Internal Control System and Financial Accountability: A Study of Ekiti State University

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Abstract
This study established establish the impact of effective internal controls on financial accountability in Ekiti State University. Specifically, the study examined the impact of control activities, environment and risk assessment on financial accountability in EKSU. Internal control system being the independent variables was captured with control activities, environment and risk assessment while financial accountability as examined holistically. Considering the need to obtain information on internal control system in EKSU, this study adopted descriptive survey design and covered study covered all the 85 staff of the bursary and audit departments in EKSU, out of which 40 staff were the sample size using Taro Yamane.. Data were gathered via the administered closed ended questionnaires to the targeted respondents. To analyze these datasets, multiple linear regression analysis methods was adopted. From the analysis carried out, the predictors (control activities, environment and risk assessment) have a positive effect on financial accountability of Ekiti state University with the coefficient values of 0.076, 0.245 and 0.033 respectively. Among the predictors only, risk assessment has an insignificant impact on the outcome variables as the p-value 0.546 is greater than 0.05 significance level. It was established from the findings of this study that internal control system has a statistical positive impact on public financial accountability of Ekiti State University (EKSU), Ekiti State.
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1.1 Introduction

The relevance of public organizations to the betterment of many livelihoods in developing economy cannot be underestimated. This is evidence in many economies both developed and developing, as the public sector oversees the provision of the needs of the people. The resources generated by the government through the contribution of various private sector is distributed and utilized by these public sector. Ekiti State university is one of the government owned institutions in the state. The vision of the institution is to provide a high quality educational experience enriched by outstanding teachings and educational researches. This become realistic as a result of the high level of accountability on how resources are been generated, allocated and managed to achieve to sustain the long term achievement of the stated vision.

Accountability has been recognized the potential for good governance in the public sector. Top public office holders are appointed to supervise the utilization of the allocated public fund towards the growth and betterment of livelihood within and outside the sector. This correspond with the mandate of the governing council in Ekiti State University. On monthly basis, funds are allocated to the institution by the Ekiti State government, such fund is commonly acknowledged as subvention. The management of this fund together with the IGR generated by the institutions are expected to be disclosed to the government on regular basis. This practice is simply known as public accountability.

According to Akinyele (2019), public accountability is the disclosure of the proper allocation and utilization of public funds to produce constituted public goods and services. This practice seems to be neglected in most public sector due to the fact that, the committees in charge of overseeing the proper management of public funds have soiled their hands in corruption like other public office holders. Corruption has become a virus in the livelihoods of many in the public sector. many see public funds as hot cake that needs no monitoring or accountability. However, the belief has caused more damages than good to the growth of public sector and also to the nullified the integrity of many public office holders. Due to the unlimited damages caused to the growth of the economy at large, internal control measures were put in place not to eradicate corruption but to minimize its practices in the public sector.

The internal control system comprises of some practices that oversee the transparency of public fund management. AdeoyeandAdeoye (2014) explained internal control system as the mechanism that control the

operations and efficiency of board committees to ensure effective and efficient utilization of available funds towards achieving a desires goal. With the aid of some mechanisms such as risk assessment, monitoring, control environment and activities the operationalization of board of directors will be modified to ensure transparency and fairness in public fund management.

For the fact that Ekiti State University generates its revenue from both internal and external sources, theinternal source includespayment of tuition fees and other educational related fees, while the external source of revenue include majorly the subvention given by the statement government and funds disbursed by the educational related associations for infrastructures. Therefore, it is the responsibility of Ekiti state university management committee to ensure accountability in the disbursement of this revenue in providing educational services to the populace tofoster economic development at the grass root level.

The Nigerian society is filled with stories of wrong practices such as stories of ghost workers on the pay roll of Ministries, Extra-ministerial Departments and Parastatals, frauds, embezzlements and setting ablaze of offices housing sensitive documents and corruption are found everywhere in the country (Salihu, 2015). These malpractices are found in Ekiti state University, as many covers malpractices such as ghost workers, frauds, embezzlement and lost more were uncovered in last staff audit exercise that was instigated under the administration of H.E Governor KayodeFayemi (Ex-Governor of Ekiti State).

