

**INTERNAL CONTROL AS AN AID TO ACCOUNTABILITY IN  
THE PUBLIC SECTOR.**

**(A STUDY OF BIASE LOCAL GOVERNMENT AREA, CROSS RIVER  
STATE)**

**BY**

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**ACC/2009/586**

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EMENE, ENUGU.**

**AUGUST, 2013**

**TITLE PAGE**

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF  
ACCOUNTANCY; FACULTY OF MANAGEMENT AND SOCIAL  
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FOR  
THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN  
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ENUGU.**

**APPROVAL PAGE**

These has been read and approved by the department of accountancy, faculty of management and social science, Caritas University, Amorji-Nike, Enugu.

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EXTERNAL EXAMINER

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DATE

## CERTIFICATION

This is to certify that this research work “internal control as an aid to accountability in the public sector” was carried out by Nwanne Paulla with the Reg number ACC/2009/586 and was approved as meeting the requirement of the faculty of management and social sciences for the award of B.Sc. degree in the department of accountancy, Caritas University Amorji-Nike, Enugu, under the supervision of Prof.Nwadiolor E.O

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Prof. Nwadiolor E.O  
(Supervisor)

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Date

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Mr. Frank Ovute  
(Head of Department)

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Date

## **DEDICATION**

This work is dedicated to Almighty God for his divine grace upon my life and to those who believe in truth and hard-work, for the Apostle League of Sacred Heart of Jesus and my dear mother Mary for her intercessions.

## ACKNOWLEDGMENT

My gratitude goes to God Almighty for his divine grace throughout this research work. I also want to give my special thanks to my HOD (Head of Department) Mr. Frank Ovute for his dedication in handling the affairs of the department; my humble gratitude also goes to other lecturers in accountancy department for their contribution. Mr. Enekwe Chinedu, Mr. Uche, Mr. Desmond, Mr. Agwu, Prof. Nwador E.O. They all worked together to impact knowledge to the student.

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I pray that Almighty God may bless those that their names did not appear. By his grace it is well. Amen

## **ABSTRACT**

In this study internal control as an aid to accountability in the public sector was researched on using Biase local government area, cross river state as the case study. The major objective of the study was to find out and understand how internal control aids accountability in the public sector and to explain those relevant topics, which will enable any reader to understand and appreciate the important of how internal control aids accountability. Questionnaires were constructed for the purpose of data collection. The constructed questionnaires were administered to the various departments of Biase local government area. A field study was used to test and establish the validity of the hypotheses. Hence data was carefully analyzed with the aid of simple percentages. The hypotheses were then tested by using chi-square and decision rule which was used in the conclusions. The major findings revealed that, internal control provides desired results in the public sectors; internal control provides for preventing and detecting embezzlement, fraud and errors, for reasonable accounting of liabilities, expenses, revenue and assets. In conclusion, the researcher observed that internal control system has a significant positive impact on every establishment's profitability and survival. No organization, regardless of the nature and size can operate successfully without an adequate and effective system of internal control and accountability. For effective application of internal control these recommendations were made. That good, complete and integrated system of accounting should be established. Written manual of accounts operational procedures should be set out. There should be adequate forms and documents with some control features. Accounting system should emphasis employee competence and duties assigned should be commensurate capabilities. Finally, public sectors should effectively utilize the information or reports given to it by internal audit department in handling its financial affairs.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Internal control according to Okezie (1999:43) could be likened to the heart”, which regulates the business blood”. No business could succeed without an effective control system. Internal control can also be likened to the brake and steering in a vehicle, which, if there are not there, the business “train” will crash. It can be likened to the laboratory or quality control machinery, which controls the quality of products produced by an organization. It is the centre hub of all financial activities of an establishment.

Internal control is one of the essential means of establishing and maintaining management control of a business. It involves the entire basic element of management control and is itself the main element of the appraisal, measurement and evaluation control.

Effective system of control is a prerequisite for the attainment of organizational goals, but it has remained one of the biggest problems facing modern day business. It is an extremely broad topic and of course is not restricted to the accounting field but embraces all activities of the organization.

Generally, all aspect of humans endeavor need control. For instance, the business is controlled by the manger or director, the church by the pastor, the

school by the head teacher or vice chancellor as the case may be. All these are aimed at satisfaction, maximizing gains, ethical requirement, minimizing cost or losses. But these requirements cannot be met if there is no efficient and organized internal control.

The consultative committee of accounting bodies in the United Kingdom (auditing guidelines {1985:5} defined internal control as “the whole system of controls, financial or otherwise, established by the management in other 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”.

Internal control system is divided into two main aspects – Accounting controls and Administrative controls. However, for the purpose of this research project, effort is concentrated mainly on the accounting control aspect.

In government accounting system, internal control is important because the essence of representative government is the existence of a system of checks and balances to safeguard the interest of taxpayers and other citizens. It may be described briefly as a disposition of operations and procedure whereby the accomplishment and recording of every transaction requires the participation of two or more persons. Supplementary of those conditions for constituting internal

control is the additional requirement of an interrelationship of records so designed that the occurrence of another or others.

In recognition of the essential features of a good system of internal control, this research project will try to evaluate the basic element of an organized system of internal control as it applies to Biase local government area, cross river state. In view of this, the researcher will look at the various facet so the local government, and administrative policies of the local government, with special attention on how the local government records her transactions, system of authorization and approvals, segregation of duties as well as safeguarding of properties.

The management of the public sector affairs is totally responsible for the establishment of the system it implores and internal control measures with that system. The concept takes into consideration the fact that human beings are not perfect. There is always the tendency for:

Honest and genuine mistakes.

Dishonest manipulation and deliberate distortion.

Biased judgment and reporting.

All these portray the overall weakness inherent in an organization. This therefore calls for a strong system of internal control, which is capable of producing the desired effects i.e. being accountable to the public.

## 1.2 STATEMENT OF THE PROBLEM

Internal control in the recent years has being singled out for special emphasis. Most of the writers have written about the evaluation of the efficacy of internal control measures in public sectors and most often it has been treated as a problem. Some concentrate on the recording pattern, inventory control system, segregation of duties, authorization and approval procedures while some concern themselves with problems of physical checks.

Internal control is often cited as the root of most problems in public sectors. Problems of internal control are given as the explanation for failures and mismanagement in public sectors.

Since internal control is the factor for the survival of public sectors, the researcher wants to evaluate the efficacy of internal control measures in public sectors. The researcher also wants to find the factors that contribute to achieving an effective system of internal control and the problems facing this. Some of these problems are duplication of functions and duties, embezzlement of funds, errors of omission and commission, over staffing, pilferage and stealing as well as wrong reporting of data. Why do these problems exist? And what is the extent of this problem on the overall performance of the establishment. More so, the researcher wants to identify the various criteria for measuring the efficiency and effectiveness of an internal control system. All these require investigations, and it is the aim of



this researcher to find out solutions to the above mentioned problems with regards to public sectors.

### **1.3 STATEMENT OF THE OBJECTIVES**

The local government has evolved into gigantic size and scope, including a great variety of specialized facilities and technical operations and numbering villages in tenth has made it impossible for the chief executive to exercise personal first-hand supervision of operations. He is no longer able to rely on personal observation as a means of appraising operational results, the chief executive has of necessity come to depend upon the units' heads, head of departments, and a stream of accounting and statistical reports to control and direct the sector.

The information made available keeps management informed as to whether the sectors policy is being executed. It enables the management to know whether the governmental regulations are being observed and whether financial position is sound for accountability.

Therefore the objectives of this study include:

1. To find out the rate of the application of a system of internal control in Biase local government area, cross river state.
2. To advice the public sectors on the findings for improvement.

3. To add to the existing knowledge of internal control as an aid to accountability as well as to make necessary suggestions, for the interest of the government that finances the sector.
4. To make reasonable suggestions on the best way of achieving a good internal control as a way of controlling cost and safeguarding assets, aimed at proper accountability of public funds.
5. To identify the likely factors that impedes efficient internal control measures.
6. To make general and specific recommendations, this in the researchers view will make internal control to aid accountability in the public sector.

#### **1.4 RESEARCH QUESTIONS**

The following questions were used among other primary data for proper completion of the study;

1. Does internal control provide desired effect or result in public sectors?
2. Does internal control provide appropriate segregation of functional responsibilities?
3. Does internal control provide a system of authorization and record procedures adequate for reasonable accounting control over assets, liabilities, revenue and expenses?
4. Does internal control provides a sound accountability of records in the sector

5. Does internal control provide sound practices to be in performance of duties and functions of each organizational department?
6. Does internal control provide for preventing and detecting embezzlement, fraud and errors?

