INTERNAL CONTROL SYSTEM AND FINANCIAL ACCOUNTABILITY : AN INVESTIGATION OF NIGERIAN SOUTH-WESTERN PUBLIC SECTOR*

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Abstract: This study examines the effect of internal control system on financial accountability in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency and flow of information were obtained primarily from a random sample of 354 Heads of Units in the Account and Audit Departments in 65 Ministries of the Southwestern Nigeria who are directly involved in the management, financial planning and controls with a well-structured questionnaire. The 222 fully completed and returned questionnaires were coded and analysed using descriptive analysis and regression technique. The result reveals that internal control system had positive effect on financial accountability in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency and flow of information with the mean scores of 4.22, 3.91, 3.86, 3.81 and 3.47 respectively. The regression result shows that control environment, control activities, risk assessment, information and communication and monitoring and evaluation are significantly impacting financial accountability in public sector. The ANOVA with the $F = 16.995$, $p < 0.05$ shows that all the components of internal control system had significant effect on financial accountability in public sector. Therefore, the study concludes that internal control system put in place in the public sector is well established and adequate for effective and efficient financial accountability. There is a need for the internal control system in the public sector to ensure adequate use of all channels of communication and information flow for proper financial accountability. This study recommends that the internal control unit should be encouraged to maintain their independence role such that, the internal auditor should be adequately independent from those responsible for the financial operation so as to be able to provide additional assurance on cost efficiency and effectiveness of the internal control system.
Keywords: Internal control, Public sector, financial accountability, South Western Nigeria.

1 Introduction

The level of financial impropriety among office holders and political class across the globe has called for the concentration of various scholars. The rate of corruption and decadence that pervade many countries especially Africa nation has rekindled interest on the need for financial accountability and account for stewardship. Today emphasis is placed on financial accountability and efficient use of public fund across the globe. The act of reporting to the public on operation performance is referred to as financial accountability. The aspect of financial accountability that requires the government to handle finances and other resources prudently is public financial accountability. It incorporates financial and non-financial reporting, control budgeting and performance; report on expenditure incur in respect of Public Utilities in details; and moral behavior. Financial accountability

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require public or private establishment to manage and prepare financial reports, builds good quality and openness in financial and non-financial reporting (analysis), monitor the sustainability of benefit that accrue from its investments and fulfils its performances reporting and fiduciary obligation to all stakeholders. It is beyond technical competence of managers in charge of finances and complete accountability encompasses the thorough actions, attitudes and reporting correlation among all stakeholders.

Public accountability is stressed in the Nigerian constitution as it is the requirement of the law and the establishment of internal control system (unit) is part of the efforts to make sure that there is control in place. The Constitution of the Federal Republic of Nigeria, 1999 through Section 47 established the National Assembly for the Federation which consists of the Senate and House of Representatives, while section 90 of the 1999 Constitution established the House of Assembly for each of the 36 states of the federation. The public service in Nigeria can be grouped into three categories that is, the core ministries, parastatals and the government agencies. A number of the parastatals are semi-autonomous while the majority of the agencies are autonomous under the supervision of government. The law set up these bodies to meet ever-increasing wants and desires of the public. They are authorized by the statue to be in charge of all moneys and control all incomes for the advantage of the totality of the populaces. The questions now, is public office holders in Nigeria abiding by the standard of public accountability and freely render stewardship of their deeds while occupying government office? This question becomes relevant because the citizens have the right to request for the activities of their elected public officers and these elected public officers should be willing to render explanation pertaining to their stewardship to the general public. For accountability to be improved in public sector, there is need for internal control system to make sure that; correct procedures are put in place, maintained and followed to ensure that; the financial and management data are disclosed through quality and timely reports, safeguard the asset of the organization against obsolescence and deterioration, improve the efficiency of the organization in line with stated objectives. It must ensure that each person in the organization complies with the relevant laws, regulations, policies and stated directives, and finally ensure the completeness, accuracy and reliability of all records. But despite the efforts put in place in Nigeria to ensure accountability through internal control system, there are still evidences of financial unfaithfulness and lack of proper accountability for public funds. Hence, this study strictly examines the effect of the existing internal control system on financial accountability in Nigeria public sector.

