garrison & Noreen, 2000).

(1) **Planning:** Planning is very essential in every organisation. An entity needs to plan the location of its plants, introduction of new production lines and the strategies required to maintain the assets of the firm. Management accounting information assists managers to make cost –benefit analysis of each alternative and the best decision taken. Any decision, taken by management in the planning process has an effect on costs and revenue; management accounting information is essential in estimating those effect.

(2) **Directing and Controlling Operations:** Operational activities form an integral part of any process. The control function enables managers to ensure that activities conform to standards. Detailed reports of various kinds prepared by the management accountant provide feedback as to whether set standards are being met. Management accounting information are very essential in inventory control, total quality management and benchmarking.

(3) **Motivation:** A well-motivated staff enhances performance and productivity. Organisations are able to achieve their goals if employees are well motivated. Management accounting information such as those contained in budgets motivates organisational members to direct their efforts towards achieving the objectives of the organisation.

(4) **Performance Measurement:** Management accounting information assists management in measuring the performance of employees and in executing organisational objectives. Performance measurement is used as a basis for rewarding performance through positive feedback, promotions and pay rises. Through management accounting information, the performance of various sub-units, product lines, geographical units and divisions can be measured. These measures are important in determining whether a particular process or sub-unit is an economically viable unit.

(5) **Competitive Position Assessment:** Globalisation has heightened competition among industries. Management accounting information plays a crucial role in ensuring that an organisation competes effectively and survives competition. The financial strength of an organisation must be prominent on the agenda of management. Information provided by the management accounting system aids the organisation in its pricing decisions, cost-benefit analysis, adoption of a particular production method, make or buy decisions, inventory management and outsourcing. The management accounting information system provides the necessary data for these very essential decisions to be made.

Concept of Corporate Performance

The subject matter of corporate performance lacks a cohesive body of knowledge. So many researchers in areas as diverse as strategic management, operations management, human resources management, organisational behaviour, information systems, marketing and management accounting and control have contributed to the concept of corporate performance (Neely, 2002; Marv & Schiuma, 2003; Franco-Santos & Bourne, 2005). Thus, there are numerous definitions of the concept and little consensus regarding its components and characteristics.

To effectively understand the concept of corporate performance, it is necessary to define performance. Performance is the accomplishment of a given task measured against present standards of accuracy, completeness, costs, and speed (Www.businessdictionary.com, 2011). It is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities. From the foregoing definition, corporate performance can be conceived as the accomplishment of organisational objectives based on predetermined standards. According to Thomas & Baron (1994), corporate performance is a broad term that covers both the economics and operational aspects of an organisation's activities. It includes almost any objective of competition and manufacturing excellence, whether it is related to cost, flexibility, speed, dependability or quality. Furthermore, corporate performance can be described as an umbrella term for all concepts that considers the success of a company and all its activities.

Further examination of literature on performance indicates that the term "performance" is used interchangeably with the term "productivity". It is therefore important to understanding the meaning of productivity. Productivity is the quantitative relationship between output and input (Iyaniwura & Osoba, 1983; Antle & Capalbo, 1988). This definition is a universally acceptable one as almost all definitions of the term view productivity in the context of an enterprise, an industry or an economy as a whole as well as the relationship between the quantity and quality of goods and services produced and the quantity of resources used to produce them.

The basic content of the various definitions of the twin concepts of productivity and performance seem to be the same. Within many of the definitions, three broad categorizations suffice vis: the technological concept, i.e. the relationship between ratio of output to the inputs used in its production; the engineering concept, i.e. the relationship between the actual and the potential output of a process; and the economist concept, i.e. the efficiency of resource allocation (Broman, 2004; Ghobadian & Husband, 1990).

According to Kreitner & Kinicki (1998), corporate performance can be measured using four generic effectiveness criteria vis:

(1) **Goal Accomplishment:** Performance can be measured by comparing key organisational results or outputs with previously stated goals or objectives. Corporate performance, relative to the criteria of goal attainment, is gauged by how well the organisation meets or exceeds its goals.

(2) **Resources Acquisition:** This criterion relates to inputs rather than outputs. An organisation's performance is deemed effective in this regard if it acquires necessary factors of production.

(3) **Internal Processes:** This is referred to as the "healthy systems criteria". An organisation is said to be a healthy system if information flows smoothly and if employee loyalty, commitment, job satisfaction, and trust prevail. Thus, goals may be set for any of these internal processes.

(4) **Strategic Constituencies Satisfaction:** Organisations depend on people and affect the lives of people. A constituency is any group of individuals within or outside an organisation who have some stake in the organisation. Effective corporate

performance can be measured by how satisfied each stakeholder (shareholder, suppliers, employeers, etc) is with the organisation.

Management Accounting Information and Corporate Performance

The issue of how management accounting information contributes to a firm's performance has received limited attention in academic research. Thus, this section examines the contribution of management accounting to corporate performance and the factors that drive that performance.

As stated earlier in this study, the management accounting system provides accounting information that assists management in its internal decision making. According to Nevries & Langfield-Smith (2010), the contribution of management accounting to corporate performance can be conceptualized using relevant dimensions of firm performance such as decision quality, adaptability, customer and market effectiveness, and financial performance. Management accounting information serves the internal market of the firm. Information provided by the management accounting department of a firm support decisions relating to services to be offered, service mix and the use of resources (David, 2005).

Management accounting departments positively affect corporate performance through the processes and systems that they implement and use to support management and the strategies of the firm. Management accounting departments design the necessary management control system that suit the various contingencies faced by their firm (Chenhall, 2003; Langfield-Smith, 1997). Again, it is through management accounting that decision-relevant information is supplied, performance measured and balanced scorecard developed (Granlund & Lukka, 1998; Ittner & Laccker 1997; Kaplan & Norton, 1996). Thus, management accounting supports the implementation and monitoring of decisions.

It is important to note that most organisational strategic decisions are dependent on the information provided by the management accounting information system. Such decisions ultimately impact on performance. For example, decisions relating to make or buy, capacity expansion, capital investment, product pricing etc are dependent on management accounting information. Studies have also shown that business organisations adopt management accounting techniques such as activity based costing (ABC), just-in-time (JIT) and total quality management (TQM) to obtain benefits that directly or indirectly impact corporate performance (Roberts & Sylvester, 1996; Dixon, 1996).

Empirical Review

Table 1 below summarises some of the research works reviewed in the course of this study in respect of management accounting information and corporate performance as well as related subject matters.

Table 1: Summary of Empirical Literature

Author(s)/ Year	**Objective**	**Research Design/Method (s) of Analysis**	**Finding(s)/ Conclusion**	**Recommendation(s)**
Gnawali, A. (2017)	To examine the effect of manangement accounting system on organisational performance of Napanese commercial banks.	Survey/regression analysis.	Positive relationship exist between management accounting system and organisational performance.	None
Okpala, K.E., Afolabi, T.S. & Adegbola, D. (2018)	To examine the impact of short and long term management accounting information system on effective business decisions of quoted fast moving consumers goods manufacturing firms in Nigeria.	Descriptive survey/regression analysis.	Management accounting information system has significant impact on effective business decision in FMCG manufacturing companies in Nigeria.	FMCG manufacturers should pay more attention to management accounting information system to equip managers with information required for decision making.
Al-Mawali, H. (2013).	To investigate the relationship between management accounting information system usage and performance of manufacturing companies listed in Jordan	Survey/two-step hierarchical regression.	Management accounting information system has positive effect on organizational performance.	None
Maziriri, E.T. & Mapuranga, M. (2017)	To examine the impact of management accounting practices on the business performance of small and medium enterprises (SMEs) within the Gauteng Province of South Africa.	Survey (simple random sampling technique adopted)/regression and multiple regression analysis	Management accounting practices positively influence the business performance of SMEs.	None

Omiuno, O.G. (2015).	To investigate the relationship between management accounting and information system and organizational performance in Nigeria. No	Survey (convenient sampling technique was adopted)/Spearman rank correlation and binary logistics regression analysis.	The study found that organisations in Nigeria have low or poor culture towards the deployment and use of management accounting and information systems; and that no significant relationship exist between management accounting systems and organizational performance.	Organisations in Nigeria should deploy and use management accounting (and information) system to enhance their business performance and to remain globally competitive.

