



INTERNAL CONTROL AS AN EFFECTIVE TOOL FOR CONTROLLING EXPENDITURE IN PUBLIC INSTITUTIONS (A STUDY OF UNIVERSITY OF CROSS RIVER STATE (UNICROSS), CALABAR)

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Abstract

This research titled “Internal Control as an Effective Tool for Controlling Expenditure in Public Institutions (A Study of University of Cross River State, (UNICROSS), Calabar)” recognizing the value of University education in a developing Country such as Nigeria has attracted the attention of researchers. Knowing the importance of education and its contribution to nation building, there are attendant problems plaguing the development of university education in Nigeria such as poor funding of our universities and weak internal control mechanism to manage available funds in the institutions. Against this background, the objectives of this research include to find out the challenges in internal control on all monetary transactions conducted by the organization and also to find out whether internal control system is the optimum solution to the effective running of University of Cross River State (UNICROSS), Calabar. Survey research design was used for the purpose of the study and primary data was collected through the issues of questionnaires and personal interview. The population of the study comprises all staff in the Account department of University of Cross River State, Calabar with a sample size of 42 respondents who were randomly selected from the total population of the study, out of which a sample of forty-two (42) were duly filled and returned. Chi – square was employed in the analysis of the data collected. The study revealed that proper Internal control serve as a tool for uncovering fraudulent activities in University of Cross River State (UNICROSS), Calabar also the findings reveal that effective internal control techniques help in the reduction of excessive cost, finally internal control has significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar. With respect to the findings arrived at, it was recommended that internal control system should be established in all the departments so as to prevent the incidence of fraud and anomalies in the institution and the need for public enlightenment through conference holdings, seminars and sensitization is need so as to enlighten the staff about the need, importance and benefits of installing internal control system in UNICROSS.

Keyword: Internal Control System, Expenditure Control, Risk Assessment, Fraud Detection, Cost Reduction

1.0 Introduction

The value of education to any nation cannot be over-emphasized. For this

obvious reason, Nwabueze (2011) describes education as the industry that processes the manpower for the socio-economic, political

cultural development of any society. More so, the researchers are of the view that education is an investment in human capital which has become a matter of concern for the government, organizations and private individuals. The success of any organization depends on the proper management of materials, human and financial resources. That is why Bolaji O. F. (2004) identified resources in educational establishment to include students, curriculum and finance. Proper management of the above resources guarantee the success of any educational institution. Management is required in all human endeavours for proper functioning. All types of organizations be it government establishments, business enterprises, hospitals, corporate bodies and churches, whether profit making or non-profit making requires good management to function efficiently and effectively. What then is management?

Management is described as the co-ordination of all the resources of an organization through the process of planning, organizing, directing and controlling in order to attain organizational objectives. According to Brech as cited in Adeniyi (2014:2), management is a social process entailing responsibility for the effect of economic planning and regulations of operations of an enterprise, fulfilment of a given purpose or task, responsibility involving; judgment and decision in determining plans and in using data to control performance and progress against plans, and the guidance, integration, motivation, and supervision of the personnel comprising the enterprise and carrying out its operations. As clearly spelt out, funds constitute part of resources. The role funds play in the achievement of educational goals and objectives cannot be over-emphasized. However, the failure of previous policies

has been largely blamed on the poor funding, poor planning and poor implementation (Obasi and Asodike, 2017). Fund is therefore seen as the amount of money or financial resources earmarked for a particular educational project. According to (Ogbonnaya, 2012), fund is seen as money saved or money that is available for a particular purpose. Fund is a constituent of resources.

In every educational system, financial resources have a vital role to play. It could be described as the life blood of any organizational setup. Resources are indispensable in the life and survival of any educational system. Two major sources of finance to the university have been identified. They include; the external sources of income, and the internal sources of income as stipulated by (Ogbonnaya, N. O. 2012).

Therefore, the term internal control includes not only internal check and other wise, established by the management of the organization in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policy safeguard the assets and secure as far as possible the cognateness and accuracy of the record. There is essential difference between internal control of industrial auditor and control of management so that it is not to think of control organization staffing directing and co-coordinating.

In view of this it is reasonable for internal auditor to claim to be invalid as management will hardly here as group of internal auditors in the ground that they possessed a superior specialized understanding of all expect of management a pretension claims which is immediately.

Show to be invalid as management will hardly have a group of internal auditors on the ground that possessed a superior specialized understanding of all aspects of management than that possessed by the management themselves. It is very essential for me to measure myself as to control his or her performance. Objective is that make it possible for a manager to control his performance self-control according to Certo S. C and Peter (2013), means stronger than just enough to yet by this is internal control. In view of the above topic and as a management student the researcher will carry out research in the topic with a reference to University of Cross River State (UNICROSS), Calabar. The researcher has identified all weaknesses in its control and has made a useful suggestion or recommendation to the University and other organization to improve their area of weakness.

2.0 Statement of the problem

This research seeks to find out the extent to which the system of internal control has helped to prevent employee fraud and fraudulent reporting, assuming control over manufacturing and other processes through the following.

