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Stakeholders perception on the effectiveness of internal control system on financial accountability in the Nigerian public sector.

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ABSTRACT: *Internal control system plays a key role in the assurance chain towards financial accountability. However, literature expressed that abuse, error and wastes are common place in the Nigerian public sector. Incidentally, literature has not provided sufficient evidential matter as to why these problems. Therefore, the purpose of this study is toprovideevidence on the perception about the effectiveness of internal control system on financial accountability in the Nigerian public sector. Data were gathered through the distribution of two hundred and fifty (250) copies of questionnaire, the responses were analyzed to test the hypotheses.This study is anchored on statistical test of formulated hypotheses based on the Pearson Product Moments Correlation Coefficient 'r'. Findings from this study show 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 is along the line of these findings that the study concluded 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. These findings provide important management information, and can ideally be used to improve on public governance.*

Keywords—Accountability, Effectiveness, Compliance, Internal Control, Nigeria, Public Sector

I. INTRODUCTION

1. Background of The Study

Public institutions in Nigeria represent the most dominant economic forces, so efficiency and effective systems of government financial management in form of internal control are essential for budgeting the nation's assets. It is also for facilitating the emergence of economic maturation processes through accountability.There is a general opinion that most of the public enterprises have failed to deliver on the purposes for which they were established. Management ineffectiveness and inefficiency have been advanced by practitioners and researchers of public enterprises as the bane of the Nigerian public sector. (Esu and Inyang, 2008: 52).

According to Lee, Johnson & Joyce, (2004), internal control is desired to provide some assurance to stakeholders that scarce resources are not diverted away from basic considerations inherent in financial management system design. The diversion of scarce resources has profoundly affected the traditional accountability of government to the public in Nigeria where internal control system is sometimes sidelined to the extent of poor accountability.International Federation of Accountants (IFAC) (2006), opined that the severity of high-profile corporate accounting failure which has increased steadily over the last decade has led to development of new legislations, standards, codes and guidelines. An effective internal control system is desired to ensure compliance with all of these.

Ironically, the collapse of the US energy giant ENRON, the fraud cases of WorldCom, Parmalat, the inefficiency of some government organizations like Power Holding Company of NigeriaPlc., NITEL Plc., the effect of the conviction of corrupt officers in the Nigerian public service have made internal control compliance, transparent financial management and accountability to come under a sharp scrutiny by the public.

IFAC (2006); Lee, Johnson and Joyce (2004); Omolehinwa (2003), share a core principle that good governance by its nature, demands effective systems of internal control.This view was supported by Dandago (2008)'s study on the fight against government corruption in Nigeria which stated that Nigerians, at all levels, must make it a duty to dig out the root cause(s) of corruption in the country and provide lasting solutions to it, no matter how bitter, painful or difficult the actualisation of the solutions would be.

All citizens, have a role to play to ensure that corruption is eradicated, or at least reduced to the minimum level possible. To succeed in the fight, the country must deal ruthlessly with the root causes of corruption that hold back sustainable economic development and this requires the adoption of some radical and stringent measures such as a strong internal control system.

Although literature expressed concern over the effectiveness of internal control in the public sector but a gap still exists because there is dert of empirical evidence to address peoples' perception in this area. This study is focused on the perception of stakeholders on the effectiveness of internal control system in the Nigerian public sector and those connected with it in line with statutory and professional requirements.

1.1. Statement of The Problem

The specific problems highlighted in this study are factors militating against effective internal control system. The problems include poor accountability, backward economic development, in-effective legal punitive measures. Of great concern is that although Information Technology is used to drive internal control in the Nigerian Public Sector but this has not been incorporated in the guiding laws especially the financial regulation which summarises the Finance (Audit) and Management Act (1958),

These problems are exposed in the literature for example,according to Dandago (2008), a major problem in Nigeria as a developing nation is the fact that the government is not capable of dealing with the rigidities of the Nigerian society that hold back economic development, a firm government action is needed to overcome those rigidities.Dandago (2008) stated that even though there are numerous legal frameworks for accountability, they are backed up by soft punishment and sometimes double standard.Amudo and Inanga (2009) made a significant contribution in this area,their study noted that monitoring of operations in an organization ensures effective functioning of internal control in achieving the set objectives.

Salawu and Agbeja (2007)'s study, which examined auditing and accountability mechanism in the public sector, provided a significant contribution towards the need for a strong internal control. Esu and Inyang (2009) also provided evidence on the need for performance management in the public sector. Although their studies focused on internal control system, they are not linked with stakeholders' perception about public sector failures as experienced in Nigeria. Therefore, this study evaluating the effectiveness of internal control system as perceived by the public in the Nigerian public sector is expected to fill some of these gaps.

1.2. Objectives of The Study

This study sets out to:

- **i.** Evaluate the perception of stakeholders about the effectiveness of internal control framework of checks and balances instituted by government on transparent financial management in the Public Sector.
- **ii.** Provide a basis for understanding the effect of inefficient and unreliable internal control system on accountability.

1.3. Research Questions

This study attempts to provide answers to the following questions in order to achieve the set objectives:

- **i.** To what extent does internal control system exist in the Nigerian Public Sector?
- **ii.** To what extent do internal auditors, monitoring officers, state auditors, local government auditors and accounts officers, in the management of public funds appreciate, understand, and clearly respond to their roles in the internal control system?
- **iii.** To what extent is penalty applied for breach of internal control system?
- **iv.** To what extent does stakeholders' perception differ on the role of internal control in achieving financial accountability in the Nigerian Public Sector?

1.4. Research Hypotheses

Based on the objectives of the study and the research questions for which answers were intended from the findings of the study. Two hypotheses were formulated for testing and stated in the null form as follows:

Hypothesis I:

Ho: There is no significant correlation in the perception of respondents that application
Of penalty for breach of ethical conduct affects compliance with internal control.

Hypothesis II:

Ho: There is no significant correlation in the perception of respondents that internal control system in the Nigerian public sector affectsfinancial accountability.

1.5. Significance ofthe Study

This study contributes to the literature designed to assess the consequences of lack of an effective internal control in an organisation. It is among the first to provide evidence about peoples' perception about the potential benefits of strong internal control in terms of the quality of externally reported financial information.

Amudo and Inanga (2009) opined that a proactive preventive approach to addressing the importance of internal control requires a critical evaluation of internal control structures to determine their effectiveness. This study empirically links the strength of financial accountability in the Nigerian public sector to effectiveness of internal control most importantly, because the research design allows testing of the effectiveness of internal control on financial accountability in the Nigerian Public sector in ways that minimize competing explanations for the results.