METHODOLOGY

Research Design

This study used primary data to investigate the relationship between management accounting information and corporate performance; hence, the cross-sectional survey design was adopted. Cross-sectional survey design enables a researcher to do observations at one or more points in time without any attempt to manipulate or control the sample subjects.

Population of the Study

The population of this study was made up of the thirty-two (32) manufacturing companies in Rivers State registered with the Rivers/Bayelsa branch of the Manufacturers Association of Nigeria (MAN).

Sample Size Determination and Sampling Procedure

Since the population of this study was not large, a census of the entire population was done. Thus, the sample size for this study was thirty-two (32). In terms of level of analysis, the study adopted purposive sampling technique to select 96 respondents from the target manufacturing companies for the purpose of questionnaire administration. Purposive sampling was used since it afforded the researcher the opportunity to select respondents who could provide technical information pertaining to the subject matters under study.

Methods of Data Collection and Analysis

Data required for this study were collected primarily through questionnaire administration. Three copies of the questionnaire designed for the study were administered on the cost accountant, chief accountant and operations manager of each of the manufacturing companies. In all, ninety-six (96) copies of questionnaire were administered on the target respondents. Data analysis was done using linear regression and correlation statistics with the aid of the Statistical Package for Social Science research (SPSS), version 20. To determine the influence of management accounting information on corporate performance of manufacturing companies in Rivers State, the following hypotheses were formulated:

H_{O1}: Budgeting and budgetary controls do not significantly influence net profit of manufacturing companies in Rivers State.

H_{O2}: Standard costing does not significantly influence net profit of manufacturing companies' in Rivers State.

H_{O3}: Financial planning does not significantly influence net profit of manufacturing companies in Rivers State.

Model Specification

As pointed out earlier, this study used the linear regression and correlation statistics to investigate the relationship between management accounting information and corporate performance of manufacturing companies in Rivers State. The model for this study is of the following form:

$$NP = \beta_0 + \beta_1 BBC + \beta_2 SC + \beta_3 FP + \beta_4 FS + \varepsilon \quad (1)$$

Where:

NP = Net Profit

β_0 = Intercept

β_1, β_2, β_3, β_4 = Regression coefficients of the independent and mediating variables.

BBC = Budgeting and Budgetary Controls

SC = Standard Costing

FP = Financial Planning

FS = Firm Size

ε = Error Term

DATA PRESENTATION AND ANALYSIS

Data Presentation

The data collected for this study are presented in this section using descriptive statistics (means and standard deviations). Weights were assigned to the questionnaire responses obtained based on a four-point Likert Scale of the form strongly agree (4), agree (3), disagree (2), and strongly disagree (1). The expected mean of the responses is two and half (2.5) obtained by dividing the sum of the weights of the response options by the total number (i.e. 4+3+2+1÷4). The actual mean of each response was compared with the expected mean and a decision made on that basis.

Descriptive Statistics for Management Accounting Information

Table 2 below shows the results obtained in respect of the proxies for management accounting information. Statements were made in the questionnaire to assess the extent to which management accounting is practiced in the manufacturing companies surveyed. The mean obtained for most of the items is above the expected (average) mean of 2.5 (on a four-point Likert Scale), indicating that the manufacturing firms surveyed (to a large extent) utilise management accounting information with a view to enhance corporate performance. The overall mean for management accounting information is 3.11726 (i.e. sum of the means for the 3 proxies for management accounting information divided by 3).

Table 2: Descriptive Statistics for Management Accounting Information

Proxies for Management Accounting Information	N	Minimum	Maximum	Mean	Std. Deviation
BUDGETING AND BUDGETARY CONTROL	65	2.67	3.67	3.1513	.21993
STANDARD COSTING	65	2.50	3.67	3.1359	.20811
FINANCIAL PLANNING	65	2.60	3.80	3.0646	.27182
Valid N (listwise)	65				

Descriptive Statistics for Corporate Performance

Table 3 shows the results obtained in respect of net profit (the proxy for corporate performance). The mean of 3.5769 is greater than the expected mean of 2.5 (on a four-point Likert Scale). This means that almost all the respondents were of the opinion that the manufacturing companies surveyed performed well in terms of the profit generated.

Table 3: Descriptive Statistics for Corporate Performance

Proxy for Corporate Performance	N	Minimum	Maximum	Mean	Std. Deviation
NET PROFIT	65	3.00	4.00	3.5769	.25358
Valid N (listwise)	65				

Test of Hypotheses

This study used linear regression and correlation statistics to test the hypotheses stated earlier. The test was done with the aid of the Statistical Package for Social Sciences (SPSS, version 20) to determine the relationship, if any, between management accounting information and corporate performance of manufacturing companies in Rivers State. While regression analysis is used to estimate the relationship between variables, the coefficient of correlation measures the strength of the relationship or going togetherness of variables.

Regression Analysis of Budgeting and Budgetary Controls and Net Profit

H_{O1}: Budgeting and budgetary controls do not significantly influence net profit of manufacturing companies in Rivers State.

Table 4 below shows the outcome of the test.

Table 4: Regression Output of Budgeting and Budgetary Controls and Net Profit.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.103[a]	.011	-.005	.25422

a. Predictors: (Constant), BUDGETING ANDBUDGETARY CONTROL

Table 4 indicates that a positive linear relationship exists between budgeting and budgetary control and net profit; though the relationship between the two variables is very weak given that the value of the coefficient of correlation (R) is 10.3%. The model also shows that budgeting and budgetary controls only influences net profit by 1.1% while other variables account for 98.9% of the net profit of manufacturing companies in Rivers State. This result is not surprising as the performance of a company (measured in terms of net profit) does not depend significantly on its budgeting and budgetary control measures but on numerous factors such as selling price, proper management of expenses, cost reduction and control strategies, research and development programmes, capital structure, financial and operating leverage, raw material purchase system, inventory levels as well as credit policy. Thus, the model supports H_{O1} which states that budgeting and budgetary controls do not significantly influence net profit of manufacturing companies in Rivers State; hence, H_{O1} is accepted.

Regression Analysis of Standard Costing and Net Profit

H_{O2}: Standard costing does not significantly influence net profit of manufacturing companies' in Rivers State.

Table 5 below shows the outcome of the test.

Table 5: Regression Output of Standard Costing and Net Profit.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.009[a]	.000	-.016	.25558

a. Predictors: (Constant), STANDARD COSTING

Table 5 indicates that a positive linear relationship exists between standard costing and net profit; however, the relationship between the two variables is super weak given that the value of the coefficient of correlation (R) is less than 1%. The model also shows that standard costing does not account for changes in net profit (the coefficient of determination of 0.000 confirms this). Thus, the model supports H_{O2} which states that standard costing does not significantly influence net profit of manufacturing companies in Rivers State; hence, H_{O2} is accepted.

Regression Analysis of Financial Planning and Net Profit

H_{O3}: Financial Planning does not significantly influence net profit of manufacturing companies in Rivers State.

Table 6 below shows the outcome of the test.

Table 6: Financial Planning and Net Profit.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.311[a]	.097	.083	.24289

a. Predictors: (Constant), FINANCIAL PLANNING

A positive linear relationship exists between financial planning and net profit as shown in Table 6. The coefficient of correlation (R) of 31.1% reveals that a slightly weak relationship exists between the two variables. Compared to the other two measures of management accounting information, financial planning (as the results suggest) appear to have more influence on net profit (as a measure of corporate performance). The model shows that financial planning influences net profit by 9.7% while other variables account for 90.3% of the net profit of manufacturing companies in Rivers State. Thus, the model supports H_{O3} which states that financial planning does not significantly influence net profit of manufacturing companies in Rivers State; hence, H_{O3} is accepted.