## 1.5 RESEARCH HYPOTHESES

A number of variables must have to be put into consideration in trying to evaluate the efficacy of internal control measures by Biase local government area, cross river state. It is these variables that the researcher wishes to uncover in order to understand the role played by the application of internal control measures to the survival of the public sectors.

Based on the statement of the problem and the purpose of the study, the researcher formulates the following hypotheses:

1. Ho: Internal control does not provide desired effects or results in the public sector.
2. Ho: Internal control does not provide appropriate segregation of functional responsibility.
3. Ho: Internal control does not provide a system of authorization and record procedure adequate for reasonable accounting control over assets, liabilities, revenue and expenses.

4. Ho: Internal control does not provide a sound accountability of records in the sector.
5. Ho: Internal control does not provide a sound practice to be in performance of duties and functions of each organizational department.
6. Ho: Internal control does not provide for preventing and detecting embezzlement, fraud and errors.

## 1.6 SIGNIFICANCE OF THE STUDY

The research work of this nature will be significant to the government, business organizations, academic as well as the researcher.

Often government establishment are accused of dishonest manipulation and deliberate distortion and thereby not being accountable to the public. In this view of this, the significance of the study includes the following:

1. **GOVERNMENT:** It is hoped that findings in this research work and subsequent recommendations will go a long way in helping the state and federal governments achieve their aims and objectives through their establishment and find out how true the accusation is.
2. **BUSINESS ORGANISATIONS:** Every establishment should maintain a cordial relationship with business organizations. The revealing of this relationship and what the government does will go a long way to put the

general public on the knowing of what the government is up to in terms of proper amenities and good infrastructure.

3. **ACADEMIC:** By unveiling the distortions in the local government and unearthing some of their crimes, this study will add to the knowledge of dynamics of Biase local government area, cross river state and to the entire academic world.
4. **RESEARCHER:** The researcher will gain a lot by involving himself in identifying some of the contradictions of policies and giving recommendations that will endeavor to reduce the shortcoming from local governments in the country.

## 1.7 **SCOPE OF THE STUDY**

During research work, students are often faced with many constraints. To evade some of these constraints, students are now required to carry out a research, in a small area selected for study or to be used as a reference point for large area.

This study is based on internal control as an aid to accountability in the public sector using Biase local government area as a case study. The study is also to examine accountability in public sectors and how internal control aids to it.

Therefore the scope of this study covers a spectrum of Biase local government area.

## 1.8 LIMITATION OF THE STUDY

Research of this nature is always beset with series of difficulties, ranging from the problem of data collection, time, low literature and problem of getting the desired attention from the respondents. The major constraints of this study are as follows:

- I. **TIME:** This is one of the major constraints of this study to get the true research it requires. Interview periods are frequently shortened and sometimes rescheduled because of other engagements of the management personnel being interviewed. Also the academic work and other domestic problems of the researcher leave him with limited time for work.
- II. **ATTITUDE OF THE RESPONDENTS:** Some of the respondents were unwilling to disclose certain information for security purposes as well as distorted or biased report from the worker is another constraint. Therefore, the outcome of the study depends on the data collected from the state councils and local government chairman.
- III. **LOW LITERATURE:** Another limiting factor is the non-availability of adequate information involved in the study due to the fact that the local government was in the remote area.

## 1.9 DEFINITION OF OPERATIONAL TERMS

Some terms that are used in the research are defined as they apply to this study. They are as follows:

- **ORGANISATIONAL CONTROLS:** According to Ifurueze {1995:111} “organizational controls are rules and regulations and essential procedure which identifies the organizational structure, define roles, allocate responsibilities and identify lines of reporting for all the establishment operations”.
- **ACCOUNTING CONTROL:** Accounting control according to Ifurueze {1995:111} “comprises the methods and procedures that are mainly concerned with the authorization of transactions, the safeguarding of asset, and the accuracy of the financial records. Good accounting controls help maximize efficiency, they help minimize waste, unintentional errors and frauds”.
- **PUBLIC SECTOR:** This is simply defined as, all organization which is not privately owned or as organization which lie in the hands of the public.
- **INTERNAL CONTROL:** This may be defined as the whole system of controls, financial or otherwise, established by the management to assist in carrying out functions in an orderly manner, safeguard its assets, secure as

far as possible the accuracy and reliability of its records, promote operational efficiency and encourage adherence to policies.

- **ACCOUNTABILITY:** According to Dan Oku {2001}” as setting correct goals, evaluating the effective achievement of the major objective and at what price, presenting and interpreting this information to the public and accepting responsibility of failure.
- **FRAUD:** This means irregularities involving the use of criminal deception to obtain an unjust or illegal advantage.



## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 CONCEPT OF INTERNAL CONTROL, INTERNAL CHECK AND INTERNAL AUDIT**

The terms internal control, internal check and internal audit are sometimes used indiscriminately and from audit perspective these are three separate parts which should each be carefully considered.

Internal control according to the consultative committee of accounting bodies in the united kingdom “as the whole system of controls financial or 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 policy, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The responsibility for establishing and maintaining an adequate system of con troll lies with the board of directors and will include such functions as work study, operations research, production quality control, budgetary control, standard costing, periodic operating reports, statistical analysis and the dissemination thereof, and internal audit.

These types of control will be an integral part of the system although they will not fall with the sphere of finance and accounting; the auditor is primarily concerned with those aspects of internal control which constitute the system of

financial and accounting control that include internal check and internal audit. Internal control then is the whole system of controls including internal check, internal auditing and organization and methods of work generally.

According to Ifurueze (1995:110) internal check can be described as “the organization of the accounting system and the distribution of the duties of the accounting staff, in such a way that the work of each employee will be subject to continuous and automatic check by other members of the company’s staff. It involves the day-to-day checks on transaction which operate continuously as part of the routine system whereby the work of one person comes under the purview of an independent staff; it’s complementary to work of another, with the object of preventing or detection of errors or fraud.

Internal audit according to Ifurueze (1995:110) can be defined as “an independent appraisal activity established by the management of an organization for the review of the internal control system as a service to the organization.

It should be also clearly stated that an efficient internal control may embrace both internal check and internal audit, but while an efficient system of internal control could not operate without internal check, it is quite possible for it to be quite efficiently applied by an organization and proceeds without the operation of an internal audit department.

## 2.2 FACTORS THAT CHARACTERIZE EFFECTIVE INTERNAL CONTROL

Every organization plan should show clearly the department or persons responsible for such functions as purchasing, maintaining accounting recordings receiving incoming goods, approving credits to customers, and preparing the payroll.

When a department or an individual is assigned for a function, it is imperative that authority to make decisions also be given. The assignment of responsibilities and all accounting and internal control policies should be in writing so that responsibility for performance cannot be shifted.

a. CONTROL OF TRANSACTION: According to Walter (1981:220) “if management is to direct the activities of the business according to plan, every transaction should go through four steps. It should be authorized, approved, executed and recorded”. Take for instance, if any item is authorized, approved for purchase by the chief executive director of the building contractors it will go to the chief accountant’s office who will minute to accountant 11 to raise a voucher on behalf of the applicant and immediately after that it will go to the internal auditor’s office who will do his work and send it back to the chief accountant, the chief accountant will then ask the cashier to pay. For proper control when those things are purchased they will be sent to the contractors

stores. The store officer will check the number of item in the receipt whether it corresponds with material bought. The officer that bought those items will then request for those things from the contractors stores. This is to ensure that purchases or transactions are controlled.

b. **ADEQUATE SEGREGATION OF DUTIES:** There are four general types of segregation of duties for prevention of both intentional and unintentional errors that are of specific significance to auditors. These are as follows:

- **Separation of the custody of assets from record keeping:** This type of segregation is the most important in a parastatal. The reason for not allowing the person who has permanent or temporary custody of an asset to keep the records for that asset is to protect the establishment against theft. If one person executes both functions, there is an excessive risk of his disposing of the asset for personal gain and adjusting the records to relieve him of responsibility for the asset.
- **Separation of the authorization of transaction from the custody of related assets:** It is good to the extent that it is possible, to prevent persons who authorize transaction for having control over the related assets. For instance the same person should not invoice and also sign the cheque in payment of the bill. In the same manner, the authority for adding newly hired employees to

the payroll should be performed by someone other than the person responsible for distributing cheque to the employees.

- Separation of duties within the accounting functions: According to Alvins (1980:219) “the least desirable accounting system is one in which one employee is responsible for recording a transaction from its origins to its ultimate posting in the general ledger”. This enhances the chance that unintentional errors will remain undetected, and it encourages sloppy performance of duties.
- Separation of operational responsibility from record keeping: When each division or department in an organization was responsible for preparing its own records and reports, there would be a tendency to bias the results, to improve its reported performance. In order not to encourage biased information, recording keeping is typically included in a separate department under the controllership function.

