**A COMPARATIVE EVALUATION OF INTERNAL CONTROL SYSTEM IN UNIVERSITIES IN SOUTHWEST NIGERIA**

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**SMS/007/5882**

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,**

**FACULTY OF SOCIAL AND MANAGEMENT SCIENCES,**

**BOWEN UNIVERSITY, IWO, NIGERIA, IN PARTIAL**

**FULFILLMENT OF THE REQUIREMENTS FOR**

 **THE AWARD OF MASTER OF SCIENCE**

**(M. Sc.) DEGREE IN ACCOUNTING**

**2014**

**CERTIFICATION**

This is to certify that this thesis was carried out by **OLAOSE, ODUNAYO OLAMIDE** in the Department of Accounting, Bowen University, Iwo, Osun State under my supervision.

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**DEDICATION**

This research work is dedicated to God, my Creator, my Redeemer, my Strength and my All in All.

**ACKNOWLEDGEMENTS**

All thanks and appreciation to God, the Giver of life and my Redeemer for His endless love, faithfulness and grace; without Him my life would never have come into existence. May His Wonderful name be praised forever!

My sincere and heartfelt gratitude goes to my supervisor, Professor Akinola A. Owosekun for his immense contribution and thorough supervision towards the completion and success of this study.

I appreciate the Dean, Postgraduate School, my Head of Department, Mr. E.O. Adeleke, lecturers that taught me, Mr. Feyisetan S. O., Mr. Adebisi, D. G., Dr Laosebikan, Mr. Adegun, E. A. for their wonderful inputs in my life academically. I am grateful to other members of staff of the Department of Accounting in persons of Mrs. Aregbesola O. D., Mr. Oladele, F., and Miss Kolawole P. E and others that have contributed to this study.

I am sincerely grateful to my lovely parents Mr. and Mrs. S. A. Olaose for their encouragement, advice, financial and moral support towards the completion of my thesis. May the Lord preserve your lives in Jesus name. Amen. Also I appreciate my Pastor, Brother J. A. Adelani, for his words of encouragement and prayers. Thank you Sir.

I am also grateful to the Staff of the Bursary Department of Bowen University, University of Ibadan, Olabisi Onabanjo University for their time to complete the administered questionnaires

I cannot but appreciate my 2012/2013 M.Sc. colleagues, (especially Famakin Emmmanuel).

Also, I appreciate Olaniyi John (a wonderful gift from God), my siblings, Temitope, Aanuoluwapo and Emmanuel for their concern, prayers and support and everyone that has contributed to the success of this thesis. God bless you all.

**OLAOSE, Odunayo Olamide**

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**ABBREVIATIONS AND ACRONYMS**

APB : Auditing Practices Board

ACCA : Association of Certified Chartered Accountants

AICPA : American Institute of Certified Public Accountants

COBIT : Control Objectives for Information and Related Technology

COCO : Canadian’s Criteria of Control

COSO : Committee of Sponsoring Organization of the Treadway Commission

FASB : Federation of Accounting Standard Board

IFAC : International Federation of Accountants

SOX : Sarbanes Oxley Act

**ABSTRACT**

This study examined the effectiveness of internal control system as a means of ensuring effectiveness of operation and as a foundation for compliance with financial controls in public and private universities in South West Nigeria. It evaluated the level of compliance with the various financial controls established to prevent fraudulent practices. The study was imperative considering the cases of financial mismanagement and abuse of stipulated rules, policies and procedures identified as plaguing the University system in Nigeria.

The study adopted descriptive research using primary data generated through the administration of 100 structured questionnaires to staff of Bursary and Internal Audit Departments/Units of University of Ibadan, Ibadan; Olabisi Onabanjo University, Ago-Iwoye; and Bowen University, Iwo in Southwest Nigeria. The universities were selected as they one of the foremost universities in their different categories in Southwest Nigeria. Data were analysed using tables and simple percentages, Spearman Correlation and ANOVA.

The findings from the analyses reveal that the forms of internal controls instituted by management are authorization and approval, management control, organizational control, segregation of duties to provide reasonable assurance for efficiency of operation. Also the analyses reveal that there is moderate compliance with the financial controls evaluated across the selected Universities except for Bowen University which revealed low compliance with the financial control. The findings confirmed that internal control system has a positive relationship with efficiency of operation in two (2) of the selected universities and that there exist a significant difference in the control system across the selected universities.

The study concludes that there is a relationship between internal control system and efficiency of operations. Therefore, internal control system enhances efficiency of operations.

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Background to the Study**

Every organisation is established to achieve specific goals and objectives, and for this to be realisable there is the need for certain policies, procedures or mechanisms to be in place. Guidelines are in place that ensures an organisation runs smoothly, and these guidelines should be evident in every department or unit including those covering recruitment, security and transactions. For an organisation to achieve the purpose for which it was setup there is the need for a set of controls that guide the internal operations of the entity, hence the establishment of internal control system.

Internal control system is a process instituted by an entity’s board of directors, management and support staff to provide reasonable assurance for the accomplishment of the mission, objectives and goals of an organization. It is to ensure effectiveness and efficiency of operations and the safeguarding of assets against unauthorised acquisition, use or disposal. It provides reasonable assurance to the management that financial interests and resources of the organization are safeguarded and that reliable information is available. According to Venables and Impey (1991) internal control system refers to the regulation of activities designed and implemented to facilitate the achievement of management’s objective.

An entity’s system of internal control should be embedded in the operations of the organisation and should form part of its culture; it should be capable of responding quickly to evolving risks to the business arising from factors within the company and changes in the business environment. It should also include procedures for reporting immediately to appropriate levels of management, any significant control failings or weaknesses that are identified, together with details of corrective action being undertaken.

The individual components of an internal control system are known as controls or internal controls. Internal controls can be divided into two (2) broad areas. Controls which are concerned with legitimacy of expenditure and the security of assets (accounting / financial controls) and other controls which are created and maintained by management to ensure that an activity is relevant to the needs of the organisation and is carried out as laid down by management policy(ies) in a cost effective manner (administrative controls). The essence of these controls is to provide management with reasonable assurance regarding effectiveness and efficiency of operations, compliance with laws and regulations and reliability of financial reporting.

Tertiary institutions in Nigeria play a crucial role in the supply of high level manpower for the socio-political and economic development of the nation and according to the National Policy on Education (2004) as cited in Ekundayo and Ajayi (2009), the teaching and research functions of higher educational institutions have an important role to play in national development particularly in development of high level manpower. In fulfilling their functions, universities expend huge amount of fund, which if not properly utilized and monitored, may jeopardize the whole system.

Studies have shown that tertiary institutions in Nigeria are poorly funded which has affected different facet of university operation and thus they are unable to compete with their foreign counterparts. Familoni & Aborisade (1998) observed that tertiary institutions have been inadequately funded and that this has led to the emergence of several problems. These problems include non-maintenance of existing building and other infrastructural facilities, low remuneration of staff leading to strike actions and brain drain, inadequate institutional materials for lecturers and students, inability to stock the libraries with current books and lack of incentive to conduct research. It is saddening to note that in the press-release of the Centre for World Class Universities at Shanghai Jiao Tong (2013), in the People’s Republic of China, none of Nigerian Universities was ranked among the first five hundred (500) universities in the world. To salvage the situation, Nigerian Universities must judiciously utilized funds at their disposal, hence the need for controls.

The management of university education can be looked at from two dimensions; the external and the internal. At the external level, this is the control by the federal government through the National Universities Commission (NUC), a body charged with the coordination of university management and quality improvement of university education in the country. Okojie (2007) posited that the NUC activities in improving quality of university education in the country include: (i) accreditation of courses, (ii) approval of courses and programmes (iii) maintenance of minimum academic standards (iv) monitoring of universities. (v) Giving guidelines for setting up of universities (v) monitoring of private universities (vii) prevention of the establishment of illegal campuses and (viii) application of appropriate sanctions.

On the other hand, the internal management of each university is represented by their organizational structure. Each university has its principal officers among whom are the Visitor, Chancellor and Pro-Chancellor. These positions are occupied by people within the community outside the University. The Visitor is usually the Head of State or the Head of Government (the President in case of Federal universities, and the Governors in case of State universities). He usually comes to grace the convocation ceremonies where he uses the occasion to address the academic communities on matters of the moment (Adegbite, 2007) as cited in Ekundayo & Ajayi (2006). The second is the Chancellor, who is the titular head of the university, who by law, in relation to the university, takes precedence before all other members of the university, the Vice-Chancellor is the administrative head of the University with other principal officers: Registrar, Bursar, Librarian, and Director of Works - all assisting with the central administration

The external regulations that guide the administration and financial management of tertiary institutions in the country are not being fully complied with that is why heads of tertiary institutions can be accused of stealing and mismanagement of funds. If there are no checks on their activities and if their accounts are not audited, some frauds may remain undetected. “Evidence has shown that a whole range of corruption-related practices and behaviours have become rampant in the higher education system with devastating consequences not only on the system and individual institutions but for the larger society as well.” (Aina, 2007).

This study intends to make a comparative assessment of the internal control system, with a particular focus on financial controls of Universities in South-West Nigeria, and how it has been able to ensure efficiency and effectiveness of operations, curb excesses and prevent fraudulent practices in the achievement of goals and objectives.

* 1. **Statement of the Problem**

Cases of financial mismanagement and business failures often derive from non-compliance with rules and regulations that are established to guide employees’ activities in an organisation. Some of such cases are; the Enron debacle in the year 2001 which was blamed on weak internal control and some other malpractices of the executive directors. Also, the crisis that erupted in some Nigerian banks in the year 2010 was hinged on weak internal control and some other malpractices in the affected banks which resulted to the significant losses incurred by several banking organisations. An analysis of the problems related to the losses indicated that they could have been avoided if the banks had maintained effective internal control systems.

Universities consume a considerable amount of public fund which could otherwise be available to other functions within the public sector. Amongst the challenges besetting the university system in Nigeria are poor management of funds and indiscipline, poor governance and total disregard for due process. In an exercise carried out by the Independent Corrupt Practices Commission (ICPC) in May 2013, key amongst the vices in Universities, was the disregard for and abuse of stipulated rules, policies and procedures in terms of examination management, recruitment, promotions and contracts awards.

Researchers have evaluated the effectiveness of internal control system in various institutions like banks and manufacturing organisation but limited studies exist in Universities. This study intends to fill this gap by applying the components of internal control system as given by COSO to evaluate the internal control system as means of ensuring efficiency of operation.

**1.3 Research Questions**

Internal control effectiveness assists in achieving organisational goals and objectives and ensures safety of universities assets and properties and the curbing of fraudulent practices. Therefore, the following questions are relevant for the purpose of the study:

1. What are the different forms of internal controls in place within a university system?
2. To what extent has internal control helped in ensuring efficiency and effectiveness of operations and the safety of University’s assets?
3. To what extent have the various financial controls serve as a means of preventing fraudulent practices in universities?

**1.4 Objectives of the Study**

Internal controls in an organization are normally instituted to provide reasonable assurance about the achievement of the entity’s objectives. The general objective of this study is to examine the effectiveness of internal control system as a means of ensuring effectiveness of operation and as a foundation for compliance with financial controls in public and private universities in Nigeria. The specific objectives of this study are to:

1. investigate the different forms of internal control system put in place within some selected Universities in Southwest Nigeria
2. ascertain the extent to which internal control has helped in ensuring efficiency and effectiveness and the safety of assets within some selected Universities in Southwest Nigeria.
3. evaluate the level of compliance with the various financial controls in Universities in Southwest Nigeria
4. compare the internal control system across the selected universities

**1.5 Research Hypotheses**

 The following hypotheses were tested in this study:

1. There is no significant relationship between internal controls and efficiency and effectiveness of operation in universities.
2. There is no significant relationship between financial controls and efficiency of operation across the Universities.
3. There is no significant difference between the internal control system across the universities.

**1.6 Significance of the Study**

This research would highlight areas of strength that should be reinforced to ensure financial and administrative efficiency within the university system. It is also the researcher’s belief that this study will be of invaluable benefit to management and those charged with governance in the university environment especially on how to streamline the systems of internal controls for efficiency of operation towards the achievement of objectives. This study will be an addition to the already existing body of knowledge especially in the field of internal controls, financial controls, and internal audit functions in Universities.

The results of the study will help future researchers especially those who will be researching in a similar area of internal control system within the university framework.

**1.7 Scope of the Study**

The population for this research work would be Universities in the South-West Nigeria. Considering the complexity of internal control system, the study will focus on the evaluation of internal control system within the bursary department of selected Universities in South-West Nigeria.