FINDINGS

This study investigated the relationship between management accounting information and corporate performance of manufacturing companies in Rivers State, Nigeria. Based on the data presented and analysed in the previous sections, a number of findings emerged. The results presented in table 1 indicates that the manufacturing companies surveyed prepare budgets and have budgetary control measures, develop standard costs and do financial planning as a basis for the generation of management accounting information and performance enhancement. The overall mean (3.11726) obtained for the measures of management accounting information is significantly above the expected mean of 2.5 on a four-point Likert Scale. Almost all the manufacturing companies surveyed prepare budgets annually and have a budget committee. The findings also indicate that a majority of the manufacturing companies surveyed have policies and standards for raw materials purchase and management, labour utilization, and manufacturing overhead absorption. Evidence obtained through the survey instrument further indicates that manufacturing companies in Rivers State prepare short term, medium term and long term plans.

This study used net profit as proxy for corporate performance. An overall mean of 3.5769 as shown in table 3 was obtained as opposed to the expected mean of 2.5. The implication of this result is that the manufacturing companies surveyed performed well in financial terms. Thus, the manufacturing companies investigated in the course of the study, as confirmed by the respondents, have had stable profits over the past five years.

In terms of the relationship between the various measures of management accounting information and the corresponding measure of corporate performance, the study found that a positive linear relationship exists between management accounting information and corporate performance. However, the relationship between the two variables was found to be very weak; though it can be observed from table 6 that financial planning has a stronger correlation with net profit than the other two proxies of management accounting information. The results of the study also indicate that management accounting information has very marginal influence on corporate performance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study has revealed that a positive linear relationship exists between management accounting information and corporate performance, confirming the importance of management accounting information to manufacturing companies. However, there is a very weak correlation between management accounting information and corporate performance (measured in terms of net profit) of manufacturing companies in Rivers State, Nigeria, implying that the performance of a manufacturing company does not substantially depend on management accounting information.

Recommendations

The following recommendations are advanced based on the findings and conclusion of this study:

1. Management of manufacturing companies should continue to demand management accounting information so as to sustain the positive relationship that has been identified to exist between management accounting information and corporate performance.

2. The management accounting information system of manufacturing companies should be revamped to ensure timeliness, accuracy and completeness of management accounting information made available to management for decision making.

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APPENDICES

Appendix 1: Manufacturing Companies in Rivers State

S/No.	Names of Companies and Addresses	Product Manufactured
1	Air Liquide Nigeria Plc Plot 108, Trans Amadi Layout Port Harcourt	Industrial and medical gases and welding equipment.
2	Almarine Limited 28, Kolokuma street Borokiri Port Harcourt	Outboard engine Boats
3	Crocodile Matchets Nig, Ltd Plot 29, Trans Amadi layout Port Harcourt	Matchets
4	Eastern Bulkcem co. Ltd Rumuolumeni, Port Harcourt	Eagle cement
5	Eastern Enamelware Factory Ltd Plot 29, Trans Amadi Layout Port Harcourt	Household cooking utensils
6	Rivers vegetable Oil Co. Ltd Plot 80, Trans Amadi Layout Port Harcourt	Vegetable edible oil
7	General Agro Ind. Limited Plot 78/79, Trans Amadi Layout Port Harcourt	Edible vegetable oil and palm kernel pellets
8	First Aluminum Nig. Ltd Plot 19-21, Trans Amadi Layout Port Harcourt	Aluminum coils, sheets & circle collapsible
9	Nigeria Bottling Co. Plc Plot 126 , Trans Amadi layout Port Harcourt	Coca-cola, krest, Bitter lemon, sprite & fanta
10	Nigerian Engineering Work Ltd Trans Amadi Layout Port Harcourt	Steel structure and pipes, pressure vessels, filling cabinets, cupboards, wardrobe, chairs and desk library shelving, storage shelving, industrial lockers and Fabrication.
11	PH Flour Mills limited 8A, Industry Road Port Harcourt	Flour and maizelina, semolina, bran
12	QR Manufacturing and trading limited Plot 75Trans Amadi Layout Port Harcourt	Motor vehicle radiators
13	Sun Flower Manufacturing Company Ltd Plot 70, Trans Amadi Layout Port Harcourt	Plastic bags, containers and household utensils

14	Shower Limited 17, Ohaeto Street, D-line Port Harcourt	Safety and related uniforms & others
15	Polo Packaging Ind. Ltd Plot 84 Trans Amadi Layout Port Harcourt	Polopropylene woven bags & packaging materials
16	Nikko Industries Nig. Ltd Choba, Port Harcourt.	Nylon Fishnets, Auto Trawl Net
17	Galba Limited Plot 311, Trans Amadi layout Port Harcourt	Refurbished Flat 682 T3-N3 truck, Trailer axles flat 682 T3-N3 Engine refurbishing of Diesel & Gas, Turbine engine, power plant & truck spares.
18	Oil &Industrial Services Ltd 9A, Trans Amadi layout Port Harcourt	Gears, shafts, bolts & nuts, Flanges, bushings
19	Crushed Rock Nig. Ltd PH/Aba Expressway Port Harcourt	Granite block & Aggregates
20	Danelec Limited Plot 278, Trans Amadi Layout Port Harcourt	Electrical/ Electronic Regulators
21	Dangote Bail Ltd Onne Port Harcourt	Cement
22	Keedak Nig. Ltd Plot 18, Trans Amadi Layout Port Harcourt	Specialty chemical & water treatment application
23	West African Glass Ind. Plot 134, Trans Amadi Layout Port Harcourt	Hollow Glass containers
24	Boskel Nigeria Limited PH/Aba Expressway Port Harcourt	Smokeless Flares for the oil 7 glass industry
255	Eastern Wrought Iron Limited Plot 47, Trans Amadi layout Port Harcourt	Bunk beds, wrought iron furniture, hospital & school furniture, star foam, industry and domestic tanks
26	Dufil prima Foods Ltd. Plot 29, Trans Amadi layout Port Harcourt	Indomie Instant Noodles brands
27	Far East Paint Lustre Ind. Ltd Plot 170/171, Trans Amadi Layout Port Harcourt	Paints & painting materials, ink, polish colouring & shading, mixture dyes, pigments, varnishes Resins
28	Hoison Energy & Resources Serv. Ltd. Trans Amadi Layout Port Harcourt	High Density polyproethylene plastics & high density polypylene waste bags

29	Chief Ellah & Sons Nig. Ltd 13 Forces Avenue Port Harcourt	Fish & animal products
30	Best Aluminum Mfg Co. Ltd 85, Aba Road Port Harcourt	Aluminum roofing sheets & cooking utensils
31	Eleme petrochemicals company Ltd Eleme, Port Harcourt	Polypropylene, polyprothylene
32	Delta plastic Ltd Industrial complex, Apa Ogwu Road, off R.D road, Rumuodara, Port Harcourt	Poly bags, Bopp brand wrappers, pure water films, shopping bags, pet bottles, disposals, plates

Source: Manufacturers Association of Nigeria, Rivers/Bayelsa Branch.

APPENDIX 2: FURTHER REGRESSION RESULTS

Appendix 2a: ANOVA Result for Budgeting and Budgetary Control and Net Profit.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.044	1	.044	.679	.413[b]
	Residual	4.071	63	.065		
	Total	4.115	64			

a. Dependent Variable: NET PROFIT
b. Predictors: (Constant), BUDGETING AND BUDGETARY CONTROL

Appendix 2b: ANOVA Result for Standard Costing and Net Profit.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.005	.946[b]
	Residual	4.115	63	.065		
	Total	4.115	64			

a. Dependent Variable: NET PROFIT
b. Predictors: (Constant), STANDARD COSTING

Appendix 2c: ANOVA Result for Financial Planning and Net Profit.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.399	1	.399	6.758	.012[b]
	Residual	3.717	63	.059		
	Total	4.115	64			

a. Dependent Variable: NET PROFIT
b. Predictors: (Constant), FINANCIAL PLANNING

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CHART OF ACCOUNTS: A CRITICAL ELEMENT OF THE CHURCH FINANCIAL MANAGEMENT FRAMEWORK IN NIGERIA (A SURVEY OF SELECTED CHURCHES IN NASARAWA STATE, NIGERIA)

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ABSTRACT: *This paper discusses the subject of "best practices" for designing and implementing chart of accounts and how to put them into place in churches and ministries. The Chart of Accounts provides a critical financial management solution for churches and ministries whose administrative and economic infrastructure is obsolete, or has been destroyed through mismanagement of fund by unqualified staff. The paper adopts primary method to collect its data. Five church Denominations/Ministries were selected from available church Denominations and Ministries in Nasarawa state. The population per selected business is ERCC 20; ECWA 25; COCIN 20; Living seed (Peace House) 25; Word of God Ministry 10; were selected using the random sampling technique. Tables and simple percentages were used to analyze the data. The paper finds that not all the churches and ministries uses chart of accounts holistically in the preparation of their financial statements. Therefore, the paper recommended that a down-earth application of chart of accounts should be embraced by church denominations for efficiency and growth.*

KEYWORDS: Application, Chart, Church, Ministry, Financial Management, Nigeria

INTRODUCTION

All organizations, be it for-profit or not, need accurate bookkeeping and accounting, and chart of accounts to avoid negative consequences like fines, a damaged reputation, poor records keeping and even closing down. These repercussions tend to be magnified for nonprofit organizations especially churches and ministries; they face losing their tax-exempt status and credibility, which can prove devastating since the general public tends to hold churches, ministries and nonprofits to higher standards.