The overall organizational structure of a public sector must provide proper segregation of duties, yet still promote operational efficiency and effective communication.

- c. PREVENTION OF FRAUD: According to Okezie (1999:478) management has the fiduciary role of safeguarding assets since the directors of a company or

anybody in their place are regarded in law as acting in stewardship capacity concerning the property which is under their control. It is the responsibility of management to ensure that the operations of the organizations are conducted in accordance with all relevant legal obligations.

- d. **PHYSICAL CONTROL OVER ASSETS AND RECORDS:** An essential type of protective measure for safeguarding assets and records in the use of physical precautions. Physical safeguards are required for records and documents. The redevelopment of cost or destroyed is costly and time consuming consider what happens if an accounts receivable master file were destroyed. The consideration cost of back up records and other controls can be justified to prevent this loss. Also such documents as insurance policies and notes receivable should be physically protected.
- e. **CONTINUING REVIEW OF THE SYSTEM OF INTERNAL CONTROL:** Establishments policies, stock and operating methods are in constant change. Government regulations imposed on the public are being constantly changed. Consequently, the system of internal control must continually be reviewed and updated if it is to function effectively. In the large establishment, the internal audit staff deviates full time on a year-round basis to reviewing internal control and recommending changes.

- f. **COMPETENCE OF PERSONNEL:** There is no doubt that the best designed system of internal control will not work satisfactory unless the people assigned to operate it are competent. Each person involved must have a level of competence sufficient for the work assigned and a willingness to assume responsibility for performance. Competence and integrity of employees are in part developed through training programmes, but they are also related to the policies for selection of personnel, the adequacy of supervision, and the complexity of the system.
- g. **PROPER PROCEDURE FOR AUTHORIZATION:** All transaction must be properly authorized, if control is to be satisfactory. Where any person in an organization would acquire or expand asset at will, complete chaos would result. Authorization can either be general or specific. While performing its function of general authorization, management establishment polices for the organization to follow.

### **2.3 CLASSES OF INTERNAL CONTROL**

In every well-organized parastatal there exist a large number of ways means whereby a check is imposed on the accuracy of the executive work, these various ways and means are called the system of internal control.

Internal control therefore, can be divided into three broad classes, each of which is virtually essential. There are organizational control, accounting control and administrative control.

### **2.3.1 ORGANIZATIONAL CONTROL**

The structure of the parastatal, the relationship between the division and department and companies, is the most primary of all managerial control. Within each parastatal there exists important system of control-the hierarchy of department. The authority of each department must be studied very carefully and its places in the organizational structure clearly understood.

The larger the organization the greater amount of functional control there is likely to be. These controls can be of great use to the auditor in obtaining adherence to established procedures. In practice the arrangements of organizational structure are most important on them depends the success or failure of the audit.

### **2.3.2 ACCOUNTING CONTROL**

These controls are of specialized nature for the use financial transaction in order to express the various aspects of the public sector business.

A. Accounts control: Here the auditor's duty is one of checking the allocations (allocation of assets, liabilities, expenses and receipts) and although



difficulties may arise in distinguishing capital from revenue or in deciding the precise allocation of certain items.

- B. Budgetary control: A budget is accurate when recalculations of all outgoing and receipt (revenue or capital) for a fixed period of time. If budget are in use there are easier to determine if under or over recording has taken place than where there is no budget.

### 2.3.3 **ADMINISTRATIVE CONTROL**

It is the control used by the public sectors with specific reason of checking the accuracy of the clerical work.

1. Cost-financial: If the public sector has a costing system run by separate clerks from those who keep the financial books, the account should be reconciled with the financial accounts. The fact that the same basic information is recorded by two separate sets of employees provides the auditor with a valuable system of control.
2. Control account: control account for such item, as sales and purchases ledger accounts are important. No system of control is complete without them and the auditor should carefully examine the list of individual balances to see that they agree in total with the balances on the control accounts.

3. Pre-list and proof sheets: If there is mechanized accounting, it is vital to prepare a pre-list of all items passed to the machine. The operators then deal with the items in batches in the way they have being pre-listed and as the record them, a proof sheets is automatically prepared which must agree with the total of the pre-list. It is most important that the auditor examines the system of office organization in order to see that the procedures of pre-list and proving are regular in use.
4. Internal check: By internal checks, are meant those arrangements of duties solely responsible for any one part of the accounting procedure. It is a special aspect of internal control.

According to business items, (Monday, November 13, 2000:19) the types of internal control options that exist in an organization include:

- a) Physical control: Assets must be kept physically secured and this is particularly important for valuable portable items such as cash balances, motor-vehicle and stock etc.
- b) Authorization and approval: This requires that every document on transaction processed should be duely authorized by a responsible person within the clearly defined limitation of responsibility.

- c) Personnel control: These control are developed so that staffs allocated to duties are capable and sufficiently motivated to ensure that the carryout their duties efficiently with complete integrity.
- d) Arithmetic and accounting control: These controls are designed to ensure that transactions are correctly calculated, recorded and processed e.g. the use of control total account and trial balance.
- e) Management control: These are control outside the day-to-day routine control system. They may include the use of internal audit, budgeting, management account to control operations.
- f) Organizational goal: A plan of the organization should exist defining and allocating responsibilities as well as identifying lines of reporting.
- g) Supervisory control: These control exercised by higher-level managers on the subordinates. They are not necessarily part of the day-to-day internal check but are designed to ensure that the company is operating as intended.
- h) Segregation of duties: These are controls, which ensure that no one person is responsible for all aspects of a transaction are fundamental to good internal control. The involvement of more persons reduces the risk of accidental error or deliberate fraud.

## 2.4 LIMITATION OF INTERNAL CONTROL

They auditor has to realize that internal control has inherent limitation:

- a. A requirement that the cost of internal control is not disproportionate to the potential laws which may result from its absence.
- b. Internal control tends to be directed to routine transactions. The one-off or unusual transactions tend not to be the subject of internal control.
- c. Potential human errors caused by stress of workload, carelessness, distractions, mistake of judgment, apathy and the understanding of instructions.
- d. The possibility of circumvention of controls either alone or through collusion with parties outside or inside the entity.
- e. Abuse of responsibilities by senior managers resulting in management overriding of a control.
- f. Fraud.
- g. Change in environment making control inadequate.
- h. Poor remuneration system.
- i. Poor working condition.
- j. Human cleverness or ingenuity.

## 2.5 EVALUATION OF INTERNAL CONTROL

The evaluation of internal control within a system comes from:

- a. System documentation: i.e. deciding how the system works, and describing this on paper.
- b. Identification of potential errors: i.e. recognizing what can go wrong in this system.

Potential errors can arise whenever there is a chance that one of the following objectives might not be achieved or satisfied:

- i. Existence or occurrence – i.e. proof that something exists or has happened.
- ii. Completeness – which an account balance contains every item that it should.
- iii. Valuation or measurement – that a proper system of valuation has been used.
- iv. Ownership – proof of ownership of assets.
- v. Disclosure – those items that are disclosed whenever disclosure is appropriate.
- vi. Identification of controls- recognizing the controls within the system they are designed to detect or prevent errors in the system.

Having identified potential errors and the controls detect or prevent them, the auditor can assess whether the controls appear to be good enough to do their job sufficiently well.

When a control is evaluated, the auditor must assess the level of risk that the control is inadequate or might not be properly applied. Factors to consider:

- a. The nature of the control itself.
- b. The timing and frequency of the internal check.
- c. Who performs the control taking into consideration the competence, experience and integrity of staff, and the degree of supervision;
- d. What errors the control has succeeded in identifying and eliminating in the past.
- e. Whether there have been changes in the system or in staff, bearing in mind that control procedures might weaken and become slack in the early period of a new system or just after a change of staff.
- f. The attitude of management to control.

## 2.6 INTERNAL CONTROL AND THE AUDITOR

According to Aguolu (1998:190), “in order to ensure the independence of the internal auditor, he should not perform any routine function which is part of the implementation of the system of internal control but to carry out a review of the system.

In a large establishment, where there is staff of some numbers engage upon the books, it is easy to organize a system of internal control that may relieve the

auditors of a considerable amount of detail checking, and this limit the investigation to test. An internal control means practically a regular audit carried on by the staff, by means of which the job of each individual is independently checked by other members of the staffs. Internal control does not make fraud impossible by a means but they make it more difficult and the likelihood of detection much wider, and such they act as a variable moral check. In examining the system of internal control the auditor should have particularly in mind:

- The likelihood of collusion as well as combination of duties, which would enable someone to conceal irregularities.
- The likelihood of collusion between close relative such as husband and wife, each working in related part of the business.
- The possible conflict of interest in the case of a responsible official having other business interest.
- The extent of which employees in the position of trust, especially those handling each fail to take regular holidays.
- The operations of the system during absence (at lunch, on holiday or
- In the case of small establishments where there is insufficient staff to segregate duties, the extent to which control is provided by the management supervision.