This study is closely related to that by Amudo and Inanga (2009) that evaluates internal control as a case study from Uganda which found out that the proportion of non- compliance with internal control in the different sectors of Ugandan economy is material.This study has the potential of improving internal control system development in the public sector with a view to achieving an effective and efficient public governance and conducive business environment in the Nigerian society.

By covering all material areas of public opinion linking internal control to risk management, this study affords management setting high level principles, broad thinking and appropriate perception about the application of internal control system. This study provides a basis for improving the auditor's communications with the Public Accounts Committee (PAC); it identifies promising future research opportunities for theacademic community. It specifically focuses on how the communication processmay affect overall financial reporting quality, internal controls, control environments, as well as matters that potentiallyimpact financial reporting and should interest the PAC such as inthe area of management discussion and analysis.

This study specifically linksthe findings from academic research to the discussion questions posedby the public from time to time. Several potentialimplications of the findings should also interest standard-setters and regulatorsaddressing issues related to public governance and financial reporting quality. This study is of immense value to public servants as it highlights the effect of compliance with internal control system on public perception, their job relevance and continuity. It is of benefit to students, and researchers in the face of dearth of empirical literatures available in this area of study. The outcome of the study shall provide reference for internal control stakeholders and policy makers. Policy recommendations and opportunities for future research are enhanced through this study.

1.6 Scope of The Study

This study examines and attempts to evaluate the perception of stakeholders on the effectiveness of internal control system in the Nigerian public sector in its entire ramification focusing on Lagos state public service.The focus of the research in terms of study area is Lagos state. According to Nigeria Business Directory Index (2009), Lagos state is chosen because it is the nation's economic nerve center, 65% of the Country's commercial activities are carried out in Lagos state This research work could have covered all states including all government parastatals but time, finance, distance, climate conditions and other academic workload did not make this to be possible

II. LITERATURE REVIEW

2.0 Introduction

The recent corporate scandal has necessitated the need for high level of internal control in a government environment as argued by Amudo and Inanga (2009). According to IFAC (2006), corporate governance and internal control became a highly pertinent and topical business issue at the beginning of the 21st century following a series of large corporate scandals and failures. This argument of Amudo and Inanga (2006) is consistent with that of IFAC which stated that the recent corporate scandals emphasize the need to evaluate, scrutinize, and formulate systems of checks and balances to guide executives in decision making.

These executives are legally and morally obliged to produce honest, reliable, accurate and informative financial reports periodically. It is clear from the various works in the literature that internal control and financial accountability are connected, it can be deduced that internal control system gives a stronger assurance on financial accountability and there is need for it to be at the forefront of policy tools. In this review some previous works on the subject matter were reviewed, in reviewing these works, many phenomena were observed, they are discussed here.

2.1 Concept of Public Sector Financial Management

According to Esu and Inyang (2008), the Nigerian public service "is a product of colonialism, established as an instrument of the British colonialist, from the late 19th century" the system of state enterprises begun in 1898 when the British colonial administration undertook the railway transport project from Dido in the capital city of Lagos to the hinterland. This was followed by coal mining, electricity and marine ports. All these enterprises were established primarily as administrative organs for facilitating trade and commercial activities of the colonial government.

Esu and Inyang (2008) stated that in 1949, the Fitzgerald commission into the colliery trouble articulated the idea of public corporation. This concept was borrowed from the British labour party rationalization of British coal in 1947 and electricity in 1949. Subsequently, in the 1950s some public corporations were established in Nigeria such as the Nigerian Coal Corporation; Electricity Corporation; Nigerian Cement Company, Nkalagu; Nigerian Railway Corporation, and Nigerian Ports Authority. All the corporations were managed by Boards. Since then more corporations have been established based on national interest. Some state governments have also established public corporations to actualize their developmental interests.

The public sector contains agencies to deliver public services as well as enterprises and organizations funded by government. The public sector specifically includes administrative units and government sponsored public service units.

Public Sector financial management in Nigeria is governed by the relevant provisions of enactments, rules and regulations such as the constitution of the*Constitution of the Federal Republic of Nigeria (Certain Consequential Repeals) Decree 63 of 1999, LFN*, the Finance (Control and Management) Act 1958, Economic and Financial Crime Commission (EFCC) Act 2002 Independent Corrupt Practices Commission Act 2000 – (Anti – corruption Law 2000), the Nigerian Accounting Standards (NAS), International Public Sector Accounting Standards-(IPSAS) and the Nigerian Standards on Auditing (NSA).

However, IFAC (2006) argued that there are alternatives to hard and fast legal requirements, which can be more efficient in bringing about changes in behaviour, particularly in jurisdictions where ownership have effective power.

2.2 Overview of Public Sector Financial Management

According to Omolehinwa (2003), the public sector is usually not- for- profit, it is based on fund accounting on cash basis with the budget (Appropriation Act) being very prominent. It is characterized by revenue such as taxes and levies which is sometimes without the exchange of goods and services but for provision of social benefits and sustainability with strong information, internal control and auditing systems to ensure transparency and accountability.

The dominant purpose of a not- for -profit organization is to render socially desirable specific service to the society at a reasonable cost.

In government there is no satisfactory single overall measure of performance, there is no output measurement because the core of government activities centre on the provision of public goods like health, education, shelter and order where output cannot be quantified. The absence of output measure in the delivery of public goods and services makes it difficult to be able to challenge the government officials as to what they ought to have achieved with a given amount of money, because government is not running for the purpose of profit making many factors influence government accounting such as the role of government in different fields like education and environment and the methods set by government to achieve its objectives.

According to Lee,Johnson and Joyce (2004), the emergence and reform of formal government budgeting can be traced to a concern for holding public officials accountable for their actions. Government has diversity of goals and functions to carry out but the resources are not available as a pool to be spent on just any areas of government operation so the mechanism used is the fund accounting whereby separate funds are provided for carrying out different specific functions of government.

The funds constitute the accounting entity rather than the whole organization because each fund is accounted for separately. The funds are consolidated revenue fund and development fund. Information is very important in government accounting for effective fund management. According to Lee et al (2004); contemporary approaches to budgeting and accounting require considerable amounts of information for decision making and evaluation.Information systems constitute an effort to bring about greater coordination of organization units in the collection, storage, manipulation, retrieval and analysis of information to assist in planning, administration and control functions.In order to ensure that the government organizations use the resources provided by the public for the purposes designated a strong internal control system is desirable as a step taken to give assurance to stake holders that accountability is likely to be improved.