To protect an organization's reputation and credibility, bookkeeping and accounting are crucial as well as the use of charts of accounts, even though they are not the same thing.

Churches have a lot to manage. As they strive to keep a good grasp on bookkeeping, future plans and the needs of their members, accounting and its charts can become an afterthought. Often, churches pay little or no attention to their financial records and its charts of accounts except during a time of crisis or when there is a notice of an upcoming audit.

The concept of chart of accounts is unique to church and Ministry organizations. The chart of accounts is defined as the complete list of all general ledger accounts for each fund within the congregation.

The chart of accounts for a small business is a plan. It is an index of all the accounts where the company files away its financial information. The chart of accounts is a listing of all the company's account names and numbers where it records its financial transactions. Therefore, you need to develop a chart of accounts before you can set up your general ledger. (Peavler R, 2017).

Statement of the Problem

Several religious organizations in Nigeria are now being faced with the problem of developing charts of accounts which helps the churches and ministries to prepare their financial statements. Churches and ministries in Nasarawa state are not an exception as most of them are incapacitated in terms of developing good charts of accounts. For good financial records keeping, there must be a well-developed charts accounts and financial reporting procedures which will lead to proper accountability and transparency in such organizations Based on this, this study is undertaken in order to assess the applicability of charts of accounts in religious organizations taken into consideration, some churches and ministries in Nasarawa state so as to know how the churches develop and use their charts of accounts and to proffers solutions that can improve the preparations of their financial Statements for better result.

Objectives of the Study

The main interest of this paper therefore is on the mechanism of developing charts of accounts that can influence the quality of financial report/information of churches and ministries operations in Nasarawa state. Other specific objectives include, to:

1. Know whether churches and ministries in Nasarawa state have charts of accounts in their organizations.
2. Determine the level to which churches and ministries in Nasarawa state develop and apply their charts of accounts.
3. Identify the role charts of accounts played in the financial management and preparation of financial statement of church and ministry organizations.

LITERATURE REVIEW

An Overview of Chart of Accounts

Recording and reporting financial information requires keeping a chronological log of transactions and events measured in monetary terms and classified and summarized in a useful format based on the business needs of the organization. This is achieved with the help of a Chart of Account. Raw data is not very useful until it has been appropriately classified and summarized into meaningful information by using an appropriate Chart of Account (COA). With a poorly designed Chart of Account, straightforward tasks such as the preparation of standard reports become onerous and often require human and spreadsheet intervention. It becomes difficult to retrieve and reconcile the required financial data and the financial reports become unreliable. Cooper J. and Pattanayak S. (2011).

According to Integrated Financial Management Information Systems (IFMIS), The Chart of Accounts (COA) represents the basic building block of any accounting system The Chart of Accounts lists all accounts tracked by the system. Each account in the chart is assigned a unique identifier, or an account number, involving a series of information tags that denote certain things about the data being entered into the system.

According to Louis Berger Group and Development Alternatives, Inc (2008), the Chart of Accounts is integral to the success of any Integrated Financial Management Information Systems (IFMIS). Without an intelligently designed Chart of Accounts (COA), information cannot be stored or accessed properly. Designing an appropriate Chart of Accounts (COA) is not a difficult task, but obtaining the agreement of all parties is. Once there are more than a handful of stakeholders involved, then the task of reaching consensus can become virtually impossible.

Furthermore, the chart of accounts can be compromised by the frequent changes in leadership and priorities that are characteristic of most governments. There are constant pressures to restructure or re-shuffle administrative units or shift responsibility for programs each time there is an election or a minister is replaced. If the Chart of Accounts (COA) is not designed with the flexibility to accommodate these types of changes, then the Integrated Financial Management Information Systems (IFMIS) will almost certainly be thrown into disarray.

Charts of accounts are as important for the churches and ministries organizations operators as blood for the body.

In Rosemary P. 2017, a chart of account is a block of numbers is usually assigned to each of the categories that make up the chart of accounts and blank numbers are left at the end for additional accounts to be added in the future.

As a part of the accounting cycle, the chart of accounts is used in journal transactions can be categorize into five. They include:

1. Assets
2. Liabilities
3. Owner's Equity
4. Revenue
5. Expenses

The chart of accounts is organized by the order of each account's appearance in the financial statements, starting with the balance sheet and continuing with the income statement.

The first category on the chart of accounts is the Asset accounts. A business firm needs to personalize its chart of accounts and list. For example, there are accounts that will be on every company's chart of accounts such as Cash. Each business is different and when charting your asset accounts, you need to think about all the things your business owns and expects to own during the coming year.

Every business usually has two basic account groups for assets on its chart of accounts. The two basic categories are current assets and long-term assets.

The chart of accounts is part of the second function of the double entry accounting system- to organize financial transaction data. The chart of Accounts provides the organizational structure for another element the general ledger which summarizes the financial data and produces financial reports.

The chart of accounts is basically a list of descriptions used to answer transaction questions where did the money go? What was either gained or paid for by this exchange? Where did the money come from? What is the source of the value in this exchange? Each unique description is called an account one of the best features of the chart is that when you have a new type of transaction you can just add a new description (account).

The chart of accounts is really comprised of three things for each Account - an Accounts Number, a description and an Accounting type. The transactions and account balances are part of a ledger called general ledger.

The 7 basic Accounting types (in order) are:

1. Assets - Things you own.
2. Liabilities - Things you owe
3. Equity - Owners stake in company
4. Revenue - Income through sales of products of the business
5. Cost of Goods Sold - Costs to provide the service to manufacturer or acquire the product the business sells
6. Expenses - Things that are paid for that are consumable, they have no lasting value but are part of the cost of running a business.
7. Other Revenue and Expenses - Revenue and expenses that are unusual cases and are not directly related to the business product and are not costs of running a business. (Erin L. 2008)

The Chart of Account is the lynchpin of a government's accounting and reporting system and serves as a key tool to meet its business requirements.

The Chart of Account is a critical element of the public financial management (PFM) framework for classifying, recording and reporting information on financial plans, transactions and events in a systematic and consistent way. It is an organized and coded listing of all the individual accounts that are used to record transactions and make up the ledger system. In particular, it specifies how the financial transactions are recorded in a series of accounts that are required to be maintained to support the needs of various users/stakeholders. It also defines the scope and content of these accounts for capturing the relevant financial information. Cooper J and Pattanayak S (2011).

The chart of account provides a coding structure for the classification and recording of relevant financial information (both flows and stocks) within the financial management and reporting system. The classification structure should not only meet the legal and administrative requirements for budget management and financial reporting, but should also conform to certain international standards on financial and statistical reporting for budget management purposes, the Chart of Account should meet the requirements of planning, controlling and reporting of budgetary allocations/appropriations as well as internal management needs of budget units and/or cost centers. J. Cooper and S. Pattanayak (2011).