 **1.8 Plan of the Study**

The study is organized into five chapters. Chapter one introduces the study by providing the background information and in particular, statement of the problem, purpose of the study, objective of the study, research questions, scope of the study, significance of the study. Chapter two reviews relevant literatures on internal control system while Chapter three outlines the methodology and tools used in the study. Chapter four provides the interpretation and analysis of findings while chapter five deals with the summary, conclusion and recommendations.

**CHAPTER TWO**

**LITERATURE REVIEW**

Business failures are often initiated by the absence of, or weak internal control system as corroborated by the findings of Treadway Commission Report of 1987 in the United States (USA). The commission was inaugurated to identify factors that caused fraudulent corporate financial reports and make recommendations to resolve such issues. The findings confirmed absence of, or weak, internal controls as the primary cause of many cases of fraudulent company financial reporting. The recommendations from the report emphasized the importance of the control environment, codes of ethical conduct, management reports on the effectiveness of internal controls and development of a common definition and framework of internal control (Amudo and Inanga, 2009). Also, the report on the global fraudulent financial reporting and accounting scandals in both developed and developing countries in the early 2000s confirmed the absence of strong internal controls as the causal factor for such fraudulent reporting. Examples of such scandals include Enron in 2001 and Worldcom in 2002.

This Chapter seeks to consider and review the literature on conceptual and theoretical framework on internal control system.

**2.1 Review of Theoretical Literature**

Internal check system marked the birth of the concept of Internal Control. In the wake of the Great Depression in 1929, the Securities Act of 1933 and Securities Exchange Act of 1934 were enacted which imposed mandatory audit of financial statements in listed companies. The role of auditors then was to inspect financial statements to see if they comply with accounting principles. The system of internal check was defined as the coordination of a system of accounts and related office procedures in such a manner that the work of one employee independently performing his own prescribed duties continually checks the work of another as to certain elements involving the possibility of fraud (Sawyer, Dittehhofer & Scheiner 2003). In response to fraudulent financial reporting reported in the United States around the 1970s, the necessity for internal controls was much emphasized as its absence was discovered as one of the causal factors of business failures.

**2.1.1 Internal Controls**

The concept of internal controls as defined by different scholars centres round the “plan and procedures” established by an entity’s management in achieving predetermined goals and objectives and some of such definitions are given below:

The American Institute of Certified Public Accountants (AICPA) defined internal controls as “the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies”.

DiNapoli (2007) defined internal control as “a system linking up enterprise performance, plans, attitudes, politics, interaction of systems, and management of human resources that help the organization to achieve the settled goals and to follow its mission”. Lakis (2007) as cited in Lakis & Giriunas (2012) defined the concept as “a control system made by enterprise authority to organise the enterprise performance properly according to the established strategy and to ensure safety and rational use of property, particularity and accuracy in accounting data”. Control Objectives for Information and Related Technology (2007) opined that internal control as “a process including norms, procedures, performance and organizational structure established to ensure reasonable guarantees so as to achieve the settled business goals and avoid undesirable events”.

According to Taiwan’s Securities and Futures Commission, internal controls are designed by a public company’s management and are administrated and managed by the board, management and all employees. Internal controls aim to guarantee (1) Efficient operational results; (2) Reliability of financial reports; and (3) Adherence to related rules and regulations.

Gupta (2001) drawing from Statements of Standard Auditing Practices No. 6 (SAP 6) defined Internal control as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information”.

It is therefore worth noting from the above that it is the responsibility of management to establish a system of internal controls that will ensure completeness of all transactions undertaken by an entity, that the entity’s assets are safeguarded from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, that all assets in the company’s financial statements do exist, that promotes operational efficiency, and that encourages adherence to prescribed managerial policies”.

**2.1.2 Types of Internal Controls**

Management may decide on any type of suitable internal control(s) for the organization. The Institute of Chartered Accountants of England and Wales (ICAEW) issued a guideline on Internal Control, which provides the types of internal control that may be found in many enterprises. They are:

**Physical controls over assets**: These are those procedures and measures set up to secure proper custody over valuable corporate assets. They prevent unauthorized access to these assets. All assets of an organization should be safeguarded at all times especially the valuable and portable assets such as cash and motor vehicle. Security of assets should be designed to ensure that access to assets is limited to authorized persons and no asset is stolen.

**Arithmetic and Accounting Controls**: These controls are predominant in the recording function, they ensures that all transactions occurring during the period have been authorized, and that they have all been correctly and accurately recorded and processed. There should be a system of checks on the arithmetic accuracy of the accounts kept in respect of transactions e.g. extraction of balances, to check the accuracy of all postings during a given period, establishment of control accounts of creditors and debtors and the preparation of Bank reconciliation statement. This example also includes checking the arithmetic accuracy of calculations and maintaining and checking control totals.

**Personnel Controls**: The efficient and effective functioning of a well designed system depend on the operators. Controls are therefore necessary to ensure that personnel have capabilities commensurate with their responsibilities. Theses controls, known as personnel controls, provide a framework for ensuring an efficient selection and training procedure for staff. There should be qualification system to ensure that a capable staff is allocated to a particular duty and is sufficiently motivated to ensure effective and efficient performance of his duty with complete integrity.

**Authorizations and Approvals**: These are those controls, which specify the persons responsible for authorizing and approving transactions and the limits of such authority. All transactions should be authorized and approved by responsible officials before the organization is financially committed. Such authority should be clearly specified in writing and the limit of authority or responsibility clearly defined.

**Management Controls**: These are those controls characteristically executed by top management on a periodic basis as against a daily basis. Conceivably, they include periodic reviews of management accounts and comparison thereof with budgets and other special reviews. Some writers call management controls overriding controls. It is the responsibility of management to establish control for day-to-day operation of the affairs of the organization and this will include supervisor controls, internal audit functions, review of management accounts and comparison of actual result with budget targets.

**Organizational Controls**: These are those controls, rules, regulations and procedures which specify the organizational plan (structure), define roles and allocates responsibilities; and identify lines of reporting for all aspects of the enterprises’ operations.

Responsibilities should be allocated to staff according to experience and proficiency and the line of reporting should be clearly indicated. It is of importance that an organization has an organizational chart showing all lines of reporting.

**Separation of Duties**: They are those controls, which ensure that separate individuals or groups of individuals carry out the main functions of an organization such as authorization, receipt, custody and recording. It is believed that the separation of these critical duties will minimize the inherent risk of fraud or errors and increase the element of checking within the system. This is to ensure that no one person is responsible for all aspects of a transaction. In other words, the job should be arranged in such a way that the work of one person is complementary to that of another or independently checked by another person so that fraud and error may be minimized or early detection maximized. Involvement of more individuals reduces the risk of accidental error and deliberate fraud. A guide to best practice consists of (1) separation of financial functions (2) separation of the authorisation of transactions from custody of the related assets (3) separation of operating duties from financial record-keeping (4) separation of custody of the assets from maintenance of the related accounting records.

**Supervisory Controls**: These are controls over day-to-day activities of the organization, which ensure that the work of less experienced employees are reviewed and controlled by independent, more senior and experienced employee. This is part of the internal check. The employee authorised to check should have a thorough knowledge of the job.

**Preventive and Detective controls**

Preventive controls attempt to deter or prevent undesirable acts from occurring. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets while detective controls, on the other hand, attempt to detect undesirable acts. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, variance analyses, reconciliations, physical inventories, and audits. Both types of controls are essential to an effective internal control system. From a quality standpoint, preventive controls are essential because they are proactive and emphasize quality. However, detective controls play a critical role by providing evidence that the preventive controls are functioning and preventing losses.

**2.1.3 Internal Control as a Tool for Fraud Prevention**

Fraud is an issue that all organizations may face regardless of size, industry or country; as long as it has valuable properties (such as cash, goods, information or services, assets), then fraud may be attempted. Adewunmi (1986) defines fraud as a conscious action of persons or group of persons with the intention of altering the truth or fact for selfish personal monetary gain. It involves the use of deceit, tricks and sometimes highly intelligent cunning. The actions take the form of forgery, falsification of documents and authorizing signatures or outright theft or counterfeiting of handwriting, documents, cheques, draft, currency notes and various other negotiable instruments. The chief intention of the forger is to obtain funds fraudulently. Brink and Witt (1982), defined fraud as an ever present threat to the effective utilization of resources and it will always be an important concern of management. It is a conscious effort of one or more employees to have an unlawful advantage of an organization so as to obtain property or fund. Investment and Securities Act (ISA) 240 on ‘The auditor’s Responsibilities to Consider Fraud in an Audit of Financial Statement (Revised)’ refers to fraud as “an intentional act by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage”.

There is a general consensus amongst criminologist that fraud is caused by three elements tagged “WOE” Will, Opportunity and Exit i.e. the will to commit the fraud by the individual, the opportunity to execute the fraud and the exit which is to escape from sanctions against successful or attempted fraud or deviant behaviour.

Fraud is an issue every organization may face, it therefore suggests that the university system is not freed of fraud perpetuation hence the need for establishing a strong internal control system. It is necessary to bring to remembrance at this juncture that, internal controls can be seen as the set of tools, authorizations, procedures and standards designed within a system that regulate processes to provide management, the board of directors and other stakeholders with reasonable assurance that the goals and objectives important to the organization will be met.

It must be noted however that the essence of instituting internal controls is to assists in sustaining the organization’s performance in achieving its goals and objectives by preventing loss of resources through fraud and other irregularities.

Therefore from the above, if the internal control system in an organization is weak, it provides opportunity for a person with an intention to defraud and to also go undetected.

**2.1.4 Financial Controls**

Financial control is an element of Internal control system and as posited by Anfayo, (1996) it is “a process of assuring that cash is used properly and for authorised programmes, this involves observation and measurement by comparing actual performance against the planned and correcting variances. Also Mainoma (2007) as cited by Mu’azu (2012) explained it as “the steps taken to ensure maximum safe custody of financial resources in order to avoid waste, misuse, embezzlement, misappropriation or illegal disposal of public finance”. Financial controls refer to those policies, procedures practices and organisational structures which are implemented to reduce financial risk to the organisation. They are developed to provide reasonable assurance to management that the organisation business objectives will be achieved and risk prevented, or detected and corrected. Government enforces financial control through the use of such instruments like civil service rule, financial instrument, financial memorandum, treasury accounting manual and financial regulation.

Financial control measures are those measure put in place to ensure that financial related assets or properties of an organisation are safeguarded, either from external or employees of an organisation from any threat whatsoever, whether by theft, loss or misappropriation (intentional or otherwise).

Effective financial controls are a vital element of internal control. They help to contribute to the safeguarding of assets from inappropriate use or loss, including the prevention and detection of fraud.

A technique of financial control has been identified as budget and which is employed in achieving organisational objectives. It is a basic tool by which management seeks to ensure that its resources are effectively utilized in the accomplishment of the organisation objectives. Omolehinwa (2003) viewed budget as the plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other participants and the environment indicating how the available resources may be utilized to achieve whatever the dominant individual agreed to be the organization’s proprieties”. Meigs and Meigs, (2004) defined budgets as a comprehensive financial plan, setting forth the expected route for achieving the financial and operational goals of an organization”. It is a useful tool for control purposes and also serves as a benchmark for controlling ongoing activities.

Another core of the control process is expenditure control which refers to the process by which managers utilize effectively and efficiently, the scarce resource in the achievement of the organisational goals. It is a management tool that guides and ensures that the organisational spending are in accordance with the policy plans. It helps in avoiding wasteful use of valuable resources and encouraging efficiency and cost consciousness. For expenditure control to be effective, it must keep misappropriation, inefficiency and other expenses under check.

**2.1.5 Internal Control System**

 In response to the fraudulent financial reporting in the mid 1970s, the Committee of Sponsoring Organizations of the Treadway Commission was inaugurated in 1985 to inspect, analyze, and make recommendations on fraudulent financial reporting. The Committee studied the causal factors that can lead to fraudulent financial reporting. It also developed recommendations for public companies and their independent auditors, for the Securities and Exchange Commission (SEC) and other regulators, and for educational institutions.