The auditor is advised to study carefully the statement of auditing standards and write report with every balance sheet drawing attention to points of important.

According to Aguolu (1998:192) the internal auditor should remember that internal audit is an integral part of the” internal control as it is established by the management to help it run the business in an orderly manner and to safe the assets”.

### **2.6.1 WHY AND WHEN INTERNAL CONTROL SHOULD BE STUDIED**

According to Okolo (1987:36) “internal control comprises the whole system of financial and other controls established and operating within a business, including internal checks, internal audit and all other forms of control.

The study of internal control provides the auditors with the basis for reliance on the records and determining the nature, extent and timing of audit test. Also, there is the ever-present possibility of fraud. The profession has cooperated into its official guidelines a statement that the responsibility for detection of errors and fraud may be filled if generally accepted auditing standards are applied.

In general, however, there are no rigid rules about the manner and time frame in which the study of internal control should be carried out. Most of the certified public accounting (CPA) firms prefers to make the study before the end of the clients accounting period, otherwise known as the fiscal year. This is obviously the



ideal time because one of the major purposes of the work is to determine the nature, timing and extent of other audit tests.

### **2.6.2 FRAUD AND EMBEZZLEMENT**

It is the primary responsibility of management to detect and prevent fraud and embezzlement in the organization. This can be done by instituting all necessary control measures such as internal control and internal checks within the organization or in the case may be in public sector. The role of an internal auditor in this respect is to assist management in ensuring that the system of accounting, internal control and internal checks are operating efficiently and effectively.

Be that it may be, no adequate internal control is perfect in the sense that it can prevent some shrewd individual from beating the system either by embezzlement or by providing inaccurate records. According to Horngren (1984:323) “the task is not that of total prevention of fraud, nor is it implementation of operating perfection, rather, the task is the designing of cost efficient operations and reduce temptation.

A greater percentage of Nigerian businesses including government parastatals lose a huge amount of money through embezzlement. They try to conceal their activities by falsifying records, and since part of the auditors work involving examining records and supporting documents in the course of normal examination.

It is also very difficult to uncover the collusion on the part of key employees of the clients.

As regards an auditor's responsibility to detection of fraud in ordinary engagement, the ordinary examination directed to the expression of an opinion of financial statements is not specifically designed, and cannot be relied upon to disclose defalcations and other irregularities, however, their discovery sometimes do result.

In addition to the above, good, strong accounting controls and security measures, which are subject to periodic re-assessment, are vital to the continued good health of an organization. It is also on record that weak internal control systems has led to fraud and forgeries of unimaginable magnitude in the system.\

The key to business success is a management that strictly adheres to internal control.

## **2.7 PUBLIC ACCOUNTABILITY**

Public accountability is as old as the existence of human beings in social forms. As old as it is, there remain problems as to what should and from age-old tradition implies stewardship. One of the earliest records of this can be recalled from the allegory given by Christ Jesus in the gospel according to st. Matthew chapter 25 verse 27 of that chapter succinctly describes an expectation of

stewardship. “Thou oughtest therefore to have put my money to the exchangers, and then on my coming I should have my own usury.

Accountability according to Nwabueze (2005) is synonymous with stewardship. In the public sector, there appears to be great demand for regular appraisal and reviews of financial performance of public sector bodies. It is also the basic requirement that every steward should be faithful. Accountability then can be seen as involving:

- Exercising public power
- Giving an account of the action taken and
- Being held to account for those actions

It is not function of the remuneration of the steward; rather it is a test of faithfulness and transparency. When a steward is faithful in little, much will be added to him. It is by a good performance at a lower post that promotion is gained to a higher post and remuneration is increased.

According to Oshisami (1993:188) accountability in government however goes beyond the stewardship function. The complexity of accountability has very serious consequences, when decisions taken by the public scrutiny particularly by those who were either not parties to those decisions or are even incapable of appreciating the intricacies of such decisions.

Oshisami (1994) identifies five known patterns of accountability viz. legal, political, and financial, ombudsman or public complaint and public opinion. It would appear those public office holders are expected to show accountability in these five dimensions, our concern in these would be the financial accountability, but in brief mention should be made of legal and political accountability. Public sector accountability can also be defined as those charged with drafting and| or carrying out policy should be obliged to given an explanation of their actions to their electorate being a composite group that include clients, employees and taxpayers.

Accountability is all about relationship both internally and externally. An important way to communicate accountability is through the provision of financial and related information. The various aspects are:

- Financial accountability: it is the accounting system that is intended to keep a record of all legal authorizations as well as commitments, agreements, obligations and expenditure that use any part of authorization granted.
- Legal accountability: it is primarily directed towards providing protection for the individual against administrative discretion.

- Political and managerial accountability: they are concern with the provision of an account of why funds are disbursed in a particular manner and what results or benefits thereby resulted.

So every financial accountability calls for:

- a. Openly declared facts and open debate of them.
- b. The giving of reasons for and explanation of actions taken.

Government accounting system is good but there is lots of accounting and financial control failures and public office holders tend to use these tapes as shield.

Accounting for the stewardship of public office holders and government officials is the basic concept of public accountability. It is the reckoning of revenue and expenditure, government programmes' and management of the activities of the community. Civil servants have always been instructed by top government authorities to be accountable i.e. answerable to their responsibilities. They should give proper account of their stewardship regularly and most especially at the end of their tenure in the office.

The researcher has the view that the concept of public accountability is difficult to be put into practice in Nigeria because of self-centeredness, social and economic injustice.

In theory, accountability may be defined as process of justifying cost by presenting the positive effect derived from expenditures (Merhens and Lehrmann, 1974).

### **2.7.1 STATUS OF ACCOUNTABILITY IN NIGERIA**

It is not that the concept of accountability is being contested by Nigerians. The concept has passed through the stages of indignant rejection, reasoned objection and qualified opposition, but has reached the stages of qualified endorsement and indeed proud government.

As it moves towards the final stage of dogmatic propagation there are several variables which appear to be stagnating its accountability. These include:

- i. The motivation and orientation of those involved in discarding accountability.
- ii. Etra-mural interference by other agents that influence not only the citizens, but also behavior and character of the government.
- iii. The role of government in ventilating positive efforts towards accountability.
- iv. The competence or incompetence of leaders.
- v. The local government may play either positive or negative role in accountability.
- vi. They senate governors, society and mass media may play a positive or damaging role in accountability.

## **2.7.2 FACTORS INFLUENCING ACCOUNTABILITY**

There are various factors which influence accountability in our communities.

These are as follows:

1. Relevance of purpose.
2. Clearly defined objective.
3. Identification of competent personnel involved.
4. Choice of instruments for assessment.
5. Assessment practices and methods.
6. Provision of incentives for assessors.
7. Identification of support agencies.
8. A seminar for support agencies.
9. Government involvement.
10. Follow-up assessment for accountability purposes.

The effectiveness of our governmental programmers' has to be tested in order to justify the taxpayer's sacrifice and the government's investments in the public system. It is necessary for the office operators whether citizens, administrators or directors etc. and at the supporting agencies to be mobilized for a total success in accountability.

## **2.8 HISTORICAL OVERVIEW OF BIASE LOCAL GOVERNMENT AREA**

Biase local government area is in the southern senatorial district of cross river state; the head quarter is located at Akept central. There are ten wards in the local government. Namely: Umon south, Abayong, Akept/Abini, Biakpan, Erei north, Erei south, Ikun/Etono, Agwagwune, Umon north, Adim.

Down the ages, great nations and political domains were powered by certain conditions and features. In the Nigeria situation, local political administration or what could be better described as local government arose under the impetus of internal and external dynamics and ingenuity of the helmsmen.

In 1981 the government of cross river state of Nigeria created Biase local government authority out of Akamkpa local government area. The now authority was made up of five clans: Egup, Ipa, Erei, Ehom and Ubaghara. In constituting there clans into local government authority, the cross river state government was fulfilling the hopes and aspirations of the heterogeneous peoples who constitute Biase.

In addition, the act concretized and formalized administratively a historical process whose beginning dates back to about the first decades of the nineteenth century.



## **2.9 INTERNAL CONTROL AND ACCOUNTABILITY**

Internal control as reviewed is the whole system of control financial or otherwise establish by the management in order to carry on the business of the enterprise in an orderly and efficient manner. The information's made available in an enterprise keeps the management as to whether the government (public sector) are being executed; which brings the researcher to the aspect of public accountability where those charged with the drafting of the financial statement or information and /or carrying out policies are to be obliged to give an explanation of their actions to the electorates, the electorate being a composite groups that includes taxpayers. Accountability involves both internally and externally; the internal control will make a way for good accountability of an organization, where a public sector accountant communicate accountability through the provision of financial and related information.