2.3 Theoretical Approach of Internal Control Mechanism

Controls have unique characteristics, for example, they can be automated or manual; reconciliations; segregation of duties; review and approval authorizations; safeguarding and accountability of assets; preventing or detecting error or fraud. Controls within a process may consist of financial reporting controls and operational controls (that is, those designed to achieve operational objectives). (Amudo and Inanga 2009:126).

In government Internal control is characterized by pre-audit & post audit responsibilities, the pre audit occurs before the government commits itself, to a purchase, it is used to verify that there is sufficient fund and that there is authority to incur the expenditure at the state and local levels. The internal auditors and State

&Local Government Auditor Generals have audit responsibilities. Post audit is usually a more extensive procedure with more participants.

According toLee,Johnson and Joyce (2004), post audit is defined as "a systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statement or to evaluate whether management has efficiently and effectively carried out its responsibilities".This is done for the purposes of ensuring that expenditures are authorized and revenue adequately captured, financial statement issued by an MDA (Ministry, Department and Agency) fairly reflects its financial status, that funds are not subjected to fraud, waste, abuse or error in reporting and that, there is assurance to stakeholder, for compliance purpose.

In the United States of America, in the late 1970s congress addressed the importance of internal controls in protecting investors and their confidence in securities markets. The government adopted into federal law the existing audit guidance on internal control and required external auditors to report to audit committees' material weaknesses in firms' internal controls over financial reporting (FCPA 1977). Thus, process assurance is at least implicit in mandated public reporting (AICPA 1988b; COSO1992;NYSE/NASD1999) and explicit for certain financial institutions. Finally, when regulators focused on controlling management fraud, they assigned to auditors the responsibility to consider fraud including fraud by management (FCPA 1977; AICPA 1988b).

There are many definitions of internal control, as it affects the various constituencies and stakeholders of an organization in various ways and at different levels of aggregation.

According to International Organisation of Supreme Audit Institution (INTOSAI) (2008), internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that is in pursuit of the entity's mission, with the achievement of the objectives of executing orderly, ethical, economical, efficient and effective operations; fulfilling accountability obligations; complying with applicable laws and regulations; safeguarding resources against loss, misuse and damage.

Whereas Millichamp , (2002) defines internal control as 'the whole system of controls, financial and otherwise , established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as 'controls' or' 'internal controls.' Millichamp (2002) argued that internal control includes organization, segregation of duties, physical controls, authorization and approval, arithmetic and accounting, personnel management, and management controls.

The definitions are in line with the view of CICA's Criteria of Control Board Guidance on Control (COCO) which defines control as comprising "those elements of an organization (including its resources, systems, processes, culture and tasks) that, taken together, support people in the achievement of the organization's objectives." This guidance defines control and sets out criteria that can be used to assess the effectiveness ofcontrol.

IFAC (2006) opined that control is seen as encompassing the entire organization starting with its smallest unit to the individual person.

Furthermore, the Committee of Sponsoring Organizations of the Tread way Commission - COSO (1994) which was inaugurated in the USA to identify factors that caused fraudulent corporate financial reports and make recommendations that resolve such issues, broadly defined internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories of effectiveness and efficiency of operations; reliability of financial reporting; and compliance with laws and regulations.

Under the COSO framework, objective setting is considered a precondition to internal control. By setting objectives, management can then identify risks to the achievement of those objectives. To address these risks, management of organizations may implement specific internal controls. The effectiveness of internal control can be measured by how well the objectives are achieved and how effectively the risks are addressed. More generally, setting objectives, budgets, plans and other established criteria for control. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. Control built within a process is internal in nature. It takes place with a combination of interrelated components such as social environment affecting behaviour of employees, information is necessary in control, policies and procedures. Internal control structure is a plan determining how internal control consists of the control elements.

Information Technology (IT) is crucial to an internal control framework. Organizations use IT for initiation, authorization, recording and processing of transactions.IT ensureseffectiveness of internal controls. However, COSO's failure to recognize IT as a control componentmotivated other bodies to design and develop frameworks to remedy the omission. One suchframework is the Control Objectives for Information and Related Technology (COBIT 1996, 1998,2000, 2005, 2007).COBIT identifies IT resources as a source of information needed by organization's processes.The five types of IT resources are people, application systems, technology, facilities and data. COBITgroups the organization's individual activities within an IT environment into processes and domains.

According to Lee,Johnson and Joyce (2004), as information technology has advanced, organisations have become increasingly dependent on computerized information systems to carry out their operations and to process, maintain, and report essential information.As a result, the reliability and security of computerized data and of the systems that process, maintain, and report these data are a major concern to both management and auditors of organisations. Althoughinformation systems imply specific types of control activities, information technology is not a "standalone" control issue it is an integral part of most control activities.

The use of automated systems to process information introduces several risks that need to be considered by the organisation. These risks stem from, among other things, uniform processing of transactions.Effective information technology controls can provide management with reasonable assurance that information processed by its systems meets desired control objectives, such as ensuring the completeness, timeliness, and validity of data and preserving its integrity.

The opinion ofHumphrey, Miller and Scapens (1993), is corroborated by INTOSAI (2001), which stated thatInformation Technology controls have become increasingly important, Information technology controls relate to each of the components of an entity's internal control process including the control environment, risk assessment, control activities, information and communication, as well as monitoring. Control deficiencies are automatic material weaknesses, they must be evaluated to determine their impact on IT applications controls. IT controls are evaluatedthrough understanding organizational structure of IT functions, IT specific policies and procedures, hardware, software, networks and use of service organization (Amudo and Inanga 2009:131).

According to IFAC (2006), because IT changes rapidly, and its application central to the strategy of business process the associated controls must evolve constantly to remain effective. This view is supported by Amudo and Inanga (2009)'s study which stated that the achievement of organizational objectives requires an effective internal control which depends on factors of the control environment like technology advancement and competition, risk assessment, information and communication. At the centre of it all is personnel in the area of implementation, monitoring and feedback, therefore internal control includes internal audit.

It is in recognition of this that an IT governance framework; Control Objectives for Information and related Technology (COBIT) was developed in 1996 as a reference framework for developing and managing internal controls and appropriate level of security in IT.According to AICPA(1999), and the Canadian Institute of Chartered Accountants (CICA) the area of voluntary expansion of measurement criteria is computer system quality. AICPA and CICA have developed and branded an attestation service (denoted SysTrust, AICPA 1999) to certify that an entity's computer system design and operations comply with certain criteria.