Key Factors for the Design of a Chart of Account

Designing a Chart of Account is one of the first, if not the first, task that is performed when setting up a budgeting and its associated accounting and financial reporting systems. The Chart of Account should seek to meet the information/reporting requirements of all stakeholders who all have varying roles and responsibilities and require financial and non-financial data for a variety of purposes. The definition, use and maintenance (over time) of the Chart of Account segments are critical to ensure data integrity and usefulness of reports coming out of the financial accounting and reporting system. J. Cooper and S. Pattanayak (2011)

Core Principles for Effective Development, Implementation and Maintenance of a Chart of Account

- **Comprehensiveness**. The COA should be comprehensive enough to capture all the required/relevant information and it needs to reflect not only the budget framework but also the accounting framework.

- **Adequate Granularity**. The segments and sub-segments of the COA should be designed to facilitate many possible combinations of data elements necessary for control and reporting purposes.

- **Mutual Exclusiveness.** The COA segments and their attributes should be defined in a way to make them mutually exclusive and avoid confusion in transaction recording and reporting.

- **Avoiding Redundancy**. There is no need for an independent segment in the COA if the related information could be derived from another segment. Where there are multiple classifications, it is useful to explore the relationships between those classifications.

- **Internal Consistency**. The logic applied in designing the hierarchical structure of COA segments should be internally consistent. Using a consistent numbering system and structure helps make the chart user friendly and reduces the chance of coding errors.

- **Unified Framework.** Sometimes individual accounting units are allowed certain flexibility in developing their own specific accounting codes at a more detailed level to capture/ record specific information.

- **Scalability**. The Chart of Account should allow flexibility for future additions and changes as far as possible. It should provide for capturing additional information in future, particularly when such information has been anticipated/identified as part of an ongoing Public financial management FM reform program. J. Cooper and S. Pattanayak (2011).

Key Steps in Developing a Chart of Account

The development and implementation of a Chart of Account should involve the following key steps.

i. The COA can only be properly configured after a comprehensive business needs analysis has been undertaken.

ii. The primary classifications that are essential for controlling, managing and reporting on the implementation of budget should be adhere to.

iii. The COA segments and the hierarchical levels within each segment should be defined.

A chart of accounts is simply a list of the accounts and numbers you set up to use in your accounting system. It is the foundation for your entire accounting system, (Steven B. 2017) Even though each organization's chart of accounts is unique, most nonprofit and churches use a universal numbering system to avoid confusion for your staff, bookkeepers, accountants, and financial institutions. Account numbers are often five or more digits in length with each digit representing a division of the company, the department, the type of account, etc.

Chart of accounts is important as it is the foundation of your entire accounting system. It is always advisable to start out simple chart of accounts and only with the accounts they are currently using as is definitely a "work in progress". (Steven B. 2017).

Tips on Building a Good Chart of Accounts (COA)

- It is a lot easier to add accounts than to delete them
- Don't use specific names such as ABC dues, Drop box, and Amazon Prime instead use generic account names such as "Dues and Subscriptions".
- In most accounting software, you can run vendor reports to get more details.
- Use sub accounts! In most software you can use sub accounts to detail donations and expenses out and then collapse those accounts to run more generalized reports. An example of that would be Utilities.
- Use tags in Aplos to designate and identify certain things you want to temporarily track (instead of building multiple funds (https://www.iconcmo.com)

Coding

In Bean Counter's Dave M. defined chart of code as numbers, letters, or a combination of letters and numbers (alphanumeric) that is used to represent, identify, and organize something. The code itself, the numbers, letters, or combination of letters and numbers is usually meaningless. The code gets its meaning when it is assigned or related to something (object) such as a document (invoice number), employee, product, account, etc. In accounting, one of the main uses of codes is to identify accounts. Account Codes can be numeric (numbers), alpha (letters of the alphabet), or alphanumeric (combination of numbers and letters).

Setting up and assigning your codes to the accounts, whether for a manual or computerized system, is the most critical and often the most time consuming and confusing step in establishing and setting up your chart of accounts. Dave M.

Types of Coding Systems and their Structure

Bean Counter's Dave Marshal explores the different types of Coding Systems and how they relate to accounting and the chart of accounts as follows.

(a) **Sequential:** Consecutive numbers are assigned to uniquely identify something. As related to accounting, this something is normally documents. The consecutive numbers are assigned to documents such as checks, invoices, purchase orders, receiving reports, customer payments, etc. in order to control and identify specific documents. Preprinted forms such as checks or customer invoices with the numbers 0001 thru 9999 assigned are examples of using a sequential coding system.

(b) **Blocks or Groups:** Block codes use characters (numbers and/or letters) to assign or organize something into special unique groups or categories. The block is actually a range (block) of characters that uniquely identify something. Block codes usually have a fixed length.

(c) **Hierarchical:** Structure that resembles an upside down tree structure: Information is classified and grouped into successive levels or layers. I say upside down tree because the root of the tree begins at the top and the tree branches go downward while a normal tree structure has it root at the bottom and the branches go upward. Some examples of this type of structure are a company's organization chart and an ancestry chart. The structure depends on defining parent and child relationships.

(d) **Mnemonic:** Mnemonic means something that aids the memory. Mnemonic coding systems use letters and/or numbers as an aid for identifying and remembering something. If you recall, I mentioned earlier that most codes are **meaningless by themselves**. This is an **exception**. This is a code that conveys meaning by itself. An abbreviation that we commonly use is an excellent example of using mnemonic codes.

(e) **Faceted:** Alphabetic characters and/or numbers are often used to identify pieces of information called facets that can also be used to define accounts. Each facet is a piece of information. The facets are combined like building blocks to construct an account**:** A faceted code is one that is made up of group or category codes (code segments) each of which identifies a unit of information. In constructing a faceted chart of accounts, the complete account code is actually made up of many mini-codes (facets). Each mini-code (facet) tells us something about the account.

(f) **Combination Coding System:** While it might appear that you have to select one type of coding system to use for your chart of accounts this is not necessarily the case. Unless the accounting software you plan on using dictates a specific coding system that has to be used, you can use numbers and/or alphanumeric characters and a combination of hierarchical codes, block codes, faceted codes, and mnemonic codes to develop your chart of accounts.

Chart of Accounts Important

Anand (2004) highlight the following as the important of chart of account.

i. A chart of accounts is a tool for gathering and organizing information.

ii. The chart of accounts is the Foundation that your financial record keeping system is built upon.

iii. Chart of Accounts use with Accounting & Bookkeeping Software

Benefits of Common Chart of Account

Some of the Benefits of using common chart of accounts according to Anand (2004) are as follows

a. Drives consistency of reported information across business units and ensures compatibility.
b. Reduce the effort to consolidate information to satisfy management requests.
c. Reduces reconciliation procedures.
d. provides easier benchmarking between different business unit/ territories
e. Allows ability to leverage staff between different business units
f. reduces learning curve due to commonality
g. Provides a frame work to introduce financial shared services

According to Melanie P. (2014), reviewing the chart of accounts is one of the most important exercises involved in a major ERP software implementation. The function is so valuable; it should be done every year well, not exactly, but almost. Chart of accounts cleanup is onerous only when it has been let slide for several years.

Chart of Account an Invaluable Tool

Keeping the chart of accounts up to date and in sync with the organization's operating structure remains an essential part of efficient and effective government operations. When evaluating how best to allocate scarce resources among unlimited demands, efficiency is nearly always at the heart of the conversation. Reviewing the chart of accounts focuses attention on how the financial management system, both technological and human resources, serves the organization. Melanie P. (2014).

The chart of accounts remains an obscure back office relic instead of an invaluable tool for regular use. A factor that complicates our understanding and use of the chart of accounts is that it has evolved over time and, from a software perspective, without control. Rarely can an account or program be deleted from the software, even though it is no longer needed or useful.

Linking the jurisdiction's organizational chart to the chart of accounts forces participants to consciously decide that a structure should or should not continue - a fact-based alternative to the "because we've always done it this way" principle. Making sure that the organizational structure serves the best interests of both the community and the jurisdiction provides great benefits.

Making sure that the structure is as efficient and most effective it can be, within consciously determined requirements, establishes a protocol for more disciplined evolution

Unfortunately, many software applications fall short when it comes to the most important aspects of having accurate accounting records and providing the reports required by the Financial Accounting Standards Board (FASB). Rosemary P. (2017).