Several studies like Sanu and Mustapha (2015), Ahmed, Nifa, Peter and Pwagusadi (2017), Gideon and Adebola (2020),Hamidu (2020), Dorcas, Sheriff, Paul and Folashade (2020) have been conducted in relation to internal control system using dependentdependent variables like organizational performance, fraud detection and prevention, organizational growth and development and so on. However, none of these studies centered on internal control and financial accountability in relation to public tertiary institutions in Ekiti State, particularly EKSU. This necessitated this study which sought to establish the impact of effective internal controls on financial accountability in Ekiti State University.

2.0 Literature Review
2.1 Conceptual Review
2.1.1 Internal Control System
In the corporate world, there is an incessant need to continuously evaluate and scan the activities and performance of organizations and this can be achieved through internal control systems. Tuan (2020) defined internal control system as a system that improves competency, diminishes risks of assets, minimizes loss and guarantee the credibility of financial statements and corporate survival. In the same vein, internal control system refers to the acceptable rules, processes, activities and organizational hierarchy put in place to ensure reasonable security that an organization's objectives would be attained and unwanted risk occurrence would be avoided or recognized before they take place, in a bid to prevent them from ever happening (Sovaniski, 2021). These views connote that internal control systems improve the ability of the bank's management to handle varying economic and competitive conditions, while simultaneously adjusting customers' requests and priorities, which ultimately ensures corporate survival.

Mwakimasinde, Odhiambo and Byaruhanga (2018) asserted that internal control system is the complete system of financial controls or otherwise, put in place by administration to ensure the smooth running of the firm in an efficient and orderly manner. In the same vein, internal control systems are tools and techniques implemented by management daily in order to ensure that the stipulated objectives of the firm are attained at the end of a specific period. These views summarize that internal control system are established by management to guarantee competency in the running of the firm as well as attainment of goals within a targeted timeframe.

Raad, Azam, Nor, Talal and Abbas (2021) defined internal control system as the system of controls which guarantees obedience to management objectives and policies, secures the assets and ensures completeness, credibility and accuracy of financial records. In support, Ndiwa (2016) mentioned that internal control system describes all the ethics and processes adopted and formulated by management to facilitate the realization of the institution's overall objective in terms of improving performance, ensuring corporate survival, securing assets, improving customer's retention, creating value, improving products, detecting and preventing fraud and its related activities and so on. Thus, organizations need very strong internal control system in place to ensure the attainment of their objectives and also improve performance.

2.1.1.1 Control Environment
One of the components of internal control is control environment factor. According to Connie (2017), control environment can be defined as the integrity, ethical value, effectiveness and efficiency of the people working in the organization. For educational institutions, control environment aids in fulfilling the general goals of the institute, by interacting with the educational system and its environment. This interaction would cause them to gain knowledge, which would be used in controlling the vigor of the system towards achieving objectives. In addition, control environment as a component of internal control system would make variations in the environment to be noticed faster and quickly adapted to.

2.1.1.2 Control Activities

Control as one of the key duties of management, is a means of watching operations so as to identify whether the operations match their duties as prearranged or not, and in case of deviation, the control process investigates the cause for this deviation and implements the steps to eradicate it (Ella, 2018). Thus, the key objective of control is to increase alertness over errors, and identify the place of failure in order to avert their re-emergence. In connection, control activities are techniques both manual and automatic that facilitates the prevention or reduction of risks which could obstruct attainment of the organization's objectives and mission.

2.1.1.3 Risk Assessment

Risk is a factor that is common to all corporations, either in the public sector or private sector, among partnerships, sole proprietorships or liability companies. In definition, risks are the likely events that intimidate the attainment of stipulated objectives. In the long run, they influence the firm's capability to attain its objectives (Diana, 2017). Thus, risk assessment is the technique that revolves around the detection, evaluation and prediction of how to overcome risks. Risks could be internal or external risks, and they could hinder the attainment of laid down missions at different levels in an organization. Thus, management need to implement the required steps to stop these risks. But, some of these risks are unavoidable.

