THE EVALUATION OF THE INTERNAL CONTROL SYSTEM OF THE AUDIT UNIT OF DELTA STATE POST-PRIMARY EDUCATION BOARD

BY:

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1996

DECLARATION

I, **MOWUOGWU ALEXANDER**, hereby declare that this Thesis has been written by me and that it is a record of my own research work. It has not been presented in any previous application for a higher degree.

All quotations and sources of information as seen in this thesis are specifically acknowledged by means of refereces.

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14/11/86

D A T E.

CERTIFICATION

DEPARTMENT OF VOCATIONAL AND TECHNICAL EDUCATION, AHMADU BELLO UNIVERSITY, ZARIA.

This Thesis entitled: **"The Evaluation of the Internal Control System of the Audit Unit of Delta State Post-Primary Education Board"** submitted by Mr. Mowuogwu Alexander meets the regulations governing the award of the degree of M.Ed. (Business Education) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

The research is dedicated to my wife - Mrs. Mowuogwu O. Mabel and my children: Maureen, Chukwuyem and Chinedum, who missed my care and presence during the period of my struggle for academic achievement.

ACKNOWLEDGEMENTS

The researcher wishes to express his profound gratitude to all those who in one way or the other, and at different times contributed to the successful completion of this research work.

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ABSTRACT

This study is an evaluation of the internal control system of the Delta State Post-Primary Education Board. The objectives of the study was to determine the strength and weaknesses of the board's internal control system. It also aims at determining whether or not the board's internal control system conforms with generally acceptable features of internal control. These are to help indicate the degree of reliability of transactions and record as well as the level of predency exercised by public officers in the management of public establishment. To achieve the above objectives, four null hypotheses were tested along with four research questions raised in the study. The study was delimited only to the Post-Primary Schools in the State. A sample of 255 respondents from a total of 611 population were the respondents to the study, in which the Evaluative research method was adopted. The questionnaire was the only instrument used in the study to elicit information from the respondents. The data collected was analysed using appropriate statistical techniques in line with the null hypotheses used in the study. From the data analysis, the findings of the study are that:

(a) There was strong strength of internal control system in the board.
(b) The features of internal control was being applied in the board's internal control arrangements.
(c) There was significant relationship in the opinions of the school principals and bursars over the internal control system of the board.
(d) The record for inventories were not separated from the storekeeper's

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DEFINITION OF TERMS

The following terms which were employed frequently in this study were operationally defined below:

1. **Internal Control System:** the checks and balances instituted to eliminate errors and ensure reliability and dependability of records (Kenneth, 1980).
2. **Administrators:** the five appointed board members and the thirty (30) senior administrative staff in the board's Headquarters.
3. **Government:** the government of Delta State of Nigeria (Edict No. 4, 1988).
4. **Principal:** the head of Post-Primary School in the State.
5. **Bursars:** the head of finance department in each post-primary school in the State.
6. **Features:** the essential factors that constitute internal control system (Batty, 1976).
7. **Expected Internal Control System:** the standard level of internal control, acceptable to the accounting profession.
8. **Observed Internal Control System:** the actual level of internal control operative in the Delta State Post-Primary Education Board.

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Chapter 1

INTRODUCTION

1.1 Background Information

The Post-primary Education Board of Bendel State of Nigeria, was established by Edict no. 4 of 1988. Following the splitting of Bendel State into Edo and Delta States by the Babangida's Administration in 1991, the Edict no. 4 of 1988 which established the Bendel State Post-primary Education Board became applicable to Delta State.

In the Edict, the Board was charged with the following responsibilities:

A) Administration of the unified Teaching Service including in particular:

   i) power to appoint, promote and dismiss persons in the unified service.

   ii) power to exercise disciplinary control over teachers in post-primary institutions in the State.

   iii) power to transfer, post and deploy teachers from one local government area to another.

B) Compilation and maintenace of Teachers' records.

C) Internal Auditing

D) Payment of Salaries and Allowances to members of the unified service.

Every Board in Delta State is statutorily required, in respect of every financial year, to prepare and submit to its supervising Ministry an estimate of the proposed expenditure for the financial year (Edict no. 4, 1988).

Accordingly, the Post-primary Education Board prepares her estimate and submits to the Delta State Ministry of Education for her consideration and approval. This resulted the Board having the budgetory allocations as follows:

Table 1.1: Yearly Budgetory Allocation 1991 - 1994

YEAR	AMOUNT ALLOCATED IN NAIRA (₦)
1991	8,411,110
1992	9,680,546
1993	10,895,960
1994	14,987,896

SOURCE: (Delta State Ministry of Finance quarterly report 1994)

The essence of providing these funds to the Education Board is to enable the Board properly discharge its functions and duties under the Edict establishing it.

Nwachie (1993) stated that in recent times there have been consistent strike actions by the members of the Nigerian Union of Teachers (NUT), Delta State wing, demanding the payment of their salaries, allowances and subvention to schools. This has suggested that the Board might not be fulfilling her statutory functions in spite of her yearly statutory allocations.

According to Fayol (1989), internal control is concerned primarily with accounting policies and procedures, which include approval procedures, for the commitment of organizational resources, checks and balances among key fiscal duties.

The above definition of Internal Control, suggests that if the accounting policies

and procedures of the Education Board are adequate, the Board should be able to perform her statutory functions, since her yearly allocations are based on her approved estimates.

The foregoing discussions suggest that the problem with the board is perhaps that of inappropriate utilization of the board's grant from government rather than that of inadequate budgetory allocation. Because the budgetory allocation of the board depends largely on its projected annual expenditure estimate.

1.2 Statement of the Problem

The Post-primary Education Board of Delta State prepares and submits its yearly estimates of expenditure to the Ministry of Education for consideration and review in accordance with the Education Edict no. 4, 1988. These expenditure estimates usually cover personal emolument and other overhead cost of the board. The Edict No. 4, 1988 also stated that the erection of physical structures, such as offices and classrooms falls within the Capital project of the State Ministry of Education.

It is expected therefore, that from the budgetory allocation, the board would fulfill her statutory functions which included:

i) Paying staff salaries and allowances

ii) Paying retirement benefits to retired staff

iii) Conducting promotion exercises as at when due

iv) Giving subventions to schools

v) Granting in-service training to teachers

vi) Meeting other overhead costs, such as fuel for vehicles, generating plants, stationeries, entertainment and items of stores, (Edict No. 4, 1988).

On the contrary, the board has not been meeting-up with the above responsibilities. As teachers salaries are irregularly paid, there are no teaching and learning materials in schools due to lack of subventions and many teachers are stagnated for upwards of five years without promotion. Nwoko (1993), observed that teachers Salaries are irregularly paid, promotion exercise are scarcely conducted, schools had no money to meet their operating cost and teachers knowledge were not up-dated due to lack of seminars, workshops and in-service training opportunities. These have compelled some teachers to retire from the services of the board, who also found it difficult to receive their retirement benefits. Below is a table showing teachers (labour) turnover from 1989-1994, from it, it is seen that there is an increasing trend of voluntory retirement, due to lack of job satisfaction.

Table 1.2: **Teachers (Labour) Turnover 1989-1994**

Year	No. of Teacher in Service	No. Retiring		Total
		Due Retirement	Voluntory Retirement	
1989	7,859	462	1,183	1,245
1990	8,975	502	1,506	2,008
1991	9,640	642	2,000	2,642
1992	10,564	1,001	2,890	3,891
1993	11,472	900	3,444	4,344
1994	12,200	1,000	4,168	5,168

SOURCE: Delta State Ministry of Education Quarterly Report, December 1994.

Nwachukwu (1994), also reported that retired teaching and non-teaching staff of the board hardly received their retirement benefits within two years of their retirement.

Finally, for the past three years, teachers receive their leave transport grant only after the Nigerian Union of Teachers (NUT) had called out her members on an industrial action. (Observer 10th March, 1993). These situations had resulted in incessant strike actions by teachers since 1992. This was why Ibru (1994), appealed to striking teachers to call off their strike action in the interest of students and parents.

One begins to wonder why the Board has not been able to meet-up with her statutory responsibilities. Two explanations could be advanced: (a) lack of internal control system in the board or (b) weakness in the board's internal control system. These have been of great concern to government. Hence, Asequor (1994),

during the swearing in ceremony of the board members, called on them to embark on a stock-taking exercise aimed at identifying areas of strength and weakness in their board. They were urged to facilitate their efforts to eliminate or trim all areas of waste to a manageable proportion.

Effective internal control system is an important vehicle for instituting checks and balances in the use of public funds, as government is continuing to decry the wasteful spending by public officers. Ibru (1993), reported that probity and accountability were highly demanded from public officers, as government could not afford to fold her hands while her scarce resources are being drained into private purses.

Based on the above, there is therefore a need to critically examine the checks and balances in the use of government resources for the purpose it is meant.

1.3 Research Questions

This study would provide answers to the following research questions:

i) What is the difference between the observed and expected internal control system of the Board.

ii) What are the opinions of school principals, Bursars and the Administrators over the Internal Control system of the Board?

iii) What is the difference between the Internal Control system of the board, and the features of internal control.

iv) What is the relationship between the views of school principals and Bursars over the internal control system of the Board?

1.4 Null Hyphotheses

The following null hypotheses were formulated for this study:

i) There is no significant difference between the observed and expected internal control system of the Board.

ii) There is no significant difference in the opinions of the school princials, bursars and those of the administrators over the internal control system of the board.

iii) There is no significant difference between the Board's internal control system and the features of internal control.

iv) There is no significant relationship in the opinions of the school principals and Bursars over the internal control system of the Board.

1.5 Objectives of the Study

The objectives of this study were:

1. To determine whether there is compliance with the laid down regulations/policies of the Board.
2. To determine whether the school Principals, Bursars and the Administrators hold the same view over the internal control system of the board.
3. To determine whether the board's internal control system relates to the features of internal control.
4. To determine whether the school principals and bursars hold the same view on the board's internal control system.
5. T make necessary recommendations for the improvement/or sustenance of the internal control system in the Boards.