 Committee of Sponsoring Organisations COSO (1992), defined internal control as “a process that guides an organization towards achieving its objectives. These objectives include operational efficiency and effectiveness, reliability of financial reporting, and compliance with relevant laws and regulations. The absence of these variables often results in organizational failure”. The Commission released a four volume report entitled Internal Control-Integrated Framework. The report presents a common definition of internal control and provides a framework against which internal control systems may be assessed and improved. The framework consists of five (5) interrelated components derived from the way management runs a business. COSO framework emphasizes the links between the different control components and the need to find synergies among them, enabling firms to optimally respond to changing conditions. The components are control environment, risk assessment, control activities, information and communication, and monitoring. The COSO framework (2013) was updated and contains 17 principles which create a formal structure for designing and evaluating the effectiveness of internal control system. The 2013 Framework presumes that because the 17 principles are fundamental concepts of the five components, all 17 are relevant to all entities. Consequently, if a principle is not present and functioning, the associated component is not present and functioning. In rare circumstances, because of industry, regulatory, or operating matters, management may determine that a principle is not relevant to a component.

A schematic structure of the component of internal control system and the principles is shown below:

**Fig 2.1 Components of Internal Control System**

**** Source: COSO (2013).

The components of internal control system as given by COSO are corroborated in various works such as KPMG (1999), CPA (2005), Chambers (2009) and are explained below

**Control Environment**

The control environment sets the tone of an organisation, influencing the control consciousness of its people. According to DiNapoli (2007), the control environment possesses a pervasive influence on the decisions and activities of an organization, and provides the foundation for the overall system of internal control and other components of internal control, providing discipline and structure. Management is responsible for creating a positive control environment, the action and tone established and practiced at this level has a profound impact on how employees perform their responsibilities, which in turn affects the achievement of the organization’s mission. Management is saddled with the responsibility of establishing and communicating the ethical values by establishing and publishing a code of conduct. The control environment factors include the integrity, ethical values and competence of the entity’s people; management’s philosophy and operating style; the way management assigns authority and responsibility, and organises and develops its people; and the attention and direction provided by the board of directors.

**Identification and evaluation of risks and control objectives**

Every entity faces a variety of risks from external (e.g. changes in legislation, natural disaster) to internal (e.g. human error, fraud, system breakdowns) sources, which must be assessed and managed so that the accomplishment of the organization’s mission is ensured. Risk assessment, which is the identification and analysis of relevant risks to achievement of objectives, forms a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change. Management should evaluate each identified risk in terms of its impact and its likelihood of occurrence, and develop controls that will help to reduce the occurrence of such risk to the minimum.

**Control Activities**

Control activities are the policies and procedures that help ensure that management directives are carried out. They are tools that help to identify, prevent or reduce the risks that can impede accomplishment of the organization’s objectives. They help ensure that necessary actions are taken to address risks to achievement of the entity’s objectives

Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Most control activities are grouped into two categories which are prevention and detection control activities. Prevention activities are designed to deter the occurrence of undesirable event while detection activities are designed to identify undesirable activities and alert management.

According to DiNapoli (2007) some commonly used control activities are Documentation, Approval and Authorization, Verification, Supervision, Segregation of Duties, Safeguarding Assets and Reporting. Some of these are explained below:

**Documentation**: This involves preserving evidence to substantiate a decision, event, transaction or system. Documentation should be complete, accurate and timely recorded, and be in a usable form so as to add to the efficiency and effectiveness of the organizations. Documentation of policies and procedures is critical to the daily operations of an organization as it set forth the fundamental framework and the underlying methods and processes all employees rely on to do their jobs. The documentation of an organization's system of internal control should include the organization's structure, policies, assessable units, control objectives and control activities.

**Approval and Authorization**: Approval is the confirmation or sanction of employee decisions, events or transactions based on a review. Management should determine which item without approval possesses a level of risk to the organization while authorization is a control activity designed to ensure events or transactions are initiated and executed by those designated by management.

**Separation of duties:** This is the division of key tasks and responsibilities among various employees and sub-units of an organization. By separating key tasks and responsibilities - such as receiving, recording, depositing, securing and reconciling assets - management can reduce the risk of error, waste, or wrongful acts.

**Information and communication processes**

Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. A good information system produces report containing operational, financial and compliance-related information, which make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary for informed business decision-making and external reporting.

DiNapoli (2007) opined that information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. Information should travel in all directions to ensure that all members of the organization are informed and that decisions and actions of different units are communicated and coordinated.

Effective communication must also occur in a broader sense, flowing down, across and up the organisation. All employees must receive a clear message from top management that responsibilities for control must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

DiNapoli (2007) recommended that management should establish communication channels that provide timely information, inform employees of their duties and responsibilities and provide the information necessary for all employees to carry out their responsibilities effectively.

**Monitoring**

Internal control system must be monitored to guarantee its continued effectiveness. It involves assessing the quality of the system’s performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

The process should include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective actions undertaken (KPMG, 1999).

**2.1.6 Internal Audit as a Tool of Internal Control System**

According to Etuk (2010) internal audit is one of the management controls which are used periodically by top management. The main purpose of internal audit in any organization is to ensure that such an organization achieves its objectives at minimum costs and that activities are in accordance with the laid down rules and regulations of the management, standard accounting practices and regulating law.

The internal audit is one of the important means for management to confirm and verify the compliance of units in the financial and administrative section with units in the financial and administrative policies, legislations, financial and administrative systems and the adopted public policies. Internal audit is an integral part of the internal control system and is a tool for ensuring effective workings of the internal control system. The work of the internal audit is to appraise an organization’s system of internal control so as to ascertain its effectiveness in achieving organizational objectives.

Sawyer (2003) stated that internal auditing is “a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable, (2) risks to the enterprise are identified and minimized, (3) external regulations and acceptable internal policies and procedures are followed, (4) satisfactory operating criteria are met, (5) resources are used efficiently and economically, and (6) the organization’s objectives are effectively achieved. This is all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities”.

In another view, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Internal audit is a valuable service to the board of directors and management as it appraises independently the effectiveness of internal control. The board of directors need constant monitoring of the internal controls so that they may be informed in a timely manner of any irregularities or weaknesses that occur, to allow immediate action to be taken to rectify them (APB, 1994).

In compliance with generally accepted auditing standards, the work of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation’s system of internal control, and the quality of performance in carrying out assigned responsibilities. This is achieved through, among others:

* Examination and constant scrutiny of all systems of authorizations to ensure adequate control activities.
* Periodic examination of the system of internal checks and internal control to ensure the highest possible standards of efficiency.
* The detailed examination of income and expenditure to ensure its correct recording, classification and allocation in accordance with the approved budget provisions.
* The verification of assets and liabilities and the means of safeguarding them against various types of losses such as those resulting from theft, fire, misappropriation or other illegal activities.
* Maintenance of adequate checks against errors, frauds, misappropriations and misapplications.
* Compliance tests to ensure that policies, plans, procedures and applicable rules and regulations as laid down by management are adhered to.

The internal audit department in any organisation is headed by the internal auditor who reviews accounting records, management information systems and other administrative policies and practices throughout the organisation. The role includes the identification and recommendation of measures to achieve greater effectiveness, efficiency and economy and to remedy practices that expose the organization to undue risk and vulnerability. The Auditor identifies practices that do not comply with organisational policy, or with the requirements of external regulatory bodies.

Therefore, internal audit as a tool of internal control adds value through improving the control and monitoring environment within organizations to contribute to measures to prevent fraud and corruption (Coram, Ferguson & Moroney, 2006).

The role of the internal audit department Internal Audit Department permeates all aspects of the organization. It follows that wherever there are rules, regulations and procedures laid down to be followed in carrying out any task, the services of the internal audit department are necessarily required.

Etuk (2010) gives a wider range of objectives of internal audit department as one or more of the following:

1. Checking compliance with laid down policies, plans, procedures, laws and regulations.
2. Reviewing company’s policies in the light of changing business conditions and recommending appropriate improvements
3. Assessment of the quality of accounting and internal control systems as a basis for the preparation of financial reports, management accounts and other statistical information.
4. The assessment of the adequacy, accuracy, timeliness and relevance of management information system.
5. Detection/prevention of error and/or fraud.
6. Liaison with external auditor for the purpose of complementing their efforts and ensuring that prompt and proper action is taken on management letters.
7. Serving as a training unit on internal control matters
8. Verification of assets and liabilities, ensuring that assets are well safeguarded and liabilities have been properly incurred.
9. To carry out special investigations of management request.

**2.1.7 Benefits of Internal Control System**

**Management of Risks:** An organisation’s system of internal control has a key role to play in the management of risks that are significant to the fulfilment of its business objective. A sound system of internal control contributes to safeguarding the shareholders investment and the company’s assets.

**Report Facilitation:** It facilitates the efficiency and effectiveness of internal and external reporting, and assets compliance with laws and regulations.

**Effective Financial Control:** Effective financial controls (including the maintenance of proper accounting records) are important elements of internal controls. They help to ensure that the organization is not unnecessarily exposed to avoidable financial risks and that the financial information used within the business and for external publications is reliable. They also contribute to the safeguarding of assets and to the prevention and detection of fraud.

**Risk Control:** The changes in anorganization’s internal structure and in the environment in which it operates consequently result in continual changes in the risks it faces. A sound system of internal control with a thorough and regular evaluation of the nature and extent of risks will help an organization to manage the risk it is exposed to.

**2.1.8 Limitations of Internal Control System**

 The COSO framework which was adopted as the main theoretical framework in this study recognizes that while internal control provides reasonable assurance of achieving the entity’s objectives, limitations do exist. Internal control cannot prevent bad judgment or decisions, or external events that can cause an organization to fail to achieve its operational goals. In other words, even an effective system of internal control can experience a failure. Limitations may result from the:

* Excessive authority vested in a senior older officer.
* Ability of management to override internal controls.
* Incompetent control personnel
* Pressure exerted from within and outside the enterprise
* Ability of management, other personnel, and/or third parties to circumvent controls through collusion.
* External events beyond the organization’s control
* Lack of separation of duties.

**2.1.9 Principles of Evaluating and Improving Internal Controls**

The International Federation of Accountant (2012) provides the key principles of evaluating and improving internal controls in organizations. The principles represent good practice for evaluating and improving internal control systems. The principles are formulated to facilitate the evaluation and improvement of existing internal control systems by highlighting a number of areas where the practical application of such guidelines often fails in many organizations.

**Supporting the Organization’s Objectives**

Internal controls should be used to support the organization in achieving its objectives by managing its risks, while complying with rules, regulations, and organizational policies. The organization should therefore make internal control part of risk management and integrate both in its overall governance system.

**Determining Roles and Responsibilities**

The organization should determine the various roles and responsibilities with respect to internal control, including the governing body, management at all levels, employees, and internal and external assurance providers, as well as coordinate the collaboration among participants.

**Fostering a Motivational Culture**

The governing body and management should foster an organizational culture that motivates members of the organization to act in line with risk management strategy and policies on internal control set by the governing body to achieve the organization’s objectives. The tone and action at the top are critical in this respect.

**Linking to Individual Performance**

The governing body and management should link achievement of the organization’s internal control objectives to individual performance objectives. Each person within the organization should be held accountable for the achievement of assigned internal control objectives.

**Ensuring Sufficient Competency**

The governing body, management, and other participants in the organization’s governance system should be sufficiently competent to fulfil the internal control responsibilities associated with their roles.

**2.2 Conceptual Framework**

Studies have identified the components of internal control to include, control environment, control activities, risk assessment, monitoring, and information and technology. COSO (2013) asserts that the three primary objectives of an internal control system are to ensure (1) efficient and effective operations, (2) accurate financial reporting, and (3) compliance with laws and regulations.

Amudo & Inanga (2009) provided a conceptual framework of internal control showing the conceptual framework components of dependent and independent variables. The major independent variables identified include: control environment, risk assessment, control activities, information and communication, and monitoring while the dependent variable is the effectiveness of the internal control system. They posited that the proper functioning of the independent variables provides reasonable assurance of proper functioning of the dependent variable. When this is achieved the organization realizes preset objectives of efficient and effective operations, generation of accurate records, safety of assets and resources, reliable and informative financial reports that comply with relevant legal and regulatory requirements.

This study adopts a similar conceptual framework which corroborates that of Amudo and Inanga (2009) but with little modification. Considering the area of study, the evaluation of the whole five (5) components of ICS may be challenging in a university environment in Nigeria. Therefore the control environment, control activities and monitoring components of the internal control system were used as dimensions of internal control system, thus evaluating its capacity to ensure efficiency of operations. This study also incorporates the internal audit function as part of the dimensions in evaluating the ICS, and which is similar to the study by Mawanda (2009) as the researcher used control environment, control activities and internal audit as dimensions of internal control system in a university of learning. The dependent variable measured is the efficiency and effectiveness that the internal control system engenders which is one the objectives of internal control system identified by COSO. Intervening variables identified consists of the regulations of the National Universities Commission, policies established by the Governing Council since the primary responsibility for the prevention and detection of fraud and other irregularities rests with the governing council of each university.