2.1.2 Financial Accountability

Financial accountability is a concept that is found in any organization, entity or corporation that deal with income and expenditures, even if their major objective is not to make profit, just like the public sector. In the public sector, accountability is highly required by the stakeholders in the sector, especially financial accountability. Also, in the public sector, accountability is the liability accrued by those public officers who implement power and authority, to explain the way in which they have satisfied various duties placed on them (Omodero& Okafor, 2016). From these, financial accountability can be said to be the accountability for the finances entrusted to an individual. Accountability in itself, and even financial accountability assumes that there is a transaction between two parties at least; one party assigns responsibility and another party accepts it with the agreement to explain the way the responsibility was discharged or fulfilled at a later date.

2.2 Theoretical Review

This study is underpinned with Agency theory. This theory is widely accepted to have been propounded by Jensen and Meckling (1976) because of the principal-agent problem and its response. Agency theory is linked with conflicting interests of shareholders and management of organizations, advocating that the less informed party will have to request forinformation that monitors the behaviour of better-informed managers. This theory mentions that the agent, one who is entitled with power and responsibility to carry out specific actions on behalf of the principal, the real owner of the business, must carry perform it to the best wishes of the principal.

According to Sahabi, Gordon and Mohammed (2018), agency theory can be used to explain why internal control system is put in place in the tertiary institutions. This is because the government managing the affairs of the public institutions do not trust the management council governing the operations of the institution, and believe that by putting strong internal control systems in place, management would not carry out any action or decision which would go against the wishes of the governments. This theory also brings to limelight the fact that issues are actually encountered between the agent(s) and the principal(s), and the fact that these issues could be resolved amicably.

This theory is broad in its assumption, and has been applicable to wide range of study over the years. However, the theory has been criticized due to some limitations in its assumption. Firstly, Sahabi et al. (2018) asserted that agency theory only emphasized on the principal-agent issues, the cost of hiring an agent and harmonization of both parties' interest so as have to a common goal, while maintaining that issues could come from outside the organization which would hamper the relationship. The relevance of this theory to the research is that it educates on the fact that it is possible for problems to arise as a result of one thing or the other, yet these problems can be resolved. This theory highlights the fact that internal control enhances the provision of additional information to the principal (government) about the behavior of the agent (management council), while simultaneously reducing information asymmetry and lowers investor risk and low revenue.

2.3 Empirical studies

Numerous studies have been conducted within and outside the shore of Nigeria. in the study ofNeedon and Nwaeke (2015) it was reported that strategic management significantly enhance the survival of consumer goods manufacturing companies. In Vietnam, Phung (2016) has concluded in his study that the components of internal control independently prevent fraudulent practices in the public sector. Adegbola, Nwanji, Ajayi, Felix and Awonusi (2018) who examined internal auditing affects performance of the Nigerian banking industry. The one-way T test result showed that internal auditing does influence bank performance. In 2020, Phornlaphatrachakorn and Nakalasindhureported that internal control effectiveness significantly enhancebusiness survival. Similarly, Olayode (2020)empirically examined the relevance of internal control on performance of firms. From the

analysis conducted, it was unveiled that a progressive relationship exist between the variables involved.

From indications, studies on internal control system have flooded the research worlds. Though, there is a dearth study on its effectiveness on financial accountability in tertiary institutions. Many of these studies were conducted in related to the banking sector neglecting the educational sector. Also, none of the Nigerian studies was conducted covering Ekiti State University in Ekiti State, Nigeria. to bridge the identified gaps, this study is examined to examine the components of internal control system (control activities, control environment and risk assessment) in relation to financial accountability of Ekiti State University, Ekiti State.

3.0 Methodology
Descriptive survey design was adopted for this study to produce a wide number of responses formal wide range of people. In support of this design, the study adopted a quantitative research approach where a close ended questionnaire was adopted to gather relevant data from the targeted respondents. The close ended questionnaire covered two sections, that is section A and B., Section A covered the biodata of the respondents while the latter section relates to items on the subject matter. The population of the study covered all the 85 staff of the bursary and audit departments in Ekiti State University. Out of which, 40 staff were the sample size using Taro Yamane. The sample size was selected using purposive sampling technique. on this basis, staff with a minimum of 10 years working experience were selected for the study. Data gathered from the selected respondents were subjected to Pearson correlation and multiple regression analysis methods.