2 Literature Review

Concept of Internal Control

Committee of Sponsoring Organizations (COSO) of the Treadway Commission report (1992) defined internal control as a practice which guide the credibility of financial affairs of an organization. The report defines internal control and describes a framework for internal control. What makes the report different was that it also served as a guide for the management. Aldridge and Colbert (1994) opined that internal control is multi-dimensional tool for controlling the orderliness of an organization, detecting the increase in the worth of the organization and achieving the level of effectiveness and performance of the organization.

Fundamentals of Internal Control

Treba (2003) opined that internal control is put in place to ensure adequate management of resources and proper accountability. It was further stressed that internal control systems also assist in ensuring that public expenditure are reliable, decent and give guarantee that all expenditure incurred and programs of the organization have been in accordance with the stipulated regulations. Wales (2005) posited that controls consist of financial reporting controls and operational controls within a process. Treba (2003) observed that the entity's internal audit function should recognize three types of control; these are preventive, authorization and detective controls. It was further stated that preventive controls guides against the occurrence of risks, and this controls include; segregation of duties, recruiting and training the qualify staff; that authorization controls prevent fraudulent or erroneous transactions from occurring and detective controls discover errors or fraud that has not been prevented; and these will assist to prevent unwanted acts in the organization.

Lawrence (2000) noted that controls can either be preventive or detective; that preventive controls are proactive controls and this attempt to prevent undesirable events from taking place; the example of this are segregation of duties, proper authorization, adequate documentation and physical control over assets; while detective controls are those controls that attempt to detect undesirable acts. Bazzoli (2000) opined that detective control give evidence that a loss has actually taken place but do not prevent a loss from occurring. In the study reviews, analyses, reconciliations, physical inventories and audits were given as an example of detective controls. Chen (2004) argued that the two types of controls are important for an effective internal control system but from a quality point of view, preventive controls are vital because they are proactive and emphasize quality. Meanwhile, Wales (2005) emphasized that for an organization to provide evidence that preventive controls are functioning and preventing losses, detective controls are important. Hayes (2005) submitted that internal auditing is a means of improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Wee (2009) argued that the scope of internal auditing within an organization is wide and may involve topics such as efficacy of operations, risk management and management controls over: efficiency and effectiveness of operations including safeguard of assets, the reliability of financial and management reporting and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigation under the direction of fraud investigation professionals and conducting post investigation fraud audits to identify breakdowns of control and establish financial loss.

Accountability in Nigeria Public Sector

Adegbite (2010) opined that the term public sector can be referred to the art of the economy that the government is controlling so as to be able to provide the basic infrastructures and services to the public. These infrastructures and services that are to be provided by the government are so numerous as a result of persistence increase in population. It was further emphasized that in the accounting, each person has a place in the scheme of responsibilities. Each individual employee is responsible to or for someone else and for specific activity or activities towards goals attainment. Okoh & Ohwoyibo (2010) pointed out that factors hindering accountability in Nigeria include: poor record keeping system in the various public establishments, fraudulent practices owing to existing poverty syndrome in the country coupled with our poor value system, poor mode of releasing funds to the public establishments, shortage of personnel and facilities in the monitoring units of the public establishments. It was further opined that the advantages of tighter scrutiny of decision making and more transparent regimes of accountability are difficult to challenge; that all government managers as trustees of public resources, owe the responsibility to make sure that they carry out their responsibility with probity, prudence and concern for effectiveness, efficiency and economy. Appah & Coleman (2009) stated that cases of fraud are rampant in Nigerian public sector to the extent that every segment of the public service is virtually involved in this act of financial misconduct in the public service in Nigeria.