Mawanda (2008) posited that effective operations are about safeguarding the assets of the organization. The physical assets like cash, non physical assets like receivables, important documents and records of the company can be stolen, misused or accidentally destroyed unless they are protected by adequate controls.

The responsibility of a strong control environment is saddled with the Board of Directors and is responsible for providing governance, guidance and oversight for senior management and ensuring that an appropriate internal control system is in place and effective (Noorvee 2006). For the purpose of this study and in consideration of the area of study, board of directors is represented by the Governing Council of Universities.

Control activities are policies and procedures that help to ensure that management directives are carried out, Ray and Pany (2001). This study evaluated the control activities using activities posited by COSO (2013), which include authorization and approvals, verifications, reconciliations, segregation of duties.

For internal control system to be effective in ensuring efficiency of operations it must be properly monitored and deficiencies identified must be timely corrected. This involves ascertaining whether internal control is present and functioning. The internal audit unit support management in monitoring the effective functioning of institution’s internal control.

For this study however, the internal control system in the Universities is evaluated, drawing sample from ownership classification, (Federal, State and Private institution). Although this classification implies different funding, yet efficiency of operations is a necessary objective and pursuit for all and thus the imperative of internal control system.

**Fig. 2.2 Conceptual Framework of Internal Control System**

 **Independent Variables**

 **Dependent Variable**

Efficiency and Effectiveness of Operation

Control Activities

Control Environmentnt

Monitoring

Internal Audit

**Intervening Variables**

Governing Council

National Universities Commission

Accounting System

**Source**: Researcher’s Design from the works of Amudo & Inanga (2009) and Mawanda (2008)

Figure 2 provides the conceptual framework of independent and dependent variables evaluated in this study. Thus with the proper functioning of the independent variables, it provides a reasonable assurance for the accomplishment of organizational objectives by ensuring effectiveness and efficiency of operation, accurate financial reporting among others.

**2.2.1 Background Information on University Structure**

A university is an institution of higher education and research which grants academic degrees in a variety of subjects and provides both undergraduate and postgraduate education. Amongst the objectives of the University as contained in the University Act is the encouragement of advancement of learning by affording all persons without distinction of race, creed, sex or political conviction the opportunity of acquiring a higher and liberal education and to provide courses of instruction and other facilities for the pursuit of learning in all its branches, and to make those facilities available on proper terms to such persons as are equipped to benefit from them.

According to the Manual of Uniform Internal Audit System for Nigerian Universities (2007), the primary responsibility for the prevention and detection of fraud and other irregularities rests with the Governing Council of each university. The council has the distinguished role of safeguarding assets and thus in the exercise of control over property and expenditure of each university, the Governing Council, either through the Vice-Chancellor or through the Finance and General Purposes Committee, discharge their responsibility by:

* Installing an effective accounting system;
* Instituting an appropriate system of internal controls in addition to those specified by law, and the proper operation of these controls
* Safeguarding the assets and
* Securing as far as possible the completeness and accuracy of records
* Securing as far as possible the completeness and accuracy of records
* Establishing an independent internal audit function, as part of its internal control system to serve as
	+ - A watchdog enabling management to enforce internal controls, safeguard assets from misuse.
		- A systematic and objective appraisal of operations and controls to determine whether financial and operating information are accurate and reliable and that resources are used efficiently and economically.

The various controls are found in the enabling law, as well as various university rules and regulations, especially in the Manual of Accounting and Financial Instructions or any other similar document approved by the Council.

The Bursar who is the Chief Financial Officer of the University and also responsible to the Vice Chancellor on the finances of the University, is responsible for ensuring that the accounts of the University are prepared in accordance with the University Law, statute and professional standards. The Bursary assists the institution and the Governing Council to fulfil the mission and objectives of the University through strict adherence to standard practices on financial management and accounting principles laid down by the Government and Governing Council. These standard practices include:

* Documentation and recording of all financial transaction of the University - Income and expenditure;
* Preparation of periodic financial statements for Management, National Universities Commission (NUC) and University’s Council;
* Overall control of the Institution’s financial resources;
* Guidance to all departments in all financial matters, particularly as regards the preparation and monitoring of their budgets;
* The institution’s accounting, reporting and internal control procedures;
* Maintaining the financial information system;
* Administering the payroll, loan and pension schemes;
* Arranging adequate insurance cover for the University’s assets
* Ensuring that surplus funds are invested and managed prudently.

**2. 3 Review of Empirical Literature**

There have been various studies on the concept of internal control system with relations to its effect on financial performance and its effectiveness. Some of these studies are:

Mawanda (2008) examined the effects of internal control system on financial performance in an institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The research was conducted using both quantitative and qualitative approaches. The study found that management of the institution is committed to the controls system, it actively participates in monitoring and supervision of the activities of the University and all the Institution’s activities were initiated by the top level management. The study concluded that the internal control system do function although with hiccups and that there is a significant relationship between internal control systems and financial performance in an institution of higher learning.

Karagiorgos, Drogalas & Dimou (2010) investigated the interaction between the components of internal control system as described by the COSO’s report and quality of Bank’s internal audit using exploratory research methods of research questionnaires. The results indicated that integrity and ethical values, Code of Conduct and Flowchart are essential elements of the control environment. Monitoring procedures are an inherent part of the Bank and are performed on a real-time basis reacting dynamically to changing conditions. Risk Assessment is also considered as a key part of management process which is in place to identify and assess barriers to achieving Bank’s objectives. The study provided useful insights on the effectiveness of internal auditing in the Bank sector of Greece.

Etuk (2011) evaluated the Internal Control System of Banks in Nigeria. The emphasis was to establish the impact of internal control on the effectiveness and efficiency of operations, the reliability of accounting and management reporting and compliance with applicable laws and regulations in Nigerian banks. The study confirmed that the presence of Internal Control system in banks provided reasonable assurance regarding the effectiveness and efficiency of operations of banks in Nigeria, the reliability of financial and management reporting, and guarantees compliance with applicable laws and regulations.

Babatunde (2013) examined stakeholders’ perception on the effectiveness of internal control system on financial accountability in the Nigerian public sector. The purpose of the study was to provide evidence on the perception of the effectiveness of internal control system on financial accountability in the Nigerian public sector. Findings from the study showed that there is significant correlation both in the perception of respondents, that internal control system in the Nigerian public sector affects financial accountability, and in the fact that application of penalty for breach of ethical conduct affects compliance with internal control. It was recommended in the study that government should take a principled approach in recognition of the need for an effective internal control orientation, backed up by stiff application of penalty in the Nigerian public sector.

Akosile & Fasesin (2013) also conducted a study on the comparative assessment of internal control system in public and private universities in Nigeria. The examination of the effectiveness of internal control system (ICS) in private universities showed that it is effective in reducing running costs of private universities and it also strengthens the attainment of the universities’ goals and objectives. It facilitates management system review in the private universities. The result indicated that ICS in public universities is effective as a cost-reducing measure in running the university and as a monitoring tool via an identifiable internal audit department.

**2.4 Theoretical Framework**

There are not so many theories that relate to internal control system but the most widely used is the agency theory and this can be seen in the study conducted by Mawanda (2008) on the effects of internal control systems on financial performance in an institution of higher learning in Uganda.

Agency theory according to Jensen and Meckling, (1976) and Fama and Jensen, (1983) is considered by many to be a mainstream view of control. The agency theory provides a primarily economic explanation for the design and form of control systems.

An agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. This delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent to act in the principal’s best interests. At the heart of agency theory lays the separation between ownership and control. An agency problem arises if the cooperative behaviour, which would maximize the group’s welfare, is not consistent with each individual’s self-interest. Because owners of resources will have less information than those who manage the resources, these agents may take advantage of the situation for their own benefit. As a result, different contracting arrangements and controls need to be designed in order to mitigate agency-related problems.

According to Eisenhardt (1989) agency theory is directed at the ubiquitous agency relationship in which one party (the principal) delegated work to another (the agent), who performs that work. Agency theory attempts to describe this relationship using the metaphor of a contractor (Jensen and Meckling, 1976). The appointment of an agent is called for, where the principal does not have the professional and technical competence to perform the work, or where the business operation has expanded beyond what a single person can handle. The difference between ownership and management, which brings about divergent interests therefore result into goal incongruence. The theory is concerned with resolving the two problems that occur in agency relationships. The first is the agency problem that arises when the desires or goals of the principal and agent conflict and when it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately, hence the relevance of audit by an external party.

The second is the problem of risk sharing that arises when the principal and agent have different attitudes to risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences.

The relationship between the principal and the agent is governed by contract and thus the focus of the theory is on determining the most efficient contract governing the principal-agent relationship given assumptions about people (e.g. self-interest, bounded rationality, risk aversion), organizations (e.g. goal conflict among members) and information (e.g. information is a commodity that can be purchased).

**2.4.1 Agency Theory and Internal Control System**

In solving agency problem identified above (self-interest, goal incongruence), Swinkels (2012) noted that researchers have identified governance mechanisms that limit self-serving behaviour and improve goal congruence, (Eisenhardt, 1989; Jensen 1976). One of such governance mechanisms is related to monitoring which has also been identified as a component of internal control system. The executive management should monitor the control environment to ensure that managers at all levels are maintaining established ethical standards of behaviour and that staff morale is at an appropriate level. Supervision as a key element of monitoring involves that, supervisors should monitor all activities and transactions in their unit to ensure that staff are performing their assigned responsibilities, control activities are functioning properly. It also confirms that the unit is accomplishing its goals, the unit's control environment is appropriate, communication is open and sufficient, and risks and opportunities are identified and properly addressed. Another general perspective to solving agency problem is the institution of effective internal controls. The controls are needed to guide the activities of the agents in a desirable way so that the objectives of the organisation are achieved.

Agency theory is relevant to this study in that it identified governance mechanisms that assist in aligning the interests of agents with that of the principal through the institution of monitoring which has also been identified as one of the components of ICS that supports the efficiency of operations.

**CHAPTER THREE**

**METHODOLOGY**

This chapter focuses on the research methods adopted for this study. This comprise of the research design, study population, sample and sampling techniques, sources of data, research instrument, measurement of data and data analysis technique to be used.

**3.1 Research Design**

Research design addresses the plan, structure and strategy of investigation. The research design adopted for this study is the descriptive survey. This is used because it involves acquiring information about one or more groups of people and about a large population by surveying a sample of that population. This is useful as this study focuses on making a comparative assessment of the internal control system in some universities in South-West, Nigeria.

**3.2 Study Population**

The population for this study is all the Universities in South-West Nigeria. The website of the National Universities Commission reports that we have thirty-three (33) Universities in Southwest Nigeria which are owned separately by the Federal Government, State Government and Private individuals and organisations. The table below shows the distribution.

**Table 3.1: Distribution of Universities in South West Nigeria**

|  |  |
| --- | --- |
| **Category** | **Number** |
| Private Universities | 18 |
| Public Universities (Federal Government-owned) | 7 |
| Public Universities (State Government-owned)  | 8 |
| **TOTAL** | **33** |

Source: National Universities Commission (2013)

**3.3 Sample Size and Sampling Technique**

A study of the whole population (that is, thirty three universities) was practically impossible due to time and resources constraints. Therefore, Universities in the southwest geopolitical zone of Nigeria were selected and a sample size of 10% (which is three universities) out of the total thirty-three (33) Universities in the South-west Nigeria were selected. The three universities were selected using randomization. Furthermore, they were selected based on the fact that they are one of the foremost universities in their different category

* University of Ibadan, Ibadan, Oyo State (Federally owned)
* Olabisi Onabanjo University, Ago-Iwoye, Ogun State ( State Owned)
* Bowen University, Iwo, Osun State (Privately Owned)

**3.4 Sources of Data**

Data used for this research work were from primary source. Primary data were obtained from the administration of questionnaires. The questionnaire was designed to assess the functionality of the internal control system and also to assess compliance with the financial internal controls as established by the University. Also financial documents (financial regulations, manuals of accounting procedures) obtained from the bursary department of the universities were reviewed.

**3.5 Research Instrument**

Research instrument is a measurement tool for obtaining data on a topic of interest. For the purpose of this study, the research instrument used was questionnaire. A questionnaire is a primary data instrument consisting of a series of questions and other prompts designed to obtain data, the result of which are used to answer the research questions and for testing the hypotheses. The questionnaire was divided into four sections, with each section addressing each of the research questions. Section A focused on the personal data of the respondents, Section B targeted assessing the awareness of the respondents of the types of controls. Section C addressed the functionality of the components of internal control system. Lastly Section D assessed compliance of respondents to the various financial controls established by management in a bid to ensure efficiency of operations and to prevent financial malpractices in the University.