1.6 Significance of the Study

The significance of this study lies in the fact that it will show the degree of prudency and reliability of records exercised by public officers in the management of public entities, more so as there has been an increasing call on public officers to be prudent in the use of public funds. Ochulor (1991), stated that as public officers, honesty and probity in public administration should be the watchword at all times. Also Ibru (1993) reported that probity and accountability were highly demanded from public officers, as government could not afford to fold her hands while her scarce resources were being drained into private purses.

Thus, the significance of this study lies in the fact that it will enable government to know why the board has not been able to perform her statutory obligation. Since despite the yearly allocation to the board she is unable to satisfactorily perform her function.

It will further assist the board's management to appraise the degree of compliance with the laid down rules and regulations governing the board's operations. Since non compliance with the established rules and regulation is a weakness in the internal control arrangement.

The study is also significant because it shows the influence of internal auditors in the board on the board's internal control arrangement.

1.7 Assumptions

The following assumptions were made in carrying out the study.

1. That there is the existence of internal control system in the board.
2. It was also assumed that the respondents have opinion on the state of the board's internal control system.
3. It is further assumed that the Edit no 4 of 1988 were made available to the board members upon appointment.

1.8 The Scope of the Study

This study is concerned with the evaluation of the internal control system in government with particular reference to the Delta State post-primary Education Board. This study examined the already existing internal control structure of the Board.

Thus, the study covers the board's headquarters, and the post-primary schools in the State, in reference to the extent of Internal Control with regard to finance, records and physical investories of the board.

1.9 Limitation of the Study

The issue of absolute secrecy in government establishment like the Delta State Post Primary Education with inherent fear in some officials prevented free access to some relevant documents.

Other limitations include the researchers' inability to have access to interview the State Commissioner of Education.

Chapter 2

REVIEW OF RELATED LITERATURE

2.1 Introduction

Kenneth (1980) stated that there have not been much study on the evaluation of any existing internal control system until 1987 when the National Commission on Fraudulent Financial Reporting in the U.S.A, made a number of recommendations on internal control and renewed on earlier call for management to report on its effectiveness.

In this Chapter, the review of works in internal control system is presented under the following headings:

a) Sociological conception of Internal Control as an aid to management

b) Internal control compliance tools

c) Internal control over cash, payroll, expenditure and ventories

d) Empirical studies

e) Summary of related literature

2.2 Sociological Conception of Internal Control as an aid to Management

According to Walter (1975),a system is a collection of interrelated parts which are unified by design to obtain one or more objectives. He also reported that a system is a set or parts co-ordinated to accomplish a set of goals; systems are designed to perform a task. In the post-primary Education Board, the interrelation

of the Chairman's office, Personnel, Finance and Supply, Research and Statistics, and Examination is a system which is unified to achieve a set goal. Thus, the activities of all the departments and units within the department must be co-ordinated so as to achieve the set goal. This therefore suggests that a breakdown in the operation of department or unit will mean a breakdown of the entire system within the entity. Hence the need for effective control in all the units and departments within the organization.

Nikolai (1984), linked the system concept with the internal control system and reported that Internal Control as a plan of organizational growth includes all the co-ordinated methods and measures adopted by management to safeguard its assets, check the accuracy and reliability of its accounting data, promote operation efficiency and encourage compliance with organizational policies. This therefore denotes that the level of an organization's efficiency and goal achievement depends on the degree of her Internal Control system. This is why Bazley (1984), explained Internal Control as incoporating all measures designed to reduce the possibility of error or omission throughout the organization. This enhances management effectiveness.

According to Selas (1991). Internal Control is the process by which an entity's Board of Directors and Management obtain reasonable assurance as to achievement of specified objectives. Thus, Internal Control is a weapon for management effectiveness as it leads to the achievement of the set goals. Fayol (1949), noted that internal control is the cornerstone of good accounting system

Types of Internal Control

The formal definition of Internal Control originally published by the accounting profession in 1949 and repeated in subsequent publications, includes Statement on Auditing Standards (SAS) No. 1 (paragraph 320.09) which states thus:

> Internal Control comprises the plan of organisations and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operation efficiency and encourage adherence to prescribed managerial policies. A "System" of Internal Control extends beyond those matters which relate directly to the functions of the accounting and financial departments.

There are two kinds of Internal Control from the above statement (Kenneth, 1980). These are:

i. Internal Accounting Control, and

ii. Administrative Control

Internal Accounting Control is defined in SAS No. 1 (paragraph 320.28) as:

..... the plan of organizations, the procedure, and records that are concerned with the safeguarding of Assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

a. Transactions are executed in accordance with management's general or

specific authorization.

b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with general accepted accounting principles or any other criteria applicable to such statement and (2) to maintain accountability for assets.

c. Access to assets is permitted only in accordance with management's authority.

d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

ii. Administrative Control is described in SAS No. 1 (paragraph 320-27) as including but not united to:

> ..... the plan of organization and the procedure and records that are concerned with the decision processes leading to management's authorization of transactions such authorization is a management functions directly associated with the responsiblity for achieving the objectives of the organisation and is the starting point for establishing according control of transactions.

Thus, while Internal Accounting Control checks the accuracy and reliability of accounting data failure to achieve the objectives mean that the risk or error may be present. Administrative Control promotes operational efficiency and encourages

adherence to prescribed managerial policies. Internal Control System with good procedure will provide for the separation of operating, custodial, accounting and internal audit functions. These duties should be separated so that records existing outside each department serves as control over activities within the department.

Control Objective

The Control Objectives to be achieved by the system of internal control are broken down by cycles. Kenneth (1980) stated that "transactions flows be viewed in terms of "cycles" into which they can be conveniently grouped and for which specific internal control objectives and task can be identified."

"These Control Objectives must be attained to provide reasonable assurance of control over the authorization, recording, summarization and reporting of transactions flowing through each cycle," Willingham (1989). Kenneth (1980) stated that the most common control objectives for businesses are;

(a) Purchases should be initiated only on the basis of appropriate authorization and records of commitments should be maintained
as a basis for;

i. determining that transactions are executed in accordance with authorizations

ii. establishing the amount of any provision required for losses arising from unfulfilled commitments.

(b) Control should be established over goods and services received as a basis for:

i. determining and recording the liability for good and services received but not entered as account payables.

ii. where required, posting the items to details inventory records.

(c) Control should be established over goods returned to and claims on supplies as a basis for:

i. obtaining credit for all such items.
ii. where required, posting the items to detailed inventory records.

(d) Invoices and related documentation should be properly checked and approved as being valid before being entered as account payable.

(e) All valid accounts payable transactions and only those transactions, should be accurately recorded as account payable.

(f) Payments in respect of wages and salaries should be:

i. made only to company employees at authorised rates of pay

ii. where required, in accordance with records of work done.

iii. accurately calculated.

(g) Payroll deductions should be correctly accounted for and paid to the third parties to whom they are due.

(h) Reimbursements of imprest and similar funds e.g postage and other franking metters, payroll deductions, stamps should be made only for valid transactions.

(i) Disbursement from bank account should be made only in respect of valid transactions.

(j) Accurate detailed records should be maintained of materials and supplies inventories.

(k) Additions to and disposals of property, plant and equipment should be properly authorized.

(l) Accurate records should be maintained of the cost and accumulated depreciation of property, plant and equipment.

(m) General Ledger entries from the payment cycle should be accurately determined.

2.3 Internal Control Compliance Tools

Meig (1981) Stated that Basic Control Task are those tasks designed to ensure that transactions are recorded completely and accurately and that errors in execution or recording are detected as soon as possible.

While Kenneth (1980) explained that if control over accounting data is analysed into its most basic elements, it becomes apparent that they are common to all activity cycles in all internal accounting control system. He further stated that the control tasks are:

(a) Authorising transactions - This is the primary control over individual transactions to authenticate their authorization.

(b) Validation of transactions - This involves checking recorded transactions to ensure that they comply with the requirements of the system. If they comply with the requirements of the system, it shows that they are valid.

(c) Completeness of transactions - This involves control operations for ensuring that all transactions that occur are entered on a control document.

According to Geoffrey, (1991) completeness operations are performed in the following ways:

i. **Numbering** - Numbering all transactions as soon as they originate and then accounting for all the transactions after they have been processed. This helps to avoid duplicating a transaction.

ii. **Processing** - Adequate care should be taken to ensure that all data are processed by using a control totals. This is done by totalling the critical numbers before and after processing, and the processing is correct if they two totals agree with each other.

iii. **Recording** - Care has to be taken to ensure that all transactions are entered in a register opened for the purpose of recording all transactions that have been processed. For instance, all chargeable services hours may be recorded in a service register that is reconciled to the hours for which payment is made, before actual payment is made.

Batty (1976) noted that authorizing, validation and completeness of all transactions are necessary control tasks which management must enforce to ensure that principles established are kept. Also Selas (1991 reported that this is a tool for all measures of internal control.

(d) Checking for accuracy - These control operations are necessary to check that each transaction is recorded at the correct amount in the right account and on a timely basis. The accuracy of amount and account is most frequently achieved by establishing controls to check calculations, extensions, additions and account classifications.

Features of Internal Control

In the view of Kenneth (1980), the features of internal control comprise:

i. Custodial arrangement, i.e

(a) the separation of the

responsibilities for custody of assets and the related record keeping.

(b) physical arrangement that prevent unauthorized access to assets or accounting records.

ii. Adequate segregation of duties so that the work of one person checks that of another or prevent independent action by one party.

iii. Adequate supervision of the work of persons involved in the operation of the basic controls. This is usually carried out by more senior personnel and it involves examination of evidence of the application of basic control, spot checks for proper application of basic control and scrutiny for reasonableness.

Internal Control and Internal Auditors

Smith (1968), noted that one of the differences between the internal auditors and the external auditors is the extent of their interest in Internal Control. Carmichael (1979) also remarked that "the internal auditors scrutinises all the controls that are used within the organization, (public or private), to obtain accurate figure of trading results, and all internal checks and control procedures aimed at safeguarding the company against fraud.