Recognizing the value of university education in a developing country such as Nigeria has attracted the attention of the researchers. Knowing the importance of education and its contribution to nation building, there are attendant problems plaguing the development of university education in Nigeria such as poor funding of our universities and weak internal control mechanisms to manage available funds in the institutions. Since finance plays an important

role in university administration and shortage or lack of it affects all other activities of the university system, it has become imperative for us to devise means of adequately funding the universities and equally come up with strategies of managing funds that have been sourced in order to achieve set goals and objectives of the university system. This is due to the fact that the overall growth and development of the nation depend on the success of the educational sector. Without doubt, the educational sector all over the world plays a key role in providing the needed balance in the form of skilled manpower, inculcation of acceptable societal norms, developing techniques and methodologies needed for the growth of the nation. However, the needed basic resources are either not available or if available are rather mismanaged or misappropriated. The researchers have observed that from the inception of Nigeria, the country has not been able to meet the UNESCO recommendation of at least 26% of the annual budget being allocated to the education sector. Thus, the inadequate funding of the education sector is having a multiplier effect on the quality of education provided by the university system. Therefore, it is against this backdrop that the researchers deem it necessary for an appraisal of internal control as an effective tool for controlling expenditure in University of Cross River State, Calabar.

3.0 Objective of the study

The purpose of the study is to examine the overview of internal control system in University of Cross River State (UNICROSS), Calabar in making sure that objective of the organization is achieved by strictly adhering to the management policies

nothing deviation. The following are the objectives of this research.

The specific objectives of this study are:

1. To examine the use of internal control techniques in uncovering fraud in University of Cross River State (UNICROSS), Calabar
2. To ascertain the influence of internal control techniques in reducing excessive cost in University of Cross River State (UNICROSS), Calabar
3. To determine if internal control system will enhance security of physical assets in University of Cross River State (UNICROSS), Calabar.

4.0 Literature Review

4.1 Theoretical framework

4.1.1 Efficiency theory

This research is anchored on the efficiency theory. The theory was developed by an American economist called Havey Leibenstein in the year 2013. Leibenstein (2013), observed in his theory of efficiency that the general efficiency of a firm's management is to be found in its ability to transform inputs at minimum cost into maximum profit. This theory compares the inputs and output to ascertain the level of fairness in the utilization of resources. This theory is applicable in the university system in the sense that for the university system to effectively manage funds, internal control measures must be put in place to ensure that available resources are effectively and efficiently utilized in order to achieve the set goals and objectives of the university system. In some cases, it is not poor funding that is the problem but mismanagement, misappropriation and other fraudulent practices that are responsible for the lack of effective fund management. This to a large extent has eaten deep into the fabrics of

effective funds management thereby negatively affecting the quality of graduates and services being rendered. Managers of public/university funds need to be prudent in order to manage available resources.

4.1.2 The prudential theory

This theory was developed by an American economist known as Author B. Laffer as cited in Sambo (2018). According to him, every organization, be it profit making or non-profit making must learn to handle and spend money wisely. He (Author B. Laffer) believes that if money is spent prudently, it will lead to the achievement of the organizational goal maximally. This therefore implies that when finance or funds are handled wisely or carefully, it will go a long way in helping the organization to eliminate wants, waste and reduce costs in terms of time, energy and money. Hence the university system in course of managing funds must know how to handle and spend money on university facilities and programmes in order to achieve goals maximally.

4.2 Conceptual framework

4.2.1 Overview of internal control system

Maintenance of effective control systems is a key fundamental responsibility of every institution or organizations. It is the duty of management duty to maintain and develop control system. Is also important for management to be concern with the use of organizations resources and how these resources have been utilized to satisfy the agency theory concept. Therefore, organization's resources must be used effectively and efficiently to meet their goals. Programmes must be implemented and resources used accordingly with the purpose for which organizations are establish in an agreement to appropriate directions and

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principles to reduce waste of resource, fraud, and mismanagement.

Control systems provide realistic assertion that no material weakness exist in the design of business operations that can negatively affect institution's capacity to meet its operations. It further ensures that discovery and stoppage of theft a key factor to internal control systems.

Internal control policies and procedures intended to encourage effective, competence and usefulness by management. Further it stressed that internal control seeks to present accuracy and reliability of financial information. Interior guidelines are book keeping procedures, numerical or bodily checks that safeguard properties against irregularities and defalcations. Agreeing to Tipgos (2012) and Byrne (2017) physical internal checks include as stated examples like watchmen, fences of gates, among others. Those classifications were made with reference to the COSO report 2012 particularly in auditing context of internal control systems.

The joint initiative of free private sector firms as contained in Committee of sponsoring organization real way commission established and dedicated to provide good leadership to decision-making organization and governance of entities on critical aspect of organization. The COSO report been formed a common platform model against which businesses and organizations may evaluate their control systems. COSO is supported by five supporting institute including the IMA that is institute of management Accountant, AAA which stands for the American Accounting Association, the AICPA meaning American Institute of Certified Public Accountant and IIA that is,

the Institute of Internal Auditors and financial executives International FEI. "The origin of auditing goes back to time scarcely less remote than that of accounting. Whenever the advanced of civilization brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former will become apparent". The above quoted statement is the works of an accounting with references to 4000BC history is believed that good book keeping system was earlier on adopted by most institutions and organized business and government. The concerns of government and management of various enterprises. However, the need for indications of audit and for that matter internal audit could lead to tracing finances of the public system to olden Babylonian, Institutions that develop internal checks and counter checks such as the Roman Empire, the Greece etc. was mainly to guide internal control policies. Governments of those times was worried about unskillful which could affect making the journals leading to misstatements as well as some officials who were known as committing errors due to the fact of motivation. Another main reason in the development of internal controls was to strengthen span of control as a principle of management faced in business engaging several numbers of people and piloting procedures in many positions. The key unbiased of internal controls was mostly to shape around the safety of resources.

