Internal Control in Nigeria Tertiary Institutions

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This study is a part of unpublished master`s thesis "Internal Control In Nigeria Tertiary Institutions"

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Abstract: **This study examined internal control in Nigeria tertiary institutions using selected tertiary institutions as a case study was derived from my thesis (Internal control in Nigeria tertiary conditions" in fulfilment to my Masters of Business Administration. This study was guided by the following objectives; examine the impact of internal control system on effective administrative performance in selected tertiary institutions in Nigeria; evaluate the effectiveness of internal control system efficiency of educational services in selected tertiary institutions in Nigeria; analyze the effect of internal control system on fraud prevention in selected tertiary institutions in Nigeria and to deduce the effect of internal control system on revenue generation in selected tertiary institutions in Nigeria. Research questions were derived from the objectives. The Scientific Management Theory was used to substantiate variables of the topic. The study was a quantitative study in which data were gotten from primary sources through the use of questionnaires. The study revealed that there is a relationship between internal control systems and effective administrative performance in selected tertiary institutions in Nigeria. The study also showed that there is a relationship between the internal control system and the efficiency of academic services in selected tertiary institutions in Nigeria. It was also revealed that there is a relationship between the internal control system and fraud prevention in selected tertiary institutions in Nigeria. Lastly, the study showed that there is a relationship between the internal control system and revenue generation in selected tertiary institutions in Nigeria. It was, therefore, among others recommended that tertiary institution management should increase its control environment and risk assessment procedures in particular; the tertiary institution's management should guarantee that all aspects of a successful internal audit unit, such as audit structure and resources, internal audit approach, and audit plan, are appropriately implemented, sound and effective, resulting in effective internal control; the internal audit unit of tertiary institutions should hire more internal audit staff to ensure that they are capable of carrying out their responsibilities, and internal audit workers who lack internal audit training should be trained or terminated if they are not trainable.**

Keywords: **Internal Control, Tertiary Institutions, Audit, Accountability.**

1. INTRODUCTION

The prospect of survival of any organization is a function of how efficiently the resources at the disposal of such an organization are utilized. These resources may be financial or nonfinancial (Abiola, and Oyewole, 2013). This is why the resources given to employees to work with must be overseen and directed with internal mechanisms to ensure accountability and its efficient utilization (Salihu, 2015). Examples of these mechanisms are referred to as internal control.

Internal control is closely linked to the way the organization is structured that defines how the organization is governed (Aramide and Bashir, 2015). The process of government should articulate what should be the purpose that the management of the organization wants to accomplish in terms of the concern of the employees and shareholders of the organization (Alao and Amoo, 2014). It should also have a practical monitoring mechanism in place to ensure the resources of the organization are utilized in an efficient way (Alao and Amoo, 2014).

The university is an example of a typical organization with a different administration, departments and offices. The purpose of overseeing a university is to be able to manage the reserves of its various sections and units transparently and

effectively, in terms of administration, services finances. The university management use risk management measures to ensure that the university is professional and is attained in meeting up with its academic, non-academic and financial responsibilities and a tool it uses is internal control (Ejoh and Ejom, 2012).

Internal control is a common method in tertiary institutions. However, the use of internal control by tertiary institutions has been plagued by its challenges. These challenges are related to the increasing possibilities of corruption and financial misconduct in tertiary institutions in the country, involving top administrators of the university (Adeoye and Adeoye, 2014). The weak internal control systems jeopardized the financial health of the universities in the country as funds devoted by various physical projects are siphoned into personal accounts of members of management of the universities. There is the academic significance of a weak internal control system as students suffer from an inability to register their courses without being defrauded by officials. There are also endless cases of missing examination manuscripts getting missing and students missing their marks and having to register for the course. The foregoing issues are the basis for conducting this study.