In Nigeria government internal operations are guided by the Finance and Management (Control) Act 1958,which is summarized into financial regulation issued by the government from time to time. For instance according to (Financial Regulation 2006), Auditor-General shall examine and ascertain in such manner as he may deem fit the accounts relating to public funds and property and shall ascertain whether in his opinion as to whether the accounts have been properly kept; all public monies have been fully accounted for; andthe rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of revenue, whether monies have been expended for the purposes for which they were appropriated and the expenditure have been made as authorized; and essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property and funds. At the centre of it all is personnel in the areas of implementation, compliance, monitoring and feedback, therefore internal control includes internal audit.

2.4internal Control and Accountability

Internal control breaches credibility gap that may be due to accidental errors, lack of knowledge of accounting principles, unintentional bias, deliberate falsification and departure from generally accepted accounting principles. Internal control emphasizes the importance of transparency as an essential feature of public sector accountability. Internal control fulfills accountability obligations.

According to INTOSAI (2004), accountability is the process whereby public service organisations and individuals within them are held responsible for their decisions and actions, including their stewardship of public funds, fairness, and all aspects of performance. This will be realized by developing, maintaining and making available reliable and relevant financial and non-financial information and by means of a fair disclosure of that information in timely reports to internal as well as external stakeholders. Non-financial information may relate to the economy, efficiency and effectiveness of policies and operations (performance information), and to internal control and its effectiveness.

Internal control plays an important role in government accountability, in Nigeria there is serious yearning for transparent accountability in the public sector as argued by Dandago (2008), ‘’those holding positions of authority areexpected to provide explanations and reasons to interested parties (the public in general) on how they havedischarged the responsibilities entrusted in them. Having assessed the gravity of corruption in the country and having found it to be inhibiting of moves towards sustainable national development’.

Humphrey, Miller and Scapens (1993), argued that at common sense level, accountable management make sense, it must be right. How could being efficient and effective be argued against? Clarke and Cochrane, (1989) as quoted in Humphrey, Miller and Scapens (1993) stated that the influence of accounting practice is taken so much for granted that no one notices it anymore, and it is rarely challenged because it is simply part of the environment within which decisions are made and policies are shaped.

Pany & Whittington (1994) opined that accountability affords reliable accounting and financial reporting, allocation of resources in an efficient manner since the primary goal of government is to allocate limited capital resources to the production of those goods and services for which demand is great. Inadequate accounting and reporting, on the other hand, conceal waste and efficiency, thereby preventing an efficient allocation of economic resources.

According to Salawu and Agbeja (2007), there is not generally accepted definition of the term accountability. Adesola (2001) quoted in Salawu and Agbeja (2007)), defines it as the duty imposed on any person who holds power or authority or is in position of trust to act for and on behalf of another person to take responsibility for his action and to render account of stewardship whenever it is necessary to do so.

Humphrey, Miller and Scapens(1993), also considers accountability as bothering on not undermining the long-held public-service values in the pursuit of specified standards of efficiency and effectiveness. Whether it is on performance indicators, budgets, financial resources, management information systems or value –for-money audits to give a greater profile to the economies of public sector delivery in order to restore trust in government.

On the other hand, accountability is likened to enterprise governance when it explains it as “the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization’s resources are used responsibly”(IFAC 2008). Accordingly, enterprise governance constitutes the entire accountability framework of the organization. Thereare two dimensions of enterprise governance: conformance and performance. Conformancecovers issues such as board structures and roles, executive remuneration, and compliance withregulation. The conformance dimension focuses on accountability and assurance while theperformance dimension focuses on strategy and value creation.

The above arguments indicated that accountability has the characteristics of transparency, efficiency, effectiveness and good service delivery where achievements are below agreed levels, the causes of the underperformance are recognized and possible corrective actions taken. An accountability relationship without follow-ups is clearly incomplete and unlikely to be effective. It is necessary to understand the basic principles of an effective accountability.

2.5 Theoretical Framework of Accountability

Salawu and Agbeja (2007) contend that there are five principles of effective accountability, clear roles, clear responsibilities, clear performance expectations of the objectives being pursued, balanced expectations and balanced capacities. The performance expectations need to be clearly linked to and in balance with the capacity for credible reporting. A credible review and feedback on the performance achieved should be carried out by the accounting parties. This is the essence of internal control,

Humphrey, Miller and Scapens (1993), noted that accountability is inherently bound up with neo-liberal concerns with the role, cost and performance of public sector. It is more than a matter of central government versus society. The resort to accountable management can be seen to involve particular notions of organizational control processes, with managers and management consultants acting as key intermediaries in changes which see public sector moving to the promised benefits of an ‘’accountably managed’’ World. (Humphrey et al 1993: 23).The clearest points which emerge from these reflections are the mobilizing power of strong internal control to accountability coupled with the responsibility of public officers towards achieving good governance. It remains important to address the different views expressed in the literature from a perspective of achieving public sector success and minimizing public sector failure.

Consequently, Salawu and Agbeja (2007), argued that accountability can be viewed from a number of perspectives; the traditional perspective, the democratic perspective, the professional perspective, the managerialist perspective, the governance perspective, the regulatory perspective and the rational choice perspective.The perspective being evaluated in this study is the rational choice perspective. It is based on rational choice theory, which explains social phenomena from the beliefs and goals of individuals (Ward, 1995).

Thus, the rational choice perspective on accountability emphasizes psychological and behavioural factors in public administrators by highlighting the potential for public administrators to evade traditional, democratic and other channels of accountability. According to this perspective only by focusing on individual political strategies of these actors could a true picture of accountability emerge.

Dowding (2000),however argued that rational choice perspective is not a rival to other perspectives in politics, rather it is a method of study, which may illuminate other approaches and provide a dynamic explanation of their descriptive and categorical forms. This is more so if it is recognized that accountability goes beyond rendering stewardship since governing is a very complex process in which assessments are made whether ones use of allocation of resources is better or yields more benefits than another. This complexity has very serious consequence when decisions taken by public officers are brought under open and public scrutiny particularly by those who were either not parties to those decisions or are even incapable of appreciating the intricacies of such decisions but just by mere individual perception of events.

2.6 Theoretical framework ofperception.

According to Straker (2008), perception is a reality that has to be managed; perception is the reality in which each individual life is based, how we create meaning and hence perceive the world around us. Perception is often a long way from reality, but what changes our mind is what beliefs and models that we have created in our minds. 'If you try to persuade me using things that I do not accept or understand, then I will not be persuaded, even though the evidence you offer may be overwhelming'.(Staker, 2008: 33) He argued that management of perception before reality is key. By working from what people believe, stand (and walk a mile) in their shoes, fit what you say into their mental models, use their language.