According to Wilson (1987), the "internal audit has responsibility for the appraisal of all systems of Internal control, including internal checks."

For Internal Control to be effective, Smith (1968) stated that internal auditors should co-operate closely with both the external auditors and all departments within the organization". This is because, Glann (1977) noted that the internal auditors are being looked upon as a 'control' activity, and are helpful to the effectiveness of the external auditors' work. More importantly in assessing the degree of internal control system in the organization.

"Internal Auditors enforces all policies leading to a good internal Control system in the organization" Thomas (1972).

Main Instruments For Internal Control

The instruments for internal control vary in their form from one public authority to another and in the emphasis placed on each of them by different authorities.

Wilson (1987), noted that the principal features of the instruments which exist in most organizations as:

1. **Internal Audit** - Internal audit is one of the most important of the financial controls which exist internally in most organizations (Smith, 1968).

Meig (1981) explained that "internal audit is an appraisal activity within an organization for the review of operations as a service to management, it is a managerial control which functions by measuring and evaluating the effectiveness of other controls".

Thus, the internal auditor works exclusively for the business which employs

him and he works under the direction of the management.

Kenneth (1980) stated that "the scope of the internal audit should encompass the examination and evaluation of the adequacy anmd effectiveness of the organization's system of Internal Control and the quality of performance in carrying out assigned responsibilities."

2. **Internal Check** - Internal Check is not the same thing as Internal Audit. It exists independently of audit.

Association of Accounting Technician (AAT) study park (1987) defines Internal Check as:

> The checks on the day-to-day transaction which operate continuously as part of the routine system whereby the work of one person is proved independently or it complementary to the work of another, the object being the prevention or early detection of errors and fraud; it includes maters such as the delegation and allocation of authority and the division of work, the method transactions, and the use of independently ascertained totals against which a large number of individual items can be proved.

The basic principles involved in Internal Check is the division of duties. Meig (1981) defines Internal Check as "the breaking-down of work involved in the carrying out or in the recording of a transaction in such a way that it is not dealt with entirely by one person."

Internal Check helps to eliminate error and fraud and to provide for its easy detection."

3. A Committee of Finance Resources - This committee according to AAT

study park (1987) is responsible for the following matters, among other things:

i. Consideration of annual budget (capital and revenue).

ii. Consideration of the financial implications of all changes of activity within an organization.

iii. Consideration of policies for the raising of finance for capital expenditure.

iv. Management of funds and investment

v. Review of financial standing orders and regulations.

All these enhance the Internal Control System in any organization.

4. **Budget and Bugetary Control**

Smith (1968) defines a budget as "financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective."

While Kenneth (1980) defines budgetary control as "the establishment of budgets relating the responsibilities of executives to the requirement of a policy and the continous comparison of actual with budgeted results to secure by individual action, the objectives of that policy or to provide a basis for its revision."

Any differences between the budgeted and actual results are analysed and action is taken if necessary. This process achieves control of spending and any lessons learned are fed back to adjust planning and budgeting for the next period.

Evaluating Internal Control - Compliance Test

In testing whether the features or elements of internal control actually exist, whether it is strong or weak, Donald (1979) stated that some auditor accepted the view that "the reliability percentage needed in compliance test is in part, a function of the preliminary evaluation of internal control obtained through examination of the documents". According to this viewpoint, a strong system of internal control makes it possible to do less subsequent testing on financial statement balances.

Donald (1979) also stated that "to be reasonably sure that the modification of future test is a valid step, auditors used a high reliability on tests of compliance, because their purpose to prove the internal control system is really as strong as prescribed." By the same line of reason "an average system of internal control calls for a lower reliability level for compliance test, because there is less to be verified" Donald (1979). He further stated that "an extremely weak system does not call for any compliance testing, because there is almost nothing to be verified."

Thus, if the auditors are unwilling to use "statistical sampling, when their prime interest is to determine whether a certain feature of internal control merely exist in practice "the observation of a proper segregation of duties, or the appearance of initials/signatures on some documents may satisfy some auditors that internal control do exist in practice" McRae (1978).

i. **Misappropriation of Assets** - This includes theft by employees, managements, or individuals not associated with the enterprise. Assets can be misappropriated because of inadequate separation of duties or the absence of custodial devices.

ii. Deliberate accounting or reporting errors, not associated with misappropriation of assets. This includes errors to disguise management performance, such as delaying sales until the start of a contest period.

iii. Accidental accounting or reporting errors. These could occur at any

stage in the processing of information.

iv. Reduced operating efficiency. This is the result of an operational control Weakness. It can occur in the form of excessive cost or the loss of potential revenue, both in the short run and in the long run".

Internal Control Procedure

Carmichael (1979) stated that certain conditions must ex ist before control could be possible." These are:

i. There must be some degree of systemization

ii. Competent people must operate the system

iii. Each transaction must be documented.

Carmichael (1979) remarked, that these conditions can only be assumed to be present as they cannot be tested easily. For instance, "competence" cannot ordinarily be measured directly in the work environment, but an employee's competence will be questioned if the work performed by that employee consistently contains errors.

Notions such as competence are useful in diagnosing the causes of unacceptable error rates, and may be relevant to management's consideration of the appropriate response to control weaknesses and decisions about corrective action.

The entire Internal Control procedure according to Kenneth (1980) comprises:-

i. Custodial arrangement, i.e.

   a. The separation of the responsibilities for custody of assets and the related record keeping.

   b. Physical arrangement that prevents unauthorized access to assets or accounting records.

ii. Adequate segregation of duties so that the work of one person checks that of another or prevent independent action by one party.

iii. Adequate supervision of the work of person involved in the operation of the basic controls. This is usually carried out by more senior personnel and it involves examination of evidence of the application of basic controls. Spot checks of the proper application of basic control, and scrutiny for reasonableness".

These procedures must be complied with to ensure good internal control system in any organization, public or private enterprise.

2.4 Intrernal Control Over Cash, Payroll, Expenditure and Inventories

Internal Control over Cash Payroll Expenditure and inventories relates to the procedure laid down in the use of cash, preparation of payroll, paying off items of expenditure and purchase and use of inventories.

A) Cash:

"Accountants use the word "Cash" to include coins, paper money, cheques, money orders and money on deposit with banks. However cash does not include postage stamps, IOUs or post-dated cheques" Meig (1981).

In deciding whether a particular item comes under the classification of cash, the following rule is a useful one. "Any medium of exchange which a bank will accept for deposit is included in cash" Willingham (1979).

1. Management Responsibilities Relating to Cash

Carmichael (1979) stated that efficient management of cash includes measures that will:

1. Prevent losses from fraud or theft.
2. Provide accurate acounting for cash receipts, cash payments and cash balances.
3. Maintain a sufficient amount of cash at all times to make necessary payments plus a reasonable balance for emergencies.

4. Prevent unnecessary large amount of cash from being held idle in bank accounts which produce nor revenue.

Internal Control over cash is sometimes regarded merely as a means of preventing fraud or theft. "A good system of internal Control, will also aid in achieving management's other objectives of accurate accounting for cash transactions, and adequate cash balances", Kenneth (1980)

Basic Requirements for Internal Control Over Cash

The major steps in establishing internal controls over cash according to Meig, (1981) are:

i. Separate the function of handling cash from the intenance of accounting records. Employees who handle cash should not have access to the accounting records, and accounting personnel should not have access to cash.

ii. Establish separate and speciofic routines to be followed in the handling of cash receipts, the making of payment in cash, and the recording of all cash payments.

iii. Require that all cash receipts be deposited daily in the bank and that all significant cash payment be made by cheques. Cash payment should not be made directly from cash receipts on hand.

iv. Require that the validity and amount of every expenditure be verified before payment is made.

v. Separate the function of approving expenditure from the function of signing cheques.

B. Internal Control Over Payroll

"A basic rule in most business organizations is that every employee be paid on time, and the payment be accompanied by a detailed explanation of the computations used in determining the net amount received by the employee" Meig (1981).

Thus, the payroll system must therefore be capable of processing the input data, such as employee names, hours worked, pay rates, tax deductions, union dues, overtime, and producing a prompt and accurate output of pay checks. Kenneth (1980). In addition the payroll system must have built-in safeguard against overpayments to employees, payments to finctitious employees and the continuance on the payroll of persons who have been terminated as employees or who have retired Carmichael, (1979).

Meig (1981) explained that in most organizations the payroll activities include the functions of:

i. employing workers (personnel department)

ii. time-keeping

iii. payroll preparation and record keeping

iv. the preparation of pay to employees.

Thus, internal control over cash payroll will be strengthened if each of these functions is handled by a separate department of the organization. Henry (1981).

He further explaianed that this is so as each department will serve as a check on the other thereby reducing the risk of fraud or error.

C Internal Control Over Expenditure

One widely used method of establishing control over cash disbursement is the voucher system. Hence Meigs (1981) stated that "this system provides that every transaction requiring a cash payment be verified and approved before cheques are issued".

According to Carmichael (1979) "A written authorization called a VOUCHER is prepared for every expenditure regardless of whether the expenditure is for payment of an expense, purchase of an asset or payment of a liability".

"The Voucher for any payment is attached to each incoming invoice or 'authority to pay' and given an identification number" Meigs (1981). The voucher has spaces for listing the data from the invoice and specifying the ledger accounts to be debited and credited in the recording of the transaction" Fayol (1949). In every voucher, is/are space(s) provided for approval signature for each step in the verification and approval process.

Meig (1981) stated the purpose for preparing a voucher as:

i. "to ensure that the supplier's invoice is in agreement with the purchase order, and

ii. to ensure that the supplier's invoice is in agreement with the receiving reports (Goods supplied).

Bazley (1984) stated that:

The voucher provides an answer to such important questions as:

i. Are the goods and services charged to us on the supplier's invoice in accordance with our previously issued purchase orders?

ii. Have we actually received in good condition the quantities shown on the invoice?

iii. Are all prices, computations, discounts and credit terms on the invoice accurate?