**3.6 Measurement of Variables**

For the purpose of this study and as shown in the conceptual framework, the independent variables were the components of internal control system (that is, control environment, control activities, monitoring and internal audit) while the dependent variable is efficiency of operation which is captured by the prevention of waste and bottle necks, safeguarding of assets, prevention of fraudulent practices that should result from the operation of the various internal controls.

**3.7 Validity of Research Instrument**

The research instrument used (that is, questionnaire) was validated firstly, through peer review to ensure that respondents do not misunderstand the questions and also to ensure that the questionnaire captures the objectives of the study.

**3.8 Data Analysis Technique**

Data collected through the research instrument (i.e. questionnaire) were analyzed and interpreted using tables and inferential statistics. Hypotheses postulated were tested using Spearmen correlation and ANOVA so as to make inferences about the characteristics of the population based on the sample data. The data collected were subjected to statistical analysis using tables and simple percentages and Statistical Package with Social Scientist (SPSS) for easy analysis and interpretation of results.

**CHAPTER FOUR**

**DATA PRESENTATION, ANALYSIS, INTERPRETATION AND DISCUSSION**

This chapter presents the analysis of data gathered through the administration of questionnaire to respondents from the selected Universities. A total of 100 copies of questionnaire were administered to the bursary and internal audit units of the selected universities, namely University of Ibadan (UI) Olabisi Onabanjo University (OOU) and Bowen University. Data were analysed using tables, (frequencies and percentages), correlation and ANOVA at 5%

The population size of the bursary and internal audit unit of the selected universities were, 100 for University of Ibadan, 25 for Olabisi Onabanjo University (main campus) and 20 for Bowen University. The criteria for selection of respondents were those at the central administration offices of the Universities.

The questionnaire was designed comprising three main sections; the first section was designed to ascertain the existence and forms of internal controls functioning in the bursary unit of the selected universities. The second section focused on ascertaining the functionality of the internal control component as a measure of efficiency, while the third section was directed at ascertaining universities’ compliance to the financial controls established by management.

**Table 4.1: Distribution of returned Questionnaires by Respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Selected Universities** | **Administered** | **No of Returned Questionnaires** | **% No of Returned Questionnaire** |
| 1 | University of Ibadan | 55 | 51 | 92.7% |
| 2 | Olabisi Onabanjo University | 25 | 15 | 60% |
| 3 | Bowen University | 20 | 12 | 60% |
| Total |  | 100 | 78 |  |

Source: Field Survey 2014

Table 4.1 shows that out of the 100 copies of questionnaire administered among the three selected universities (University of Ibadan, Olabisi Onabanjo University and Bowen University), Seventy-eight (78) were fully completed.

**4.1 Demographic Information of Respondents**

Table 4.2 shows the summary of the demographic nature of respondents.

**Table 4.2: Demographic Information about Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| **Variable** | **University of Ibadan** | **Olabisi Onabanjo University** | **Bowen University** |
|  | **Freq (%)** | **Freq (%)** | **Freq (%)** |
| **Department:**Internal AuditBursary Others | 7(13.7%)42(82.4%)2(3.9%) | 2(13.3%)13(86.7%)0(0%) | 0(0%)11(91.7%)1(8.3%) |
| **Highest academic qualification:**Certificate / DiplomaBachelor / HNDMastersPh.D | 14(27.5%)26(51%)11(21.6%)0(0%) | 4(26.7%)6(40%)5(33.3%)0(0%) | 0(0%)5(41.7%)7(58.3%)0(0%) |
| **Working Experience**0-5years6-10 years10 years and above | 28(54.9%)7(13.7%)16(31.4%) | 0(0%)4(26.7%)11(73.3%) | 3(25%)6(50%)3(25%) |

Source: Field Survey 2014

Table 4.2 shows that 82.4%, 86.7% and 91.7% of the respondents are from the bursary department of UI, OOU and Bowen University respectively, and these accounts for over half of the respondents, 7%, 2% and 0% represent those in the internal audit department of the universities.

51%, 40% and 41.7% of the respondents have B.Sc. / HND academic qualification which reveals that they have the necessary skill and knowledge required to undertake their job requirements. Respondents with Masters Degree are represented by 21.6%, 33.3% and 58.3% in UI, OOU and Bowen respectively. This shows that the respondents have improved on their knowledge and expertise. Respondents with 6 years and above 10 years working experience represent a larger percentage of the respondents with 55.1%, 100% and 75% in UI, OOU and Bowen respectively. This shows that the respondents have the average working experience to be qualified to answer the questionnaire.

**4.2. Different forms of Internal Control put in place within a University**

This section addresses objective one of this study which set out to ascertain the existence and forms of internal controls that management have established to guide the activities of the bursary units of the selected universities.

**Table 4.3: Awareness and forms of Internal control system**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***University of Ibadan*** | ***Olabisi Onabanjo University*** | ***Bowen University*** |
| ***Variable*** | ***Yes (%)*** | ***No (%)*** | ***Yes (%)*** | ***No (%)*** | ***Yes (%)*** | ***No (%)*** |
| Awareness of Internal control system | 44(86.3%) | 7(13.7%) | 15(100%) | 0(0%) | 12(100%) | 0(0%) |
| Existence of a document of internal control system | 36(70.6%) | 15(29.4%) | 14(93.3%) | 1(6.7%) | 7(58.3%) | 5(41.7%) |

Source: Field Survey 2014

The result of analysis in table 4.3 shows that 86.3%, 100% and 100% of the respondents in UI, OOU and Bowen University respectively, are aware of the existence of internal control system in the bursary department; this represents more than 50% of the sampled population. Also more than 50% of the respondents agree on the existence of a document that regulates the internal control system.

**Table 4.4: Forms of Internal Controls functioning in the Universities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Variables** | ***University of Ibadan*** | ***Olabisi Onabanjo University*** | ***Bowen University*** |
| **Yes (%)** | **No (%)** | **Yes (%)** | **No (%)** | **Yes (%)** | **No (%)** |
| Personnel control | 29(56.9%) | 22(43.14%) | 6(40.0%) | 9(60.0%) | 4(33.3%) | 8(66.7%) |
| Authorization and Approval | 36(70.6%) | 15(29.41%) | 10(66.7)% | 5(33.3%) | 8(66.7%) | 4(33.3%) |
| Management control  | 36(70.6%) | 15(29.41%) | 15(100.0%) | 0(0%) | 8(66.7%) | 4(33.3%) |
| Organizational control | 37(72.6%) | 14(27.45%) | 12(80.0%) | 3(20.0%) | 8(66.7%) | 4(33.3%) |
| Segregation of Duties | 31(60.8%) | 20(39.22%) | 12(80.0%) | 3(20.0%) | 9(75.0%) | 3(25.0%) |
| Supervisory Control | 33(64.7%) | 18(35.29%) | 10(66.7%) | 5(33.3%) | 10(83.3%) | 2(16.7%) |

Source: Field Survey 2014

The table 4.4 shows the forms of internal controls functioning in the bursary department of the selected universities. Respondents from the three Universities assert that authorization and approval, management control, organizational control, segregation of duties and supervisory controls functions as more that 50% of the respondents confirms their functionality. Responses with regards to personnel control shows that it is not too effective as revealed by an assertion of 56.9%, 40% and 33.3% respondents across University of Ibadan, Olabisi Onabanjo University and Bowen University respectively.

**Table 4.5: Controls relating to Finance and Expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***University of Ibadan*** | ***Olabisi Onabanjo University*** | ***Bowen University***  |
| **Forms of internal controls** | **Yes (%)** | **No (%)** | **Yes (%)** | **No (%)** | **Yes (%)** | **No (%)** |
| Budgetary Control | 42(82.4%) | 9(17.6%) | 13(86.7%) | 2(13.3%) | 10(83.3%) | 2(16.7%) |
| Prepayment Audit | 21(41.2%) | 30(58.8%) | 11(73.3%) | 4(26.7%) | 4(33.3%) | 8(66.7%) |
| Revenue Control | 25(49.0%) | 26(51.0%) | 11(73.3%) | 4(26.7%) | 5(41.7%) | 7(58.3%) |
| Authorization  | 26(51.0%) | 25(49.0%) | 12(80.0%) | 3(20.0%) | 8(66.7%) | 4(33.3%) |
| Approval | 23(45.1%) | 28(54.2%) | 12(80.0%) | 3(20.0%) | 8(66.7%) | 4(33.3%) |

Source: Field Survey 2014

The analysis in table 4.5 shows the internal controls that are functional with respect to finance and expenditure. The responses show that the respondents in the three universities attest to the functionality of budgetary control as it has 82.4%, 86.7% and 83.3% of the respondents attesting to this in UI, OOU and Bowen University. Another control which has above half of the respondents attesting to its functionality is Authorization control with 51%, 80% and 66% of the respondents attesting to this. Prepayment audit and revenue control must be adequately enforced in UI and Bowen University to prevent fraudulent practices as these controls have less than 50% respondents attesting to their functionality.

**4.3 Ascertaining the relationship between Internal Control System and Efficiency of Operation**

This section achieved the main objective of this study as it examined the effectiveness of internal control system as a means of ensuring effectiveness of operation. From the review of literature, it was asserted that the components of internal control system are control environment, control activities, risk assessment, information and technology and, monitoring. The effective functioning of these components ensures the efficiency and effectiveness of operation, the safety of organization’s asset, compliance with laws and regulations as well as reliable financial reporting. Therefore the control environment, control activities and monitoring were selected to evaluate the efficiency of operation in the selected Universities.

**Table 4.6: Ascertaining the effectiveness of Internal Control System in University of Ibadan**

|  |  |  |  |
| --- | --- | --- | --- |
| **Control Environment** | **Strongly Agree /Agree** | **Neutral** | **Disagree/ Strongly Disagree** |
| Ethical values and behaviors are well communicated and upheld | 46(90.2%) | 1(2.0)% | 4(7.8)% |
| Management acts with a great degree of integrity  | 45(88.3%) | 4(7.8%) | 2(3.9%) |
| Organizational structure supports achieving effective internal control system | 40(78.5%) | 7(13.7%) | 4(7.8)% |
| Accountability is enforced | 41(80.4%) | 5(9.8%) | 5(9.8%) |
| Commitment to competence is upheld | 45(88.3%) | 4(7.8)% | 2(3.9%) |
| Management is unconcerned about safety of assets  | 12(23.5%) | 4(7.8)% | 35(68.7%) |
| **Control Activities** |
| Critical decisions are made with approval | 49(96.1%) | 2(3.9%) | 0(0%) |
| Management stresses adherence to established policies and procedures  | 43(84.3%) | 5(9.8%) | 2(3.9%) |
| Verifications are made to ensure that activities are done in accordance with directives | 45(88.2%) | 5(9.8%) | 1(2.0%) |
| Adequate supervision of work is done  | 44(86.3%) | 4(7.8)% | 3(5.9%) |
| Transactions and decisions are duly authorize or approved before being executed | 49(96.1%) | 2(3.9%) | 0(0%) |
| Separation of duties exist to ensure the element of cross checking  | 49(96.1%) | 1(2.0%) | 1(2.0%) |
| ***Monitoring*** |
| Monitoring the presence of Internal control system | 45(88.2%) | 3(5.9%) | 3(5.9%) |
| Deficiencies of Internal control system are communicated | 43(84.3%) | 5(9.8%) | 3(5.9%) |
| Remedial actions are communicated | 39(76.5%) | 8(15.7%) | 4(7.9%) |

***(ii)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Internal Audit*** | ***Strongly Agree*** | ***Agree*** | ***Neutral*** | ***Disagree*** | ***Strongly Disagree*** |
| Internal audit staff conduct regular audit activities in my unit | 26(51.0%) | 18(35.3%) | 5(9.8%) | 2(3.9%) | 0(0%) |
| Internal audit examines and evaluates the adequacy and effectiveness of internal controls regularly | 19(37.3%) | 24(47.1%) | 7(13.7%) | 1(2%) | 0(0%) |
| Internal auditors perform duties with a greater degree of independence from management  | 19(37.3%) | 22(43.1%) | 7(13.7%) | 2(3.9%) | 1(2.0%) |
| Internal auditors report weaknesses in the internal control system | 12(23.5%) | 23(43.1%) | 8(15.7%) | 7(13.7%) | 1(2.0%) |

Source: Field Survey 2014

**Control Environment**

The result in table 4.6 shows that 90.2% of the respondents strongly agreed or agreed that ethical values and behaviours are communicated and upheld in all management decisions, 88.3% strongly agreed or agreed that management acts with a great degree of integrity. 78.5% respondents strongly agreed or agreed that the organizational structure supports achieving effective internal control system. Also, 80.4%, 88.3% of respondents strongly agreed or agreed that accountability and commitment to competence is upheld while 23.5% of respondents strongly agreed or agreed that management is unconcerned about safety of assets, 7.8% are neutral while 68.7% respondents disagreed or strongly disagreed.