Internal Controls and Financial Accountability

Lawrence (2000) posits that internal control is the circulatory system of any organization and argued that strong internal control function helps firms to operate strongly and profitably. Kayongo (2004) submitted that by implementing an effective corporate internal control system, a lot of advantages can be to the benefit of the organization; that among others, it detects and prevents errors and irregularities timely and thereafter promote reliable and accurate accounting information; that can easily resolve issues arising as a result of errors from reporting; that it also protects the interests of employees by specifically stating their duties and responsibilities and safeguarding them against accusation of irregularities or misappropriations. Kakuru (2001) enunciated that in a business involving a number of transactions that affect financial performance of the firm; if internal control is not well implemented, will negatively affect performance and productivity of the firm and hence retard its capacity; that Internal control assists managers to get the best measures of the impact of different transactions geared towards generating a diversified portfolio of investments, thus enhancing proper accountability. ACCA (2004) stipulated that control activities are policies and procedure that are formulated by management so as to ensure that the organizational activities are carried out effectively with the aim of achieving goals. Van Horne (2002) argued that financial accountability is to measure performance and it is related to ensure that money released to people is spent in line with the budgetary provisions in accordance with the set rules.

Empirical Reviews

Fadzil, Haron and Jantan (2008) studied internal auditing practices and internal control system. A correlation analysis was used to examining the extent of effective relationship between internal control system and the organization success in meeting its revenue target. Findings of the study affirmed positive and strong correlation between the two variables. Miller (2007) examined documenting internal controls from theory to implementation reported and concluded through their findings that poor internal control leads to asset misappropriation, corruption, fraud in financial statements. Emmanuel, Ajanya & Audu (2013) examined an assessment of internal audit control on the efficiency of public sector in Kogi State, Nigeria using structured questionnaire that were analyzed through cross tabulation and chi-square test. They found that internal audit can effectively check fraud and fraudulent activities in the public sector and that public sector in Kogi State have significant numbers of internal Audit and department to function effectively; these led to the recommendation that there is need for effective internal control system which is free from interference.

Osezua and Julius (2013) examined the imperativeness of transparency and probity in Nigerian Public Sector using econometric estimation model and two way estimation and discovered that the Nigeria public sector is characterized by mismanagement resulting in low growth of the economy, lack transparency and probity thereby promoting corruption, serving the personal interest of managers of the resources and that mechanisms for control to ensure compliance are ineffective thereby recommending that the principles and regulations for enthronement of transparency and probity in public service should be upheld as they remain the vital checks against abuse of position. Muazu and Siti (2014) investigated Empirical Evidence of Antecedents of Internal Audit effectiveness from Nigerian perspective by collecting primary data through questionnaire and analyzed it using SPSS version 21 and found out that for internal audit to achieve established objective within various local government or organization, there should be well established risk management in place by such organization. It was also stated that internal audit effectiveness can equally be attained where there is effective internal control in place.

Owizy (2011) assessed the effectiveness of internal control in government ministries established that Benue State ministry of finance prepare annual budget promptly and also have adequate expenditure tracking to prevent financial recklessness but, recommended that, the ministry of finance should strictly abide by the principles and procedures in order to ensure that slack are built into the budget. El-Nafabi (2009) investigated role of public sector audit and financial control systems in Sudan. The study revealed that audit and control system are vital in ensuring accountability for the use of public funds, safeguarding public resources against corruption and other misappropriation and unlawful practices.

The study established that weak and ineffective financial control systems and deficiencies in accounting systems are some of the facilitating factors of financial corruption in Sudan. Thus, this study also contributed to the existing knowledge by examining the effect of internal control system on financial public sector accountability in Nigeria public sector

3 Research Method

The study adopted survey and explanatory research design. Primary data used were collected in Southwestern Nigeria comprises six states with the three clusters namely Lagos/Ogun, Oyo/Osun and Ondo/Ekiti. Lagos and Ogun are dominated by both public and private organizations, Oyo and Osun are having public organizations and few private organizations while Ondo and Ekiti are majorly dominated by public organizations. From these clusters, Lagos, Oyo and Ondo were selected and a well-structured five point likert scale questionnaire were administered to a sample of 354 was drawn from the population of 4431 based on Krejce and Morgan in Serakan (1992) using purposeful sampling technique. The sampled mainly comprises of Heads of Units in the Account and Audit Departments in the three states with 23, 19 and 23 ministries respectively who were directly involved in the management, financial planning and controls in the organizations. The questionnaire made up of six (6) sections such as demographic information, effective and efficient financial operations, compliance with applicable laws and regulations, reliable financial reporting, flow of information and transparency.