Thus, if the answer to these questions is 'yes', the invoice should paid, and if the answer is 'no' the invoices should not be paid, since the need of management is not satisfied. The voucher is an instrument that takes stock not only of all payments made, but shows the comments of all the officers responsible for approvals in the administrative set. Thus, the voucher provides us with an evidence that we ordered and received the goods or services, we are being asked to pay for.

D. Internal Control Over Inventories

A perpetual inventory system has the potentials or providing excellent internal control. According to Meigs (1980), a satisfactory internal control over inventories requires that the accounting function be separated from the custody of assets. Frequent comparison of quantities of merchandise on hand with the quantities shown by the inventory record should be made by employees who do not have responsibility eight for custody of assets or for maintenance of records.

McRae (1970) explained that whether an organization maintains a periodic or perpetual inventory control system, internal control is necessary to ensure a reliable and accurate ending inventory balance.

Meigs, (1981) stated that the basic internal control concepts for inventory are:

i. subdivision of duties

ii. the control of documents by serial numbering, and

iii. separation of the accounting function from the custody of assets.

These will not encourage concealment of inventory shortage or falsification of inventory balance.

According to Kenneth (1980), the advantages of internal control over inventories are as follows:

i. internal control enables management to compare physical inventory with the perpetual records, management will thus be aware of any shortage or errors and can take corrective action.

ii. A physical inventory can be taken at dates other than year-end, or it can be taken for different products or different department at various dates during the year.

iii. Quarterly or monthly financial statement can be prepared more readily because of the availability of money value for inventory and cost of goods sold in the accounting records.

Limitations of Internal Control

According to Meigs (1980), Internal Control is effective, in increasing the reliability of accounting data and in protecting against fraud and error. No system of Internal Control is foilproof.

Kenneth (1981) also explained that two or more dishonest employees working in collusion can defeat the system temporarily. He also noted that carelessness by employees and misunderstanding of instruction can cause a breakdown in the controls.

2.5 Empirical Studies

The evaluation of an internal control system has been analysed by many scholars. In all the relevant studies, the evaluation of internal control system has been captured by the conventional definition of Internal Control. The notable scholars are Alvin (1970), Seongjae (1972), Rober (1973), Weber (1977), Whittington (1978) and Baber (1980).

In his Markovian Model for the review of the internal control system, Seongjae (1972) noted that Accounting data processing is complex: between the initial inputs and terminal output, that documents are sometimes returned for correction. According to him, it is in order to accommodate these various processing, that internal control system is developed. He further remarked that the Evaluation of any existing system of internal control helps to keep in check errors that cause documents to be returned, thus, facilitating the processing of accounting

information. This therefore conforms with the sociological conception of internal control as an aid to management efficiency. In the study on the Adequacy of Audit Evidence Accumulation in Public Accounting, Alvin (1970) reported that evidence accumulation is strongly affected by the internal control system. That internal control and materiality are associated directly to the audit procedures. He is also of the opinion that to ensure compliance with audit standards on evidence collection, minimum audit procedure should be developed for each audit areas. Compliance with this procedure strengthens evidence accumulation which is the essence of internal control system as weakness in the internal control does not ensure satisfactory evidence accumulation. This view enables the researcher to have a strong believe that weakness in internal control weakens management effectiveness and produces unreliable records and transactions.

Whittington (1978), reported that audit procedure involves the collection and evaluation of evidence to provide the basis for rational judgement concerning the financial statement of the entity under examination. (As Alvin 1970) reported, Whittingtong (1978) noted that the degree of the accumulated evidence demonstrates the "fairness of the financial statement of the entity. This is because, internal control affects the extent of corroborative evidence gathered and also brings about consensus judgement of the soundness of the entity's financial statement. This is why Whittington (1978) reported that his subjects demonstrated a high degree of concensus in evaluating internal control from "weak" to "strong". He agreed with Alvin (1970) that apart from this accumulated evidence, additional evidence is not

necessary to demonstrate the "fairness" of the financial data. Although his finding agreed with statement on Accounting practice, the study has not made use of stastistical tools to prove his argument.

In his work - Judgement formation in the Evaluation of Internal Control: An application of Brunswikes's lens model, Robert (1973), explained that the auditing literature suggests that the selection, timing, and extent of auditing procedure should depend upon the auditor's judgement of internal control effectiveness. He agreed with Alvin (1970), and Whittington (1978) that if the internal control system of an entity is strong, the judgement of the auditors at different times on the fairness of the entity's financial records will be consistent.

Weber (1977), reported in his study of some Aspects of Accuracy and consensus and the usefulness of a simulation decision aid for Assessing overal system reliability that, strong internal control system aids decision making and results in quality decisions.

In his study of Mathematic Models for internal control Evaluation, Baber (1980), reported that the probability distribution of processing errors as well as error rates affects optimal control decisions, which yields a richer conceptual framework for making control decisions than has been offered in prior studies.

The review of existing studies shows that apart from Baber (1980), none of the other studies used any of the none parametric statistics as an analytical tool. Their studies were based on "true" or "false" responses. Also all the reviewed studies were based on evaluation of internal control in general. There was none that was particular on a named establishment.

2.6 Structure of the Post-Primary Education Board

Edict No. 4 of 1988 established the post-primary Education Board of the then Bendel State of Nigeria. Following the creation of States in 1991, the Bendel State was split into two - Edo and Delta States. Since then, the law that established the Bendel State post-primary Education Board became applicable to Delta State.

The board has the following responsibilities:

A. Administration of the Unified Service including in particular:

   i. Power to appoint, promote and dismiss persons in the Unified Service.

   ii. power to exercise disciplinary control over teachers in the post-primary schools

   iii. power to transfer, post and deploy teachers from one local government area to another.

B. Complication and Maintenance of Teachers' records

C. Internal auditing, and

D Payment of salaries and allowances.

The powers conferred on the Board notwithstanding, the state government has power to give specific or general directives to the Board in the implementation of the education policy of the State" (Edict No. 4, 1988). Thus, "the Board is a body corporate with perpetual succession and a common seal and power to sue and to be sued in its corporate name (Edict No. 4, 1988).

The Board consist of the following officers:

1. a full-time chairman who must be ana Educationist
2. not more than 5 other persons of unquestionable itegrity and sound judgement who shall be full-time.
3. a representative of the NUT Delta State Wing, who shall be a part-time member.
4. a representative of the non-academic staff of post-primary institutions, who shall be a part-time member.

"While the Director-General of the Board is a civil servant, members of the Board usually hold office for 4 years (Education law, 1980).

The Board's Financial Memoranda

According to Ochulor (1994), the Financial Management practice of Government Boards are restricted by laws which established the procedures for the collection of monies and payment obligations. Thus, there is the need to extract some aspect of the board's financial memoranda.

The financial Memoranda (FM) serves as a guide to the application of all monetary allocations to the board, as it spells out the scope of the board's financial operations. The Financial Memoranda No. 2 Section 1-7 of 1992, stated that the financial duties and responsibilities of the post-primary Education board are:

i. prepare and submit the annual revenue and expenditure estimates of the board to the Ministry of Education for approval.
ii. ensure that appropriate action is taken in the payment of salaries and allowances.

iii. consider audit on the post-primary schools and take appropriate action.

iv. ensure that schools perform their duties in accordance with the financial memoranda.

A. Control of Revenues

According to FM No. 10 (1993), all revenue due to the board through the schools shall be controlled thus:

i. A register shall be maintained of all students arranged class by class.

ii. All fees due to the schools shall be received by the Bursar.

iii. An official printed receipt - Treasury 6A, for school fees and form Educ.C for other revenue shall be issued for all money and bank tellers received by the bursar on behalf of the school.

iv. payment of fees to the Bank shall be covered by an official receipt when a copy of the teller is received from the Bank.

v. Receipt shall be of the carbon copy types and shall be issued in strict serial number order.

vi. When a mistake is made on a receipt the receipt shall be cancelled and a new one shall be issued. All copies of the cancelled receipt shall be retained in the receipt book.

B. Control of Expenditure

Fm No. 12 (1993) stated that the control of expenditure of the board should be as follows:

a. The Director-General of the board shall be the officer controlling vote. The board will be responsible for the payment of the salaries and allowances of all teaching/non- teaching staff, who are employees of the board.

The board will maintain vote book for each school and will ensure that expenditure is incurred in accordance with the provisions in the approved estimate.

The Vote Book will be posted up-to-date in such form as shown in respect of each sub-head.

b. The vote will show the following:

i. the amount sanctioned in the estimate

ii. the amount of any additional provisions by supplementary estimate or reallocation of fund between sub-heads.

iii. any reduction of the provision by re-allocation of funds to another sub-head, should be made in red-ink.

iv. expenditure incurred.

v. any further known liabilities under the sub-head for the year.

8. Cash Control

Financial Memoranda No. 11 (1993) states that all items of cash receipt and payment should be treated as follows:-

i. Receipts:

a. All payment of school fees shall be in cash

b. The Bursar/Accountant of the Board shall maintain a cash Book to record all fees collected.

c. All receipt in the cash book shall include the date, the names of the payers and the number of all receipt issued.

d. Fees collected must be paid to the Treasury Cash Officer at the end of the week. In making the payment, the cash book must be cast and rulled off to show the total amount to be paid into the Treasury.

e. The Bursar shall maintain another cash book (school cash book) to record all money other than fees received by the school from which the school will meet its expenses.

f. No deduction shall be made from any revenue collection to adjust a previous over credit. The gross amount received must on all occasions be accounted for in full.

ii. **Payments:**

According to financial memoranda No. 11, all payment entries in the school cash book must be covered by voucher on one of the prescribed forms.

No money accruing to the board or school shall be paid into a private account and all monies found in a board's or school's safe during any inspection of the Board or School shall be paid into the Board's or School' Account.

When a cheque is spoiled or cancelled, it shall be affixed to the counterfoil and retained in the cheque book.

iii. **Imprest:**

According to fm number twenty, the term imprest is applicable to all sums advanced to officials of the board/school to meet expenditure under the current estimate for which vouchers cannot be prepared immediately for payment.

