

INTERNAL CONTROL SYSTEM IN PUBLIC AND PRIVATE SECTOR IN NIGERIA: ISSUES AND PROSPECTS

MOHAMMED Yamma Abdulahi

E mail: mohyamma@gmail.com, 08133089120

and

AMOS Nlekerem

E mail: babyemos@yahoo.com, 07037731930

and

ELLA, John Richard

E mail: jonella20002000@yahoo.co.uk 0803600772

Abstract

There have been claims from every organization about doing their best towards national development. This paper adopted secondary data to examine the internal control system in public and private sector in Nigeria. The paper reveals that above claims is mere rhetoric, in spite of the changes in the organizations. Consequently, Nigeria public and private organizations have collapsed due to distortion and weak internal control mechanism, unethical conducts and sharp practices that brew corruption at all levels, poor compliance to cooperate governance by organizations vis-a-vis general neglect leads to their current situation. In the light of above, this paper recommend on the need to adopt quality assurance principle, develop total quality management so that we can have good administration that would guide good governance and better society for the betterment of human race. Also, the role, responsibilities and procedures to be adapted by the management for the overall smooth running of an organization should be focused on ensuring the safety of the assets and soundness of their operations. Similarly, Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective rotation of duties. The issue of induction courses, In-service - trainings, workshops, etc should be looked into so as to empower staff with necessary skills to carry out their duties. The internal control system should be remolded and strengthened to position staff to effectively carry out their schedules.

Keywords: Internal Control System, public private sector, development, Quality Management

Introduction

The whole world has witnessed administration from generation to generation, and it is generally acceptable that in any system that works, there must be good governance and administration can only be realized through internal control in administration be it private or public sector. In our day to day activities either as individuals, families or organizations, the issue of internal control is one that recurs every time and day regardless of the nature of the organization in question be it public or private. Usually, the main pre occupation of the management of any organization is geared towards the attainment of organizational goals and objectives. This however, could be farfetched if effective Internal Control System is not in place.

According to Wikipedia, Management is the function that coordinates the efforts of the people to accomplish goals and objectives using available resources effectively and efficiently.

The management of an organization (private or public) is responsible for Safe guarding its assets, in the case of a public organization, they are empowered by the constitution of the country as well as enabling laws to exercise authority over such assets so as to ensure that the scarce resources available to them are transparently and efficiently

utilized in providing the required services as at when due, (Internal Control Manual ESG). The importance of an articulate management team cannot be Over-stressed as it determines how far an organization can go in achieving its set goals and objectives.

A good management brings together different sections of the organization and makes them Inaction as a whole. Management it is that ensures that a business concern or an organization continues to survive and not fold up as well as meets up with its set goals. Management inefficiency and ineffectiveness has been advanced by practitioners and researchers of public enterprise as the bane of the Nigerian Public Sector. Esu and Inyang (2008: 54 in Adepeju 2013:16) An organization comprises of men, materials, money and equipment which must be coordinated in order for the organization's objectives to be realized, this is where an articulate management comes in. Internal Control System is one sure way by which Management can tract thing within the organization and make sure that assets are safeguarded, improve operational efficiency and productivity.

Internal control is the whole system of control, financial and otherwise which management has not put in place in order to carry out business of the organization (either private or public sector) in orderly manner, safeguard assets, and secure as much as possible the accuracy and reliability of records. (Internal Control Manual) Koontz and Donnel (1992:34) also defined Internal Control as all the measure of a private and public organization that could be said to be strategies of owners and managers to monitor and control the activities within the organization.

In Nigeria, it is common thing for civil servants, not to be on their duty posts. Even when they are, there is little or no difference as most are mere seat warmers. The jobs for which they were employed are left undone. Supervisors choose to look the other way when some of these anomalies take place. There are laxities at every level in the civil service, which is a pointer to the fact that ICS in these institutions are either weak or lacking entirely. The story is however different on the other side, private concerns have a much more serious outlook. The workers here are more hardworking and meticulous, perhaps because most private companies do not have the luxury of abundant resources which their public counterparts enjoy. Internal Control is usually in place in most private businesses, though at different levels of efficiency. In the past the concept of internal control was limited to that of 'internal checks'.

In 1930, the system of internal checks was defined as the coordination of a system 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 et al 20, 61).