2. LITERATURE REVIEW

Internal control systems are the set of activities and procedures followed in an organization to ensure that the resources of the organization are well managed and accounted for (Abdel-Khalik, 1993). The pattern of growth of an organization depends largely on how efficiently the resources of the organization are managed (Adagye, 2005). According to the Committee of Sponsoring Organizations on internal control framework (COSO), internal control systems are measures that help institutions to discover risks and ensure that fraud in all its forms is detected and prevented. The terms control is used because it describes measures such as mechanisms, procedures, techniques and policies that are used by management of organizations to ensure that can detect and check risks whenever risk assessment activities are carried out (Adagye, 2005).

There has been a misunderstanding over the use of the terms audit function and internal control, and it has been determined that clarification is required. Internal audit, according to Ejoh and Ejom, (2014), is "an impartial evaluation of processes and records, sometimes continually done within a business by a specially allocated team." While he described internal control as "a strategy that combines the strategic framework and all of the co-ordinate methods adopted within a company to protect its resources, verify the precision and reliability of financial data, facilitate efficiency and productivity, and enable compliance managerial policies," he also described it as "a system that includes the plan of organization and all of the coordinate methods and measures adopted within a company to protect its resources, check the accuracy and reliability of its accounting data, facilitate efficiency and productivity, and encourage adherence. Additionally, an effective internal control system includes an internal audit. Internal audits are also conducted based on the internal control mechanism in place (Frazer, 2012).

2.1 Empirical Review

In a study conducted by Kisanyanya (2018), on the impact of internal control on the financial performance of public institutions, focusing on the impact of specific components of internal control such as risk assessment, control environment, information and communication and monitoring and their impact on the financial performance of public institutions in Kenya. The study revealed that the institutions had effective internal control systems in place such as regular conduct of audit, division of task in accounting unit as well as physical control process to prevent excess allotment of funds. Moreover, in a study conducted by Umar and Dikko (2018) on the impact of internal controls system on the banking industry in Nigeria, a survey was carried out in selected commercial banks. The findings of the study established a relationship between the components of internal control, i.e. risk assessment, information and communication, control environment and monitoring and the performance of the banks. This finding was affirmed by Hermanson, Smith, and Stephens (2012). They submitted that there is a correlation between internal control mechanisms and the role of Chief Audit Personnel in organizations who report their independent vetting process to audit committees and management of organizations. Dubihlela and Nqala (2017) carried out a study on the use of internal controls by manufacturing Small Scale Enterprises in South Africa. The study aimed to assess the relationship between internal controls and the reduction or avoidance of risks as well as how internal controls are carried out by SMEs in the manufacturing sector. The study was a qualitative one that employed the use of case studies interactive method in the process of observation. The study revealed that internal control helps in mitigating risks in manufacturing SMEs. Adetula et al (2016) carried out a study on the use of internal control systems in tertiary institutions in Nigeria. Four universities in the southwest part of the country

were selected for analysis. Data were collected using a questionnaire instrument and analysis was done using descriptive statistics. The findings of the study revealed that the components of internal control were all present and functional in the universities, the audit departments of the institutions were not independent. In the same vein, Akosile and Akinselure (2016) researched the role of internal control on the management of finances of universities in Nigeria. The survey research approach was used and one hundred and fifty (150) copies of questionnaires were distributed to staff of selected universities in the southwestern part of Nigeria. The findings of the study showed that there was a positive relationship between internal control and judicious management of resources of the institutions.

Eniola and Akinselure (2016) in their research examined the impact of internal control on the financial performance of selected firms. The sampling they use was the non-probability sampling technique while data was collected with the aid of survey questionnaires. Data collected was always analyzed the regression method of data analysis. The finding of the study established a strong relationship between internal control and financial malfeasance in the selected firms. Adagye (2015) assessed the relationship on how effective the internal control system is in higher institutions of learning in the country using Niger state Polytechnic as a case study. The survey research design was used in course of the research and findings revealed that internal control was not used in the management of human and financial resources of the institution of learning (Salihu, 2015). Moreover, the check that is supposed to be carried out by superior officers in the school was absent. This means that the internal control system of the institution was not effective. Salihu (2015) carried out a study on the effectiveness of internal controls in tertiary institutions in Adamawa state. The result of the study showed that the management of the institution did not put adequate internal control measures in place especially in the area of supervision, approval, segregation of duties. This could lead to a loss of revenue for the institution. In the work of Ejoh and Ejom (2012) in which they assessed the effect of internal control on the financial performance of tertiary in Nigeria using Calabar state college of education as a case study. It was discovered that the components of internal control were not strictly adhered to and the workers were not adequately trained to meet their roles according to the internal control structure that exists in the institution.