This argument of Straker (2008), buttresses the fact that public opinion on accountability is a serious issue that should bother the authority. Peoples' negative perception can be managed with structures like internal control system which if effectively implemented can achieve alignment, appeal, trust and understanding in the minds leading to government support and patriotism. Rutledge (2008), opined that perception can be managed through productive thinking which is solving a problem with insight. It is a quick, insightful, unplanned response to situations and environmental interaction and reproductive thinking, solving a problem with previous experiences and what is already known.

III. RESEARCH METHODOLOGY

3.0 Introduction

According to Asika (2008), research method is the particular method or means by which a particular research work is carried out. It comprises the procedures and activities involved in drawing logical conclusions on the research study. This section deals with research design, characteristics of the study population, sample and sampling techniques, data collection schedule and statistical tools used in this study.

3.1 Research Design

This research is essentially investigative and explanatory in that it seeks to know the stakeholders perception on the effectiveness of internal control in the Nigerian Public sector. The structure of its process and procedure is therefore descriptive and this belongs to the generic family research design type called survey design. Research design is ''the structuring of investigation aimed at identifying variables and their relationships to one another'' (Asika 2008 : 27)

3.2 Study Population

"A population is made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher while a sample is precisely a part of the population". (Asika 2008: 39).It is expedient to know the nature of the population so as to aid the choice of sampling technique. In this study, population is made up of all individuals who can give reliable information as far as the topic of this research work is concerned.

Due to the technical nature of the topic of study coupled with the need to ensure that the responses obtained are representative and reliable enough, the population of this study has been limited to civil servants in Lagos state government who have direct relationship with government internal control system. It comprises internal auditors under the ministry of finance, state auditors under the State Auditor – General , Local government auditors under the Auditor –General for local government, Monitoring Officers from the Monitoring and Investigation department of State Treasury Office and Account Officers under the State Accountant – General who are occupying strategic positions in Lagos state public service.

3.3 Sampling Frame and Sampling Technique

A sample refers to a part of a population selected for study while a sampling technique is the method adopted for selecting such a sample from the population. Considering the objective of the study it is expedient to ensure that the sample identified is a statistical representation of the population and stands clear of bias as much as possible; the sample must be adequate and possess stability. Thus the sample size was made up of 250 respondents from different sectors of public service as aforementioned.

The sampling procedure adopted for the research work is random sampling which is the most fundamental method of probability. Under this technique the proportional stratified random sampling was adopted, to ensure that every subject in the population is given an equal chance of appearing in the selection. (Asika 2008: 39-40).

Random sampling of proportional stratification is adopted because it yields a sample that represents the universe with respect to the proportion in each stratum in the population, with greater accuracy and greater geographical concentration (Gupta 2009: 76-79).

Copies of the questionnaire were administered directly to 250 respondentsrepresenting 42% from a population of 594 respondents as shown in the table below. This was done so as to save time and ensure a high degree of probability of returns. Despite this concerted effort, only 242 out of the lot could be retrieved and 238 adequately analyzed as shown in Table 3.1 below:

Table 3.1: Internal Control Sampling Frame

Description	Internal auditors	Monitoring officers	State auditors	Local govt. auditors	Accounts officers	Total
Population	**178**	**13**	**118**	**111**	**174**	**594**
Copies of questionnaire distributed	**75**	**5**	**50**	**47**	**73**	**250**
Copies of questionnaire returned	**73**	**5**	**48**	**45**	**71**	**242**
Copies of questionnaire rejected	**2**	**-**	**-**	**1**	**1**	**4**
Copies of questionnaireanalyzed	**71**	**5**	**48**	**44**	**70**	**238**

Source: Field Survey 2010

The proportional stratifiedrandom sample is achieved as follows:

Internal auditors= $\frac{178}{594} \times 250 = 75$

Monitoring officers= $\frac{13}{594} \times 250 = 5$

State Auditors = $\frac{118}{594} \times 250 = 50$

Local government auditors = $\frac{111}{594} \times 250 = 47$

Accounts officers = $\frac{174}{594} \times 250 = 73$

Total = $\mathbf{250}$

3.4 Research Instrument

Research instrument is a device for collecting the data or measuring the variables used for answering the research questions and testing the hypotheses. For the purposes of this study, a questionnaire was adopted as the research instrument. The questionnaire was designed in such a way as to provide vital answers for the research questions and hypotheses testing. The questionnaire contained a set of questions classified into two major sections; section 'A' and section 'B'.

Section 'A' featured questions on bio-data of the respondents such as, working experience and occupation. The inclusion of these variables is necessary as they help to classify the respondents properly as well as analyses their responses.

Section 'B' of the questionnaire comprised numerous statements of assertion and open-ended questions. These were designed primarily to provide information for testing the hypotheses. The opinions of respondents to these statements of assertion were sought throughLikert scale format which is a psychometric scale commonly used in questionnaires, and it is the most widely used scale in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement. A Likert scale normally measures the intensity or degree of agreement by the respondent to a statement that describes or asserts a phenomenon.The 5-point Likert scale used is outlined and interpreted according to points attached to the degree of agreement viz ; Strongly Agree5, Agree 4, Undecided 3, Disagree 2 and Strongly Disagree 1.

''statement such as greater than, less than, strongly agree, disagree and undecided become useful and logical under ordinal scale''(Owie 1997: 8). 'The categories being tested here are strongly agree, agree, undecided, disagree and strongly disagree. In that order, the higher the score (of responses) for the left hand side categories compared to the right the higher the chances of rejecting the null hypothesis'(Owie 1997: 8).

Both primary and secondary methods of data collection were employed. Primary method consists of questionnaire design, administration and respondents' analysis. The secondary method consists of references into previous scholarly work on internal control, public sector accounting, textbooks and journals.

Figures shown and analysis done were based on responses to copies of questionnaire issued and returned. An evaluation of the respondents' perception on the effect of government internal control system on financial accountability in the Nigerian Public sector is effected sequel to the perceived or actual flaws in the previous schemes. In the light of this, the quantitative analytical techniques adopted are the Pearson Product Moments Correlation Coefficient 'r'while inferences and interpretations emanated from the results.

Data collection and literature review were limited to what was found available from questionnaire issued, textbooks, journals, newspapers, government and other publications found within Nigeria as well as what could be found available from internet information repository.Results and conclusions may therefore, to some extent, be subject to the limit of the accuracy and objectivity of these sources. These limitations were due to financial and time constraints.