The two clauses of imprest explained by fm number twenty are:

a. standing imprest which may be reimbursed from time time during the financial year, and

b. Special imprest grated for a particular purpose which shall be retired in full within the period allowed when the service is completed.

Every imprest holder shall keep a cash book and shall record therein all receipts and payments. This applies to imprest for telegrams and postage. All standing imprest shall be retired on or before the 31st December of each year. Retirement shall be affected by the production of vouchers and or cash for the full amount of the imprest given to the official concerned.

2.7 Summary of the Related Literature

The literature reviewed in this study indicate that internal control is a vital aspect of the entire management processes. Since it helps to ensure reliability of records and transactions, thereby bringing about "fairness" of the entity's financial position.

It further showed that custodial arrangement, segregation and and supervision coupled with strick adherance to internal audit regulations and budgetory control, are essential tools for fostering internal control.

The empirical studies reviewed showed that most of the studies focused attention on segregation of duties and supervision. However, these studies have not examined the custodial of asset and fund control which this study examined

Chapter 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter of the study focused attention on the research method adopted, instrument used in collecting data and the statistical techniques employed in analysing the data collected.

3.2 Research Method Adopted

The researcher adopted the evaluative research method in carrying out this study. This involved collecting data on the Board's internal control system in order to determine whether the objectives of setting up the Teaching Service Board as stated in the Edict No. 4 of 1988 is being achieved.

The Edict No. 4 of 1988 stated the objectives of the board as:

A) Administration of the unified Teaching Service including in particular:

   i) power to appoint, promote and dismiss persons in the unified service.

   ii) power to exercise disciplinary control over teachers in post-primary institutions in the State.

   iii) power to transfer, post and deploy teachers from one local government area to another.

B) Compilation and maintenance of teachers' records.

C) Internal auditing

D) Payment of salaries and allowances to members of the unified service.

3.3 Population of The Study

The population of the study is the Administrative staff in the Board's Headquarters, School Principals and Bursars in the 288 Post-Primary Schools in the State. (Since they handle the affairs of teachers in the State Post-Primary Schools).

The quantitative size of the population is the 5 appointed Board members, 30 Administrative Staff in the Board Headquarters, 288 School Principals and 288 School Bursars numbering a total of 611 resource persons.

Sampling

According to Krejcie and Morgan's(1970) recommended table for determing sample size, the sample size of the study is 255 respondents made up as follows:

i) The five appointed Board members

ii) The 30 Administrative State in the Board's Headquarters

iii) 110 School Principals out of the 288 school principals, to be selected randomly using a table of random numbers.

iv) 110 School Bursars out of the 288 bursars in the 288 schools in the State, selected randomly using a table random numbers.

3.4 Data Gathering Procedure

The data for the study was collected by the use of questionnaire. The researcher wrote the respondents, requesting their cooperation in answering the questions in the questionnaire. The questionnaire was distributed personally by the

researcher to the respondents and collected back a week from the day the instrument was distributed.

3.5 Description of Instrument Used

The researcher made used of the questionnaire method in collecting the data for this study. There were two sets of questionnaires that were administered to the respondents, thus:

(a) The first set of questionnaire contained questions which tests the strength of Internal Control System in the Board, and;

(b) The second set of questionnaire contained questions which tests the application of the features of Internal Control. Both sets of questionnaire were developed into a likert scale of 5 points:

- Strongly agree 5 points
- Agree 4 points
- Disagree 3 points
- Strongly disagree 2 points
- No opinion 1 point.

A mean of 3 and above is regarded as the strength of Internal Control and strong compliance to the features of Internal Control respectively. While a mean of below 3 is regarded as weakness in the internal control system and compliance with the features of internal control.

3.6 Result of Pilot Study

The instrument used in the study was made up of 35 items adopted from those developed and standardised by Kenneth et al. (1980).

To validate this instrument, the 35 items selected were administered to 10 senior staff of Edo State Post-Primary Education Board and 30 Principals and Bursars of selected secondary schools in the State.

To ensure the reliability of the instruments, test re-test method was used. The result of the test re-test was found to be consistent with the first test because both result showed strong strength of internal control system in the Education Board. The reliability coefficient was calculated to be 0.90 using spearman correlation for rank data.

Item analysis was also conducted on the test items on the questionnaire using the mean method. From the analysis the mean was found to fall between 4.6 and 2.3 from the responses of the respondents. Thus, the analysis showed that 25 out of the 35 items contained in the questionnaire were adequate representing 71.5% while 10 representing 28.5% were rejected.

3.7 Hypothesis Testing

The researcher used the chi-square statistic at an alpha level of 0.05 for hypothesis 1: - There is no significant difference between the observed and expected internal control system of the board. The formula is:

$$x^2 = \frac{\sum(fo - fe)^2}{fe}$$

Where fo = frequency observed and fe = frequency expected.

The researcher analysed the second hypothesis - There is no significant difference between the opinions of the school principals, bursars and those of Administrators over the internal control system of the board. Using one-way ANOVA, at an alpha level of 0.05. The formular is:

$$F = \frac{Bg_{SS}/K\text{-}1}{Wg_{SS}/K(N\text{-}1)}$$

Where Bg_{SS} = Between groups sums of squares

Wg_{SS} = Within groups sums of squares

K-1 = Degree of freedom for between group, and

K(N-1) = Degree of freedom for within group.

The researcher used the t-test statistic to analyse hypothesis 3 -. There is no significant difference between the board's internal control system and the features of internal control, in the options of the respondents. The formular for t-test is: –

$$t = \frac{X_1 - X_2}{SP\sqrt{\frac{1}{N_1} + \frac{1}{nn_2}}}$$

Where $SP = \sqrt{\frac{(n_1 - 1)\, S^2_1 \,(n_2 - 1)\, s^2_2}{n_1 + n_2 - 2_2}}$

at an alpha level of 0.05.

The researcher analysed the fourth null hypothesis - "There is no significant relationship between the opinions of the school principals and bursars over the internal control system of the board". Using the pearson product moment correlation coefficient (PPMR).

The formular is:

$$\Gamma = - \frac{N\Sigma Xy - (\Sigma X)(\Sigma y)}{\sqrt{[(N\Sigma X^2 - (\Sigma X)^2][N\Sigma y^2 - (\Sigma y)^2]}}$$

Where:

X - variables on the opinions of the School Principals

y - variables on the opinions of the School Bursars

N - Number of items.

Chapter 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The data collected for this study were presented and analysed in this chapter. A total of 255 copies of the questionnaire were distributed to the respondents by the researcher, out of which 245 questionnaire were fully responded to, hence 245 copies of the questionnaires were analysed to achieve the objective of the study.

4.2 Data Presentation

The data collected for the study are presented below in table forms, and used to answer the research questions/test the Null hyphotheses in the study.

Table 4.1: FREQUENCY TABLE ON THE STRENGTH OF INTERNAL CONTROL QUESTIONNAIRE

S/No	TEST ITEMS	1	2	3	4	5
1.	There is a written authorization for employees added or removed from the payrolls	27	14	26	94	84
2.	Persons who prepare the payrolls do not provide the authorization required in (1) above	29	31	31	89	65
3.	All calculations and additions of payrolls and payrolls summarises are checked to an adequate extent	10	15	21	111	88
4.	Any unclaimed wages/salaries are recorded and paid back to government treasury	20	24	37	85	79
5.	Payrolls deductions are regularly paid to the 3rd party	36	27	52	81	54
6.	Reimbursement of imprest is under custody of chief Cashier/designated officer	19	19	29	90	88
7.	Imprest is periodically verified and reconciled with the general ledger control account by a person other than the custodian of cash	19	20	36	101	69
8.	Disbursement from imprest and similar funds are supported by adequate documentation and are approved	13	15	18	107	92
9.	Bank cheques and bank transfers are prepared by persons other than those who initiate or approve any document which gives rise to disbursement	18	24	37	88	88
10.	Cheques are signed by officials other those who approve transactions for payment	22	27	32	85	74
11.	The detailed record of inventories are maintained by persons other than the storekeepers	27	30	44	98	46
12.	All purchase are initiated on the basis of appropriate written authorization	20	13	22	103	87
13.	Grants from Government are duely recorded	6	19	18	97	105
14.	School Fees/Revenue are regularly paid to Govt.	15	20	35	95	80
15.	Bank statements are regularly reconciled.	18	16	19	96	96

This table shows the frequency count of the respondents on each test item on the questionnaire which was devloped into a 5 point likert scale of:

No opinion	-	1 points
Strongly disagree	-	2 points
Disagree	-	3 points
Agree	-	4 points
Strongly agree	-	5 points

This table shows the frequency of responses in each of the options in the likert scale, in the questionnaire testing the strength of internal control system in the board.

The table further reveals that the respondents responded to all items on the questionnaire. Out of 255 questionnaire distributed, 245 were successfully returned.

Research Question 1: What is the difference between the observed and Expected internal Control system of the Board?

Table 4.2 EXPECTED AND OBSERVED EVENTS TABLE

S/No	TEST ITEMS	Expected Event	Observed Event
1	There is a written authorization for employees added/or removed from the payrolls	5	4.03
2	Persons who prepare the payrolls do not provide the authorization required in (1) above	5	4.02
3	All calculations and addidtions of payrolls and payrolls summaries are checked to an adequate extent	5	2.79
4	Any unclaimed wages/salaries are recorded and paid back to government treasury	5	3.73
5	Payroll deduction are regularly paid to the third party	5	3.38
6	Reimbursement of imprest is under custody of Chief Petty Cashier/designated officer	5	3.38
7	Imprest is periodically verified and reconciled with the general ledger control account by person other than the custodian of cash	5	3.73
8	Disbursement from imprest and similar funds are supported by adequate documentation and	5	3.53
9	Bank cheques and bank transfer are prepared by persons other than those who initiate or approve any document which gives rise to disbursement	5	3.57
10	Cheques are signed by officials other than those who approve transactions for payment	5	3.66
11	The detailed records of inventories are maintained by persons other than the storekeepers are approved.	5	3.45
12	All purchases are initiated, on the basis of appropriate written authorization	5	3.92
13	Grants from Government are duely recorded	5	4.13
14	School fees/revenues are regularly paid to government	5	3.84
15	Bank Statements are regularly reconciled	5	3.96

This table shows the expected and observed events by the respondents on each item on the instrument testing the strength of internal control system of the board. The value "5" was regarded as the expected event on each item on the instrument. While each correspoding values is the observed events which were arrived at by calculating the mean of the respondents responses on each of the test items on the instrument.