Prior to 1941 internal controls and internal audit was clearly a clerical function for many organizations' setup and principle and also no code of conduct. Internal auditing is the oldest concept that was made as assurance

engagement as a rationale for which fraud detection is the reason behind public accountants and the yearly audit report. The turning point by the end 1941 was marked significantly as events occurred in the emergence of internal control systems. A book that was published by Victor Z Brink's on internal auditing gave a foundation for the institute of internal auditors to be formed. 1971 saw the approval of standard for professional practice for internal auditing. This was further reviewed in 1976, 81 and 90 to reflect the rapid changes in the profession. The process which was formerly known as audit for management in today's language can only be an audit of management (Ravel, 2016).

Some major accounting organizations like the AICPA, American Institute of Certified Public Accountants, the AAA, American Accounting Associations, and Financial Executives Institutes (FEI), and the Institute of Internal Auditors (IIA), the Institute of management Accountants sponsored by National Commission on Fraudulent Financial Reporting (Treadway Commission, 2015) to study causal factors associated with fraudulent reporting. The guidance included criteria against which control systems can be assessed, as well as information on preparing management internal control effectiveness. This document provided guidance to management and boards of directors, rather than to auditors. At the end of its sitting, the commission made several recommendations aimed at directly addressing conceptual issues and definitions of internal control. The attention on Tread way organization was to definition of fraud reporting and to detect fraud, not prevention.

According to COSO (2012), Treadway commission's recommendations included the following:

- That top management creates a control environment. That is, an atmosphere of control awareness within the organization should be created to effectively handle employee fraud.
- That the audit committee and the internal audit function should serve as checks on management to create an atmosphere of controls within the organization.
- That an improvement in audit quality is required by having auditors take more responsibility for fraud detection. However, this recommendation ran into trouble as it could only be applied to some extent. The fact is that; this recommendation can fully be applied if the independent auditor could allow itself to be exposed to the possible resulting legal liability. The recent audit failures, particularly Enron, have shown that the accounting professions, despite its 100 years' franchise to serve the public interest sometimes does also pursue their own interest.
- That improvement in laws and regulations are required to serve as deterrent to fraudulent financial reporting and to regulate the public accounting profession to facilitate the improvement of audit quality. Unfortunately, laws and regulations only show the perpetrators that crime does not pay. The perpetrators of the Enron scandal are serving prison sentences, but only after they have inflicted damage on many lives and the financial markets.

The question of whether or not internal audit is part of the control system hard to

understand. In their discussion of the traditional control device used by mismanagement to discharge their obligation for controlling the executive of the plan for while they are responsible King (2016) list internal audit alongside bind yet statistics and breakeven analyze as tools of managerial control. The statement of responsibilities of internal audit refers independent auditing as, independent appraised activities within an organization for the review of operation as a service to management it is a managerial control which functions by measuring and evaluating the effectiveness of other control. According to Kountze and Donnelly, statement states that internal audit as a service to measure management that their arrangements for control are satisfactory from management perspective internal audit is independent of management control.

Therefore, internal auditing may be defined as the process of appraising the information flow to the monitoring function of a system for its quality and complements. It is both self-consistent and emotionally consistent and by generation of test information flow.

In this definition, the monitory function is the management control process management control depends upon the pertinent information generated by the procedure implemented by management to assist them to discharge their control responsibilities.

4.2.2 Composition/components of internal controls

Internal control varies differently from organization to organization depending on numerous issues, which include the scope, nature of operation, and mission of the organization. The internal control of a

university differs from the internal control of a university, or a community college. In addition, internal control of a hospital differs from that of a communication company. However, whatever the size, nature of operations, and objectives might be, certain features are common to the internal control of all organizations. According to Ray W. and Pany (2014), internal controls of any organization include controlling the environment, process of risk calculation, accounting system important to consistent financial reporting, control activities as well as monitoring those activities.

4.2.3 The control environment

Based on COSO model 2014, control setting is measured as the base in which all other structures of the internal control exist. It provides improvement and planning of an organization. It also consists of the conduct, responsiveness, rules, and actions of management and board members to attached importance relating to internal controls.

In Messier, Glover and Prawitt (2016) a report submitted indicates that the controlling the environment tis to pave way for an organization to encourage employees about the control awareness. It is the basis for other modules of internal control provide discipline and structure. To Castellan and Lightle (2015), also pointed out that the manner upsets company philosophy, by persuading top managers to react to situational forces. When submitting internal budget for a projected profit target. Control environments supported by the ethical approach for which superior's lays foundation that allows a system of internal control to prevent overriding them.