3.4.1. Instrument validation

In the light of this, the research instrument was subjected to content validation to ensure that the content of the instrument measures the variables investigated in the study. The first draft of the questionnaire was given to two Ph. D students in accounting. Based on their suggestions improvements were made, the improved copy was given to two post graduate lecturers who also made positive inputs. The input was incorporated in the final copy, which was used in carrying out the study. A reliability test was done on the data collected, it resulted into a Cronbach's Alpha of 72.3 % as shown in Table 3.2. below. This implies that the data are highly reliable.

Table 3.2: Reliability Statistics

Cronbach's Alpha	
.723	N of Items

Source: Field Survey 2010

3.5 Method of Data Analysis

Saunders et al (2003), identified two research approaches; deductive and inductive. Inductiveapproach first collects data and develops theory based on the results of analyzed data. The deductiveapproach on the other hand explains causal relationships between variables. Research hypotheses weredeveloped and research strategies designed to test them, quantitative data was used to test the hypotheses,in deductive approach, the researcher is independent of observed phenomenon and the research uses highly structured methodology to facilitate replication (Gill and Johnson 1997; cited in Saunders, et al. 2003). A further argument is that the concepts of the research are operationalized to measure quantitatively the relationship between relevant variables.

This study used the inductive approach to establish the causal relationships between the dependent and independent variables of internal control system through quantitative operationalisation of the identified variables. The quantified observations are processed and the results measured statistically to obtain evidence on the relationships between the variables. The challenges of effectiveness of internal control involve control elements of identified major independent variables, in relation to the dependent variables. Processes that impact significantly the study objectives are included in the analysis. Understanding and analysing the overall internal control system, control activities, information and communication, monitoring of operations are critical to this study. The validating procedures are review of responses to questionnaires.

In order to analyses the primary data obtained from the administered questionnaires comprehensively, both descriptive and inferential statistics were applied. The profiles of respondents outlined in section 'A' and the Likert scale questions featured in section 'B' were analyzed through the use of quantitative descriptive statistics in the form of frequency distribution and percentages (%).

With respect to the hypothetical statements asserted in section 'B' of the questionnaire, a combination of the descriptive and inferential statistics was employed in analyzing the respondents' perception. Descriptive statistics used include mean, probability sampling, interval and ratio measures and parametric inferential statistics in form of the Pearson Product Moments Correlation Coefficient 'r' which is regarded by Attah (1996) as 'the most powerful measure of correlation' for analysing differences between sample means.

3.6 Test of Hypotheses

In this research work the Pearson Product Moments Correlation Coefficient 'r' was used in testing the formulated hypotheses using SPSS statistics 17.0

IV. DATA PRESENTATION AND ANALYSIS

4.0. Introduction

A questionnaire was used to obtain data, it was made up of two sections; Section A and Section B. Section A contains five questions about respondents' bio- data, while section B contains fifteen questions relating to the research questions and hypothesesin Likert scale form.In section B questions 6 to 9 were drawn to answer research question number I, questions 10 to 14 were aimed at answering research question II , research question III is answered with questions 15 to 17 while research question IV was addressed from responses to questions 18 to 20. The data collected through the administration of questionnaire are analyzed in this section.

4. 1 Questionnaire Analysis

The questionnaire response rate represents 97% of the total sample while the final sample for testing was238or 95% as shown in tables 4.1, 4.2 and 4.3 below. Table 4.1 indicates that 229, 227, 225, and 223 out of 238 of respondents stated their ages,highest qualification, years of working experience and job title respectively. Table 4.2 shows that majority of the respondents are well experienced with over 10 years of experience recording the highest at 44% followed by between 7 to 9 years at about 21.4 %, thus the opinions of the respondents are based on long service experience and so highlyreliable.

In Tables 4.3below, the strata of the respondents arehighlighted,27.7 % are accounts officers, followed by internal auditors at 24.8%,State auditors 20.2% followed by local government auditors and monitoring officers at 18.9% and 2.1% respectively.

Table 4.1: Respondents Statistics

		Age range	Highest academic qualifications	Working experience years	job title
N	Valid	229	227	225	223
	Missing	9	11	13	15

Source: Field survey 2010

Table 4.2 : Respondents working experience years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	btw 1 to 3 years	30	12.6	13.3	13.3
	btw 4 to 6 years	38	16.0	16.9	30.2
	btw 7 to 9 years	51	21.4	22.7	52.9
	10 years and above	106	44.5	47.1	100.0
	Total	225	94.5	100.0	
Missing	System	13	5.5		
Total		238	100.0		

Source: Field survey 2010

Table 4.3 : Respondents Job title

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Internal Auditor**	**59**	**24.8**	**26.5**	**26.5**
	Monitoring Officer	**5**	**2.1**	**2.2**	**28.7**
	State Auditor	**48**	**20.2**	**21.5**	**50.2**
	Local govt Auditor	**45**	**18.9**	**20.2**	**70.4**
	Accounts Officer	**66**	**27.7**	**29.6**	**100.0**
	Total	**223**	**93.7**	**100.0**	
Missing	**System**	**15**	**6.3**		
Total		**238**	**100.0**		

Source: Field survey 2010

Table 4.4: Summary of Descriptive Statistics of responses to Questions relating to the Hypotheses

Quest. No.		N	Mean	Std. Deviation
6.	**internal control exists**			
7.	**internal control system is transparent**	**236**	**4.5297**	**.64178**
8.	**Internal control isreliable**	**236**	**3.7542**	**.93113**
9.	**Internal control is usually reviewed**	**235**	**3.8894**	**.94082**
10.	**Staff motivation**	**232**	**3.8103**	**.93895**
11.	**Effective communication**	**233**	**3.3305**	**1.12869**
12.	**Stakeholders play their individual roles**	**238**	**3.6555**	**1.08645**
13.	**Internal control compliance leads to efficient financial management**	**235**	**3.5021**	**1.03929**
14.	**compliance with internal control**	**233**	**4.1116**	**.94024**
15.	**penalty for defying internal control**	**234**	**3.5556**	**.98438**
16.	**application of penalty**	**235**	**3.5617**	**1.08969**
17.	**effect of internal control on government financial reporting**	**233**	**3.3176**	**1.16430**
18.	**government financial reporting is reliable**	**234**	**3.6325**	**1.16529**
19.	**accountability is in government**	**233**	**3.1931**	**1.18959**
20.	**accountability in Nigeria meets peoples expectation**	**234**	**2.9145**	**1.20138**
	Valid N (listwise)	**234**	**2.5043**	**1.28794**

Source: Field survey 2010

Table 4.4 confirms the respondents perception about the presence of major components of a good internal control system that are effective on financial accountability, for example question numbers 6,8,9,11 and 13 on existence of internal control, , reliable internal control, frequently reviewed internal control, effective communication of internal control and internal control compliance lead to efficient financial management are revealed to be with a high mean score of above 4.5, 4.11, 3.88, 3.8 and 3.6 respectively. This means that respondents rated them highly as being in operation but the presence of these components did not result into good accountability which revealed a low mean score of about 2.9 compared to the mean score of the presence of strong internal control system of 4.5 as aforementioned, in spite of the fact that people know what to do to achieve effectiveness.