In 1946, the American Institute of Certified Public Accountants (AICPA) broadened the concept and definition of internal control because of the recognition of the fact that a system of internal control extends beyond matters which relate directly to the accounting and financial functions. Every organization, regardless of the size, must install an effective ICS in order to Protect the organization from needless losses which could arise as a result of Misappropriation of funds, misuse and vandalizes of company's properties, as Well as errors committed by incompetent staff.

Internal Control is looked upon more and more as a solution to variety of potential Problems that touches on the efficiency and effectiveness of an organization. One of

the strongest means to monitor financial reporting, ethics and governance is implementing a strong Internal Control System. A good Internal Control System minimizes red tape and avoid duplication of functions and thereby create conditions that promote economy and efficiency in the delivery of services, ensures adherence to management policy and secure as far as possible the accuracy and completeness of records. Internal control is therefore a team effort which requires a collaborative effort of the management (Fiesher, 1996) devoid of rancor and unhealthy rivalry among principle officers.

Internal Control brings about good governance, helps to add value to the organization, reduce financial, business and operational risk, strengthen stakeholders' confidence in the entity, and assist in the prevention of fraudulent, dishonest and unethical behavior (Armstrong, 2004a).

Methodology

This study used secondary data using survey literature to collect relevant information internal control system in public and private sector in Nigeria. The sources include journal articles, bulletins and pamphlets, newspapers, magazines among others.

Statement of the Problem

Literature are abound that the collapse of the Asian tiger and the US energy giant ENRON was due to lack of internal control and corporate governance, compliance to corporate governance by firms is of utmost priority as its neglect might be disastrous (Armstrong, 2004). In the same vein, in spite of the abundant human and material resources which Nigeria is endowed with, the greater percentage of the population unfortunately still wallow in abject poverty. (Hunger in the midst of plenty) if the nation's resources are well managed, Nigerian has no business sitting in the midst of the world's poorest nations but for the weak internal control mechanism that is common in most institutions and organizations all over the country. The place of an effective and efficient ICS cannot be overlooked (Adepeju 2013).

Back home in Nigeria, examples are bound of how organizations, both public and private alike have gone largely due to lack of strong internal control system, for instance, the former Kingsway superstore, the national carrier Nigeria Airways, corruption and inefficiency that have plagued the civil service and some privately owned companies like the Power Holding Company of Nigeria PLC. Corruption that has eaten deep into the fabric of our society is an 'offspring' of the lack of a good ICS, take for instance the Nigerian Police Force (NPF) and the criminal justice system in the country is faced with a number of challenges which hamper the protection of the rights of accused persons and convicts. A most prominent challenge is the prevalence of official corruption in the system. This is witnessed in all the chains of arrest, police bail, arraignment, trials sentencing and treatment of convicts and prisoners. In many cases where a criminal offence is reported, the police usually expect to be bribed before launching investigation and arrest. Where the complaint fails to offer money, the police usually cite the lack of necessary logistics as excuse and abandon the case (Kabira, 2009).

Mismanagement of funds, mal-handling and vandalizes of properties, both public and private is a common phenomenon in less developed countries (LDCs). Nigerians would not forget in a hurry the ugly incident that took place when the Late former President Umar Musa Yar'adua fell ill, travelled abroad for medical Checkup and

failed to hand over to Dr. Goodluck Jonathan his then vice president. His vice could not act in his absence since he did not hand over properly even though his stay was prolonged. This led to a situation whereby the country was held to ransom for months as a result of a weak internal control system even at the highest office of the land.

According to Kabira (2009) Internal Control System, embezzlement and misappropriation of funds is the biggest obstacle to achieving Millennium Development Goals in the developing Countries.

Types of Internal Control

The guideline of internal control put forward eight (8) types of internal control system that should be obtainable in an organization and they are as follows:

Organizational Control

An organization should have a plan of its activities which should define and allocate responsibilities that is every function should be monitored by a specific person who may be called “responsible officer”. Adequate lines reporting for all aspect of the organization operations, including controls should be clearly stated and the delegation of authority and responsibility should be clearly specified.