Control environment consists of the actions, preparedness, procedures, and activities of management and the board of directors to attached importance on internal control systems. Messier, Glover and Prawitt (2016) submitted that the control environment sets the tone of an organization and it influences the control consciousness of employees. It is the foundation for all other components of internal control providing discipline and structure.

Also, to Whittington and Pany (2014) a report submitted indicates that several factors affecting the control surroundings are:

Honesty, moral values, pledge of proficiency, the board Audit committee and directors as well as Management's operating supervision and Organizational culture.

(I) Integrity and moral values

Organization must create developmental and moral values that would deter employees from engaging in act that would lead to fraud, immoral and unlawful conducts. These standards must be effectively communicated by suitable means, including official rules, codes of conduct and others as examples. They further pointed out that, in order to succeed in reducing the incidence of improper behaviours, management must observe the following:

- Set the tone by example, demonstrate integrity and practice ethical behaviour.
- Communicate to all employees that the same behaviour is expected of them. Let each employee know that he or she has a responsibility to report known or suspected
- violations to a higher level in the organization, and that violation will attract penalties.

- Reduce incentives and temptations that will encourage individuals to engage in dishonest, illegal or unethical acts. Incentives for undesirable behaviour include placing undue emphasis on short-term results or on meeting unrealistic performance target, and offering bonus and profit-sharing plans that, in absence of necessary control, might encourage fraudulent financial reporting practices. Examples of temptations include the absence of factors regarded as essential for a good control environment; for example, the board of directors may be ineffective, or there may be a lack of clarity in the assignment of authority and responsibility.
- Management can enforce ethical values by crafting and preserving a philosophy of truth and morals. Valuating the risk of deceit and instituting measures to controls may solve internal control risks.

(II) Commitment to competence

In Whittington and Pany (2014) report workers in every institution should have the understanding and abilities that would help to perform their duties properly. Management must provide staffs with some level of training programs on important topics in their particular areas of obligation. For instance, submitting monitory reportage, the aim derived in bigger public firms normally entail supper levels of capability on the portion of Chief Executive Officer and Finance Director. Finally, the description of job is also a means of describing tasks needed to perform that job.

(III) Audit committee of the board

Audit Committee are responsible in reviewing the work of management. They assist the management to ensure corporate governance and in the exercise of their main responsibilities. The audit committee of listed companies require that:

- i. The audit committee should consist of at least three non-executive directors who are autonomous of management.
- ii. The members should have a wide range of business and professional skills.
- iii. The members should have good understanding of the business yet should have had no recent involvement with direct management of the business.
- iv. The committee should have clear written terms of reference setting out its authority and
- v. its duties.

Clearly this can sometimes be difficult to achieve. However, the object is to create a committee which is competent to carry out its role, is independent and is free from bias. The key objective associated with the setting up of Audit Committees, from the point of view of corporate governance generally, is:

Published financial report which are of much interest to the public and free from material misstatements.

That apart Audit committee should set up measures in place and to act as independent of the Board and business supremacy which can value resources, mainly with degree maintaining fairness truthfulness of internal audit function (Millichamp & Taylor 2008, pp.18-19).

(IV) Management moral values and functions

According to Whittington and Pany (2014), management philosophy and operating style vary from one organization to another. Some managers are violent in economic reportage. They create pressure and expect higher earnings as well as making projections. Such managers will embark on risky areas with the intention of reaping profits. Others are conversational and danger opposed. These moral values differing functions of management may the overall consistency of preparing financial reports. Reliance on informal face-to-face contacts with key managers versus a formal system of written policies, performance indicators and exception reports

Attitude towards information processing, accounting functions and personnel Management that appreciates effective controls prefers written policies, performance reports and exception reports as a way of controlling its various operating activities as opposed to verbal policies and face-to-face contact with employees.

(V) Organizational Structure

Whittington and Pany (2014) pointed out that an organizational structure adds more value in achieving organizational goals.

The organizational structure helps to divide responsibilities in line with authorizing events for record keeping for transactions and protection of properties assets. Organizational structure facilitates the assignment of authority to employees throughout the entity relating to their specific job functions. Through the organizational structure, explanations work carrier in which

references are made and other associated task to perform available for employees thus empowering them to correct problems or implement improvements when it is appropriate.

Whittington and Pany (2014) submitted that several factors upset the control atmosphere and this consist of truthfulness and moral values, promise assurance to fitness, Audit committee of the management boards, their attitude and functional style, legislative arrangements, assigning duties and responsibility is a personnel practice.

4.3 Assessment of risk

For internal control purposes risk assessment is relevant for all firms. It forms part of forming an opinion for auditor's base on which a report is made to management. The COSO framework cannot be overridden when performing an audit work.

Bies (2013) emphasized that effective risk management needs effective internal control. According to Bies (2013), risk assessment involves evaluation and identifying areas of fraud and mismanagement of organization resources. Risk identifies potential areas that are necessary and of relevance to financial presentation. It is material for auditors to use controls in identifying high risky areas based on which a report is submitted to management.

4.2.4 Accounting information system to financial reporting

Gyau E. K., Owusu, F., and Amaning, N. (2016) pointed out that accounting information system provides information about the financial resources to managers at all levels to facilitate sound economic decision making. The accounting system, which forms an integral part of the overall information system, provides managers with accurate, relevant, reliable, and comprehensive information needed to suit

current decisions so as for managerial functions to accomplish in an organization.