Model Specification

The model used for this study was stated as followed to establish the relationship between internal control system and accountability in public sector.

$PSA = f(ICS)$ .... (i)

Thus, internal control system (ICS) was captured by control environment (CEN), control activities (CAC), risk assessment (RAS) info & communication (ICO) and monitoring and evaluation (MEV). However, the accountability of the public sector was measured by efficient and effective and efficient financial operation.

Therefore, the model stated in (i) above was expressed in functional and mathematical form as given in (ii) and (iii)

$EEF = f(CEN, CAC, RAS, ICO, MEV)$ .... (ii)

$EEF = \alpha_0 + \alpha_1 CEN + \alpha_2 CAC + \alpha_3 RAS + \alpha_4 ICO + \alpha_5 MEV + \varepsilon$ .... (iii)

where:

- EEF = effective and efficient financial operation, a measure of accountability in public sector
- CEN = environmental control
- CAC = control activities
- RAS = risk assessment
- ICO = info & communication
- MEV = monitoring and evaluation
- α_i = the parameters to be estimated
- ε = error term

The estimation technique used were descriptive statistics such as frequency counts, percentages, mean scores and standard deviation; and inferential statistics involving multiple linear regression analysis to determine effect of internal control system on financial accountability in the Nigerian public sector. All analyses were conducted using the Statistical Package for Social Sciences (SPSS) software.

4 Analysis and Discussion of Result

This section deals with the presentation of the data collected from the survey, analysis of the data in accordance with the study objective and discussion of the results to show the effect of internal control system on financial accountability in public sector of Southwestern Nigeria. Thus, from the 354 questionnaires administered, 260 questionnaires were retrieved in which 222 copies were completely filled. Therefore, 222 fully completed questionnaire returned were coded use for the analysis done in this study. The response rate of the survey was 62.71% which was satisfactory for the study. Analysis of data was based on these usable questionnaires. Despite all efforts to recover the remaining 94 copies of the questionnaire, the researcher could not recover any as a result of the economic situation in the country on the part of the respondents.

Table 4.1: Distribution of Respondents by Socio-Demographic Characteristics

Characteristics	Items	Frequency	Percentage
Gender	Male	82	36.9
	Female	140	63.1
	Total	222	100.0
Age (years)	18-25	2	0.9
	26-33	28	12.6
	34-41	179	80.6
	42-49	12	5.4
	50 & above	1	0.5
	Total	222	100.0
Educational Qualification	School Certificate	0	0.0
	ND/NCE	8	3.6
	First degree/HND	208	93.7
	Masters	6	2.7
	Doctorate	0	0.0
	Total	222	100.0
Department	Administration	10	4.5
	Accounts & Finance	137	61.7
	Internal audit	71	32.0
	Others	4	1.8
	Total	222	100.0
Number of Years in the Department	1-5	102	45.9
	6-10	62	27.9
	11-15	48	21.6
	16-20	8	3.6
	Over 20	2	0.9
	Total	222	100.0
Level of Management	Top management	38	17.1
	Middle management	177	79.7
	Lower management	7	3.2