Question number 20, on whether or not accountability in Nigeria meets peoples expectation scored the lowest mean score of 2.5 from the study, to a large extent stakeholders play their roles but it is not appropriately backed up with guts and assertion especially in administering penalties.

1.2 Answers To Research Questions

Research question I: To what extent does internal control system exist in the Nigerian Public Sector?

Table 4.5: Existence of internal control in the Nigerian Public Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	1.3	1.3	1.3
	Undecided	10	4.2	4.2	5.5
	Agree	82	34.5	34.7	40.3
	strongly agree	141	59.2	59.7	100.0
	Total	236	99.2	100.0	
Missing	System	2	.8		
Total		238	100.0		

Source: Field survey 2010)

As shown in Table 4.5, in answering research question I, respondents confirm that there is awareness of the existence of internal control in the public sector, the SPSS statistics results revealed that 93.7 % of respondents agree that internal control exists, 59.2% of them feel strongly about it. In Table 4.4 above, the mean score for questionnaire section B, questions 6-10 is very high ranging between 4.52 and 3.81 this supports the argument that internal control exists to a large extent as depicted in Table 4.5 above.

Researchquestion II: To what extent do stakeholders in the management of public funds appreciate, understand, and clearly respond to their roles in the internal control system?

Table 4.6: Stakeholders play their individual roles in the internal control system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	15	6.3	6.4	6.4
	Disagree	25	10.5	10.6	17.0
	Undecided	49	20.6	20.9	37.9
	Agree	119	50.0	50.6	88.5
	strongly agree	27	11.3	11.5	100.0
	Total	235	98.7	100.0	
Missing	System	3	1.3		
Total		238	100.0		

Source: Field survey 2010

Table 4.6 in answering research question II, 17% of the respondents disagree that stakeholders play their role;this poses a big challenge because the percentage is considered to be high.

The mean scores for questions 10-14 is high, with question 13 recording the highest mean at 4.11. Though the fact that 17% respondents disagreedthat stakeholders play their roles has to be addressed as contained under recommendations in the study.

Research question III: To what extent is penalty applied for breach of internal control system?

This was answered in Tables 4.7 and 8 below. According to Table 4.7 58% of the respondents agree that penalty exists. Though in Table 4.8, 24.3% of the respondents opined that there is double standard in the application of penalty, while 27.7% are undecided; this indicates that personnel can get away with lackadaisical attitude to work.

Table 4.7: Presence of appropriate penalty

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	17	7.1	7.3	7.3
	Disagree	41	17.2	17.6	24.9
	Undecided	66	27.7	28.3	53.2
	Agree	69	29.0	29.6	82.8
	strongly agree	40	16.8	17.2	100.0
	Total	233	97.9	100.0	
Missing	System	5	2.1		
Total		238	100.0		

Source: Field survey 2010.

Table 4.8: Application of penalty without fear or favour

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	11	4.6	4.7	4.7
	Disagree	31	13.0	13.2	17.9
	Undecided	54	22.7	23.0	40.9
	Agree	93	39.1	39.6	80.4
	strongly agree	46	19.3	19.6	100.0
	Total	235	98.7	100.0	
Missing	System	3	1.3		
Total		238	100.0		

Source: Field survey 2010

Test of null hypothesis I relating to research question III
Ho: There is no significant correlation in the perception of respondents that application
Of penalty for breach of ethical conduct affects compliance with internal control.

Table 4.12: Pearson Product Moment Correlation Coefficient 'r': Correlations between application of penalty and compliance with internal control.

		application of penalty	compliance with internal control
application of penalty	Pearson Correlation	1	.470**
	Sig. (2-tailed)		.000
	N	233	230
compliance with internal control	Pearson Correlation	.470**	1
	Sig. (2-tailed)	.000	
	N	230	234

****. Correlation is significant at the 0.01 level (2-tailed).**

V. DECISION

In table 4.12 above, for Pearson 'r' respondents perception on the effect of application of penalty for breach of ethical conduct on compliance with internal control indicated significant correlation among the respondents at 0.470, the correlation is only significant at 0.01. This significance is high at an r^2 of about 94%, direct and about midway. Therefore, we reject the null hypothesis and conclude that there is significant correlation in the perception of respondents that application of penalty for breach of ethical conduct affects compliance with internal control. This means that government needs to be firm in the application of penalty to achieve compliance with internal control system.

Research question IV. To what extent does stakeholders' perception differ on the role of internal control in achieving financial accountability in the Nigerian Public Sector?

This question is answered in tables 4.9 and 4.10 below.

Table 4.9: Internal control compliance lead to efficient financial management

		Frequency	Percent	Valid ent	Cumulative ent
Valid	**strongly disagree**	**5**	**2.1**	**2.1**	**2.1**
	Disagree	**13**	**5.5**	**5.6**	**7.7**
	Undecided	**22**	**9.2**	**9.4**	**17.2**
	Agree	**104**	**43.7**	**44.6**	**61.8**
	strongly agree	**89**	**37.4**	**38.2**	**100.0**
	Total	**233**	**97.9**	**100.0**	
Missing	**System**	**5**	**2.1**		
Total		**238**	**100.0**		

Source: Field survey 2010

Table 4.10: Accountability in the Nigerian public sector meets peoples expectation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**strongly disagree**	**64**	**26.9**	**27.4**	**27.4**
	Disagree	**67**	**28.2**	**28.6**	**56.0**
	Undecided	**45**	**18.9**	**19.2**	**75.2**
	Agree	**37**	**15.5**	**15.8**	**91.0**
	strongly agree	**21**	**8.8**	**9.0**	**100.0**
	Total	**234**	**98.3**	**100.0**	
Missing	**System**	**4**	**1.7**		
Total		**238**	**100.0**		

Source: Field survey 2010

In Table 4.9 about 16.8% of the respondents are doubtful as to whether or not internal control compliance leads to efficient financial management.

This study demonstrates in Table 4.10 that about 55% of respondents disagree that accountability in Nigeria meets peoples expectation, coupled with the fact that about 18.9% are undecided making a total of about 74% , ironically all these respondents are government employees, this poses a big challenge because if government workers condemn their own output then where is the hope for the average Nigerian who depends on government for most of his needs including the quality of the air he breathes for example?