Noordin, N. H., Haron, S. N. and Kassim, S. (2017) submitted that irrespective of organisation nature and type considering whether private or public, management must should be alert to the rudiments of financial systems of controls. Information recorded is kept for a varying reason based on internal control implementation. Financial data are kept for a various reason, and the main reason is to allow managers to run their firms more successful and competently. Bolten (2014) also stated that pertinent and reliable accounting data should be known recorded and presented on timely for decision makers to make reliable decisions. For any organization to operate efficiently, that organization must be able to classify, arrest and transfer outside and inside information from period to period which will afford the staffs to perform their major work. Properly communicating effectively to employees helps them to understand organizational structures. Control Environment, Risk Assessment, Control Activities, Information and Communication Controls as well as monitoring of Controls are all elements of internal controls derived from COSO framework 2014 revised.

4.4 Control activities

According to Recchiuti (2011), the policies and procedures designed for information systems for management is established to provide reasonable assurance engagement aimed at attaining the objective of control environment.

COSO Report submitted in 1992 spelt out areas that are concern to business and firms' managers to carry out their responsibilities. There is a clear indication that management at the top level generates that information for

strategic decision-making purposes. There is also the need to be effectively communication with external parties mainly such as customers, suppliers, regulators and shareholders.

4.5 Empirical review

Hafiez S., Zakiah S., &Haslida A. H. (2023) conduct a study to examine the moderating effect of internal control on the relationship between internal quality assurance implementation and higher education institution (HEI) quality. The study employed a survey method with hypothesis testing using partial least squares-structural equation modelling (PLS-SEM) technique with a second-order analysis approach. The questionnaire survey was administered to 191 HEIs. The results revealed that internal control and internal quality assurance implementations are positively associated with HEI quality. Additionally, internal control implementation strengthened the relationship between internal quality assurance and HEI quality. This study adds to the body of knowledge on the moderating role of internal control in the HEI sector and its role in the non-economic aspect, namely, the HEI quality.

Feyisayo K. A., and Odunayo M. (2019) examines the effect of internal control system on financial accountability, in terms of effective and efficient financial operation, compliance with applicable laws and regulations. Reliable financial reporting, transparency and flow of information were obtained primarily from a random sample of 354 Heads of Units in the Account and Audit Departments, in 65 Ministries of the Southwestern Nigeria. These participants were directly involved in the management,

financial planning and controls. The 222 fully completed and returned questionnaires were coded and analyzed using descriptive analysis and regression technique. The results of the study revealed that internal control system had a positive effect on financial accountability, in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency and flow of information with the mean scores of 4.22, 3.91, 3.86, 3.81 and 3.47 respectively. The regression results also showed that control environment, control activities, risk assessment, information and communication and monitoring and evaluation significantly impact on financial accountability in public sector. The ANOVA with the $F = 16.995$, $p < 0.05$ showed that all the components of internal control system had significant effect on financial accountability in public sector. The study concluded that internal control system put in place in the public sector is well established and adequate for effective and efficient financial accountability with adequate use of all channels of communication and information flow for proper financial accountability. This study recommends that the internal control unit should be encouraged to maintain their independent role, such that the internal auditor should be adequately independent from those responsible for the financial operation, as well as to be able to provide additional assurance on cost efficiency and effectiveness of the internal control system. Sambo F. and Benneth U. I. (2018) reviewed literature on internal control system as a tool for effective fund management of universities in Bayelsa State, Nigeria. Due to the dwindling revenue allocation from the

Federation account couple with the economic recession which gave birth to the inadequate funding of the universities by federal and state government which has led to strikes by teaching and non-teaching staff, dearth of equipment, facilities, dilapidated structures and indiscipline among staff and students which has prompt us to choose the topic: Internal control system as a mechanism for effective fund management of universities in Bayelsa State. To this end, the paper addressed the following areas which include; funds and sources of funds, challenges of school funds, and the rationale for funds management. The paper analyzed the effect of internal control system on effective fund management in Bayelsa State Universities and proffers some remedies in tackling the menace of poor fund management as follows; introduction of internal auditing approaches to manage financial resources in universities for proper maintenance of school properties, adequate provision of infrastructural facilities, and proper management of school funds in order to achieve the aim and objectives of establishing such institutions. The researchers also recommended the monitoring of the laid down internal control procedures and safe keeping of all financial records/reports and yearly publication of same financial reports.

Peter L. Y., Kong Y., and Fatoumata B. M. (2017) investigated on the existence of internal control systems in four (4) government departments located in the central business district of Accra, Ghana. The internal control elements examined included Control environment, Communication and information, Risk Assessment, Monitoring,

Model Specification

OGPM =INTC1

OGPM =organization performance

Control Activities and the functions of the Internal Audit unit, as an agent of good governance, accountability and commitment to ensuring reliable financial reporting. Structured questionnaires were administered to a non-probability sample of 100 respondents from the administrative department, Finance, Internal Audit, Human resources and other departments. Internal control system was measured using the six elements of the COSO internal control framework developed in 2002. Secondary data was captured from the Auditor General’s report on public accounts and analyzed using the Statistical Package for Social Scientist (SPSS) and STATA to establish the relationship between the dependent and independent variables based on the research hypothesis. The statistical techniques deployed were regression and correlation. The study concluded that indeed there are significant relationships between internal control systems and effective public sector financial management. The study recommended an independent private audit of all public accounts to supplement the effort of government appointed Auditor General in order to guarantee assurance and transparency. Departments and ministries must practice inter-departmental monitoring to ensure due diligence and reward for outstanding performance.