A mean score of 3 was regarded as a good strength of internal control system in the Board. Since only test item 3 had a mean score of 2.79, it then implies that there is no weakness in the Board's internal control system.

Research Question 2: What are the opinions of school Principals, Bursars and the Administrators over the Internal Control System of the board?.

Table 4.3 THE OPINIONS OF THE PRINCIPALS, BURSARS AND ADMINISTRATORS ON THE STRENGTH OF THE BOARD'S INTERNAL CONTROL SYSTEM

S/No.	TEST ITEMS	P*	B*	A*
1	There is a written authorization for employees added/or removed from the payrolls	4.324	3.238	3.857
2	Persons who prepare the payrolls do not provide the authorization required in (1) above	4.076	3.029	3.400
3	All calculations and additions of payrolls and payrolls summaries are checked to an adequate extent	4.324	3.733	4.029
4	Any unclaimed wages/salaries are recorded and paid back to government treasury	4.171	3.257	3.829
5	Payrolls deductions are regularly paid to the third party	4.010	2.771	3.371
6	Reimbursement of imprest is under custody of chief petty cashier/designated officer	4.276	3.352	4.084
7	Imprest is periodically verified and reconciled with the general ledger control account by a person other than the custodian of cash	4.190	3.333	3.600
8	Disbursements from imprest and similar funds are supported by adequate documentation and are approved	4.333	3.638	4.229
9	Bank cheques and bank transfer are prepared by persons other than those who initiate or approve any document which give rise to disbursement	4.124	3.057	3.486
10	Cheques are signed by officials other than those who approve transactions for payment	4.276	3.086	3.543
11	The detailed records of inventories are maintained by persons other than the storekeepers	4.029	2.762	3.657
12	All purchases are initiated on the basis of appropriate written authorization	4.381	3.362	4.131
13	Grants from Government are duely recorded	4.467	3.714	4.343
14	School fees/revenues are regularly paid to government	4.238	3.448	3.800
15	Bank Statements are regularly reconciled	4.448	3.476	3.971

*P = **Principals**
B = **Bursars**
A = **Administrators**

This table shows the mean opinions of the three categories of respondents (P = Principals, B = Bursars, and A = Administrators) used in the study.

The researcher has noted that a mean of 3 and above on each test item in the questionnaire represents a good strength of internal control system in the board, while a mean below 3 represents weakness in the internal control system. The above table, reveals that all categories of respondents accept that each test item is strong in the internal control system of the board since they all have a mean of 3 and above.

The table further revealed that the Principals have a higher mean in all test items on the questionnaire. This is followed by the mean response of the Administrators. The Bursars' mean score has the lowest mean of at least 3.

However, two test items were reported by Bursars to have a weakness in the internal control system. These are items number:

5. Payrolls deductions are regularly paid to the third party, and

11. The detailed record of inventories are maintained by persons other than the storekeepers.

Thus, the respondents do not hold the same opinion over the internal control system of the board.

Research Question 3: What is the difference between the Internal Control System of the Board, and the features of internal control?.

Table 4.4 THE MEAN SCORE TABLE ON THE FEATURES OF INTERNAL CONTROL FOR ALL RESPONDENTS

S/No	TEST ITEMS ON FEATURES OF INTERNAL CONTROL	MEAN
1	There is separation of responsibilities for the custody of assets and the record keeping	3.88
2	The physical arrangement of assets will prevent unauthorized access to the assets	3.91
3	There is adequate segregation of duties so that the work of one person checks that of another	4.10
4	There is no independent action by a single person or party in handling transactions	4.13
5	There is adequate supervision of the work of persons involved in the operations of the basis controls	4.06
6	There is adequate validation of transactions	4.00
7	There is adequate authorization of transactions	5.15
8	All transactions are usually entered in control documents	4.16
9	There is adequate recording of all transactions	4.27
10	Vouchers are verified by the internal audit department before disbursement is made	4.37

As noted earlier a mean of 3 and above denotes good strength of internal control in the board. Thus, an observation of table 4.4 reveals that all test items in the questionnaire have a mean exceeding 3. Therefore, it can be deduced from the table that there is good application of the features of internal control system in the board.

It was discovered from table 4.4 above, that the 1st item testing the separation of responsibilities for the custody of assets and record and the second test item, testing the physical arrangement of assets to prevent unauthorized access to assets, in the opinion of the respondents scored the least mean. Even though their mean score falls within the range showing the strong application of the features of internal control, it indicates that sufficient arrangement has not been put in place by management of the board to ensure strict compliance.

The table also showed that item number 10 - testing the verification of vouchers had the higherst mean score of 4.37 which tends strongly towards the expected efficiency level of 5.00. This further indicates that the board's internal audit department is efficient in its operations.

Research Question 4:

What is the relationship between the views of School Principals and Bursars over the internal control system of the board?.

Based on table 4.3, it was discovered that the Principals mean score was 4 and above, while the Bursars scored a mean of 3 and above, except on test item 5 and 11 where a mean of 2.8 each were recorded. This shows that both the Principals and the Bursars agreed on a good strength of the board's internal control system. Since 3 was the range of acceptance of the existance of internal control in the board.

On test item 5 and 11, whereas, the Principals reported the existance of internal control on these test items, the Bursars said that there was no existance of internal control on them. That is, payroll deductions were not regularly paid to the third party, and that there was poor inventory management in the board.

Table 4.5: RESPONSES ON THE STRENGTH AND FEATURES OF INTERNAL CONTROL SYSTEM OF THE BOARD

This table is divided into table 4.5(1) and 4.5(2) representing responses for strength of internal control system of the board, and the application of the features of internal control by the board respectively.

Table 4.5(1) below shows the respondents responses on the strength of internal control system.

Table 4.5(1) RESPONSES ON THE STRENGTH OF INTERNAL CONTROL SYSTEM (X_1)

S/No	TEST ITEMS	MEAN RESPONSE
1	There is a written authorization for employees added/or removed from the payrolls	3.79
2	Persons who prepare the payrolls do not provide the authorization required in (1) above	3.53
3	All calculations and additions of payrolls and payrolls summaries are checked to an adequate extent	4.03
4	Any unclaiamed wages/salaries are recorded and paid to the government treasury	3.73
5	Payroll deductions are regularly paid to the third party	3.38
6	Reimbursement of imprest is under custody of chief petty cashier/designated officer	3.85
7	Imprest is periodically verified and reconciled with the general ledger control accounts by a person other than the custodian of cash	3.73
8	Disbursement from imprest and similar funds are supported by adequate documentation and are approved	4.02
9	Bank cheques and bank transaction are prepared by persons other than those who initiate or approve any document which gives rise to disbursement	3.57
10	Cheques are signed by officials other than those who approve transactions for payment	3.66
11	The detailed records of inventories are maintained by persons other than the storekeepers	3.43
12	All purchases are initiated on the basis of appropriate written authorization	3.92
13	Grants from Government are duely recorded	4.13
14	School fees/revenues are regularly paid to government	3.84
15	Bank Statements are regularly reconciled	3.96

Table 4.5(2) below shows the respondents responses on the board's application of the features of internal control.

Table 4.5(2) RESPONSES ON THE APPLICATION OF THE FEATURES OF INTERNAL CONTROL SYSTEM (X_2)

S/No	TEST ITEMS	MEAN RESPONSE
1	There is separation of responsibilities for the custody of assets and the record keeping	3.88
2	The physical arrangement of assets will prevent unauthorized access to the assets	3.91
3	There is adequate segregation of duties so that the work of one person checks that of another	4.10
4	There is no inadependent action by a single person or party in handling transactions	4.13
5	There is adequate supervision of the work of persons involved in the operations of the basic controls	4.06
6	There is adequate validation of transactions	4.00
7	There is adequate authorization of transactions	4.15
8	All transactions are usually entered in control documents	4.16
9	There is adequate recording of all transactions	4.27
10	Vouchers are verified by the internal audit department before disbursement are made	4.37

These tables 4.5(1) and 4.5(2) were used to test the null hypothesis 3, using the "T" test statistic.

4.3 Data Analysis and Findings of the Study

The four null hypotheses used in the study are now tested in order to provide answers to the research questions in the study.

Null Hypothesis I: There is no significant difference between the observed and Expected Internal Control System of the board in the opinions of the respondents.

The researcher used the chi-square statistic at on alpha level of 0.05. The formular is:

$$x^2 = \sum \frac{(fo - fe)^2}{fe}$$

Where:- Fo = frequency observed, and
Fe = frequency expected

Table 4.2 on page of this study is used for this analysis

$$\sum(Fo - Fe) = 23.3549$$
$$Fe = 5$$

$$x^2 = \sum \frac{(fo - fe)}{fe}$$

$$x^2 = \frac{23.3549}{5}$$

$$x^2 = 4.67$$

Thus, x^2 Calculated = 4.67 and x^2 critical = 6.57 at alpha level of 0.05 Decision Rule = Reject H_0 if x^2 calculated) x^2 critical.

Otherwise do not reject.

Hence 4.67 < 6.57, Ho, is not Rejected.