RESEARCH METHODS

The survey research method was adopted in this study on Chart of accounts: A Critical Element of the Church Financial Management Framework in Nigeria.

This study was designed to investigate the effectiveness of development and application of chart of accounts among Nigerian church and ministry organizations with particular to Nasarawa state. The population per selected church denomination is ERCC 20; ECWA 25; COCIN 20; Living seed (Peace House) 25; Word of God Ministry 10; were selected using the random sampling technique.

Data were collated from church founders/pastors/priests, accountants and randomly selected members of the congregation. Sampled churches were recognized through information gathered from the local Christian Association of Nigeria (CAN) Nasarawa state chapter. The collected data were analyzed statistically to establish the findings. Nasarawa state was chosen because of the presence of several mix of church denominations that suit this research.

Sampling Procedure

The participating churches were selected by random sampling. The criteria to participate in this study were that (a) the congregation qualify as a church small based on the CAN standard (b) the participants must have good knowledge of the church's financial operations, (c) the participants were ready to provide information required (d) the church has been operating for at least ten (10) years.

In order to conclude the study, 100 copies of questionnaire were constructed and administered on the staff and management of the five selected small scale enterprises. Details of staff strength of the selected businesses and the randomly selected number of employees for the study are as below.

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 for the study were obtained through the primary source. The primary data were generated through self-administered questionnaire. The instrument was administered on participating staff and management to determine their compliance to the development and usage of chart of account. 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 two based on the major procedures of the application of chart of account which is based on development and usage.

Relevant statistical tools such as the percentages and tables are used for the data analysis. The questions were analyzed using a survey questionnaire with a - 5 Likert scale response options of Strongly Agreed (SA), Agreed (A), No Effect (NE) Disagree (D), and Strongly Disagreed (SD). It was structured in line with the objectives of the study. All questionnaires were returned, because this researcher personally collected questionnaires one after the other. The study and methods applied for analysis are simple percentages.

Details of staff strength of the selected businesses and the randomly selected number of employees for the study are as below.

S/No. Enterprise	No. of Staff	Randomly	Selected Non Returned
ERCC	20	17	3
ECWA	25	22	3
COCIN	20	18	2
Living seed (Peace House)	25	24	1
Word of God Ministry	10	8	2
	100	**89**	**11**

Source: Field Survey 2018

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4. To ascertain whether there is chart of accounts in your organizations

Options	Responses	%
Strongly Agreed	25	28
Strongly Disagreed	53	60
Agreed	-	-
Disagree	11	12

Field Survey, 2018

Table 1 depicts 25(27%) respondents that admit knowledge of existence of chart of accounts. 53(60%) respondents out of 89 is strongly of the view that there is no existence of chart of accounts, while 11(12%) respondents did not accept the existence of chart of account in their organization.

5. To determine If chart of account is in practice in the organizations

Options	Responses	%
Strongly Agreed	26	29
Strongly Disagreed	44	49
Agreed	10	11
Disagree	9	10

Field Survey, 2017

Table 1 depicts 26(29%) respondents strongly accepted that chart of accounts is in practice. 44(49%) respondents out of 89 is strongly opposed that chart of accounts is not in practice in their organizations, while 9(10%) respondents did not accept that they practice it in their organizations. This simply implies that chart of accounts is not a common practice in many churches. Non application of chart of account by many church organizations robs the organization of great benefits of the chart of accounts.

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6. To Determine the Success or Failure of the of the use of chart of account

Table 1

Options	**Highly successful**	**%**	**Successful**	**%**	**Fairly Successful**	**%**	**Not successful**	**%**
Development	13	15	24	27	15	17	37	41
Uses/Application	12	13	23	26	14	16	40	45
Adoption	10	11	21	24	12	13	46	52

Field Survey, 2018

From the table above, 13 (15%) respondents believed that development of chart of account is highly successful, 24 (27%) said it successful, 15(17%) see development as only fairly successful, while 37(41%) does not believe that chart of account is successful. development of chart of account is pivotal to any church and for any church or ministry to thrive depends on good development of chart of accounts. This could be the problems of these selected churches and ministries under review; 12(13%) said uses/application is highly successful 23(26%) said it is successful, 14(16%) said it is fairly successful while 20(45%) said uses/application is not successful. Based on the analysis of the respondents, it is an undisputable fact that the uses of chart of accounts are unsuccessful. Adoption has 10(11%) respondents who said it is highly successful, 21(24%) said it is successful, 12(13%) said it is fairly successful while 46(52%) said it is not successful. uses and application of chart of account is key to churches and ministries successes.

7. To determine the role of the development and application of chart of account as a panacea for effectiveness financial management in churches and ministry organizations

Options	**Responses**	**%**
Strongly Agreed	40	45
Strongly Disagreed	17	19
Agreed	24	27
Disagree	8	9

Field Survey, 2017

From table above, 40(45%) accepted strongly that the development and uses of chart of accounts is key to effectiveness of financial management in churches, 17(19%) strongly disagreed that development and uses of chart of accounts has little to do with financial management of churches in most churches, ownership and management are inseparable. Therefore, Management and employees are expected to have a stake in development and uses of chart of account. 24(27%) respondents accepted that the development and uses of chart of accounts is important to effectiveness of financial management in churches, while 8(9%) do not see the important of the development and the application of such. From the responses it can be deduced that chart of account have an important role to play in church organizations.

8. To ascertain whether chart of account form part of the financial management frame work of the church.

Options	Responses	%
Strongly Agreed	38	43
Strongly Disagreed	14	16
Agreed	27	30
Disagree	10	11

Field Survey, 2018

From table above, 38(43%) strongly believed that chart of accounts is part of financial management frame work in churches, 14(116%) strongly opposed the assertion. 24(27%) respondents agreed that the development and uses of chart of accounts is part of financial management frame work in churches, while 10(11%) object this. it can be seen there that chart of account forms part of financial management frame work in churches,

9. To identify factors militating against the application of chart of account in church organizations.

Options	Yes	%	No	%
Disposition of church management staff/Leaders	60	67	29	33
Inadequate Qualification/ training of staff	50	56	39	44
Job description	55	62	34	38
Poor remuneration	61	69	28	31

Field Survey, 2017

From the above table, 60(67%) blame the disposition of church management staff/leaders as a factor militating against the application of chart of account in churches. 29(33%) do not fault the management disposition. In most churches, ownership and management are inseparable. Management-employees' relationship is expected to be cordial such that the success of the church organizations can be achieve. Inadequate Qualification/ training of staff training is faulted by 50(56%) respondents and 30(44%) do not. From the responses it can be deduced that these organizations may likely have leadership style problem. The essence of training and retraining of personnel cannot be overemphasized.

55(62%) respondents believe that lack of clear definition of responsibility (Job description), militates against the workability of ethics in small scale businesses while 34 (38%) do not share in that opinion. These responses are not in consonance with the belief that clear definition of responsibility enhances smooth reporting and communication system. Poor remuneration is seen by 61 (69%) respondents as the factor militating against the application of chart of account while 28(31%) said no. Poor remuneration churches and ministries is a common phenomenon in our societies. Remuneration is only varied in churches in situation where the fortune changes as a result of staff commitment to the business given that the owners are considerate.

Statement of Findings

The paper establishes the following findings:

1. There is existence of chart of accounts only in few churches and ministries.
2. Chart of accounts is not holistically in practice in many church organizations
3. Management disposition to organizational policies, inadequate training, and poor remuneration are major factors militating against the application of chart of accounts.

CONCLUSION AND RECOMMENDATIONS

The chart of accounts (COA) is the lynchpin of a government and non- government accounting and reporting framework for classifying, recording and reporting information on financial transactions and balances. The COA is also the hub of any computerized accounting and reporting system. A COA provides the structure and classification systems for organizing, recording and reporting financial information. It defines the organization of the books of accounts to be maintained to support the needs of users/stakeholders and provides a coding structure for the classification and recording of relevant financial information (both flows and stocks) within the accounting system. There are several core principles and factors that need to be taken into account in developing a COA. The development of a COA, therefore, should receive adequate attention and be a central element of any church organizations reform plan.