3. METHODOLOGY

The quantitative research approach was used in the course of the study. The research design to be adopted for this study was the survey method. A non-experimental study uses various methods to describe data and describe the relationship among variables. A sample size of eighty (120) respondents from the population was randomly chosen for the analysis. Purposive and simple random sampling techniques were used for the study. Purposive sampling was used because only workers of targeted banks had a chance to be randomly sampled. Visitations were made to the selected tertiary institutions (University of Lagos, *Lagos State University*, Covenant University and Lagos State Polytechnic) to administer research instruments to the respondents. Pearson's chi-square test was used to test the hypotheses of the study.

4. RESULT IN DISCUSSION

Table 4.1: Showing the relationship between the internal control system and effective administrative performance in selected tertiary institutions in Nigeria

Would you say the internal control system has helped in facilitating effective and efficient operation?	Do you think internal control have helped in keeping adequate administrative records?		Percentage
	Yes	No	
Yes	23 (54.8%)	19 (45.2%)	42 (100%)
No	24 (50%)	24 (50%)	48 (100%)
Not sure	15 (62.5%)	9 (37.5%)	24 (100%)
Total	62 (54.4%)	52 (45.6%)	114 (100%)
Chi-square (X^2)= 11.012; Degree of freedom (DF)=2; P-value = 0.013			

Source: Researcher's Compilation

Table 4.1 shows that the calculated value (X2) is 11.012, the degree of freedom is 2, and the 'p's value is 0.013 which is higher than the level of significance of 0.05. Hence, the Null hypothesis (H0) is accepted and the Alternative hypothesis (H1) is rejected suggesting that there is a relationship between the internal control systems and effective administrative performance in selected tertiary institutions in Nigeria.

Table 4.2: Showing the relationship between the internal control system and efficiency of academic services in selected tertiary institutions in Nigeria

The internal control system has helped in facilitating effective and efficient operation	A good management system offered by the internal control system can aid revenue generation			Percentage
	Yes	No	Not sure	
Yes	14 (33.3%)	22 (52.4%)	6 (14.3%)	42 (100%)
No	15 (31.2%)	29 (60.4%)	4 (8.3%)	48 (100%)
Not sure	37 (32.5%)	10 (41.7%)	6 (25%)	24 (100%)
Total	62 (54.4%)	61 (53.5%)	16 (14%)	114 (100%)

Chi-square (X^2)= 14.274;   Degree of freedom (DF)=2;   P-value = 0.002

Source: Researcher's Compilation

Table 4.2 shows that the calculated value (X2) is 14.274, the degree of freedom is 2, and the 'p's value is 0.002 which is higher than the level of significance of 0.05. Hence, the Null hypothesis (H0) is accepted and the Alternative hypothesis (H1) is rejected suggesting that there is a relationship between the internal control system and the efficiency of academic services in selected tertiary institutions in Nigeria.

Table 4.3: Showing the relationship between the internal control system and fraud prevention in selected tertiary institutions in Nigeria

The internal control system has helped in facilitating effective and efficient operation	Issues of fraud have been curbed with internal control systems		Percentage
	Yes	No	
Yes	17 (40.5%)	25 (59.5%)	42 (100%)
No	16 (33.3%)	32 (66.7%)	48 (100%)
Not sure	45 (39.5%)	69 (60.5%)	24 (100%)
Total	62 (54.4%)	52 (45.6%)	114 (100%)

Chi-square (X^2)= 9.888;   Degree of freedom (DF)=2;   P-value = 0.000

Source: Researcher's Compilation

Table 4.3 shows that the calculated value (X2) is 9.888, the degree of freedom is 2, and the 'p's value is 0.000 which is higher than the level of significance of 0.05. Hence, the Null hypothesis (H0) is accepted and the Alternative hypothesis (H1) is rejected suggesting that there is a relationship between the internal control system and fraud prevention in selected tertiary institutions in Nigeria.