**Control Activities**

The results reveals that 96.1% of respondents strongly agreed or agreed that critical decisions are made with approval and 84.3% attest that management stresses adherence to established policies. Also 86.3% of respondents strongly agreed or agreed that adequate supervision of work done is being carried out, 96.1% of respondents strongly agreed or agreed that transactions and decisions are authorized and that separation of duties exist to serve as a check on the work of others.

**Monitoring**

It can be construed from table that 88.2% of respondents strongly agreed or agreed that there is monitoring of internal controls established by management, 84.3% of respondents attesting strongly agreed or agreed on the communication of internal control deficiencies and 76.5% on the communication of remedial actions.

**Internal Audit**

Respondents understanding on the effectiveness of the internal shows that 86.3% strongly agreed or agreed that the internal audit conduct regular audit activities, 84.4% strongly agreed or agreed that the internal audit regularly examines and evaluates the adequacy of internal controls, while 66.6% of respondents hold the view that internal audit report weaknesses in the Internal control system.

Based on the result of the findings, it can be deduced that the internal control system as measured by control environment, control activities, monitoring is fairly effective.

It must be emphasized that at the heart of effective control is the control environment. Screens and De Beelde (2006) as cited in Mawanda (2008) advocated for management control environment as the cornerstone for an effective Internal Control System and the emphases placed on controls by the top management is critical to its the success. The effectiveness of internal controls cannot rise above the integrity and ethical values of the people, who create, administer and monitor them. Also, the responsibility of monitoring the internal control system is normally saddled on the internal audit department and an inference from this is that, though the internal audit conducts regular audit, but there is laxity in reporting the weaknesses.

**Table 4.7: Ascertaining the effectiveness of Internal Control System in Olabisi Onabanjo University**

|  |  |  |  |
| --- | --- | --- | --- |
| **Control Environment** | **Strongly Agree /Agree** | **Neutral** | **Disagree/ Strongly Disagree** |
| Ethical values and behaviors are well communicated and upheld | 14(93.3%) | 1(6.7%) | 0(0%) |
| Management acts with a great degree of integrity  | 14(93.3%) | 1(6.7%) | 0(0%) |
| organizational structure supports achieving effective internal control system | 15(100%) | 0(0%) | 0(0%) |
| Accountability is enforced | 14(93.3%) | 1(6.7%) | 0(0%) |
| Commitment to competence is upheld | 15(100%) | 0(0%) | 0(0%) |
| Management is unconcerned about safety of assets  | 4(26.6%) | 0(0%) | 11(73.4%) |
| **Control Activities** |
| Critical decisions are made with approval  | 14(93.3%) | 1(6.7%) | 0(0%) |
| Management stresses adherence to established policies and procedures  | 13(86.7%) | 2(13.3%) | 0(0%) |
| Verifications are made to ensure that activities are done in accordance with directives | 9(60%) | 1(6.7%) | 5(33%) |
| Adequate supervision of work is done by all levels of staff | 14(93.3%) | 0(0%) | 1(6.7%) |
| Transactions and decisions are duly authorize or approved before being executed | 14(93.3%) | 1(6.7%) | 0(0%) |
| Separation of duties exist to ensure the element of cross checking  | 14(93.3%) | 0(0%) | 1(6.7%) |
| **Monitoring** |
| Monitoring ICS presence | 14(93.3%) | 0(0%) | 1(6.7%) |
|  ICS deficiencies are communicated | 13(86.7%) | 2(13.3%) | 0(0%) |
| Remedial actions are communicated | 12(80%) | 3(20%) | 0(0%) |

(ii)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Internal Audit** | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
| Internal audit staff conduct regular audit activities in my unit | 5(33.3%) | 7(46.7%) | 3(20%) | 0(0%) | 0(0%) |
| Internal audit examines and evaluates the adequacy and effectiveness of internal controls regularly | 4(26.7%) | 8(53.3%) | 3(20%) | 0(0%) | 0(0%) |
| Internal auditors perform duties with a greater degree of independence from management  | 6(40.0%) | 8(53.3%) | 1(6.7%) | (0%) | 0(0%) |
| Internal auditors report weaknesses in the internal control system | 3(20.0%) | 4(26.7%) | 5(33.3%) | 2(13.3%) | 1(6.7%) |

Source: Field Survey 2014

**Control Environment**

The result in table 4.7 reveals that 93.3% of the respondents strongly agreed or agreed that ethical values and behaviours are communicated and upheld in all management decisions; that management acts with a great degree of integrity and also that accountability is enforced in the operations of the University. 100% of the respondents attest that the organizational structure supports achieving effective internal control system and commitment to competence is upheld by management. Conclusively, 73.4% of the respondents disagreed on management being unconcerned about the safety of assets.

**Control Activities**

An evaluation of the control activities established by management revealed that 93.3% of respondents strongly agreed or agree that critical decisions are made with approval while 86.7% of respondents hold that management stresses adherence to established policies. Also, 93.3% of respondents strongly agreed or agreed that there is supervision of work done, that transactions and decisions are authorized and approved and that separation of duties exist to serve as a check on the work of others.

**Monitoring**

93.3% of respondents strongly agreed or agreed attest to the monitoring of internal controls in their unit while 86.7% of respondents attest to the fact that internal control deficiencies are communicated and 80% of respondents also strongly agreed or agreed that remedial actions taken to forestall future deficiencies are communicated.

**Internal Audit**

The result from the table shows that 80% of respondents strongly agreed or agreed that the internal audit conduct regular audit activities and they examine and evaluate the adequacy of internal controls. Also 46.7% of respondents hold the view that internal audit unit reports weakness in the internal control system.

From the result, it can be inferred that the internal control system as measured by its components, that is, control environment, control activities and monitoring is fairly effective.

**Table 4.8: Ascertaining the effectiveness of Internal Control System in Bowen University**

|  |  |  |  |
| --- | --- | --- | --- |
| **Control Environment** | **Strongly Agree /Agree** | **Neutral** | **Disagree/ Strongly Disagree** |
| Ethical values and behaviours are well communicated and upheld | 7(58.3%) | 1(8.3)% | 4(33.3)% |
| Management acts with a great degree of integrity  | 11(91.7%) | 0(0%) | 1(8.3%) |
| Organizational structure supports achieving effective internal control system | 6(50%) | 2(16.7%) | 4(33.3%) |
| Accountability is enforced | 7(58.3%) | 2(16.7%) | 3(25.0%) |
| Commitment to competence is upheld | 8(66.7%) | 1(8.3%) | 3(25%) |
| Management is unconcerned about safety of assets  | 3(25%) | 2(16.7%) | (58.3%) |
| **Control Activities** |  |
| Critical decisions are made with approval  | 11(91.7%) | 1(8.3%) | 0(0%) |
| Management stresses adherence to established policies and procedures  | 9(75%) | 2(16.7%) | 1(8.3%) |
| Verifications are made to ensure that activities are done in accordance with directives | 11(91.7%) | 0(0%) | 1(8.3%) |
| Adequate supervision of work is done by all levels of staff | 9(75%) | 1(8.3%) | 2(16.7%) |
| Transactions and decisions are duly authorize or approved before being executed | 8(66.7%) | 4(33.3%) | 0(0%) |
| Separation of duties exist to ensure the element of cross checking  | 10(83.3%) | 1(8.3%) | 1(8.3%) |
| ***Monitoring*** |  |
| Monitoring of ICS presence | 9(75%) | 2(16.7%) | 1(8.3%) |
|  ICS deficiencies are communicated | 8(66.7%) | 1(8.3%) | 3(25%) |
| Remedial actions are communicated | 5(41.7%) | 4(33.3%) | 3(25%) |

***(ii)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Internal Audit*** | ***Strongly Agree*** | ***Agree*** | ***Neutral*** | ***Disagree*** | ***Strongly Disagree*** |
| Internal audit staff conduct regular audit activities in my unit | 2(16.7%) | 5(41.7%) | 1(8.3%) | 4(33.3%) | 0(0%) |
| Internal audit examines and evaluates the adequacy and effectiveness of internal controls regularly | 2(16.7%) | 5(41.7%) | 1(8.3%) | 4(33.3%) | 0(0%) |
| Internal auditors perform duties with a greater degree of independence from management  | 2(16.7%) | 4(33.3%) | 2(16.7% | 4(33.3%) | 0(0%) |
| Internal auditors report weaknesses in the internal control system | 1(8.3%) | 5(41.7%) | 2(16.7%) | 4(33.3%) | 0(0%) |

 Source: Field Survey 2014

**Control Environment**

The result in table 4.8 shows that 58.3% of the respondents strongly agreed or agreed that ethical values and behaviours are communicated and upheld in all management decisions, 91.7% respondents strongly agreed and agreed that management acts with a great degree of integrity, and 50% respondents strongly agreed or agreed that the organizational structure supports achieving effective internal control system, while 33.3% strongly disagreed or disagreed. Also 58.3% and 66.7% of respondents strongly agreed or agreed that accountability and commitment to competence are upheld in the operations of the University. Concerning safety of assets, 58.3% of respondents strongly disagreed or disagreed on management being unconcerned about the safety of assets.

**Control Activities**

The evaluation of the control activities revealed that 91.7% of respondents strongly agreed or agreed that critical decisions are made with approval, 75% of respondents hold that management stresses adherence to established policies and that there is supervision of work done. Also, 66.7% of respondents strongly agreed or agreed that transactions and decisions are duly authorized and approved, while 83.3% hold that separation of duties exists to serve as a check on the work of others.

**Monitoring**

On monitoring, 75% of respondents strongly agreed or agreed that there is monitoring of internal controls and 66.7% of the respondents strongly agreed or agreed that internal control deficiencies are communicated while 41.7% of respondents also strongly agreed or agreed that remedial actions taken to forestall its future are communicated.

**Internal Audit**

Considering the view of respondents on the effectiveness of the internal audit, 58.4% of respondents strongly agreed or agreed, 33.3% of respondents disagreed or strongly disagreed that the internal audit staff conduct regular audit activities and that the internal audit examines the effectiveness of internal controls regularly. This result buttresses the findings above concerning the effective monitoring undertaken by the internal audit department. An allusion from this is that, the presence of the internal audit unit is not so felt in the university.

From the results of the analysis, it can be deduced that the control environment and monitoring of internal control system is lax and this may tolerate unwholesome practices, although control activities are fairly positive. With Reference to internal audit functions, it can be deduced that there is laxity in the system and this can be corroborated by the weakness identified earlier on the monitoring of internal control system. Therefore, the internal audit role of examining and evaluating the efficiency and the economy of the management control system is not being achieved. Conclusively, the effectiveness of internal controls cannot rise above the efficacy of its control environment. Importantly, the establishment and maintenance of a functional system of internal controls is the sole responsibility of the management who designs and operates such system as required by the needs and circumstances of the organisation.

**Table 4. 9: Evaluating Efficiency of Operation in the Universities**

|  |  |  |
| --- | --- | --- |
| Question | The system of internal controls helps to avoid waste and bottlenecks | The existence of internal control system does not improve the efficiency of the University’s operation |
|  | Strongly agreed/ agreed | Neutral | Strongly disagreed / Disagreed | Strongly agreed/ agreed | Neutral | Strongly disagreed / Disagreed |
| University of Ibadan | 47(92.2%) | 1(2.0%) | 3(5.9%) | 11(21.6%) | 7(13.7%) | 33(61.7%) |
| Olabisi Onabanjo University | 14(93.3%) | 0(0%) | 1(6.7%) | 2(13.3%) | 1(6.7%) | 12(80%) |
| Bowen University | 10(83.3%) | 1(8.3%) | 1(8.3%) | 1(8.3%) | 3(25%) | 8(64.7%) |

 Source: Field Survey, 2014

**4.3.1 Testing Hypothesis I**

**Internal Control System and efficiency of operation**

H01: There is no significant relationship between internal controls and efficiency and effectiveness of operation in universities.