Thus, there is no significant difference between the expected and observed internal control system of the board in the opinions of the respondents

The result of this statistical analysis informs us that there is strong internal control system in the Delta State Post-primary Education Board. Because there is no significant difference between the Observed and the Expected internal control system in the opinions of the respondents. This result agrees with the answer to the research question 1: What is the difference between the observed expected internal

control system of the Board. There is no weakness in the board's internal control system, as the observed events did not statistically differ significantly from the expected events. This implies that there is strong compliance with regulations and policies of the Board. It also mean that there is managerial efficiency which agrees with Bazley (1984) who stated that strong internal control are measures adopted to reduce the possibilities of errors and omissions of records and transactions throughout the organization. Further more, it also agrees with Seongjae (1972) who noted that strong strength of internal control helps to keep errors that causes document to be return in check and thus facilitate the processing of Accounting information.

Since there is no weakness in the board's internal control system, it demonstrates that there is fairness in board's operations. As Whittington (1978) noted in his study that "Strong strength of internal control demonstrates that there is fairness of the entity's financial statement. This also agreed with Alvin (1970) who reported in his study on the Adequacy of Audit Evidence Accumulation in Public Accounting that "additional evidence are not necessary to demonstrate the "fairness" of the financial data once there is the existence of good strength of internal control. See Appendix 3 for detailed working of the Chi-square statistic.

Null Hypothesis 2: There is no significant difference in the opinions of the the School Principals, Bursars and those of the Administrators over the internal control system of the board.

The researcher used the Analysis of Variance (ANOVA) statistic at an alpha level of 0.05, see detailed working in Appendix 4.

Table 4.3 is used for the calculations.

SUMMARY TABLE OF ONE - WAY ANOVA				
Sources of Variation	Sums of Square	Df	Mean Square	F
Between Group	6.959	2	3.480	50.19
Within Group	2.912	42	0.069	
Total	**9.871**	**44**	-	-

F calculated = 50.19
F critical at alpha of 0.05, degree of freedom 2,42 = 3.23

Decision rule = Reject Ho, if F-cal > F-critical, therefore, since 50.19 > 3.23, the null hypothesis is Rejected: Thus,

There is statistically significant difference in the opinions of the school principals, bursars and that of administrators over the internal control system of the board.

The result of the One-way analysis of Variance above, has shown that the three categories of respondents did not have the same degree of opinion on the strength of the internal control system in the board.

For instance, the Principals generally agreed on the existence of strong internal control system in the board. An observation of table 4.4, will reveal that all the test items testing the strength of the board's internal control system had a mean score exceeding 4.

On the other hand, the Bursars reported that there is weakness in test item No. 5 and 11, testing whether payrolls deductions were regularly paid to the third party and the detailed records of inventories are maintaianed by persons other than the storekeepers. This is because the Bursars are the officers in-charge of stores in their various schools based on the board's financial mamoranda.

Thus, in the opinions of the School Bursars, Payrolls deductions were not regularly paid to the parties concerned, which is a negation of the principles of cash basis of Accounting. The Bursars also noted that inventories are not maintaianed by persons other than the storekeeper. This informs the researcher that, it is the storekeeper that keeps records of inventories as well as being in custody of these inventories. Which implies that there is no segregation of duties of inventory management, this results in losses of items of stores.

The Administrators reported that strong internal control exists in all the 15 test items, testing the strength of internal control system of the board.

Null Hypothesis 3: There is no significant difference between the board's internal control system and the features of internal control, in the opinions of the respondents.

The researcher used the T-test at an alpha level of 0.05 to analyse this hypothesis. The T-test will be calculated from table 4.5.

The T-test formular is

$$t = \frac{X1 - X2}{SP\sqrt{\frac{1}{n} + \frac{1}{n_2}}}$$

$$\text{Where: } SP = \sqrt{\frac{(n_1 - 1)\ S_1^2 + (n_2 - 1)\ S_2^2}{n_1 + n_2 - 2}}$$

(Detailed working is in appendix 5)

		X1	X2
X	=	56.57	41.03
X_2	=	214.0549	168.5509
n	=	15	10
X	=	3.7713	4.1030
S	=	0.2253	0.1509
S2	=	0.0508	0.0228
SP	=	0.1996	
t	=	-4.07	

Thus, t = calculated = - 4.07, and t - critical = 2.07, so t - calculated < t - critical, since -4.07 < -2.07. Hence Ho is not rejected. Therefore, there is no significant difference between the board's internal control system and the features of internal control.

The result of the third null hypothesis shows that there is no difference between the internal control system of the board and her application of the features

of internal control. This confirms the first null hypothesis that, truely, there is no significant difference between the expected and observed strength of the board's internal control system. This is because if the features of internal control is fully applied, there should be no weakness in the internal control system. Thus, there are good custodial arrangement for assets, adequate segregation of duties so that the work of one person checks that of another, and adequate supervision involved in the operation of the basic controls, and good financial policy. This agrees with the view of Kenneth (1980) who reported that these features are necessary to ensure strong strength of any internal control system.

Null Hypothesis 4: There is no significant relationship in the opinions of the School Principals and the Bursars over the internal control system of board

The researcher tested this hypothesis using the peason product moment correlation coefficient (PPMR). The formular is:

$$r = \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{(N\Sigma x^2 - [(\Sigma x)^2 (N\Sigma y^2) - (\Sigma y)^2]}}$$

Where X = Variables on the opinions of Principals
Y = Variables on the opinions of Bursars
N = Number of items

The detailed working is shown in appendix 6.

ΣN	=	15
ΣX	=	63.667
ΣX	=	270.517225
ΣY	=	49.256
ΣY2	=	163.02651
ΣXY	=	209.571475
r	=	0.837

Since r is 0.837 it indicates that there is high possitive correlation between the opinions of the School Principals and Bursars, as r is possitive.

A further statistic is applied on this result to find out the coefficient of Determination using the formula:-

$$\begin{aligned} CD &= r2 \\ &= (0.837)^2 \\ &= 70\% \end{aligned}$$

A result of 70% is obtained which indicates very high corrolation. Thus, the views of the School Principals and Bursars are closely related in their opinions about the strength of the board's internal control system.

The high positive relationship in their opinions demonstrates the correctness of null hypothesis one, that there is strong strength of internal control system of the board. Because both the School Principals and Bursars are deeply involved in the financial operations of the board, based on the power given to them by the board's financial memoranda.

The graphical presentation of this relationship is shown in appendix 7.

Chapter 5

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study is to asses the degree of compliance with the financial rules and regulations governing the Delta State Post-Primary Education Board, and to evaluate if the existing system of internal control in the Board conforms with the features of internal control. The need to carry out this study was informed by the inability of the Board to discharge her assigned responsibilities by the Edict No. 4 of 1988 established it. The instrument used to elicit responses from test the various null hypotheses used in the study.

5.2 Summary of Findings

From the analysis of the data collected the findings of this study can be summarized thus:

From table 4.3, it was discovered that the principals reported that there is strong internal control in the board. As all test items on the questionaire had a mean of 4 and above as against the expected 5.

The Bursars agreed that there is weakness in test items no 5 and 11 on the questionaire, because these items have a mean score below 3. That is, the Bursars agreed that the board does not pay payrolls deductions regularly to the third party. Also, they agreed that the board does not separate the record keeping for inventories from the storekeeper. This does not give chance for check and balances

in inventory management. Since the custodian of Assets is also charged with its record keeping. On other test item, they believed that there is enough evidence of internal control.

The Administrators agreed on the existence of good strength of internal control in the board, since their mean responses in all test items on the questionaire is 3 and above.

All the three categories of respondents generally agreed that there is strong application of the features of internal control by the board's management. This indicates that there is compliance with the laid down regulations/policies of the board.

However, there is the need to still strengthened item one and two in the questionnaire, because they had the least mean of 3.88, and 3.91 while others had a mean of 4 and above. Thus, the separation of the responsibilities for the custody of assets and the record keeping for assets has not been properly addressed. These two responsibilities should not be in the hand of a single individual.

Secondly, the arrangement for assets should prevent unauthorized access to assets. This, in the opinion of the respondents, has not been very satisfactory. This suggest that individuals have been having access to the board's assets.

In table 4.2, it was discovered that the following test items:

1. There is a written authorization for employees added/or removed from the payrolls, had a mean of 4.03, and

2. Persons who prepare the payrolls do not provide the authorization required in (1) above had a mean of 4.02.

These suggest that there is no likelihood of Ghost workers in the services of the board. Since employees' names were duely authorized into the payrolls, and it is not those who prepared the payroll that gives the authorization required.

The testing of the four null hypotheses used in the study further revealed as follows;-

(a) **Null Hypothesis 1**: revealed that there is no statistically significant difference between the expected and observed internal control system of the board. Thus, there is strong strength of internal control system in the post-primary Education Board. This shows that there is compliance with the regulations/policies of the board.

(b) **Null Hypothesis 2**: revealed that there is statistically significant difference in the opinions of the school principals, Bursars and Administrators over the internal control system of the Board. The differences are due to (1) lack of separation of the functions of the storekeeper and record keeping for inventories, and (2) preventing unauthorized access to assets of the board.

(c) **Null Hypothesis 3**: revealed that there is no statistically significant difference between the board's internal control system and the features of internal control. This suggests that the board applies standard principles of internal control in her management.

(d) **Null Hypothesis 4**: revealed that there is strong positive relationship between the opinions of the School Principals and the Bursars over the internal control system of the board. The strength of the relationship is calculated to be 70 percent.

The respondents agreed, that School fees/Revenues from the board are regularly paid to government. This confirms that the School Principals and Bursars are actually committed to their responsibilities, hence the high positive relationship in their opinions over the internal control system of the board.

5.3 Conclusions

This study evaluated the internal control system of the Delta State Post-primary Education. The need to carry out this study was informed by the outcry by Government on wasteful spending by public officers. Thus, the belief was that the board's inability to meet up with her statutory obligations might be due to weakness in the board's internal control system, which reduces the degree of reliability of records and transactions and gives room to waste of public funds.

However, the findings of the study show that the Delta State Post-primary Education Board has a strong internal control system. Also, the generally accepted features of internal control by most internationally recognised professional Accounting bodies are strongly being applied by the board's management.