Table 4.4: Showing the relationship between the internal control system and revenue generation in selected tertiary institutions in Nigeria

The internal control system has helped in facilitating effective and efficient operation	A good management system offered by the internal control system can aid revenue generation			Percentage
	Yes	No	Not sure	
Yes	14 (33.3%)	17 (40.5%)	11 (26.2%)	42 (100%)
No	16 (33.3%)	32 (66.7%)	11 (22.9%)	48 (100%)
Not sure	45 (39.5%)	69 (60.5%)	2 (8.3%)	24 (100%)
Total	62 (54.4%)	52 (45.6%)	24 (21.1%)	114 (100%)

Chi-square (X^2)= 14.542;   Degree of freedom (DF)=2;   P-value = 0.016

Table 4.4 shows that the calculated value (X2) is 14.542, the degree of freedom is 2, and the 'p's value is 0.016 which is higher than the level of significance of 0.05. Hence, the Null hypothesis (H0) is accepted and the Alternative hypothesis (H1) is rejected suggesting that there is a relationship between the internal control system and revenue generation in selected tertiary institutions in Nigeria.

5. DISCUSSION OF FINDINGS

The first finding shows that there is a relationship between the internal control systems and effective administrative performance in selected tertiary institutions in Nigeria. This means that with a good internal controls system, the institutions can maintain a sound administrative performance from employees because they will be able to track their performances and also be able to conduct sound appraisals of their performances. The study further showed that there is a relationship between the internal control systems and the efficiency of academic services in selected tertiary institutions in Nigeria. Cases of missing academic records and exam scripts are commonplace in Nigerian tertiary educational institutions. A situation where examination scripts get missing due to it being mishandled staff in charge of by the staff in charge of the exam records or due to a high volume of examination papers. Thus, according to the finding, internal control can help to solve this persistent issue and other sundry issues related to academic efficiency in tertiary educational institutions in the country. The study further showed that there is a relationship between internal control systems and fraud prevention in selected tertiary institutions in Nigeria. Fraud can be perpetuated by kleptomaniac officials with good internal control, the loopholes can be blocked and the revenue of the institutions can be well accounted for. Lastly, the study revealed that there is a relationship between internal control systems and revenue generation in selected tertiary institutions in Nigeria. This indicates that an internal control system can help the institution to keep track of revenue generation and also give clues on how to expand revenue avenues for the management of the institutions.

6. CONCLUSION

From the findings of the study, **the** internal control system can be said to be integral to the efficient functioning of the institutions in terms of management of administrative, financial and academic records into the school. This is evident in the revelation of the relationship between internal control systems and effective administrative performance in selected tertiary institutions in Nigeria. It is also shown in the establishment of a relationship between the internal control system and the efficiency of academic services in selected tertiary institutions in Nigeria. It is also shown in the relationship between the internal control system and fraud prevention in selected tertiary institutions in Nigeria. Lastly, there is the relationship between the internal control systems and revenue generation in selected tertiary institutions in Nigeria. It is therefore important that tertiary institutions take internal control systems seriously for efficient management of financial, academic and administrative records.

7. RECOMMENDATIONS

The internal audit unit should be independent, and the head of that unit should report directly to the highest level of management within the institution, as well as those charged with governance in the selected tertiary institutions, to strengthen the highlighted components of internal controls and help to further improve the institutions' financial and administrative performance.

Tertiary institutions management should increase its control environment and risk assessment procedures in particular.

The tertiary institution's management should guarantee that all aspects of a successful internal audit unit, such as audit structure and resources, internal audit approach, and audit plan, are appropriately implemented, sound, and effective, resulting in effective internal control.

The internal audit unit of tertiary institutions should hire more internal audit staff to ensure that they are capable of carrying out their responsibilities, and internal audit workers who lack internal audit training should be trained or terminated if they are not trainable.

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