5.0 Research Design

This study adopted a survey research design in generating data to answer the research questions, because it involves data collection with a view to determine the current status of the population.

INTC =internal control

OGPM = f(INTC).....2

INTC =f(INFT, RMG,FCG,CSD)3

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INTC =f(β_0 INFT, β_1 RMG, β_2 FCG, β_3 CSD)
4

CSD =customer services department

$\beta_1, \beta_2, \beta_3$ = parameter

β_0 = intercept

therefore, the model is as follow

ALL are proxy for internal control.

INFT = internal control technology department (i.e. IT department)

$$OGPM = \beta_0 + \beta_1 INFT + \beta_2 RMG + \beta_3 FCG + \beta_4 CSD + U \dots \dots \dots 5$$

RMG =risk management group

FCG =financial control group

U = STOCHASTIC TERM/ ERROR TERM

Data Presentation

Table 4.1

Spread sheet

Respondent	Internal control	Fraud control	Cost reduction	Asset security
1	4	2	1	3
2	16	2	3	4
3	14	4	3	4
4	14	4	3	3
5	10	4	2	1
6	12	2	3	4
7	10	1	2	3
8	9	4	2	4
9	12	4	3	4
10	10	3	3	4
11	11	2	3	2
12	15	3	3	3
13	13	3	3	4
14	16	4	3	4
15	16	2	2	4
16	15	3	2	3
17	10	4	3	4
18	9	4	1	2
19	11	2	3	3
20	10	4	3	4
21	16	4	3	4
22	16	2	3	4
23	16	1	3	3
24	12	3	2	3
25	12	4	2	3

26	13	4	3	4
27	15	2	3	4
28	12	3	3	2
29	11	4	1	3
30	10	3	2	2
31	9	4	2	2
32	8	2	1	1
33	6	1	1	1
34	6	1	1	2
35	16	4	3	3
36	12	4	3	3
37	12	3	3	4
38	12	3	2	4
39	14	4	3	4
40	15	3	3	4
41	12	4	3	4
42	13	4	3	4

Table 4.2: Results of Descriptive Analyses of variables

	INTCTRL	FRDCTRL	COSTRED	ASSETSECURITY
Mean	12.02381	3.047619	2.476190	3.214286
Median	12.00000	3.000000	3.000000	3.500000
Maximum	16.00000	4.000000	3.000000	4.000000
Minimum	4.000000	1.000000	1.000000	1.000000
Std. Dev.	2.999903	1.034818	0.740405	0.950884
Skewness	-0.533410	-0.629920	-1.012274	-0.954532
Kurtosis	2.932986	2.108869	2.574260	2.848107
Jarque-Bera Probability	1.999540	4.167290	7.490085	6.418299
	0.367964	0.124476	0.023635	0.040391
Sum	505.0000	128.0000	104.0000	135.0000
Sum Sq. Dev.	368.9762	43.90476	22.47619	37.07143
Observations	42	42	42	42

Source: Researcher's Eviews Analyses 2024.

5.1 Data Analysis

The variable utilized for the analyses of data in this research study includes fraud control,

cost reduction, asset security and internal control. The data on these variables were obtained by quantifying the opinions of all our respondents based on questions bordering

on these issues as are contained in the questionnaire. The spreadsheet (Table 4.1) containing the result of the quantification exercise gotten from three (3) selected Departments/units in University of Cross River State (UNICROSS), Calabar.

In table 4.2, data collected on all the variables were imputed for descriptive analyses in order to understand the extent of spread and variability in the series. The minimum value of 4.00 indicates that some of the respondent strongly disagrees with the notion of the question which queries the effectiveness of the internal control system in their firms, while the maximum value of 16.00 shows that some of the respondent agrees that internal control is effective in their firm, but based on the median value of 12.00, it is evident that at least half of the respondents agrees that internal control is effectively practiced in their firms while the rest disagree. The Jarque- Bera probability of 0.36 indicates the normality in the data series. The Minimum value of 1.00 indicate some of the number of the respondents are of the opinion that application of internal control techniques in very ineffective in the uncovering of fraud in their respective firms while the maximum value of 4.00 means that others are of differing opinions suggesting that internal control application in the uncovering of fraudulent activities is very effective. The consideration of the mean

value of fraud control responses which is 3.00 indicates that an average respondent is of the opinion that internal control is effective with its standard deviation at 1.03 approximately. The median score of cost reduction at 3.00 is also indicating more than half of the respondents agree that the use of internal control is effective in uncovering fraudulent activities in the firms covered in this work.

The behaviour of cost reduction and asset security scores due to internal control systems of the selected firms as opined by our sampled respondents behave similarly with that of fraud control since they all have median values that are higher than half of the midpoint between maximum and minimum values. So, we conclude that our variables for this work have fair level of variability and spread around their mean values.