	Total	222	100.0

Source: Researchers' Computation from Field Survey, 2018

The analysis in Table 4.1 shows the distribution of respondents based on their socio-demographic characteristics such as sex/gender, age, educational qualification, departments, length of service and level of management in the organization. The gender distribution showed that 63.1% were female and 36.9% were male. Thus, indicated that the views of both sexes were captured in the research. The age distribution revealed that 12.6% were between 26 and 33 years, 80.6% were between 33 and 41 years, 5.4% were between 42 and 49 and 0.5% of the respondents were 50 years and above. The results indicated that majority of the respondents were adults that were capable of providing reliable information without fear and intimidation. The educational qualification showed that 3.6% of the respondents held ND/NCE certificates, 93.7% held first degree/ HND and 2.7% held Masters degree. This implies that all of the respondents possessed the necessary qualification that could make them to be knowledgeable in giving reliable and relevant information. The distribution of the respondents according to departments revealed that 4.5% of the respondents were in Administration, 61.7% were in Account and Finance, 32% were in Internal Audit unit and 1.8% was in other departments. This strongly showed that majority of the questionnaire were completed by appropriate, experienced and knowledgeable respondents.

The analysis also showed that 45.9% of the respondents had spent 1 to 5 years in service, 27.9% had spent 6 to 10 years, 21.6% had spent 11 to 15 years, 3.6% had spent 16 to 20 and 0.9% of them had spent over 20 years. This revealed that high number of the respondents had spent more than 5 years, and so were experience in the operations of the organizations. The distribution of the respondents according to cadre showed that 17.1% of the respondents were at top level of management, 79.7% of the respondents were at middle level of management and 3.2% were at lower level of management. This indicated that most of the respondents were occupying positions that showed that they were having adequate knowledge of the study. Thus, the data collected from these calibers of respondents could be adjudged relevant and highly reliable.

Table 4.2: Distribution of Respondents on Effect of Internal Control System on Financial Accountability in Public Sector

S/N	FINANCIAL ACCOUNTABILITY	Strongly	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard
	Effective and efficient financial operation							
i.	The office prepares financial statements on budget versus actual and comparative basis to achieve a better	3 (1.4)	1 (0.5)	3 (1.4)	100 (45.0)	115 (51.8)	4.45	0.68

	understanding of our finances							
ii.	Adequate verification of vouchers and other financial documents are usually made	0 (0.0)	0 (0.0)	5 (2.3)	119 (53.6)	98 (44.1)	4.39	0.61
iii.	There is always approval and confirmation of financial transaction	3 (1.4)	3 (1.4)	1 (0.5)	76 (34.2)	139 (62.6)	4.55	0.70
iv.	Staff are trained to implement the accounting and financial management system	36 (16.2)	45 (20.3)	5 (2.3)	59 (26.6)	77 (34.7)	3.43	1.52
v.	There is always adequate control over cash and bank balances	1 (0.5)	5 (2.3)	4 (1.8)	130 (58.6)	82 (36.9)	4.29	0.65
vi.	There is always severe punishment for erring officers	2 (0.9)	2 (0.9)	39 (17.6)	86 (38.7)	93 (41.9)	4.19	0.82
vii.	We prepare cash flow projections	0 (0.0)	3 (1.4)	40 (18.0)	169 (76.1)	10 (4.5)	3.83	0.50
viii.	The office reconciles all cash accounts monthly	0 (0.0)	3 (1.4)	7 (3.2)	75 (33.8)	137 (61.7)	4.55	0.62
ix.	Departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given	1 (0.5)	1 (0.5)	20 (9.0)	86 (38.7)	114 (51.4)	4.40	0.70
x.	The office reviews process to monitor whether appropriate and accurate financial information is implemented	0 (0.0)	2 (0.9)	6 (2.7)	181 (81.5)	33 (14.9)	4.10	0.44
	Compliance with applicable laws and regulations							
i.	There is adequate compliance with accounting policies and procedures	3 (1.4)	1 (0.5)	3 (1.4)	199 (89.6)	16 (7.2)	4.00	0.47
ii.	Our accounting practices	0	4	4	179	35	4.10	0.48