As we will recall, a major challenge the public sector and some Nigerian industry faced in the 1990s was the erosion of public confidence resulting largely from the financial distress that pervaded the system. It was discovered then that the operations of many of the distressed institution was characterized by weak internal control.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

The aim of this chapter is to discuss the various methods that have being employed in this research work. The sample used method of collecting data; the various sources of data and method of treating the data. The objective of this is to provide the authority base for the research.

According to Ozongrou (1992) page 35, methodology draws the map chart upon which the research project is executed. The methodology permits a successful replication of the work by other researchers.

#### **3.1 RESEARCH DESIGN**

The research method and design used in any research is substantially determined by the nature of the research problems and the purpose of the study. In the research design, the researcher made use of field survey method. Data were collected through a valid and reliable questionnaire and oral personal interviews. The validity and reliability of questionnaire were established before administering it.

The nature of government accounting and internal control as an aid to

accountability in the public sector as gathered by a view of related literature were taken into consideration before the questionnaire was drawn up.

### **3.2 METHOD OF DATA COLLECTION**

In taking this study and as a result of the nature of the research, the researcher collected his data through primary and secondary sources.

**Primary sources:** These were mostly collected from questionnaires survey, personal observation, interviews and inspection of some documents of the local government. The last three, inspection, interview and observations had to be used in order to lower the level of bias that may have resulted in the responses supplied by respondents to the questionnaire and to improve or allow for unbiased view for effective and required conclusions.

**Secondary sources:** Mainly obtained from the review of available documents and work of many experts in this field. Some of these books, documents, magazines, journals, periodicals, etc. contributed greatly in the review of related literature.

The choice of this form of data was employed due to the fact that they would help to unveil the efficacy of internal control as an aid to accountability. It would also expose difficulties that have obstructed the effective application of this

function by public and private organization. The objectives of various aspects of internal control as an aid to accountability would come to light with these data.

### **3.3 AREA OF STUDY**

This is the study of internal control as an aid to accountability in the public sector. For the purpose of this research anything that is affected in the cause of carrying out this research is automatically a member of the area of the study. In this context, all the members of staff or rather the employees of local government area are members of the population. But for time and distance, the researcher decided to limit the scope of local government areas to Biase local government area.

### **3.4 POPULATION OF THE STUDY**

The population of this study is the entire departments of Biase local government area. For clarity the departments were grouped according to: Accounts department, Administrative department and the internal audit department. The researcher of this project work used the total member of Biase local government staff, which has the population of 280.

### 3.4.1 POPULATION OF BIASE LOCAL GOVERNMENT STAFF

DEPARTMENT	POPULATION	%
ACCOUNTS	100	35.7
ADMINISTRATION	120	42.9
INTERNAL AUDIT	60	21.4
TOTAL	280	100

**SOURCE:** Extracted from field survey 2013

### 3.5 SAMPLE AND SAMPLING TECHNIQUES

Sample procedures are the method used in drawing sample from population which gives a sample size for the study.

However, the Yaro Yamene formula was used by the researcher to determine the sample size of the study formula:

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

n = Sample

N = Population

e = Limit of tolerance error

$$n = \frac{280}{1+N(e)^2}$$

$$n = \frac{280}{1 + 280(0.05)^2}$$

$$n = \frac{280}{1 + 280(0.0025)}$$

$$n = \frac{280}{1 + 0.7}$$

$$n = \frac{280}{1.7}$$

$$n = 164.70588$$

Sample size = 165 approximately

### **3.6 RELIABILITY OF THE INSTRUMENT**

In order to maximize the reliability of the instrument used for the research, the researcher ensures that questions were not ambiguously framed as to give the impression of different meaning. Similarly questions were not constructed in a manner likely to communicate different meaning that could generate inaccurate and inconsistent responses when instrument is repeatedly used.

The researcher also maintained objectivity with no direct leading suggestions as to the answers desired. Pilot surveys were conducted to test the usefulness of the instrument and to ensure that it possesses to a large extent the

characteristics which a good measuring instrument should have for the purpose of reliability. The results were consistent each time.

### **3.7 VALIDITY OF THE INSTRUMENT**

To ensure the validity of the instrument used about two people were approached for their comments. One person being at the top cadre, and another one of the management team. They were asked to examine the instrument with regard to its relevance to the study, technically and clarity of the items in describing internal control as an aid to accountability in the public sector. Furthermore, in ensuring the validity of the instrument used, the questionnaire was highly structured and contains close-ended questions needed to elicit the needed information, comparing from the oral interviews.

### **3.8 METHOD OF DATA ANALYSIS**

The chi-square distribution can be used to test the agreement between observed frequencies for nominal data and frequencies expected under a specified null hypothesis. An index of discrepancy involving sums of ratios of squared differences (between observed and expected frequencies) to be expected frequencies is distribution as chi-square statistic whose probability distribution is known and has been tabled. It is defined mathematically as:

$$X^2 = \frac{(O-E)^2}{E}$$

E

Where  $X^2 = \text{Chi-square}$

O = Observed frequencies

E = Expected frequencies of events under the null hypotheses.

According to cookey (1998:130)  $X^2$  can be determined using the following steps:

- i. Calculate the expected frequencies.
- ii. Take the difference between observed and expected frequencies and obtain the squares of these difference, i.e. obtain the values of  $(O-E)^2$ .
- iii. Divide the value of  $(O-E)^2$  obtained in step 2 by the respective expected frequencies and obtain the total  $\sum (O-E)^2 / E$ . This gives the value of  $X^2$  which can range from zero to infinity. If  $X^2$  is zero it means that the observed and expected frequencies completely coincide.

The greater the discrepancy between the observed and expected frequencies, the greater shall be the value of  $X^2$ .

According to him, “the  $X^2$  test is therefore termed non-parametric. It is one of the great advantages of this test that it involves no assumption about the form of the original distribution from which the observation come.

The following helps in determining the chi-square distribution.



- Degree of freedom.
- The decision rule.

**Degree of freedom:** This is the element that determines which chi-square distribution applies in a given case. Thus in the chi-square table, the degree of freedom (DF) is calculated as  $(DF) = (r-1) (c-1)$  where,  $r$  = the number of rows in the table of our concern,  $c$  = the number of column in the same table.

The levels of significance ( $X$ ) are given in the chi-square table, for instance in Adamu (1988:245-246). In this study, the research will use 0.05 and 0.95 levels of significance in testing the hypotheses.

**The decision rule:** The rule states that, we should reject the null hypothesis ( $H_0$ ) if:

$X^2$  (Calculated as described above)  $>$

$X^2$  (derived from the table) and. Accept the null hypothesis ( $H_0$ ) if:

$X^2$  (calculated  $\leq X^2$  from the table).

Chi-square distributions are sketched to the right so that the mean is to the right of the right of the mode.

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.1 PRESENTATION AND ANALYSIS OF QUESTIONNAIRE.

Department	Number Distributed	Number Returned	Number Not Returned	% of Number Distributed
Accounts	60	50	9	36.4
Administration	70	64	0	42.4
Internal audit	35	35	0	21.2
Total	165	156	9	100

**SOURCE:** field survey of 2013

Table 4.1 above shows that out of 165 questionnaires distributed at Biase local government area, cross river state, only 156 were returned.

The reason for the failure to return the questionnaires may be attributed to reluctance on the part of the respondents. More so, the top officers may have fear of exposing the management inefficiency.

**QUESTION 4: DO YOU THINK THE LOCAL GOVERNMENT HAS INTERNAL CONTROL?**

**TABLE 4.2 FREQUENCIES OF RESPONSES TO QUESTION 4.**

<b>Alternative Responses</b>	<b>No. of Respondents</b>	<b>Percentages (%)</b>
Yes	114	73.1
No	38	24.4
Undecided	4	2.5
Total	156	100

SOURCE: field survey of 2013

As has been explained in chapter one, internal control constitute the methods followed by the establishment to: protect assets, assure the accuracy and dependability of all financial and operating information, judge operating efficiency, and to measure adherence to the local government established policies.

These mentioned effects or results of internal control as an aid to accountability in the public sector cannot be attained or achieved without the existence of internal control. To this end, the analysis of this data is based on question 4 above and 5 as would be shown below.

The table above indicates that 114 respondents or 73.1% of the respondents agreed that the local government has internal control. On the contrary only 38 respondents or 24.4% of the respondents did not agree with the view.