**University of Ibadan**

The result of the correlation analysis shows that there is an insignificant negative correlation between Internal Control System and Efficiency of Operation. The correlation analysis showed that at 5% level of significance, r= -0.099.

**Olabisi Onabanjo University**

The study found from the data analysed that there is an insignificant positive correlation between Internal Control System and Efficiency of Operation. The correlation analysis showed that at 5% level of significance, r = 0.282.

**Bowen University, Iwo**

The study found from the data analysed that there is an insignificant positive correlation between Internal Control System and Efficiency of Operation. The correlation analysis showed that at 5% level of significance, r = 0.305.

**4.4 Level of compliance with various Financial Controls in Universities**

This section addresses the second research objectives with regards to compliance with financial controls as a means of preventing fraudulent practices. Questions 15, 17, 18 and 19 from Section D of the questionnaire were selected.

**Table 4.10: Ascertaining Compliance with Financial Controls**

**University of Ibadan**

|  |  |  |  |
| --- | --- | --- | --- |
| **Questions** | ***Yes (%)*** | ***No (%)*** | ***Uncertain (%)*** |
| Are requisitions checked with the vote in the approved budget? | 40(81.6%) | 5(10.2%) | 4(8.2%) |
| Can expenditure be incurred without the bursar’s approval?  | 7(14.3%) | 39(79.6%) | 3(6.1%) |
| Does internal audit carry out 100% prepayment audit on all payment vouchers? | 31(60.8%) | 10(19.6%) | 10(19.6%) |
| Do you maintain a vote book for controlling expenditure? | 42(85.7%) | 2(4.1%) | 5(10.2%) |
| Does expenditure control unit maintain a record of details of payment by sub-head? | 45(91.8%) | 1(2.0%) | 3(6.1%) |

**Olabisi Onabanjo University**

|  |  |  |  |
| --- | --- | --- | --- |
| **Questions** | **Yes (%)** | **No (%)** | **Uncertain (%)** |
| Are requisitions checked with the vote in the approved budget? | 12(80%) | 3(20%) | 0(0%) |
| Can expenditure be incurred without the bursar’s approval?  | 3(20%) | 9(60%) | 3(20%) |
| Does internal audit carry out 100% prepayment audit on all payment vouchers? | 14(93.3%) | 1(6.7%) | 0(0%) |
| Do you maintain a vote book for controlling expenditure? | 14(93.3%) | 0(0%) | 1(6.7%) |
| Does expenditure control unit maintain a record of details of payment by sub-head? | 15(100%) | 0(0%) | 0(0%) |

**Bowen University**

|  |  |  |  |
| --- | --- | --- | --- |
| **Questions** | **Yes (%)** | **No (%)** | **Uncertain (%)** |
| Are requisitions checked with the vote in the approved budget? | 6(50%) | 5(41.7%) | 1(8.3%) |
| Can expenditure be incurred without the bursar’s approval?  | 2(16.7% | 9(75.0%) | 1(8.3% |
| Does internal audit carry out 100% prepayment audit on all payment vouchers? | 6(50%) | 2(16.7%) | 3(25%) |
| Do you maintain a vote book for controlling expenditure? | 7(58.3%) | 2(16.7%) | 3(25.0%) |
| Does expenditure control unit maintain a record of details of payment by sub-head? | 10(83.3%) | 0(0.0%) | 2(16.7%) |

Source: Field Survey 2014

 The analysis in table 4.10 assesses the level of compliance with financial controls across the selected universities. When asked whether requisitions are checked with the approved budget so as to prevent unapproved spending, 81.6%, 80% and 50% respondents replied yes, in UI, OOU and BUI respectively. The percentage response in Bowen University is average, and this gives a sense of worry as this may result in incurring huge amount on unapproved expenditure items not contained in the operating budget and this may be detrimental to running of the University. Also ascertaining whether expenditure can be incurred without the bursar’s approval, 14.3%, 20% and 16.7% of respondents attest No, if this percentage is added to those that are uncertain, the add up is high for OOU(40%). An inference from this is that certain expenditure could be made without the consent of the bursar and this can have a repercussion on finances. Also, 85.7%, 93.3% and 58.3% of respondents confirmed that vote book is maintained for controlling expenditure in UI, OOU and BUI respectively. The percentage of respondents in Bowen University (58.3%) is low and a possible upshot of this that expenditure would not be properly controlled and this may also lead to overspending or unapproved expenditure.

 Conclusively, from the analysis, it can be asserted that there is moderate compliance to financial controls in University of Ibadan and Olabisi Onabanjo University possibly because they are government owned and are funded by the government. The reason for the average compliance level in Bowen may be linked to the fact that it is a privately-owned university.

* + 1. **Testing Hypothesis II**

H02: There is no significant relationship between financial controls and efficiency of operation across the Universities.

**University of Ibadan**

The study found from the data analysed that there is an insignificant negative correlation between financial controls and Efficiency of Operations. The correlation analysis showed that at 5% level of significance, r= -0.127.

**Olabisi Onabanjo University**

The study found from the data analysed that there is an insignificant positive correlation financial controls and Efficiency of Operations. The correlation analysis showed that at 5% level of significance, r = 0.233.

**Bowen University, Iwo**

The study found from the data analysed that there is an insignificant positive correlation between financial controls and Efficiency of Operations. The correlation analysis showed that at 5% level of significance, r = 0.397.

**4.5 Comparism of Internal Control System across the selected Universities**

This section achieves the third objective of this study. The variables compared are the same as those used in evaluating the internal control system in section 4.3 (that is, control environment, control activities

**4.5.1 Testing Hypothesis III**

H03: There is no significant difference between the internal control systems across the universities.

The value of the ANOVA (Analysis of Variance) test shows (0.001) < 0.05 and this implies, that the H0 (null hypothesis) be rejected. Hence, we accept H1 (alternative hypothesis) that is, there is significant difference between the internal control systems across the selected Universities and the analysis under ascertainment of effectiveness of internal control system buttresses this conclusion. This result shows a variation from Akosile (2012) study which found out that the internal control system is the same in public and private universities. This difference could be due to the choice of the variables considered. The variables used as dimension for internal control system in this study are the components of internal control system as given by COSO (2013) while those used by Akosile and Fasesin, (2013) were fusion of duties, funding, prudency in the utilization of resources, reduction in running cost and timely completion of academic calendar.

**Table: 4.11 ANOVA of Internal Control System of selected Universities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Sum of Squares | Df | Mean Square | F | Sig. |
| Between Groups | 3.191 | 2 | 1.596 | 7.626 | .001 |
| Within Groups | 15.692 | 75 | .209 |   |   |
| Total | 18.883 | 77 |   |   |   |

Source: Field Survey 2014

* 1. **Discussion of Findings**

The study found that respondents assert that their universities have an internal control system in place. Their awareness can therefore deter unwholesome practices and guides activities towards the efficiency of operations. Also the study found that established internal controls were documented across selected Universities, although the assertion level in University was slightly above the average.

The result of the analysis identified the forms of internal controls functioning as authorization and approval , management control, organizational control, segregation of duties across the universities with above 60% of respondents assertion level as shown in table 4.4, thus implying that activities and operations are reasonable effective. These internal controls are essential as they help in protecting resourced against waste, fraud and inefficiency, securing compliance with the policies of the university among others.

The results of the findings revealed that respondents agreed that the control environment as evaluated by ethical values, degree of integrity, accountability, commitment to competence, concern for safety) are fairly operational as reflected in their response level across the three universities except for Bowen University where responses were slightly above the average. The evaluation of the control activities across the three universities revealed that management is committed to prevent or reduce the risks that can impede accomplishment of objectives as respondents agreed to its operation. DiNapoli (2007) opined that management should establish control activities that are effective and efficient.

The result of the survey suggest that respondents agree that monitoring is fairly adequate in University of Ibadan and Olabisi Onabanjo University as reflected in the percentage of those that consented, except for Bowen University where response was slightly above the average.

The evaluation of the internal audit functions showed that the presence of the internal audit is felt in monitoring the ICS and evaluating its adequacy in ensuring efficient operations across the universities except in Bowen University where response was slightly above the average Conclusively, the internal control system in UI and OOU can be said to be fairly adequate to reasonable guarantee efficiency and effectiveness of operations, except for BUI where the internal control system could be assumed to be too strong. The implication of a weak internal control system could lead to inefficiency and tolerance for unwholesome practices.

The effectiveness of internal controls cannot rise above the efficacy of its control environment. Importantly, the establishment and maintenance of a functional system of internal controls is the sole responsibility of the management who designs and operates such system as required by the needs and circumstances of the organisation.

From the hypotheses tested, the study found that there is an insignificant relationship between internal control system and effectiveness of operations and between financial controls and efficiency of operations in OOU and BU. This implies that the internal control system can support efficiency of operations in both

Although in University of Ibadan, results of the analysis revealed an insignificant negative relationship between internal control system and effectiveness of operations and between financial controls and efficiency of operations. This implies that e and internal

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary**

This chapter encapsulates the findings of the study with reference to the research objectives and also proffers recommendations which spring from the findings and the literature reviewed.

This study evaluated the effectiveness of internal control system and its capacity to ensure efficiency of operations and prevent fraudulent practices in some selected Universities in the Southwest Nigeria. The study was imperative considering the cases of financial mismanagement and abuse of stipulated rules, policies and procedures identified as plaguing the University system in Nigeria.

The universities selected were University of Ibadan (Federally -owned), Olabisi Onabanjo University (State-owned) and Bowen University (Privately-owned). Relevant literature was reviewed on the concept of internal control system, financial controls, internal audit and on the theoretical framework which is the Integrated-Internal Control Framework was developed by COSO (1992). The framework revealed the components of internal control systems as control environment, control activities, information and communication, risk assessment and monitoring. For the purpose of this study control environment, control activities and monitoring were used as dimensions of the internal control system

The study adopted descriptive research using primary data generated through the administration of 100 structured questionnaires to staff of Bursary and Internal Audit Departments/Units of University of Ibadan, Ibadan; Olabisi Onabanjo University, Ago-Iwoye; and Bowen University, Iwo in Southwest Nigeria. The universities were selected as they one of the foremost universities in their different categories in southwest Nigeria. Data were analysed using tables and simple percentages.

The result showed that there is awareness of internal control system across the institutions selected and that there exist documented evidence of internal control systems across selected Universities, although the assertion level in Bowen University was slightly above the average.

The forms of controls which are functioning effectively within the bursary department across the selected institutions are: Authorization and approval, management control, organizational control, segregation of duties and supervisory control. The control which functions adequately across the institutions is budgetary control. Others include prepayment audit, authorization and approval.

The ascertainment of the functionality of internal control systems revealed that internal control system is fairly effective in the university of Ibadan and Olabisi Onabanjo University. The findings in Bowen University show that the control environment is lax and the University would therefore tolerate unwholesome practices even though control activities are fairly positive. Also in Bowen University the analysis revealed that the internal audit function is not effective as regular audit activities are not conducted in the sample selected (bursary department). It can therefore be concluded that the internal control system is frail.

Considering compliance with financial controls, the analyses revealed that there is moderate compliance with the controls measured across the selected Universities except for Bowen University which revealed low compliance with the financial control measures. Adequate attention must be given to this so that dubious employees do not collude to perpetuate fraud.

The study also found out that there is a positive relationship between internal control system and efficiency of operation. Also there is a positive relationship between compliance with financial controls and efficiency of operations in OOU and Bowen University except for UI that shows a variation.

Lastly, the ANOVA test results show that there is a significant difference between the internal control systems across the selected institutions. As a result of this variation, the efficiency of operation differs across the institutions.

**5.2 Conclusion**

From the results of the analysis, it is concluded that there is internal control system across the institutions (that is, federal, state and private university) as management uphold ethical values, accountability, and segregation of duties while ensuring that critical decisions are made with approval. The area of weakness is in the internal audit function of Bowen University.

Also, there is moderate compliance with financial controls in two of the selected Universities (Public University) but a low compliance in the other (Private University). Adequate attention must be given to this so that dubious employees do not collude to perpetuate fraud.

The study concludes also that there exist a positive relationship between internal control system and efficiency of operations and also between compliance with financial controls and efficiency of operations, although findings from University of Ibadan showed a negative relationship. The result leads to a conclusion that there is difference in the internal control system across the selected institutions.