	conform to accepted standards	(0.0)	(1.8)	(1.8)	(80.6)	(15.8)		
iii.	Controls are in place to exclude incurring expenditure in excess allocated funds	17 (7.7)	0 (0.0)	7 (3.2)	151 (68.0)	47 (21.2)	3.95	0.96
iv.	Guidelines and policies of the organization are working and being implemented	0 (0.0)	3 (1.4)	42 (18.9)	147 (66.2)	30 (13.5)	3.91	0.61
v.	Quality assurance is adhered to for all department's projects	0 (0.0)	37 (16.7)	28 (12.6)	143 (64.4)	14 (6.3)	3.60	0.83
	Reliable financial reporting							
i.	There is proper, prudent and timely documentations and progress reports	0 (0.0)	49 (22.1)	2 (0.9)	82 (36.9)	89 (40.1)	3.95	1.13
ii.	Responsible officials submit all statutory financial returns to the office when and where they are required in time.	0 (0.0)	1 (0.5)	2 (0.9)	159 (71.6)	60 (27.0)	4.25	0.48
iii.	The office reviews process to monitor whether appropriate and accurate financial information is received	0 (0.0)	18 (8.1)	5 (2.3)	186 (83.8)	13 (5.9)	3.87	0.62
iv.	The reporting system on organizational structures spells out all the responsibilities of each section/unit in the organization	0 (0.0)	2 (0.9)	45 (20.3)	117 (52.7)	58 (26.1)	4.04	0.70
v.	Management has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in audit reports	0 (0.0)	91 (41.0)	8 (3.6)	107 (48.2)	16 (7.2)	3.21	1.06
	Flow of information							
i.	There is adequate knowledge of expected	17 (7.7)	5 (2.3)	48 (21.6	142 (64.0	10 (4.5)	3.55	0.91

	role			)	)			
ii.	There is timely release of reliable information.	18 (8.1)	44 (19.8)	3 (1.4)	144 (64.9)	13 (5.9)	3.40	1.11
iii.	Our organization has a well-developed Chart of Accounts	50 (22.5)	2 (0.9)	6 (2.7)	105 (47.3)	59 (26.6)	3.54	1.46
iv.	Management provides feedback to the junior officers about the operation of the system	0 (0.0)	68 (30.6)	11 (5.0)	127 (57.2)	16 (7.2)	3.40	1.00
	Transparency							
i.	The office has procedures in place to manage its financial responsibilities.	1 (0.5)	2 (0.9)	6 (2.7)	185 (83.3)	28 (12.6)	4.06	0.47
ii.	Management acts with a great degree of integrity in execution of their roles	1 (0.5)	2 (0,9)	3 (1.4)	185 (83.3)	31 (14.0)	4.09	0.47
iii.	Ethical values are upheld in all management decisions	1 (0.5)	4 (1.8)	24 (10.8)	176 (79.3)	17 (7.7)	3.91	0.54
iv.	Internal reviews of implementation of internal controls in units are conducted periodically	1 (0.5)	3 (1.4)	79 (35.6)	121 (54.5)	18 (8.1)	3.68	0.65
v.	Our organization has an objective, independent and active audit committee	2 (0.9)	2 (0.9)	7 (3.2)	199 (89.6)	12 (5.4)	3.97	0.45
vi.	Segregation of duties or mitigating controls exist within transaction processing, authorization custody, and recording functions	1 (0.5)	32 (14.4)	74 (33.3)	100 (45.0)	15 (6.8)	3.43	0.83
vii.	Separation of duties exists between procurement, account payables and disbursements.	0 (0.0)	43 (19.4)	48 (21.6)	116 (52.3)	15 (6.8)	3.46	0.88
viii.	Internal audit is independent of management influence	0 (0.0)	41 (18.5)	5 (2.3)	117 (52.7)	59 (26.6)	3.87	1.00

Source: Field Survey, 2018

Note:
Percentages are in Parenthesis

The analysis in Table 4.2 showed the distribution of respondents on effect of internal control system on financial accountability in public sector in Southwestern Nigeria. Based on COSO's framework, financial accountability is divided into five components which are effective and efficient financial operations, compliance with applicable laws and regulations, reliable financial reporting, reliable flow of information, and transparency.