Separation of Duties

One of the prime means of control is the separation of duties. This reduces the risk of internal manipulation, accidental error and increases the element of checking. Functions should be separated in an organization. For instance the person who decides on what and what to procure for the establishment should also be different from the person who approves the money, this should also be different from the officer who releases the money, this should likewise be different from the one who does the recording of the entire process. System development and daily operations have to be considered in molding ICS to be fully proof against fraud.

Physical control

This concerns the physical custody of assistance and involves procedures and security measures designed to limit access on authorized personnel only. These include both direct and indirect access via documentations. These controls assume importance in the case of valuable, portable, exchangeable or desirable assets. “Physical control can also be achieved by electronic means in a computerized environment for example through the use of electronic I.D cards. Password etc to restrict access to particular files.

Arithmetical and Accounting Control

This are controls within the recording function which checks that the transaction to be recorded and processed and that they have been authorized and that they are correctly and adequately processed. Such controls include checking the arithmetic accuracy of records, maintenance and checking of totals, reconciliation, control accounts trial balances and accounting for document.

Personnel Control

There should be procedure to ensure that personnel have capabilities commensurate with their responsibilities, inevitably the proper functioning of any system depends on the competence and integrity of those who are operating it. The qualification, selection and training as well as the personal characteristics of the personnel involved are important features to be considered when setting up any control system.

Supervision Control

Any system of Internal Control should include the supervision by responsible officials of day-to-day transaction and the recording thereof. All activities performed in the financial as well as other section should be clearly written down and communicated to the supervisor. Many at times cases of loss of files comes up due to weak supervision of duties. Though this more common in the Public Service due to the volume of transactions that is being processed at any point in time, It must be stressed, however that such occurrences could be better handled provided every movement of files is duly recorded in the incoming and outgoing registers so as to make tracking of such files a lot easier.

Management Control

These are controls exercised by management outside the day to day routing of the system; they include the overall supervisory control exercised by the management, the review of management accounts with comparison thereof with budget internal audit function and other special review procedures. It is also the duty of the management to review Control from time to time in order to accommodate changes in the management operations.

Authorization and Approval

All transactions should require authorization by an appropriate responsible person. This is very important in the financial system of an organization where large amount of money is handled so therefore it is appropriate for this money which is used for various transactions to be authorized by a trusted and responsible person. Conclusion

The management of any organization can be assessed by the standard or the effectiveness of the internal control system and as well as the policies implemented by the management. A well managed business organization will not only attract the interest of outsiders but also serves to retain the zeal of its owners and customers. That Internal Controls of utmost importance in any organization is stating the obvious. Internal Control System which operates in an organization or business concern is what provides the guidance that the organization needs in order to maintain acceptable standard of performance. The achievement of business objectives is the essence of running any organization be it public or private, irrespective of what these objectives are, whether that of provision of social welfare or profit maximization. If an organization or business concern cannot guarantee this, then the purpose for which such a business concern was set up is defeated. The effectiveness or efficiency of an institution is the actual determinant of whether or not its set goals would be achieved as internal controls assist in providing benchmarks for measuring performance. There are implications however, for the absence or weak Internal Control in those things would be done haphazardly, law and order would take the back seat. Corruption would be the norm in such an outfit; consequently, the general smooth running of the organization would be adversely affected.

Conclusion and Recommendations

This study examines that internal control system in public and private sector in Nigeria. This study reveals that, Nigeria public and private organizations have collapsed due to distortion and weak internal control mechanism, unethical conducts and sharp practices that brew corruption at all levels, poor compliance to cooperate governance by organizations. To recreate administrations therefore, we must develop total quality management so that we can have good administration that would build

good governance and society for the betterment of human race. To this end, the paper make the following recommendations.

- I. The role, responsibilities and procedures to be adapted by the management for the overall smooth running of an organization should be focused on ensuring the safety of the assets and soundness of their operations.
- II. Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective rotation of duties.
- III. The issue of induction courses, In-service - trainings, workshops, etc should be looked into so as to empower staff with necessary skills to carry out their duties.
- IV. The internal control system should be remolded and strengthened to position staff to effectively carry out their schedules.
- V. Supervision and mentoring being an integral part of every smooth running organization should be accorded the seriousness it deserves. Whenever an officer is scheduled to undertake an assignment, the superior officer(s) should ensure due procedures are followed and that such assignments are well carried out.

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