The paper therefore recommends the following:

(i) A down-earth application of chart of accounts should be embraced by church denominations for efficiency and growth.

(ii) Churches and ministries should embark on developing and implementing a plan for capacity building of Chart of accounts users as well as a change in management strategy to effectively implement the Chart of accounts and associated reforms.

(iii) There should be upward review of employee’s remuneration. This will boost the morale of employee to put in their best in ensuring the application of chart of accounts in the preparation of their financial statements.

(iv) There should be a harmonization of the budget classification and the Chart of Accounts

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ESTIMATE THE HEALTH SERVICE QUALITY AT THE PUBLIC HOSPITAL TRIPOLI LIBYA

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ABSTRACT: *The aim of the paper was to understand patients with heart failure, with a particular emphasis on their experiences of food and food intake through developing a theoretical model. The study is descriptive and exploratory in nature while using grounded theory approach because the study is inductive in nature, which means that the author wanted to generate theories and models rather than to test hypothesis. The study has used qualitative method and data collection method was interviews of patients with heart failure. To analyse the interviews, interview transcripts were sorted in different categories or patterns, each pattern were coded and then recoded. This means that there were various categories and sub-categories; this helped the authors to see various relations and interactions between categories and/or sub categories. The findings of paper suggest that there are two primary categories, emotions and meaning for food. Emotions such as positive ones could be associated for wellbeing and comfort while negative emotions could be associated with sorrow and burden. Moreover, the patient's experiences of food and eating changed during the course of the disease. Patients with severe heart failure had increased problems with food and ate only for sake of sustenance as a result weight loss was found in those patients. Therefore, as patients with heart failure suffered with sad emotions it reflected in their eating habits, i.e. they lost interest in eating which further resulted in losing weight. These problems are more common in patients above 80 years old however primary health care nurse could help their situation.*

KEYWORDS: Tripoli, Hospital Management, Service Quality, Heat Failure, Food Intake

LITERATURE ON SERVICE QUALITY AT PUBLIC HOSPITAL TRIPOLI LIBYA

What is Service Quality?

Quality of a service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990). In relation to the service improvement opportunity there are many criteria's that could be used to define a quality service or product. Lehtinen and Lehtinen (1985) "*spoke about the physical, corporate and interactive quality of a service/product*" while Grönroos (1984) referred to "*technical dimension, a functional dimension and the firm's image as a third dimension*" (Chowdhary and Prakash, 2007).

Physical quality argued by Lehtinen and Lehtinen relates to the tangible aspects of the service while interactive quality refers to the interactive nature of services and refers to the two-way flow that occurs "*between the customer and the service provider, or his/her representative, including both automated and animated interactions*" Kang and James (2004). And corporate quality involves the image accredited to a service provider by its current and potential customers, as well as other stake holders.

Nevertheless Parasuraman *et al*. (1988) published empirical facts from five service industries that recommended that five dimensions more suitably capture the "*perceived service quality construct*". Parasuraman's *et al.* (1988) five dimensions include tangibles, reliability, responsiveness, assurance, and empathy. Each dimension can be examined as follows,

a) *Tangibles*: Physical facilities, equipment and appearance of personnel.

b) *Reliability*: Ability to perform the promised service dependably and accurately.

c) *Responsiveness*: Willingness to help customers and provide prompt service.

d) *Assurance*: Knowledge and courtesy of employees and their ability to inspire trust and confidence.

e) *Empathy*: Caring, individualized attention the firm provides for its customers.

Gronroos (2001) argued that contrary to goods quality, in service quality, "*a need-satisfying equivalent of a product emerges gradually for the customer throughout the consumption process. Hence, a service is a process that leads to an outcome during partly simultaneous production and consumption processes"*. Therefore, the service quality is not same as goods quality, rather the service quality starts before the consumption of service starts, continues during the consumption of the service and sometime ends long time after the consumption finishes. This distinctive feature is due to the intangible nature of services.

Moreover, Stephens and Juran (2004) service quality definition is also interesting, according to them service quality is simply meeting and exceeding customer's expectations from the service. Nevertheless, Scheuing and Edvardsson (1994) argues that although service quality is not a uniform concept and there are great differences, for instance, between professional consultancy, telephone, transport, healthcare and cleaning services, yet despite these differences, services quality and the conditions under which they are delivered have certain generic characteristics in common. For example, the customer often participates in a direct and active way in the production process as co-producer by carrying out parts of the service himself or herself, services are largely intangible and hence not easy for the provider to explain and tricky for the customer to assess before buying, many services are strongly tied to employees and thus inseparable from their performers and lastly, services often "*consist of a market offer composed of various value-bearing elements, sometimes referred to as core service and support services*" (Scheuing and Edvardsson, 1994).

Quality Measurement Frameworks - Strengths and Weaknesses

SERVQUAL

The research approach of Zeithaml et al. (1993), i.e. SERVQUAL is inclined on the belief that service quality is measurable, even though due to intangibility it might be more difficult to measure than goods quality (O'Neill et al. (1998). While the SERVQUAL technique has gained a lot of attention for its "conceptualisation of quality measurement issues", it has also attracted criticism, for example, some researchers have debated whether the dimensions of

SERVQUAL are constant across industries while others have argued that better wording for some of the scale items (Babakus and Boller, 1992).

Referring to Buttle (1994), Jabnoun and Chaker (2003) suggests the following advantages of SERVQUAL

- It is accepted as a standard for assessing different dimensions of service quality.
- It has been shown to be valid for a number of service situations.
- It has been demonstrated to be reliable, meaning that different readers interpret the questions similarly.
- The instrument is parsimonious in that it has a limited number of items. This means that customers and employees can fill it out quickly.
- It has a standardized analysis procedure to aid interpretation and results.

However, from a measurement perspective, SERVQUAL technique has three psychometric problems associated with the use of difference scores: "reliability, discriminant validity and variance restriction problems" (O'Neill et al. (1998). A study by Brown et al. (1993) found evidence that these psychometric problems arise with the use of SERVQUAL; they recommend instead use of non-difference score measures which display better discriminant and nomological validity.

However, Zeithaml et al. (1993) responded to SERVQUAL criticisms by arguing that the alleged psychometric deficiencies of the difference-score formulation are less severe than those suggested by critics. However, despite "their argument that the difference scores offer researchers better diagnostics than separate measurement of perceptions and expectations, from a theoretical perspective, there is little evidence to support the relevance of the expectations-performance gap as the basis for measuring service quality" (O'Neill et al. (1998).

SERVPERF

According to Cronin and Taylor (1992), SERVPERF is a better predictor and technique to measure service quality than SERVQUAL. For example, Jain and Gupta (2004) found that SERVPERF was more strongly correlated to overall service quality than SERVQUAL. But on the other hand, Quester and Romaniuk (1997) reported that SERVPERF does not exhibit a stronger relationship with overall service quality than SERVQUAL.

The distinctive characteristic of SERVPERF is that it uses only performance data (unlike SERVQUAL which directly measures both expectations and performance perceptions) because it supposes that respondents offer their ratings by automatically comparing performance perceptions with performance expectations (Carrillat, *et al., 2007). Thus, SERVPERF assumes that directly measuring performance expectations is unnecessary.*

However, Abdullah (2006) argues that whilst SERVPERF's impact in the service quality domain is undeniable, SERVPERF being a generic measure of service quality may not be a totally adequate instrument by which to assess the perceived quality in specific service sectors, such as, education or health sectors. On the other hand, SERVPERF (performance-

*only) results in more reliable estimations, greater convergent and discriminant validity, greater explained variance, and consequently less bias than the SERVQUAL scales (*Llusar and Zornoza, 2000).

What is the Key Quality Management Frameworks used Within Health Services

*The department of health's website www.dh.gov.uk (2009a) states that "Clinical governance is the system through which health services organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care". Similarly, Donaldson and Gray (1998) too has described clinical governance as a "framework through which health services organisations are accountable for continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish" (*Nicholls *et al.*, 2000). Clinical governance is rooted at the core of the UK government's blueprint for quality assurance at a local level (Miles *et al.*, 2001) as a mechanism by which organizations ensure a comprehensive program of quality improvement and have strong arrangements for identifying and remedying risks and poor performance (Walsh *et al.*, 2000).