Considering effect of internal control on effective and efficient financial operations, 96.8% of the respondents agreed that the office prepares financial statements on budget versus actual and comparative basis to achieve a better understanding of finances, 97.7% agreed that adequate verification of vouchers and other financial documents are usually made, 96.8% agreed that there is always approval and confirmation of financial transaction, 61.3% agreed that staff are trained to implement the accounting and financial management, 95.5% agreed that there is always adequate control over cash and bank balances, 80.6% agreed that there is always severe punishment for erring officers, 80.6% agreed that cash flow projections are being prepared, 95.5% agreed that the office reconciles all cash accounts monthly, 90.1% agreed that departments have budgeted reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances are given, and 96.4% of them agreed that the office reviews process to monitor whether appropriate and accurate financial information is implemented. This showed that majority of the respondents agreed that internal control aided effective and efficient financial operations in public sector. This was confirmed by a high mean score of 4.22 on a 5-point Likert scale (see Table 4.3).

Considering the effect of internal control system on compliance with applicable laws and regulations, 96.8% of the respondents agreed that there is adequate compliance with accounting policies and procedures, 96.4% agreed that accounting practices conform to accepted standards, 89.2% agreed that controls are in place to exclude incurring expenditure in excess of allocated funds, 79.7% agreed that guidelines and policies of the organization are working and being implemented, and 70.7% agreed that quality assurance is adhered to for all department's projects. Therefore, a high percentage of the respondents agreed that internal control system promotes compliance with applicable laws and regulations in public sector. A high mean score of 3.91 on a 5-point scale confirmed this position (see Table 4.3).

Concerning reliable financial reporting as a result of effective internal control system, 77% of the respondents agreed that there is proper, prudent and timely documentations and progress reports, 98.6% agreed that responsible officials submit all statutory financial returns to the office when and where they are required in time, 89.7% agreed that the office reviews process to monitor whether appropriate and accurate financial information is received, 78.8% agreed that the reporting system on organizational structures spells out all the responsibilities of each section/ unit in the organization, and 55.4% agreed that management has assigned responsibilities for the timely review of audit reports and resolution of any non- compliance items noted in audit reports. Thus, majority of the respondents agreed that internal control enhanced reliable financial reporting in public sector in Southwestern Nigeria. This was confirmed by a mean score of 3.86 on a 5-point Likert scale (see Table 4.3).

Pertaining to flow of information in public sector, 68.5% of the respondents agreed that there is adequate knowledge of expected role, 70.8% agreed that there is timely release of reliable information, 73.9% agreed that organization has a well-developed chart of accounts, and 64.4% agreed that management provides feedback to the junior officers about the operation of the system. Thus, majority of the respondents agreed that internal control enhanced flow of information in public sector. This was confirmed by a mean score of 3.47 on a 5-point Likert scale (see Table 4.3).

Pertaining to effect of internal control on transparency, 95.9% of the respondents agreed that the office has procedures in place to manage its financial responsibilities, 97.3% agreed that management acts with a great degree of integrity in execution of their roles, 87% agreed that ethical values are upheld in all management decisions, 62.9% agreed that internal reviews of implementation of internal controls in units are conducted periodically, 95% agreed that organization has an objective, independent and active audit committee, 51.8% agreed that segregation of duties or mitigating controls exist within transaction processing, authorization custody and recording functions, 59.1% agreed that separation of duties exists between procurement, account payables and disbursements and 79.3% agreed that internal audit is independent of management influence. Thus, a mean of 3.81 showed that internal control system had positively influenced transparency in the sector (see Table 4.3).

In summary, effective and efficient financial operation ranked topmost and was closely followed by compliance with applicable laws and regulations, reliable financial reporting, transparency, while flow of information ranked the least (see Table 4.3).