While the School Principals and Administrators believed that all the test items on the questionnaire have a good strenth of internal control, the School Bursars reported weakness in two test items within the board's internal control system. These are:

A. That payroll deductions are not regularly paid to the third party.

B. That detailed record of inventories are not maintained by persons other than the storekeepers.

The responses on item 1 and 2, testing the inclusion and removal of names from the payroll, explain that all names included in the payrolls or removed from the payrolls were duely authorized by the management of the board in line with established procedures. This suggests the none existence of ghost staff on the payrolls. Since employees' names were duly authorized into the payroll and it is not those who prepare the payroll give the authorization required.

Since the Schools Principals and Bursars are involved in the financial matters of the board, their views were corrolated in order to establish the strength of their opinions on the board's internal system. The correlation test showed that they believed there is the existence of good internal control system by their high positive correlation. When coefficient of determination was tested to determine the strength of the relationship, 70% was obtained, indicating that their views have a high positive relationship.

Although the respondents reacted on positive application of the features of internal control, their responses showed that inventory management in the board need some overhaulling. This is because, the two test items testing inventory management had the least mean score of 3.88 and 3.91 while the 8 other test items had a mean score of 4 and above. Loss of inventories is a waste to the board and the public.

5.5 Recommendations

From the findings of this study, the following recommendations are made with a view to improving the board's internal control system.

1. There must be absolute separation of the responsibilities of record of inventories from the storekeeper's function by the Director of finance and supply. This is to provide the checks and balances in the board's inventory management, thereby enhancing the reliability of inventory record as the respondents agreed that storekeeping and record of inventory is not separated.
2. There must be orderly arrangement of Assets in such a way that unauthorized hands would not have access to it by the secretary to the board.
3. All payroll deductions must be paid to the third party involved as at when due to ensure reliability of financial records.

4. The board should be uphold the practice of authorizing addition/removal of names from the payrolls, as this will check the inclusion of "ghost" names on the payrolls.

Recommendation for Future Studies

The following recommendations are made for future study as a way of finding out why the board has not been able to perform her statutory responsibilities satisfactorily.

1. There is need to conduct a study on the budgetory and financial control of the board. This will help in assessing the financial need of the board.
2. There should be a study on the manpower appraisal of the board, to show the extent of the board's manpower utilization.
3. A study on the board's inventory management and control should be carried out to show areas of waste of inventories in the board.

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APPENDIX I

DEPARTMENT OF VOCATIONAL AND TECHNICAL EDUCATION
FACULTY OF EDUCATION
AHMADU BELLO UNIVERSITY, ZARIA.

Dr_____

Dear Sir/Madam,

M.ED BUSINESS EDUCATION THESIS QUESTIONNAIRE

I am a post-graduate student in this University, undergoing a Master degree programme in Business Education. (Under the Technical Teachers Training Programme).

As part of the requirements for the award of the degree, the University requires us to present copies of our Thesis. For which this topic has been approved for me.

"EVALUATION OF INTERNAL CONTROL SYSTEM IN GOVERNMENT:
A STUDY OF THE DELTA STATE POST-PRIMARY EDUCATION"

Kindly complete the attached questionnaire which is meant to elicit information on the above research topic. Your responses will be kept strictly confidential and used for academic purpose only.

Thanks for your co-operation.

Yours faithfully

(Signed)
Mowuogwu Alex

QUESTIONNAIRE

Questionnaire on Strength of Internal Control

Please fill in the following particular:-

1. Name of Your School/Office:_____
2. Your Official Status:_____

Part A

Please tick / ✔ / against the option that agrees with your opinion, thus:

Strong agree	5
Agree	4
Disagree	3
Strongly Disagree	2
No Option	1

		1	2	3	4	5
1.	There is a written authorization for employees added/or removed from the payrolls.					
2.	Persons who prepare the payrolls do not provide the authorization required in (1) above.					
3.	All calculations and additions of payrolls and payrolls summaries are checked to an adequate extent					
4.	Any unclaimed wages/salaries are recorded and paid back to government treasury					
5.	Payroll deducation are regularly paid to the third party					
6.	Reimbursement of imprest is under custody of Chief Petty Cashier/disgnated officer					

7.	Imprest is periodically verified and reconciled with the general ledger control account by a person other than the custodian of cash				
8.	Disbursement from imprest and similar funds are supported by adequate documentation and are approved				
9.	Bank cheques and bank transfer are prepared by persons other than those initiate or approve any document which gives rise to disbursement				
10.	Cheques are signed by officials other than those who approve transactions for payment				
11.	The detailed records of inventories are maintained by persons other than the storekeepers				
12.	All purchases are initiated on the basis of appropriate written authorization				
13.	Grants from Government are duely recorded				
14.	School fees/revenues are regularly paid to government.				
15.	Bank Statements are regularly reconciled.				

Part B

Features of Internal Control Questionnaire

This part is to elicit information for testing the features of internal control used in the Board.

Please tick / ✔ / against the opinion of your choices thus:-

Strongly Agree	5
Agree	4
Strongly Disagreed	2
Disagreed	3
No Opinion	1

1. There is separation of responsibilities for the custody of assets and the record keeping

2. The physical arrangement of assets will prevent unauthorized access to the assets

3. There is adequate segregation of duties so that the work of one person checks that of another

4. There is no independent action by a single person or party in handling transactions

5. There is adequate supervision of the work of persons involved in the operations of the basic controls

6. There is adequate validation of transactions

7. There is adequate authorization of transactions

8. All transactions are usually entered in control documents

9. There is adequate recording of all transactions

10. Vouchers are verified by the internal audit department before disbursement are made

Appendix III

VALIDATION CHECKLIST

After you have completed the questionnaire, please answer these questions concening the format and the content of the instrument. Your responses will be used to improve the final draft of the instrument which will be sent to the sample population.

1. Did you understand the purpose of the questionnaire from reading the cover letter? Tick (✔) that which appeals to you.

   Yes / / No / /

2. How long did it take you to complete filling the questionnaire? Please specify the time take:_____

   _____

3. Was the length of time taken acceptable to you?

   Yes / / No / /

4. Were the directives clear to you concerning where to place your responses?

   Yes / / No / /

5. Did you find any item(s) ambigous to respond to?
   Yes / / No / /

6. If yes, please identify such item(s) below:_____

   _____

7. Did you find any question irrelevant for the study?

   Yes / / No / /

8. If yes, please identify/indicate such item(s) below and the part of the questionnaire:_____

Thanks for your assistance.

APPENDIX III

CHI - SQUARE STATISTIC II

Fo	Fe	Fo - Fe	(Fo - Fe)	$\frac{\sum(Fo - Fe)^2}{Fe}$
3.79	5	-1.21	1.4641	0.2928
3.53	5	-1.47	2.1609	0.4322
4.03	5	-0.97	0.9409	0.1882
3.73	5	-1.27	1.6129	0.3226
3.38	5	-1.62	2.6244	0.5249
3.85	5	-1.15	1.3225	0.2645
3.73	5	-1.27	1.6129	0.3226
4.02	5	-0.98	0.9604	0.1921
3.57	5	-1.43	2.0449	0.4090
3.66	5	-1.34	1.7956	0.3591
3.43	5	-1.57	2.4649	0.4930
3.92	5	-1.08	1.1664	0.2333
4.13	5	-0.87	0.7569	0.1514
3.84	5	-1.16	1.3456	0.2691
3.94	5	-1.04	1.0816	0.2163
		Fe=75	=23.3549	

$$\chi^2 = \frac{\sum(Fo - Fe)2}{Fe}$$

$$\chi^2 = \frac{23.3549}{5}$$

$$\chi^2 = 4.671$$

χ^2 critical = 6.57

Ho is not Rejected

SUMMARY TABLE OF ONE WAY ANOVA

Source of Variation	Sums of Square	Degree of Freedom	Mean Square	F
Column	6.959	2	3.480	50.19
Error	2.915	42	0.069	
TOTAL	9.871	44	-	-

F - Calculated = 50.17
F - Critical at alpha 0.05 = 3.23
Since F - Cal. > F - Crit; Ho is Rejected.

t - TEST STATISTIC APPENDIX V

Ho: X1 = X2

H1: X1 = X2

T = X1 - X2

$$\frac{1}{n2} + \frac{1}{n2}$$

$$\frac{}{} \quad V = \text{degree of freedom}$$

$$= N1 + n2 - 2$$

$$= 15 + 10 - 2 = 23$$

$$X = \frac{Ex}{n}$$

$$S2 = \frac{nEx2 - (Ex)^2}{n(n-1)}$$

	Internal Control X1	Features of Internal Control X2
1	3.79	3.88
2	3.53	3.91
3	4.03	4.10
4	3.73	4.13
5	3.38	4.06
6	3.85	4.00
7	3.73	4.15
8	4.02	4.16
9	3.57	4.27
10	366	4.37
11	3.43	
12	3.92	
13	4.13	
14	3.84	
15	3.96	
EX	56.57	41.03
EX2	214.0549	168.5509
n	15	10
X	3.7713	4.1030
S	0.2253	0.1509
S2	0.0508	0.0228
SP	0.1996	
T	-4.07	

t - critical = -2.07 > T < 2.07 - t/2 > T < t/2

PERSON PRODUCT MOMENT CORROLATION
COTTICIENT (APPENDIX V)

	[illegible]	P(X)	P(Y)
1		4.324	3.238
2		4.076	3.029
3		4.324	3.733
4		4.171	3.257
5		4.010	2.771
6		4.276	3.352
7		4.190	3.333
8		4.333	3.638
9		4.124	3.057
10		4.276	3.086
11		4.029	2.762
12		4.381	3.362
13		4.467	3.714
14		4.238	3.448
15		4.448	3.476

x = 63.667
N = 15
x = 63.667
x = 270.517
y = 49.256
y2 = 163.027
xy = 209.571
y = 49256

$$r = \frac{15\ (209.571) - (63.667)\ (49.256)}{\sqrt{15\ (270.517) - (63.667)\ 2\ (15)\ (163.027)\ (49.256)2}}$$

$$= 0.837$$