The term clinical governance was first used by the World Health Organisation (WHO) in 1983 to summarize the conditions of high-quality health care on four important dimensions: "professional performance, resource allocation, risk management and patient satisfaction" (Penny, 2000). In reaction to frequent system failures resulting in a series of unpleasant incidents, the Labour Government introduced clinical governance in 1997 in health services *to encourage an integrated approach to reduce risk and develop the quality of clinical care (Gray, 2001).*

However, McSherry et al., (2002 p24) argues that clinical governance is prone to several criticism, such as, it can be time consuming, cost incurring, could be seen as a policing mechanism, potential to reduce innovation, openness to criticism, it is a long-term strategy and potential of increased litigation cost. McSherry et al. (2002) further criticises that clinical governance places more demand and unrealistic expectations from busy people and ground level health services professionals could lack in knowledge to execute clinical governance effectively.

But on the other hand, according to Lewis *et al.*, (2002) *"... rather than being a cumbersome activity that must be added to the endless list of tasks health professionals are expected to undertake, it (clinical governance) provides the opportunity for staff to acknowledge that a lot of what they already do contributes to the clinical governance agenda, bringing together work as part of a common aim to improve the quality of patient care." Therefore, from this perspective clinical governance takes a wholesome approach to deliver quality service. Nonetheless, t*he introduction of clinical governance, as a framework through which health services Trusts are accountable for continuously improving and safeguarding high standards, has raised a challenge for management teams across the country to deliver quality service (Lewis *et al.*, 2002, referring to DoH, 1998).

Theoretically clinical governance is different from broad uses in that it relates particularly to continuous quality improvement and is now a policy instrument for modernising health care (Gray, 2001). Som (2004) illustrates this further by arguing that the structure of clinical governance recognizes the clinical complexities and tries to overcome some of the obstacles *and challenges by encouraging an integrated and organisation-wide approach towards constant quality improvement. The process of clinical governance also involves "multi-disciplinary teamwork, partnerships and co-operative working practices that will have far reaching implications for clinical relationships, the behaviour of medical professionals and ultimately the delivery of care" (Som, 2004).*

Potential Research Questions

A. Is '*Clinical Governance' an appropriate quality management method for* at public hospital Tripoli Libya Trust?

B. Is there any extent to which '*Clinical Governance' can influence* at public hospital Tripoli Libya to deliver better service quality?

C. What are the factors that mediate between '*Clinical Governance' and Service Quality at* public hospital Tripoli Libya?

Reflection Report on Qualitative Data Collection

Results

In my qualitative research, I found interesting insights and explored new underlying reasons in my qualitative research on my class mates. Most of the students I interviewed explained that they enjoyed smoking when they were nervous or stressed however none could exactly say what feeling they enjoyed in smoking. The participants explained and stressed on the fact that, smoking is more of a habit than necessity, but the habit of smoking is a necessity. This finding was interesting because the participants didn't think smoking is essential but to practice the habit of smoking is more important for them.

The participants revealed mainly two reasons why they started smoking, first was the celebrity effect and second was loneliness. Most of the participants who said that they started smoking because they wanted to be like their idol celebrity were in their 30's while students who said gave the reason of loneliness seemed to me in their 20's.

Most of the participants agreed that they would do their best to avoid going to places where they could face problems due to prohibition of smoking. However, no one could give an exact answer of what they might do when they are in situations in which you can't smoke but agreed that they would do their best to avoid going to such places. Participants also suggested that the most difficult thing would be to keep their patience and concentrate if they cannot smoke.

All participants except one said that they do worry about the health risks of smoking, those who did not excepted gave reasons that they don't think there is enough evidence to suggest that there are health risks due to smoking. One of the two who didn't except, explained that his grandfather lived for 90 years, even though he spoke raw tobacco since he was 15.

Most of the participants said they don't mind the ban on smoking in public places as long as there is a separate designated place for them to smoke, however if there is no place to smoke than many participants suggested that they would consider it as discrimination against those who smoke.

I my study the participants revealed that they would least prefer to smoke in places, such as, children's room or where children are around, GP and hospitals, schools, religious places, parks and public transportation. All the participants gave moral responsibility reasons to justify why they would least prefer to smoke at those places. The participants said they smoking ban has affected their living standard in the society because it seems to them that most of the non-smokers look at smokers as "criminals". The word 'criminal' appeared often in this study in context to the questions "Has the smoking ban affected your social life". However, the participants clarified that smoking ban has in no ways changed their smoking habits, as one of them says "where there is will there is a way".

None of the participants in our study said they every tried to quit smoking, although some of the participants has been persuaded or they thought about it. The participants justified this by saying that they were not enough motivated to quit smoking. But few of the participants agreed that they don't mind looking into new ideas which will motivate them to quit smoking.

Process

The participants of this study were included in this research using judgemental sampling, because it was less expensive and less time consuming and yet convenient however the findings drawn in my study could be difficult to generalize and be subjective (Malhotra, 2004 p331). The participants were interviewed in the cafeteria of the university and I made sure that the interview was not overheard or could be interrupted by anyone, this was to reduce biased opinions from the participants (being aware of the fact that someone else is hearing them and what they might think of them) (Malhotra, 2004 p147-148).

The major problem that I faced during my interview was the fact that interviewees drifted often from the research question, although some out of context answers were useful but rest were generally not related to the research aim and hence not useful. One of the participants started talking about his grandfather and his livelihood, which was not at all related to the research topic, which is smoking habits. Bringing back them back to the research topic/question was not easy.

Nonetheless I found qualitative method very useful in finding information's that I didn't think of before, it helped me to explore not only new ideas and concepts but also underlying reasons for them. I think this research method will be very useful when there is relatively information on the research topic and the purpose if not to test hypothesis. But on the other hand, this research method might be expensive and time consuming when conducted on a larger population size, and if the sample size is small it might be difficult to generalize the findings. In spite of these shortcomings, qualitative research method (interviews) can be very useful.

A report of Quantitative Data Collection

I have designed a short questionnaire to examine whether smoking is facilitated by addiction, by stress, or by both. Questionnaire is a 'quantitative method' that gives statistical and numerical presentation of data, which helps in better rationalising the relationship between primary data and secondary data, and between more than one variable in primary data (Hague; 2002 p48). Since quantitative research methods involve vast number of sample elements or respondents, the results can be relatively a better representation of the entire research population (Dillon, Madden and Firtle; 1990) as long as there is high correlation and less variability. Moreover, it also helps in testing hypothesis or hunches (Parasuraman, Grewal and Krishnan; 2004 p195-196).

However, quantitative research often results in producing “banal and trivial” findings of little consequences due to restriction on and the controlling of variables, hence (Burns, 2007, p10) states that quantitative research produces “synthetic puppet show” or an artificial situation rather than rich dynamic information. One the other hand, quantitative method also helps in greater understanding of concept or clarifies a problem rather than providing precise measurement or quantification as it is descriptive in nature emphasising on words rather than numbers (Zikmund, 2003 p87). The questionnaire method has helped us to elaborate statistical and numerical representation of the findings.

In my quantitative research I have found that this method is cheaper and relatively easier than qualitative method to test a hypothesis, as at relatively less cost and time a wide range of population can be included to test hypothesis. Although in context to my research it might not be correct to say that quantitative research has helped us to explore new findings, rather it has helped to confirm or reject the theories. For example, in my quantitative study I have found that the age group 25 to 34 smokes more (i.e. more than 12 cigarettes per day) than rest of the groups, however there wasn’t any scope to find out any underlying reason, which was possible in qualitative research.

In spite of the shortcoming this method has a benefit that is to confirm or reject a hypothesis on a wider population at a cheaper cost and relatively less time. Moreover, statistical diagrams, such as, bar diagrams, pie charts etc., can help readers to understand the findings better. If my dissertation is to confirm or reject any hypothesis, I will use this method, however to generate hypothesis and explore underlying reasons I will prefer to use qualitative method.

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