Test of null hypothesis II relating to research question IV

The SPSS output of the test is shown in Tables 4.11 and 4.12 below.

Hypothesis II
Ho: There is no significant correlation in the perception of respondents that internal control system in the Nigerian public sector affects financial accountability.

Table 4.11: Pearson Product Moment Correlation Coefficient ‘r’: Correlations effect of internal control and accountability in government

		effect of internal control on government	accountability is in government
effect of internal control on government	**Pearson Correlation**	**1**	**.240****
	Sig. (2-tailed)		**.000**
	N	**234**	**231**
accountability is in government	**Pearson Correlation**	**.240****	**1**
	Sig. (2-tailed)	**.000**	
	N	**231**	**234**

****. Correlation is significant at the 0.01 level (2-tailed).**

DECISION

In table 4.11 above, for Pearson ‘r’, respondents opinion on the effect of internal control system on financial accountability in the Nigerian public sector indicated significant correlation at 0.024 among respondents, the correlation is low because it is only significant at 0.01 level but it is positive and direct. Therefore, we reject the null hypothesis and conclude that there is significant correlationin the perception of the different categories of respondents that internal control system in the Nigerian public sectoraffects financial accountability.

This means that government needs to use internal control more effectively to improve on financial accountability to a level that will meet people’s expectation.

V. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

In this study it was posited that good governance requires effective systems of internal control for the benefit of all.Therefore, this study drew from trends in the public sector in order to examine some key areas of control, compliance, management of control and perception managementsystems of operations in the Nigerian Public sector. Four research questions were answered and two hypotheses were formulated and tested.

The results of the hypotheses tested suggest that there is significant correlation in both the perception of respondents that internal control system in the Nigerian public sector affects financial accountability and the effect of the application of penalty for breach of ethical conduct on compliance with internal control.This correlation is positive and significant at $p < 0.01$. Findings from this study also show that motivation is a key factor in internal control compliance; a strong internal control system adds value and leads to better performance. Ironically the robustness of internal control does not translate into accountability that meets peoples expectation this calls for caution and justifies why compliance to internal control system should be strong at all times.

This study identified the need for strict adherence to penalties because violations have resulted into financial accountability not meeting peoples” expectation in the Nigerian public sector. Despite this, this study finds that there is significant correlation in the perception of respondents that internal control system in the Nigerian public sector affects financial accountability and that there is significant correlation in the perception of respondents that application of penalty for breach of ethical conduct affects compliance with internal control.
These findings imply that government should abide by an effective internal control system.

This study combines literature review with analytical review to ensure proper education of the intention of the researcher.This study makes several contributions to knowledge. First, there is contribution to the literature that seeks toidentify the determinants of internal control effectiveness in the Public Sector accountability (Humphrey, Miller and Scapens 1993, Salawu and Agbeja 2007, IFAC 2006 and 2008, Esu and Inyang 2009, Amudo and Inanga 2009,) This study is one of its kind to evaluate stakeholders perception about the extent of effectiveness of internal control on the reliability of financial statements and thereby public accountability.

5.2 CONCLUSION

This study demonstrated that the general consensus is that, whatever form public accountability may take, it should take a principled approach in recognition of the need for an organization to develop a strong internal control orientation particularly to its internal and external environment viz- a- viz peoples perception.

It came out clearly from this study that public sector failures were partly due to a lack of adherence to accountability as it relates to an internal control system. The faith of an effective internal control in Nigeria is now being placed in the hands of public officers, aided by accountable internal control systems to ensure that public services are delivered economically and efficiently.

5.3 RECOMMENDATIONS

This study provides an understanding of perception about the effectiveness of internal control, therefore, in this section recommendations are presented accordingly. This study revealed that about 17% of the respondents disagree that stakeholders play their role. This challenge of lackadaisical attitude to work should be addressed by enforcing the code of ethical conduct in public service to ensure that all public servants play their roles.

This study called for a frontal assault on poor administrationof penalty, effective disciplinary measures must be sustained in the journey to national discipline, progress and prosperity.This study demonstrates that most respondents disagree that accountability in Nigeria meets peoples expectation, ironically all respondents are government employees, this poses a big challenge because if government workers condemn their own output then where is the hope for the average Nigerian who depends on government for most of his needs including the quality of the air he breathes for example.This should be addressed with strong compliance with internal control through appropriate penalty for breach of ethical conduct. Public servants should ensure financial accountability in schools management, health management, housing and agriculture to mention a few.

It is time to incorporate Information Technology (IT) internal control process and procedures in the financial regulations of an IT environment like the Nigerian Public Sector. It should be incorporated in the guiding laws especially, the Finance (Audit) and Management Act (1958), as summarized in the various operational financial regulations.

Controls should be done by the people who know where the risks are it is dangerous for government to rely more on post- payment assurance, this way it becomes the internal system rather than an occasional affair. In order to meet peoples expectation, a strong internal control system shall transform Nigeria to a haven of peace and development using all the endowments with which she is blessed.

Respondents are doubtful as to whether or not internal control compliance leads to efficient financial management, this should be pursued through training and moral suasion.The different forms of internal control circumstances should reinforce each other in helping government and stakeholders understand the need to treat internal control as a key business tool and to follow the steps most necessary to reduce risk to public operations, prevent and control poor financial accountability.

The Nigerian Accounting Standard Board (NASB), Securities and Exchange Commission Rules and Regulation as contained in the Investment & Securities Act 1999 and Nigerian Insurance Act of 2003 though supplement the 1999 constitution of the Federal Republic of Nigeria in regulating financial reporting requirements but they have differed in their assessments of the quality of financial statements, there is need to streamline financial reporting requirements, harmonise regulatory requirements and codify them as a single law for ease of application and time saving.

The Nigerian Accounting Standards Board (NASB) should produce accounting standards on basic principles of public sector accounting bordering on, due process, bureaucracy, transparent internal control to improve accountability in line with the International Public Sector Accounting Standards. (IPSAS).

5.4 LIMITATION OF THE STUDY

This study is limited to respondents located in Lagos state government due to financial and logistics constraints. Future research is necessary to extend the scope of the study to cover the Nigerian nation. Also the study is concerned with the internal control operatives in the public sector; future study should cover other stakeholders.

Finally, the operational aspect of internal control was a major focus of this study, it is suggested that the human aspect of internal control and intensive effect of Information Technology on Internal Control should be studied in future. There should be future study in perception accounting because the study reveals that perception of self - performance and its effect on disposition to duty has to be looked into.

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