This being the case, the ability of this to produce the desired result would be analyzed in the next question.

**QUESTION 6: DO YOU THINK INTERNAL CONTROL IS CAPABLE OF PRODUCING DESIRED EFFECT?**

**TABLE 4.3 FREQUENCIES OF RESPONSES TO QUESTION 5.**

<b>Alternative Responses</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Yes	124	79.5
No	27	17.3
Undecided	5	3.2
Total	156	100

**SOURCE:** field survey of 2013

On whether, internal control is capable of producing desired effect, 124 respondents or 79.5% agreed while 27 respondents or 17.3% of the respondents disagreed.

**QUESTION 5: DO YOU THINK INTERNAL CONTROL AID ACCOUNTABILITY SO AS TO PRODUCE DESIRED RESULTS?**

**Table 4.4 FREQUENCIES OF RESPONSES TO QUESTION 6.**

<b>Alternative responses</b>	<b>No. of Respondents</b>	<b>Percentag (%)</b>
Yes	148	94.9
No	2	1.3
Undecided	6	3.8
Total	156	100

**SOURCE:** field survey of 2013.

Generally, no one department should be responsible for handling all phases of transaction, and where it could be done the division of responsibility should keep operations and custodianship separate from accounting. This type of segregation of responsibility provides for the efficiencies that would be obtained from specialization and makes possible a cross check that promote accuracy and do not allow duplication or wasted effort.

From the above one could see that 148 respondents or 94.9% of the respondents agreed that Biase local government area has segregation of responsibilities. Conversely, 2 respondents or 1.3% of the respondents assert the contrary. Therefore judging by the number that is in affirmative one would agree that there is segregation of functional responsibility in this local government.

**QUESTION 7: DOES THE ORGANISATIONAL PLAN OF THIS LOCAL GOVERNMENT INDICATE THE DEPARTMENTS OR PERSONS RESPONSIBLE FOR EACH FUNCTION?**

**TABLE 4.5 FREQUENCIES OF RESPONSES TO QUESTION 7.**

<b>Alternative responses</b>	<b>No. of Respondents</b>	<b>Percentage ( %)</b>
Yes	109	69.9
No	40	25.6
Undecided	7	4.5
Total	156	100

**SOURCE:** field survey of 2013.

As shown, 109 respondents or 69.9% of the respondents agreed, while 40 respondents or 25.6% of the respondents do not agree.

On this note therefore, it is appropriate to say that the organizational plan of Biase local government area, cross river state indicates departments or persons responsible for each function.

### **QUESTION 21: IS BOOK-KEEPING FUNCTION SEPARATE FROM THE CUSTODIAN FUNCTION?**

**TABLE 4.6 FREQUENCIES OF RESPONSES TO QUESTION 21.**

<b>Alternative Responses</b>	<b>No. of Respondents</b>	<b>Percentage ( %)</b>
Yes	141	90.4
No	7	4.5
Undecided	8	5.1
Total	156	100

**SOURCE:** field survey of 2013.

As has been noted in review of related literature, when designing forms and procedures, provision should be made for current allocation of all transactions, with the record of such authorization serving to establish full accountability for all action taken. To be assured that transactions are executed as authorized, evidence of the transactions should be compared whenever possible with the original authorization.

However, as indicated in the table above, 141 respondents or 90.4% of the respondents agreed to this, whereas 7 respondents or 4.5% of the respondents disagreed to it. On this basis therefore, it would be taken that book-keeping function is separated from custodian function.

**QUESTION 22: DO YOU THINK THAT ALL TRANSACTIONS ARE AUTHORISED, APPROVED, EXECUTED AND RECORDED?**

**TABLE 4.7 FREQUENCIES OF RESPONSES TO QUESTION 22.**

Alternative Responses	No. of Respondents	Percentage (%)
Yes	64	41.0
No	84	53.8
Undecided	8	5.1
Total	156	100

**SOURCE:** field survey of 2013.

The table above shows that 64 respondents or 41.0% of the respondents indicated that transactions are authorized, approved, executed and recorded. It was also seen that 84 respondents or 53.8% of the respondents are of the contrary opinion. This result shows that internal control does not provide a system of authorization and record procedure adequate for reasonable accounting control over assets, liabilities, revenue and expenses.

**QUESTION 18: DO YOU THINK THAT ENTRIES MADE IN THE BOOKS ARE MADE FROM APPROVED DOCUMENTS?**

TABLE 4.8      **FREQUENCIES OF RESPONSES TO QUESTION 18.**

<b>Alternative Responses</b>	<b>No. of Respondents</b>	<b>Percentage ( %)</b>
<b>Yes</b>	<b>150</b>	96.2
<b>No</b>	<b>4</b>	2.6
<b>Undecided</b>	<b>2</b>	1.2
Total	156	100

**SOURCE:** field survey of 2013.

As was reviewed in chapter two, the procedure manual of every sector should show the steps required to carry out the duties connected with each job. Policies should also be set in writing to assure consistent treatment and conformance with management planning.

Budgets and standards to help in planning and evaluating results are another important aspect of good administrative practices.

For better of this data, the researcher has to use question 18 and 19. From the table above 150 respondents or 96.2% of the respondents were of the opinion that entries in the books are made from the approved documents, whereas 4 respondents or 2.6% of the respondents did not see it so.

**QUESTION 19: DO YOU THINK THAT THE LOCAL GOVERNMENT USES BUDGETS AND STANDARDS TO EVALUATE RESULTS?**



TABLE 4.9 FREQUENCIES OF REPONSES TO QUESTION 19.

Alternative Responses	No. of Respondents	Percentage ( %)
Yes	37	23.7
No	100	64.1
Undecided	19	12.2
Total	156	100

**SOURCE:** field survey of 2013.

Looking at the table above, it would be seen that only 37 respondents or 23.7% of the respondents opined that the local government uses budgets and standards to evaluate result. On the contrary, 100 respondents or 64.1% of the respondents did not agree.

**QUESTION 10: ARE THERE REGULAR INDEPENDENT AUDIT OF BOOKS AND RECORDS?**

TABLE 4.10 FREQUENCIES OF RESPONSES TO QUESTION 10.

Alternative responses	No. of Respondents	Percentage (%)
Yes	100	64.1
No	16	10.3
Undecided	40	25.6
Total	156	100

**SOURCE:** field survey of 2013.

As has been reviewed in chapter two, parastatals should really be kept free of fraud, embezzlement or errors. But where there should occur, early detection is highly necessary. Regular audit were originally the accepted way to cope with

the problems but today internal control is recognized as the better solution. This is due to the fact that it is less costly and its continuous action allows earlier disclosure.

More so, for protection and earlier detection of fraud, embezzlement or errors, every employee in position of trust should be required to take a vacation at least once a year during which time his job is filled by another employee.

In this regard question 10 is used to ascertain if there is regular audit of books and records whereas question 14 would be used to find if there is annual leave for the employees.

The above table indicates that 100 respondents or 64.1% of the respondents agreed that there is regular independent audit of books and records. Conversely, 16 respondents or 10.3% of the respondents disagreed. Therefore, the researcher accepts the majority view.

#### **QUESTION 14: IS THERE ANNUAL LEAVE FOR THE EMPLOYEES AND OFFICIALS?**

**TABLE 4.11 FREQUENCIES OF RESPONSES TO QUESTION 14.**

<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Yes	100	64.1
No	44	28.2
Undecided	12	7.7
Total	156	100

**SOURCE:** Extracted from table 4.3.

As to whether the employees and officials take annual leave 100 respondents or 64.1% of the respondents said yes. On the contrary, only 44 respondent or 28.2% of the respondents said no. therefore, it is clear that the management or the local government chairmen of Biase local government area, cross river state, allows its employees annual leave.

## 4.2 TESTING OF HYPOTHESES.

This section deals with hypothesis testing. As already indicated in the method of data analysis, in chapter three, the statistical technique considered more appropriate for this study is the chi-square technique.

### HYPOTHESIS 1

H0: Internal control does not provide desired effects or result in the public sector.

H1: Internal control provides desired effect or result in the public sector. From the above, Ho is null hypothesis while H1 is the alternative hypothesis. In order to test the first hypothesis, the data from table 4.3 is utilized.

Table 4.12 **OBSERVED FREQUENCY**

<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Yes	114	73.1
No	38	24.4
Undecided	4	2.5
Total	156	100

**SOURCE:** Extracted from table 4.3

Table 4.12 above evaluates whether internal control provides desired effects or results in the public sector.