Table 4.3: Summary Statistics on Effect of Internal Control System on Financial Accountability in Public Sector

Financial Accountability	Mean	Standard deviation	Ranking
Effective and Efficient Financial Operations	4.22	0.72	1st
Compliance with Applicable laws and Regulations	3.91	0.67	2nd
Reliable Financial Reporting	3.86	0.80	3rd
Transparency	3.81	0.66	4th
Flow of information	3.47	1.12	5th

Source: Field Survey, 2018

Table 4.4: Multiple Regression Analysis showing Effect of Internal Control System on Financial Accountability in Public Sector

Analysis of variance					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	24.489	5	4.898	16.995	0.000
Residual	62.249	216	0.288		
Total	86.739	221			
Coefficients					
Independence Variable	Unstandardized Coef.		Standardized Coef	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.740	0.452		3.850	.000
Control environment	0.489	0.088	0.405	5.547	.000
Control activities	0.519	0.074	0.497	7.026	.000
Risk assessment	0.032	0.074	0.032	0.431	.047
Info & communication	0.182	0.058	0.215	3.154	.002
Monitoring & evaluation	0.197	0.066	0.185	2.997	,003
Correlational Statistics					
Dependent Variable	Multiple R	R^2	Adjusted R^2	S.E of Estimate	Durbin Watson
Financial Accountability	0.531	0.282	0.266	0.537	1.821

Source: Researchers' Computation, 2018

A multiple regression model fitted for this study was presented in table 4.4. The result revealed that each of the components of internal control system on financial accountability which was measured by effective and efficient financial operations, the results showed that control environment ($t = 5.547$, $p < 0.05$), control activities ($t = 7.026$, $p < 0.05$), risk assessment ($t = 0.431$, $p < 0.05$), information and communication ($t = 3.154$, $p < 0.05$) and monitoring and evaluation ($t = 2.997$, $p < 0.05$) had significant effect on financial accountability in public sector in Southwestern Nigeria.

Considering the overall effect of internal control system on financial accountability, the ANOVA in the regression analysis showed that all the components of internal control system had combined significant effect on financial accountability in the sector ($F = 16.995$, $p < 0.05$). In addition, there was positive relationship between components of internal control system and organization's financial accountability as the intensity of internal controls explained a significant proportion (28.2%) of variation in financial accountability. Therefore, it implies the reliability and acceptability of internal control system in examining the financial accountability in public sector of Southwestern Nigeria.

5 Findings and Conclusion

This study examined the effect of internal control system on financial accountability in public sector of Southwestern Nigeria. Based on the analyses and the findings of the study it was discovered that internal control system had positive effect on financial accountability in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency and flow of information with the mean scores of 4.22, 3.91, 3.86, 3.81 and 3.47 respectively. The results of the multiple linear regression showed that control environment ($t = 5.547$, $p < 0.05$), control activities ($t = 7.026$, $p < 0.05$), risk assessment ($t = 0.431$, $p < 0.05$), information and communication ($t = 3.154$, $p < 0.05$) and monitoring and evaluation ($t = 2.997$, $p < 0.05$) had significant effect on financial accountability in public sector. The ANOVA with the $F = 16.995$, $p < 0.05$ showed that all the components of internal control system had significant effect on financial accountability in public sector. Therefore, the study concluded that internal control system put in place in the public sector in the Southwestern Nigeria was well established and adequate for effective and efficient financial accountability; there is a need for the internal control system in the public sector to ensure adequate uses of all channels of communication and information flow for proper financial accountability. Based on the findings and the conclusion, the study recommended that the internal control unit should be encouraged to maintain their independence role that is, the internal auditor should be adequately independent from those responsible for the financial operation of the organization so as to be able to provide additional assurance on cost efficiency and effectiveness of the internal control system; adequate and regular training should be giving to those in the audit section by government such as constant seminars and workshops to guide the auditors and accountant on issues relating to proper implementation of accounting policies and procedures so as to enhance their skills and expertise in their practice as professional.

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