5.2 Test of hypotheses

5.2.1 Hypothesis I

Ho1: Internal control techniques have no significant effect in uncovering fraud of SMEs in University of Cross River State (UNICROSS), Calabar.

Ha1: Internal control techniques have a significant effect in uncovering fraud of SMEs in University of Cross River State (UNICROSS), Calabar.

Table 4.3: Regression analysis of internal control on fraud

Dependent Variable: FRDCTRL

Method: Least Squares

Date: 01/20/24 Time: 13:55

Sample: 1 42

Included observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.557140	0.391861	1.421780	0.1628
INTCTRL	0.219010	0.031643	6.921246	0.0000
R-squared	0.544956	Mean dependent var	3.190476	
Adjusted R-squared	0.533580	S.D. dependent var	0.890001	
S.E. of regression	0.607826	Akaike info criterion	1.888591	
Sum squared resid	14.77809	Schwarz criterion	1.971337	
Log likelihood	-37.66041	Hannan-Quinn criter.	1.918921	
F-statistic	47.90364	Durbin-Watson stat	2.021134	
Prob(F-statistic)	0.000000			

Source: Researcher’s Eviews Analyses 2024.

Decision rule: Since the calculated p-value is greater than the table value we reject the null hypothesis and accept the alternative which reveals that internal control has a significant effect on uncovering of fraudulent activities in University of Cross River State (UNICROSS), Calabar.

5.2.2 Hypothesis II

H₀₂: Internal Control techniques have no significant influence in reducing excessive cost in University of Cross River State (UNICROSS), Calabar.

H_{A2}: Internal Control techniques have a significant influence in reducing excessive cost in University of Cross River State (UNICROSS), Calabar.

Table 4.4: Regression result of internal control on cost reduction.

Dependent Variable: COSTRED

Method: Least Squares

Date: 01/20/24 Time: 13:60

Sample: 1 42

Included observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.471317	0.356300	1.322810	0.1934
INTCTRL	0.166742	0.028772	5.795371	0.0000
R-squared	0.656421	Mean dependent var	2.476190	
Adjusted R-squared	0.642831	S.D. dependent var	0.740405	
S.E. of regression	0.552666	Akaike info criterion	1.698322	
Sum squared resid	12.21759	Schwarz criterion	1.781068	
Log likelihood	-33.66477	Hannan-Quinn criter.	1.728652	
F-statistic	33.58633	Durbin-Watson stat	1.875840	
Prob(F-statistic)	0.000001			

Source: Researcher's Eviews Analyses 2024.

Decision rule: Since the calculated p-value is greater than the table value we reject the null hypothesis and accept the alternative which reveals that internal control techniques have no significant influence in reducing excessive cost of production in small and medium enterprises in Nigeria and thereby reject the null hypothesis.

5.2.3 Hypothesis 3

H₀₃: Internal control system has no significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar.

H_{A3}: Internal control system has a significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar.

Table 4.5: Regression Analysis of Internal Control on Asset Security

Dependent Variable: ASSETSECURITY

Method: Least Squares

Date: 01/20/24 Time: 14:05

Sample: 1 42

Included observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.168291	0.523629	2.231143	0.0313
INTCTRL	0.170162	0.042284	4.024306	0.0002
R-squared	0.588193	Mean dependent var	3.214286	
Adjusted R-squared	0.570398	S.D. dependent var	0.950884	
S.E. of regression	0.812214	Akaike info criterion	2.468343	
Sum squared resid	26.38769	Schwarz criterion	2.551089	
Log likelihood	-49.83520	Hannan-Quinn criter.	2.498673	
F-statistic	16.19504	Durbin-Watson stat	1.559152	
Prob(F-statistic)	0.000247			

Source: Researcher’s Eviews Analyses 2024.

Decision rule: Since the probability result of the t-statistic for the beta coefficient is 1%, which is less than 5% benchmark, we therefore reject the null hypothesis and accept its alternative which says that internal control techniques have significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar.

6.0 Discussion of findings

This study sought out to appraise the effectiveness of internal control system in University of Cross River State, Calabar. The research findings are based on the research hypotheses. The result of the research are as follows:

Fraudulent activities are corrupt practices which has been engaged into by persons, body corporate etc. It underscores those behaviours and dispositions which are not accepted morally but are shrewdly done by unscrupulous persons in the organizational settings. The findings above show that internal control has significant effect on uncovering of fraudulent activities in

University of Cross River State (UNICROSS), Calabar at 1%. The model reflects a positive beta coefficient implying that there is an increasing effect of internal control on the ability to uncover fraudulent activities. This suggests that the application of internal control systems in University of Cross River State (UNICROSS), Calabar will lead to effective control of fraudulent activities within the Institution. The r-squared of 54% approximately shows that the model is well specified. The probability of the f-statistics also indicates the huge explanatory power of internal control system in explaining the changes that occur in uncovering of fraudulent activities. The Durbin-Watson test which is used to test the presence of serial autocorrelation in a model yields a value of 2.02 suggesting that there is near absence of serial autocorrelation in the model. Therefore, in line with the findings above, we reject the null hypothesis which posits that internal control has no significant effect on fraud control and accept its alternative in its stead. So, the study

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concludes that internal control is of great importance in the accountability and financial discipline in University of Cross River State (UNICROSS), Calabar.