**TABLE 4.14 COMPUTATION OF CHI-SQUARE.**

<b>Responses</b>	<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b><math>\frac{(O-E)^2}{E}</math></b>
Yes	114	53	61	3721	70.2
No	38	53	(15)	225	4.25
Undecided	4	53	(49)	2401	45.3
<b>Total</b>	<b>156</b>				<b>119.8</b>

**SOURCE:** Extracted from table 4.13

Expected frequency is calculated using:

$$Fe = \frac{f_o}{N}$$

$$Fe = \frac{156}{3} = 53$$

Note: Numbers in brackets represents negative derivations. The chi-square ( $x^2$ ) is calculated thus:

$$\sum \frac{(O-E)^2}{E} = 119.8$$

E

In order to find the values of  $x^2$  from the table, degrees of freedom (DF) will be calculated thus:  $(r-1)(c-1)$  where:

R = number of rows in table 4.12

C = number of columns in table 4.12

$$DF = (2 - 1) (3 - 1) = 1 \times 2 = 2$$

Assuming  $\alpha$  0.95 level of significance (i.e. 5% level of confidence).

**Decision Rule:** accept the null hypothesis ( $H_0$ ) if  $x^2$  (calculated chi-square  $\leq$   $x^2$ (derived from the table)).

Reject the null hypothesis  $H_0$  if  $x^2$  (cal)  $>$   $x^2$  (table).

**CONCLUSION:** The chi-square from the table with degree of freedom (DF) of 2, and level of significance of 0.95 (5% level of confidence) is 0.103. The observed value of 119.8 is greater than 0.103 from the table. The researcher therefore, rejects the null hypothesis and accepts the alternative hypothesis, which states that “internal control provides desired effects or result in the public sector”.

## **HYPOTHESIS 2**

$H_0$ : Internal control does not provide appropriate segregation of functional responsibilities.

$H_1$ : Internal control provides appropriate segregation of functional responsibilities.

In order to test hypothesis 2, fig.4.4 will be used, also question 6 is as well important.

Table 4.16 **OBSERVED FREQUENCY**

<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Yes	148	94.9
No	2	1.3
Undecided	6	3.8
<b>Total</b>	<b>156</b>	<b>100</b>

**SOURCE:** Extracted from table 4.4

The table above considers if there is appropriate segregation of functional responsibilities in Biase local government area, cross river state.

TABLE 4.16 **COMPUTATION OF CHI-SQUARE.**

<b>Responses</b>	<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b><u>(O-E)<sup>2</sup></u> E</b>
Yes	148	53	95	9025	170.3
No	2	53	(51)	2601	49.1
Undecided	6	53	(47)	2209	71.7
<b>Total</b>	<b>156</b>				<b>291.1</b>

**SOURCE:** Extracted from table 4.15

The chi-square ( $\chi^2$ ) is calculated thus:

$$\frac{\sum(O-E)^2}{E} = 291.1$$

Degree of freedom (DF) = (r-1) (c-1)

DF = (2-1) (3-1)

$$= 1 \times 2 = 2$$

Assuming 0.95 level of significance, (5% level of confidence)  $\chi^2$  of 0.95 for C-2 degree of freedom (see appendix C) = 0.103.

**DECISION RULE:** Accept the null hypothesis ( $H_0$ ) if:  $\chi^2$  (calculated chi-square)  $\leq \chi^2$  (derived from the table). Reject the null hypothesis ( $H_0$ ):  $\chi^2$  (cal)  $> \chi^2$  (table).

**CONCLUSION:** The chi-square from the table with degree of freedom (DF) of 2, and level of confidence of 5% (0.95 level of significance is 0.103). The observed value of 291.1 is greater than 0.103 from the table, therefore, the null hypothesis should be rejected and the alternative hypothesis should be accepted. The researcher rejects the null hypothesis and accepts the alternative hypothesis which says, "Internal control provides appropriate segregation of functional responsibilities".

### **HYPOTHESIS 3**

$H_0$ : Internal control does not provide a system of authorization and record procedures adequate for reasonable accounting control over assets, liabilities, revenue and expenses.

$H_1$ : Internal control provides a system of authorization and record procedures adequate for reasonable accounting control over assets, liabilities, revenue and expenses.

In order to test the above hypotheses, the data from table 4.7 is utilized and questions 21 and 22 are relevant.

TABLE 4.17 OBSERVED FREQUENCY

Responses	No. of Respondents	Percentag (%)
Yes	64	41.0
No	84	53.8
Undecided	8	5.1
<b>Total</b>	<b>156</b>	<b>100</b>

**SOURCE:** Extracted from table 4.7

The information in table 4.17 is arranged to show observed frequency (o), expected frequency (E), deviation (o-E), and deviation squared = (o-E) <sup>2</sup> as shown below in the table 4.18.

TABLE 4.18 COMPUTATION OF CHI-SQUARE

Responses	O	E	O-E	(O-E) <sup>2</sup>	<u>(O-E)<sup>2</sup></u> E
Yes	68	53	15	225	4.25
No	84	53	31	961	18.1
Undecided	8	53	(45)	2025	38.2
<b>Total</b>	<b>156</b>				<b>60.6</b>

**SOURCE:** Extracted from table 4.17

$$\text{From table 4.18, } x^2 \text{ calculated} = \frac{(O-E)^2}{E} = 60.6$$

To determine  $x^2$ , degree of freedom = (r-1) (c-1) where r = number of rows in table 4.17, c = number of columns in table 4.17



$$\therefore r - 1 \quad c - 1 = 2 - 1 \quad 3 - 1 = 2$$

Assuming 0.95 level of significance or 5% confidence level,  $\chi^2_{0.95}$  for 2 degree of freedom (see appendix C) = 0.103

**DECISION RULE:** Accept  $H_0$  if:  $\chi^2 \text{ cal.} \leq \chi^2 \text{ table}$  and reject  $H_0$  if:  $\chi^2 \text{ cal.} > \chi^2 \text{ table}$ .

**CONCLUSION:** From the working above  $\chi^2$  calculated is greater than  $\chi^2$  in the table ( $60.6 > 0.103$ ). The researcher rejects the null hypothesis and therefore concludes that internal control provides a system of authorization and record procedures adequate for reasonable accounting control over assets, liabilities, revenue and expenses.

#### **HYPOTHESIS 4**

$H_0$ : Internal control does not provide for preventing and detecting embezzlement, fraud and errors.

$H_1$ : Internal control provides for preventing and detecting embezzlement, fraud and errors.

In order to test hypothesis 5, data in table 4.10 is utilized and questions 10 and 14 in appendix B are also relevant.

TABLE 4.19 OBSERVED FREQUENCY

Responses	No. of Respondents	Percentage (%)
Yes	100	64.1
No	16	10.3
Undecided	40	25.6
<b>Total</b>	<b>156</b>	<b>100</b>

**SOURCE:** Extracted from table 4.10

The information in table 4.21 above is arranged to show observed frequency (O), expected frequency (E), deviation (O-E), deviation squared (O-E)<sup>2</sup>, and chi-square  $\frac{(O-E)^2}{E}$  as shown in table 4.22 below:

E

TABLE 4.22 COMPUTATION OF CHI-SQUARE

Responses	O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Yes	100	53	47	2209	71.7
No	16	53	(37)	1369	25.8
Undecided	8	53	(45)	2025	38.2
<b>Total</b>	<b>156</b>				<b>135.7</b>

**SOURCE:** Extracted from table 4.21

Note: Numbers in brackets represents negative deviations. The chi-square ( $\chi^2$ ) is calculated thus:

$$\sum \frac{(O-E)^2}{E} = 135.7$$

In order to find the values of  $\chi^2$  from the table, degree of freedom (DF) will be calculated thus:  $(r-1)(c-1)$  where,  $r$ = number of rows in table 4.21,  $c$ = number of columns in table 4.21.

$$\therefore DF = 2 - 1 \quad 3 - 1 = 1 \times 2 = 2$$

Assuming 0.95 level of significance (5% level of confidence)  $\chi^2$  of 0.95 for 2 degree of freedom (see appendix C) = 0.103.

**DECISION RULE:** Accept the null hypothesis  $H_0$  if  $\chi^2$  (calculated chi-square)  $\leq \chi^2$  (derived from the table). Reject the null hypothesis  $H_0$  if :  $\chi^2$  (cal).  $> \chi^2$  (derived from the table).

**CONCLUSION:** From the working above the  $\chi^2$  calculated is greater than  $\chi^2$  derived from the table i.e.  $(135.7 > 0.103)$ .

The researcher accepts the alternative hypothesis, which says that internal control provides for preventing and detecting embezzlement, fraud and errors.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION FROM THE STUDY AND RECOMMENDATIONS**

#### **5.1 SUMMARY OF FINDINGS**

In view of the data collected through the method of data collections employed in this research especially questionnaires, the findings of chapter four would be simply summarized as follows:

1. That, Biase local government area has internal control measures which is capable of producing desired results.
2. That, this local government has an organizational plan that indicated clearly the departments or persons responsible for such functions as purchasing, receiving incoming application for fund and preparing the payroll.
3. That, book-keeping function is separated from the custodianship function.
4. That, the authority for the approval of disbursement is segregated from the authority for making payments.