4.0 Results and Discussion
4.1 Results
4.1.1 Pearson Correlation Analysis
Table1: Result of Pearson Correlation Matrix

Var.	Financial Accountability	Control Activities	Control Environment	Risk Assessment
Financial Accountability	1			
Control Activities	0.835***	1		
Control Environment	0.538***	0.712***	1	
Risk Assessment	0.928***	0.927***	0.493***	1

Source: Data Analysis, 2023.

Pearson correlation analysis was conducted to ascertain the nature of the relationship existing between the variables covered in this stu7dy. From the table above, there is an indication that all the variables moved in the similar direction since coefficient values of the variables in connection with each other are positive. This implies that an increase in one variable as the capacity to cause a rise in the other variable.

4.1.2 Regression Analysis
Table 2: **Multiple regression result**

Var.	Coe.	St. E.	T-test	Prob
C	3.618	1.546	2.339	.020
Control Activities	.076	.035	2.168	.030
Control Environment	.245	.069	3.553	.000
Risk Assessment	.033	.055	.604	.546

Source: Data Analysis, 2023. *R-square-0.612, Adj. R-Square- 0.603, F-Stat- 39.799, Prob-0.000*

The multiple regression analysis was conducted to unveil the level of impact of the predictors on the outcome variable. From table 2, it was unveiled that the predictors (control activities, environment and risk assessment) have a positive effect on financial accountability of Ekiti state University with the coefficient values of 0.076, 0.245 and 0.033 respectively. Among the predictors only, risk assessment has an insignificant impact on the outcome variables as the p-value 0.546 is greater than 0.05 significance level. The reported adj. r^2 which stood at 0.603 indicated that the predictors of the study covered 60% change in the outcome variable. While the remaining 40% account for other predictors not included in this study. Finally, the reported f-stat together with the p-value indicated that the model is fit for this study.

4.2 Discussion
As the study attempts to unveiled how the components of internal control system influence the financial accountability of public organizations in Ekiti state particularly in Ekiti state University, multiple regression estimate was made the most reliable estimation for this discussion. Findings made from the regression analysis

indicated that control activities and environment have a positive significant impact on public financial accountability to the tunes of 0.076(p=0.030<0.05) and 0.245(p=0.000<0.05) respectively. This implies that the public financial accountability of EKSU could be increase by 8% and 25% with just a 1% increase in control activities and environment. This could be attributed to the effective and efficiency functions of governing councils to ensure judicious management of little IGR together with the subvention given by the Ekiti state government towards promoting quality education. This is in tandem with the conclusion of Ifeanyichukwu (2015), Phornlaphatrachakorn and Nakalasindhu (2020) and Olayode (2020) that control activities and environment have the capacity to significantly influence public accountability.

Finally, it was unveiled that risk assessment has a positive insignificant impact on public financial accountability to the tunes of 0.076(p=0.030<0.05) indicating that public financial accountability has the capacity to increase by 8% with just a 1% increase in risk assessment, though at an insignificant level. This is might be because the institute lacks risk management experts who could calculated the proximity of risks and how such risks to be a managed to achieve a positive outcome. This outcome failed to agree with the findings Josiah, Adediran and Akpeti (2012) that a significant relationship between risk assessment and financial accountability.

5.0 Conclusion and Recommendation

The contribution of internal control system to financial accountability in public has highly been a point of focus to many researchers. This is due to the high level of fraudulent practices in the public sector. It has been reported that many public office holders mismanage public funds to the suit their interests. Thus, limits the efficiency and effectiveness of the government operations to enhance living standard of the people. This called for the adoption of the internal control system in the public sectors of Ekiti State, most especially, Ekiti State University. From the analysis carried out, it was established that internal control system has a statistical positive impact on public financial accountability of Ekiti State University (EKSU), Ekiti State. In-line with conclusion, it is recommended that that government of Ekiti state to empower the governing council of Ekiti State University to scrutinize all public officers in all departments and units before allocation funds. Also, this committee should monitor the flow of funds and hos such funds are being managed as proposed. Finally, risk management committee should be established to ensure proper examination and management of risks before engagement.

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