Cost reduction are the ways or methods adopted by the firms which are employed in other to reduce cost and maximize profits. Effective internal control system ensures through internal audit that costs approved and incurred by the organization are not different from the fair market values of such costs in an arms-length transaction. The regression results on table 4.4 above contains the outcome of the regression estimate which considered the effect of internal techniques on the cost reduction performance of the sampled organizations. From the result obtained and shown on table 4.4 above, internal control is positively associated with cost reduction activities of the firms based on the opinions of our respondents. It therefore follows that internal control activities of organization can to a great extent influence their ability to minimize and control artificial price hike by fraudulent staff members in collaboration with suppliers. The observed positive effect flowing from internal control activities towards cost reduction activities has a significant effect based on the outcome of the probability its t-statistics at 1%; hence we accept alternative hypothesis which posits that internal control techniques have no significant influence in reducing excessive cost of production in small and medium enterprises in Nigeria and thereby reject the null hypothesis. The above result also shows that the Durbin- Watson statistic is 1.87 suggesting near absence of serial autocorrelation in the model. The r-squared of 66% approximately indicates that the model is well fitted. The coefficient of

determination i.e. adjusted r-squared of 64% connotes that internal control can explain up to 64% change that occur in cost reduction of the firms we sampled. Also, the probability value of the f-statistics also shows a significance value at 1% against the benchmark level of significance which is 5% implying that the regression model and internal control is fit to explain changes in cost reduction. Hence, we adopt the result of the regression estimate on table 3 and the implications of the results.

The regression outcome on table 4.5 shows that internal control techniques is relevant to security of physical assets in University of Cross River State (UNICROSS), Calabar according to the opinions of our respondents. The conclusion above is borne out of the interpretation of the 0.17 beta coefficient observed for internal control on table 4 above which implies that there is a direct association between internal control techniques prevalent in these firms and physical asset securities in those firms. The implication is that as firms embrace the application of internal control in regulation of their affairs, it tends to ensure that their physical assets remain safe to a reasonable extent. The result of the above regression analysis also shows a coefficient of the adjusted r-square of 58% which implies that internal control has a significant relationship with asset security. The r-squared of 57% shows that the model is well specified. It connotes that 57% of the changes in security of physical assets is explained by internal control. This buttresses the significant effect found to flow from internal control toward the security of physical assets in our sampled Institution. Internal controls are policies put in place to prevent theft of, and damage to, a

company's valuable assets. Tangible asset such as real property, productive equipment, inventory and cash, can be a challenge to keep safe at all times, but familiarizing yourself with the internal controls to manage tangible assets can help in keeping properties secured; hence the result obtained in the above table 4 is consistent with our initial expectation.

Since the probability result of the t-statistic for the beta coefficient is 1%, which is less than 5% benchmark, we therefore reject the null hypothesis and accept its alternative which says that internal control techniques have significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar.

7.0 Summary of findings:

Having tested the three hypotheses in this work, the following were made;

- ❖ Internal control has significant effect on uncovering of fraudulent activities in University of Cross River State (UNICROSS), Calabar in consistency with our findings in the analysis of the first hypothesis. This is on the basis of opinions of our respondent gotten as obtained from the questionnaires that were administered.
- ❖ The findings also reveal that internal control techniques have significant influence on the reduction of excessive cost in University of Cross River State (UNICROSS), Calabar 1% level of significance.
- ❖ The study found out in the analysis of the third hypothesis that internal control has significant effect on security of physical assets in University of Cross River State (UNICROSS), Calabar.

8.0 Conclusion

Internal control as defined in accounting and auditing, is the process for assuring of an organization's objective in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It is a means by which an organization's resources are directed, monitored, and measured and secured.

This study examined the effect of internal control as an effective tool controlling expenditure in Public Institution. Asset security, Fraud control and cost reduction were the key variables that were considered in the study.

The research objectives in the study are following the findings of the study which showed that internal control has significant effect on expenditure control in Public Institution. The study therefore concludes that internal control has positive significant impact on expenditure control in Public Institution.

9.0 Recommendations

Based on the findings and conclusions made in the study, it therefore recommends the followings;

- ❖ Based on the above findings, internal control system should be established in all the departments in University of Cross River State (UNICROSS), Calabar so as to prevent the incidence of fraud and anomalies in the institution.

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- ❖ The government should provide good credit lending basis, such as issuance of loans for the institution so as to enhance growth and expansion and at a minimal interest pay back rate as this enable the institution to hire the services of professionals who design and install an effective internal control system in various departments. Their ability to pay back these loans are hinged on the fact that efficiency level obtained through this internal control installation will at the long run lead to boosting of profit maximization and cost reduction.
- ❖ The need for public enlightenment through conference holdings, seminars and sensitization is need so as to enlighten the staff about the need, importance and benefits of installing internal control system in University of Cross River State (UNICROSS), Calabar.
- ❖ More research should be carried out on this topic, with different statistical tool in this locality and outside in other to ascertain empirically the effect of internal control as an effective tool controlling expenditure in Public Institution.

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