**5.3 Recommendations**

Based on the findings of this study, the following recommendations are proffered:

1. All units in the University should develop a system of internal controls to ensure that the assets and records of the university are adequately protected from loss, destruction, theft, alteration or unauthorized access. Also every employee should a written document of the internal control system.
2. The governing council through its representative (Vice Chancellor or the Finance and General Purpose Committee) must ensure the installation of an effective accounting system, as well as the existence and effective operation of an appropriate system of internal controls capable of safeguarding assets and securing the completeness and accuracy of records. Management should uphold integrity and ethical values at all levels and this must be intensely communicated within the institution and should be evident in all management decisions and activities. Efforts also should be made in University of Ibadan, so that the internal control system is effective in ensuring efficiency and effectiveness of operations.
3. Management across the universities must regularly review and update the internal control system for better efficiency of operations.
4. The internal audit unit across the Universities must be strengthened so as to assist it to effectively perform it appraisal function, to evaluate and report upon the effectiveness of internal control, financial and other controls, to ensure efficient use of resources within the organisation.

**5.4 Suggestion for Further Studies**

The findings of this study provide a descriptive analysis of the internal control system with particular reference to the bursary unit. The researcher suggests further studies on an in-depth study of the effect of internal control system on Universities’ Operational Efficiency, Value enhancement and the effectiveness of Internal Control System in a Computerized Environment.

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**APPENDIX ONE**

**RESEARCH QUESTIONNAIRE**

**Dear Respondent,**

I am presently carrying out a study titled *‘A comparative assessment of Internal Control System in selected Universities’*. It is being undertaken in partial fulfilment of the requirements for the award of Master of Science (M. Sc.) in Accounting at Bowen University. Your institution has been chosen as one of the selected universities in Southwest Nigeria.

Attached to this letter is a questionnaire aimed at gathering some vital data needed for the work. All responses provided will be treated with utmost confidentiality and information provided will be used solely for the purpose of this research.

Thank you.

Yours faithfully



OLAOSE, Odunayo Olamide

Bowen University,

Iwo, Osun State.

Nigeria.

**SECTION A: Personal Data and Demographics**

Please tick as appropriate

1. Department

|  |  |  |
| --- | --- | --- |
| Bursary | Internal Audit | Others (Please specify) |
|  |  |  |

1. Please specify unit…………………………………….
2. What is your position?.....................................................
3. What is your highest academic qualification?

Certificate / Diploma ( )

Bachelor ( )

Masters ( )

PhD ( )

Others specify)……………………………………………………………….

1. Working experience in years

|  |  |  |
| --- | --- | --- |
| 0 – 5 | 6 – 10 | 10 AND ABOVE |
|  |  |  |

**SECTION B: *Awareness of Internal Control System***

***Please tick as appropriate***

|  |  |  |  |
| --- | --- | --- | --- |
| S/N |  | Yes | No |
| 5 | Are you aware of the Internal Control System in your institution? |  |  |
|  6 | Is there a written document of the Institution’s internal control system established by management? |  |  |
|  7 | Controls functioning in my Unit:Personnel controlAuthorizations and ApprovalManagement controlOrganizational controlSegregation of DutiesSupervisory control |  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  8 | Which of the following controls is applied in relation to finance and expenditure?Budgetary controlPrepayment AuditRevenue controlAuthorizationApproval Limit |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

**SECTION C**: ***Ascertaining* *the components of system of internal controls and its components in Universities***

Please tick any from the following options: 1= Strongly Agree, 2 = Agree, 3 = Neutral/No opinion 4 = Disagree,

5 = Strongly Disagree,)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | SA | A | N | D | SD |
| Q | **Control Environment** |
|  | Ethical values and behaviors are well communicated to all employees and upheld in all management’s decision |  |  |  |  |  |
|  | Management acts with a great degree of integrity in execution of their roles |  |  |  |  |  |
|  | My institution’s organizational structure supports achieving effective internal control system |  |  |  |  |  |
|  | Management enforces accountability in all decisions |  |  |  |  |  |
|  | There is good organizational structure that ensures proper flow of information |  |  |  |  |  |
|  | Management upholds commitment to competence |  |  |  |  |  |
|  | Management appears unconcerned about maintaining accountability and safeguarding funds, property, and other assets against loss from unauthorized use |  |  |  |  |  |
|  | **Control Activities** |
|  | Policies and procedures exist to ensure that critical decisions are made with approval  |  |  |  |  |  |
|  | Top management stresses adherence to policies and procedures established |  |  |  |  |  |
|  | These controls are instituted and ensure efficiency of operations* Duties are so allocated that no single person has an exclusive control over any transaction
* Verifications are made to ensure that activities are done in accordance with directives
* There is adequate supervision of work done by all levels of staff
* Transactions and decisions are duly authorize or approved before being executed
* Adequate separation of duties exist to ensure the element of cross checking
 |  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | ***Risk assessment*** |
|  | A process exist to identify and consider implications of internal and external risk factors |  |  |  |  |  |
|  | The university’s objectives are achieved without any known threat or risk |  |  |  |  |  |
|  | ***Information and Communication*** |
|  | No unauthorized access is allowed to private information of staff and students |  |  |  |  |  |
|  | Management decisions are communicated timely  |  |  |  |  |  |
|  | Communication flows across the university adequately to enable people to discharge their responsibilities effectively |  |  |  |  |  |
|  | Sensitive information is protected by operator ID / password |  |  |  |  |  |
|  | ***Monitoring*** |
|  | There is regular monitoring to ensure that internal control is present and functioning |  |  |  |  |  |
|  | Compliance with the policies and procedures of the Internal control deficiencies are identified and communicated in a timely manner to parties responsible for taking corrective actions. |  |  |  |  |  |
|  | Appropriate remedial actions taken in response to departures from approved policies and procedures or the code of conduct, are communicated throughout the university |  |  |  |  |  |
|  | ***Internal Audit*** |
|  | Internal audit staff conduct regular audit activities in my unit |  |  |  |  |  |
|  | Internal audit examines and evaluates the adequacy and effectiveness of internal controls regularly |  |  |  |  |  |
|  | Internal auditors perform duties with a greater degree of independence from management  |  |  |  |  |  |
|  | Internal auditors report weaknesses in the internal control system |  |  |  |  |  |
|  |  |  |  |  |  |
|  | ***Objectives of Internal Control System*** |
|  | Top management monitors compliance with the internal controls established for the smooth running of the university |  |  |  |  |  |
|  | Top management holds individuals responsible for internal control deficiencies |  |  |  |  |  |
|  | The system of internal controls helps to avoid waste and bottlenecks |  |  |  |  |  |
|  | The existence of internal control system does not improve the efficiency of the University’s operation  |  |  |  |  |  |

**SECTION D: *Compliance with Financial Controls***

 ***Please tick the best option appropriate to your Unit***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S/N** | **Receipt and Payment** | **Yes** | **No** | **Don’t Know** |
|  | Are receipt books in numerical sequence?  |  |  |  |
|  | Are official receipts issued for every amount received?  |  |  |  |
|  | Are all cash taken banked within 24hours |  |  |  |
|  | Are disbursement made out of cash takings in cases of emergencies |  |  |  |
|  | Are payments to contractors and non-university staff creditors made strictly by cheques? |  |  |  |
|  | Does internal audit carry out 100% prepayment audit on all payment vouchers? |  |  |  |
|  | Does the Bursar sign all cheques issued out? |  |  |  |
|  | Is bank reconciliation done frequently? |  |  |  |
|  | **Payroll** |
|  | Can a person’s name be on the payroll without a letter of appointment and letter of assumption of duty?  |  |  |  |
|  | Is personal emolument card opened for every new appointee? |  |  |  |
|  | Can the name of a staff who has resigned still appear on the payroll sheet for payment?  |  |  |  |
|  | Is there a control responsible for confirming that all staff whose names appear on the payroll sheet are still in the employment of the university? |  |  |  |
|  | **Expenditure Control** |
|  | Are votes maintained?  |  |  |  |
|  | Can expenditure be made outside the vote?  |  |  |  |
|  | Are requisitions checked with the vote in the approved budget? |  |  |  |
|  | Can expenditure be incurred without it being approved in the annual approved budget? |  |  |  |
|  | Can expenditure be incurred without the bursar’s approval?  |  |  |  |
|  | Do you maintain a vote book for controlling expenditure? |  |  |  |
|  | Does expenditure control unit maintain a record of details of payment by sub-head? |  |  |  |
|  | Can a particular payment voucher be entered mistakenly twice in the Vote Book |  |  |  |

**APPENDIX TWO**

**Table 1: Correlation Analysis of University of Ibadan Internal Control System and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   | Internal Control System | Efficiency of Operation |
| Spearman's rho | Internal Control System | Correlation Coefficient | 1.000 | -.099 |
|   |   | Sig. (2-tailed) | . | .488 |
|   |   | N | 51 | 51 |
|   | Efficiency of Operations | Correlation Coefficient | -.099 | 1.000 |
|   |   | Sig. (2-tailed) | .488 | . |
|   |   | N | 51 | 51 |

With r= -0.099, it shows that there is a negative correlation between Internal Control System and Efficiency of Operations

**Table 2: Correlation Analysis of Olabisi Onabanjo University Internal Control System and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   | Internal Control System  | Efficiency of Operation |
| Spearman's rho | Internal Control System | Correlation Coefficient | 1.000 | .282 |
|   |   | Sig. (2-tailed) | . | .309 |
|   |   | N | 15 | 15 |
|   | Efficiency of Operations | Correlation Coefficient | .282 | 1.000 |
|   |   | Sig. (2-tailed) | .309 | . |
|   |   | N | 15 | 15 |

R= 0.282 and reveals that there is a weak positive correlation between Internal Control System and Efficiency of Operations.

**Table 3: Correlation Analysis of Bowen University Internal Control System and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   | Internal Control System  | Efficiency of Operation |
| Spearman's rho | Internal Control System | Correlation Coefficient | 1.000 | .305 |
|   |   | Sig. (2-tailed) | . | .335 |
|   |   | N | 12 | 12 |
|   | Efficiency of Operation | Correlation Coefficient | .305 | 1.000 |
|   |   | Sig. (2-tailed) | .335 | . |
|   |   | N | 12 | 12 |

R= 0.305 and reveals that there is a weak positive correlation between Internal Control System and Efficiency of Operations.

**Table 4: Correlation Analysis of University of Ibadan Compliance with Financial Controls and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |   |   | Efficiency of Operation | Compliance with Financial controls |
| Spearman's rho | Efficiency of Operation | Correlation Coefficient | 1.000 | -.127 |
|   |   | Sig. (2-tailed) | . | .375 |
|   |   | N | 51 | 51 |
|   | Compliance with Financial controls | Correlation Coefficient | -.127 | 1.000 |
|   |   | Sig. (2-tailed) | .375 | . |
|   |   | N | 51 | 51 |

 R= -0.127 and reveals that there is a weak negative correlation between compliance with financial controls and Efficiency of Operations.

**Table 5: Correlation Analysis of Olabisi Onabanjo University Compliance with Financial Controls and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   | Efficiency of Operation | Compliance with Financial controls |
| Spearman's rho | Efficiency of Operation | Correlation Coefficient | 1.000 | .233 |
|   |   | Sig. (2-tailed) | . | .403 |
|   |   | N | 15 | 15 |
|   | Compliance with Financial controls | Correlation Coefficient | .233 | 1.000 |
|   |   | Sig. (2-tailed) | .403 | . |
|   |   | N | 15 | 15 |

R= 0.233 and reveals that there is a weak positive correlation between compliance with financial controls and Efficiency of Operations.

**Table 6: Correlation Analysis of Bowen University Compliance with Financial Controls and Efficiency of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   |   | Efficiency of Operation | Compliance with Financial controls |
| Spearman's rho | Efficiency of Operation | Correlation Coefficient | 1.000 | .397 |
|   |   | Sig. (2-tailed) | . | .201 |
|   |   | N | 12 | 12 |
|   | Compliance with Financial controls | Correlation Coefficient | .397 | 1.000 |
|   |   | Sig. (2-tailed) | .201 | . |
|   |   | N | 12 | 12 |

R= 0.397 and reveals that there is a moderate positive correlation between compliance with financial controls and Efficiency of Operations.

**Table 7: ANOVA of Internal Control System across the Selected Universities**

|  |  |
| --- | --- |
|  | Test Value = 0 |
|   | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |
|   |  |  |  |  | Lower | Upper |
| University of Ibadan | 28.013 | 50 | .000 | 1.90059 | 1.7643 | 2.0369 |
| Bowen University | 16.445 | 11 | .000 | 2.41083 | 2.0882 | 2.7335 |
| Olabisi Onabanjo University | 24.181 | 14 | .000 | 1.76400 | 1.6075 | 1.9205 |