For instance the researcher discovered that the chairman approves, it will go to chief accountant who will send it to accountant 11 to raise a voucher, the voucher will be taken to the internal auditor who will advice the chief accountant to pay based on the findings, then the chief accountant will direct the cashier to release the fund.

5. That, every employee in position of trust does take annual leave, during which his jobs is performed by another employee.

6. That, there is regular independent audit of the books and records of the local government by a capable firm of public accountants.
7. That, this sector has an organizational chart formalizing the local government's organization and showing lines of responsibility. There is also written job descriptions, which in turn, support the organizational chart, setting forth the duties and responsibilities of each officer and employee.
8. That, though the local government has budgetary control in its accounting system, they do not use budgets and standards to evaluate results.
9. That, every transaction is authorized, approved, executed and recorded.
10. That, there is a delegated responsibility, which is duties and functions, established procedures and policies.
11. That, income and expenses accounts are periodically reviewed by a responsible officer.
12. That, there is proper procedure designed to ensure adequate accounting procedure for physical assets, which protect them from unauthorized or improper use.

## **5.2 CONCLUSION FROM THE STUDY.**

While internal control is recognized as an essential factor to business survival, the fact remains that an effective internal control is a very difficult task to achieve.

Biase local government area, Cross river state was used to study internal control as an aid to accountability in the public sector. In this study, internal control was seen to constitute the system adopted by establishments to protect the assets, to protect against improper asset disbursements, to protect against the

incurrence of improper liabilities, to ensure the accuracy and dependability of all financial and operating information, to judge operating efficiency, to measure adherence to the government policies.

However, this study discovered that, no system of internal control however elaborate can by itself guarantee efficient administration and 100 percent accuracy of records nor can it be proof against fraudulent collusion.

The researcher wants to state that the tasks of this study therefore was not provision of 100% internal control measures nor is it implementing of operation perfection, rather the task is to find out the ability of internal control measures to produce the desired results and to provide tool that will help achieve efficient operations and improve the internal control measures.

With due regards to findings which justify the theoretical framework given in chapter one and two, the researcher is convinced that internal control as an aid to accountability in the public sectors could not have been justified better than the data collected proved. The researcher therefore calls on other public sector that does not have internal control measures to emulate Biase local government area, Cross river state.

### **5.3 RECOMMENDATIONS.**

Biase local government area cross river state, as most of the data indicated has effective and efficient internal control measures in carrying out its activities. But one does not need to lose sight of the fact that the local government does not in any way operate at 100% level of efficiency. And that it could not in any way be claimed that it has not failed to provide internal control in some aspect of its activities.

Based on the research findings and the results of the hypotheses tested, the public sector, as a whole needs advice as to how best to make use of the function.

These advice are given below in form of recommendation:

- a) A complete and integrated system of accounting should be established. It should be designed to create a clear accountability for the local government operations and ensure the accuracy of the accounting records and financial statements.

The accounting and operating procedures should be set forth in accounting and procedures manual, so that public sector policies and instructions may be clearly known and uniformly applied.

- b) Adequate forms, with some control features as pre-numbering, should be made up of the various operations (e.g. main cash receipts, continuation sheets, annual staff sheets, construction forms, schools forms, etc) to create a clear accountability.
- c) Management should ensure that adequate authorization and approval is given to every transaction and that these transactions are properly recorded and documented. This will help to identify fraud whenever they are perpetrated. More so, charts of accounts should be kept so that journal entries should be adequately explained by supporting documents.
- d) Management should ensure that there is segregation of duties and that the accounting department function should be designed in such a way that every employee has responsibility for a specific function.
- e) Management should equally ensure that budgetary control is maintained and that all the employees in the organization who will be directly affected by the budget are involved in the preparation of such budgets. They should use budget and standards to evaluate results. Effort should be made to ensure that budget is reviewed from time to time.

- f) More so, management should endeavor to maintain a climate of open communication. A climate of open communication in the sector improves chances of high productivity, job satisfaction and accountability.
- g) Management should effectively utilize the information or reports given to it by internal audit department in handling its financial affairs.
- h) Employment policies should reflect an emphasis on employee competence, and duties assigned should commensurate with the capabilities of the personnel. Continued employee development should be part of the programmed.

More so, the background of prospective and engaged employee should be investigated to determine honesty and integrity. Employee in position of trust should be bonded to ensure against embezzlement. Employees should be properly supervised to ensure that duties are being carried out as assigned. A policy of rotating employees and rescheduling of vocations ensures that the work performed by an employee is checked by the person replacing him. This may bring to light previously undetected irregularities or errors.

- i) Finally, management should ensure that the local government's books of account are reviewed annually by an independent auditor who is not an employee in any sector of the local government.



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**APPENDIX A**

Accountancy Department,  
Faculty of management and  
Social science,  
Caritas University,  
Enugu.  
August , 2013.

Dear Respondent,

**RE: INTERNAL CONTROL AS AN AID TO ACCOUNTABILITY  
IN THE PUBLIC SECTOR.**

I am a final year undergraduate of the above institution. I am carrying out a research project in accounting on the above-mentioned topic. It is my humble appeal to you to help in the conduct of this research by supplying correct answers to the attached questionnaire.

I do sincerely promise that the information to be obtained would be treated with utmost secrecy. Every information given will be strictly used for this academic exercise alone. Again, as the researcher is expected to maintain originality in undertaking of the research, no information whatsoever obtained from the sector would be given to outside author.

Yours faithfully

Nwanne, Paulla Thaddeus

**APPENDIX B****QUESTIONNAIRE**

Please tick (  ) on each correct answers.

On the other hand, fill what you consider appropriate in the space provided

**PART A:**

1. Sex or Gender: male (  ) female (  )
2. Marital status: (a) Married (  ) (b) Unmarried (  )
3. Age : (a) 20-25 (  ) (b) 25-30 (  ) (c) 35- 40(  ) (d) 40 and above(  )
4. Educational qualification: (a) WASCE/NECO (  ) (b) OND/HND/NCE(  )  
(c) First Degree (  ) (d) PHD/Doctorate degree (  )
5. How long have you worked in the local government?  
(a) 4 – 8 years (  ) (b) 8 – 12 years (  ) (c) 12 years and above (  )
6. What position do you hold in the local government?

**PART B:**

1. Do you think that the local government has internal control?  
(a) Yes (  ) (b) No (  )
2. Do you think that internal control aid accountability in the local Government? (a) Yes (  ) (b) No (  )

3. Do you think internal control is capable of producing desired effect in the public sector? (a) Yes (  ) (b) No (  )
4. (a) Yes (  ) (b) No (  )
5. Do you think there is segregation of responsibilities in your sector?  
(a) Yes (  ) (b) No (  )
6. Do you think that the authority for approval of disbursements is segregated from the authority of making policies? (a) Yes (  ) (b) No (  )
7. Is there periodic physical counts and verification of assets by Independent persons? (a) Yes (  ) (b) No (  )
8. Are there regular independent persons? (a) Yes (  ) (b) No (  )
9. Is your internal audit independent of the main accounts department?  
(a) Yes (  ) (b) No (  )
10. Have you at any time uncouneted a case of misappropriate of funds in the different areas of the local government? (a) Yes (  ) (b) No (  )
11. Is there annual leave for the employees and officials?  
(a) Yes (  ) (b) No (  )
12. During such leave are the duties and functions of such persons and employees performed by other persons? (a) Yes (  ) (b) No (  )
13. Do you think that the local government has organizational chart showing lines of responsibility? (a) Yes (  ) (b) No (  )
14. Do you think that the management considers the level of competence required of particular duty or work before assigning it to an employee? (a) Yes (  ) (b) No (  )

15. Do you think that entries in the books are made from approved documents? (a) Yes ( ) (b) No ( )
16. Do you think that the local government uses budget and standards to evaluate results? (a) Yes ( ) (b) No ( )
17. Physical assets should be fully protected from unauthorized or improper use, do you agree? (a) Yes ( ) (b) No ( )
18. Is book-keeping function, accounting function separated from the auditing function? (a) Yes ( ) (b) No ( )
19. Do you think that all transactions are authorized, approved, executed and recorded? (a) Yes ( ) (b) No ( )
20. Are income and expenses accounts periodically reviewed by a responsible official? (a) Yes ( ) (b) No ( )
21. Does the local government effectively utilize the information or report given to by the internal audit department in handling its financial affairs? (a) Yes ( ) (b) No ( )