**THE PROCEDURES OF INTERNAL CONTROL IN THE LOCAL GOVERNMENT**

**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

The success sustenance of an organization through the use of effective control measure with strict emphasis on proper documentations has been the central principle of most organization. The trend arises out of the changing and volatile economic conditions which led to the introduction of certain phenomenon such as the austerity measures of the early 1980’s and the International Monetary Fund (IMF) sponsored the structural adjustment programme in the 90’s which recommended the devaluation of the national currency and it’s resultant effect on the social economic advancement of the country.

These have made organization to adopt measure for efficient and effective control of their resource. This has been possible through accounting information system which provides information for making which serves as a focal principle of accounting.

The dual; purpose of any accounting system is to keep track of an organization business transaction and report their effect on the operating performance. An essential feature of a good accounting system is a strong internal control measure to further buttress this emphasis, the American Institute of Certified Public Accounting (AICPA) committee on auditing state that, internal control comprises states. that internal control comprises the plan of organization and all the co-ordinated method and measure adopted within a business a safeguard its assets, check accuracy and reliability of its accounting data, provide operational efficiency and encourage adherence to the prescribe management policies.

Increasing attention has been paid to the methods of internal control, not the complexities of moderns business techniques, but have encourage the adoption of methods which whirl increasing the efficiency of organization. It acts as safeguard again errors and frauds. It pertinent to observe that the internal control measure assures the dependability of the accounting data used in making decision.

the concept of internal control accepts all the aspects of the assets, liabilities, revenue and expenses and every aspect of operations, which is to provided assurance that the entire business operation in accordance with administrative plans and policies. A system of internal control includes as the measures taken by an organization for protecting its against waste, fraud and inefficiency, ensuring accuracy and reliability in accounting and operating data securing compliance with organization policies. Evaluating the level of performance in all divisions of the organization.

In auditing internal control deals with measuring and evaluating the effectiveness of other controls and responsibility accounting, which attaches importance to the specific the responsibilities to the staff with regards to the above internal control can be seen as a single procedure i.e. the duty of a clears or a whole system which follows laid down policies establishes by managers either directly or through external consultants and internal audit. It is especially important that all transaction should be recorded and processed.

 In internal control, the need for effective application of accounting information system is imperative, hence the need for a sound communication network system which uses organizational charts, manuals of accounting policies and procedures. Flow charts financial forecasts purchase and receiving orders and involves etc efficiency output communication network capable of dissemination managerial decision to appropriate output station should therefore be fit in place and a self checking features to indicate a system failure or breakdown. the element of internal control are important to all aspect of a firms operation but they are particularly critical in establishing methods of handling and accounting for monetary assets, hence internal organization by it management to control its resources for an effective internal control measures and internal audit system should be functional, and approach aimed at independently appraising the firms financial and operational activities should be encourage by establishing a well developed system of internal control which might include budgetary control, standard cost, period operating reports, statistical analysis, a personnel training programmes and an internal audit staff. A well co-ordinate system of internal control should involve the organization planning and procedures for safeguarding asses and resources and planning should be effectively merge with control techniques for the allocated resources to achieve predetermined levels of efficiency in both operations.

**1.2 STATEMENT OF THE PROBLEM**

Internal control measure is important aspect in activities of any organization that wants to succeed in its endeavours and Etinan Local Government is not an exception. the generality of a people accept the notion that mismanagement of funds, fraud and corruption are social ills that have come to stay in our society and the associated disappointments always exhibited by government on their huge investments.

A sluggish or total lack of an effective and efficient internal control measure leads to loss of cash, assets, resources unproductively and inflated liability which is detrimental to the progress of an institution. A sound internal control and finance control measures will check the non commitment on the parts of some staff as well as established the revenue and expenses of the institution.

 A well establishment procedure for procurement of materials, signing of documents related with finance, separation of the payment function from the receiving function will eliminate the confusion arises if handed by a single employee. This will dishonest staff and unnecessary errors and waste of resources. An effective control measure will encourage a smooth operation and division of labour and will uncover or discourage the activities of fraudsters in the local government. Internal control provides the assurance of the dependability of accounting data in decision making as stated. One of the role of internal control is to prevent fraud by making it extremely different to misappropriate funds without discovery, to provide assurance that errors and irregularities are detected and otherwise to check the integrity of accounting records.

The research will therefore case the operational mode of internal control measures in the Etinan local government Area and ways of tacking it associated problems toward a result oriented system.

**1.3 PURPOSE OF THE STUDY**

Since the local government area own a lot of asserts and incurs liabilities, this research will try to establish the necessity of internal control measure as a viable mean of checking inefficiency misappropriation of funds, minimization of waste, frauds and identification of assets resources and liabilities that actually belongs to the local government.

**1.4 OBJECTIVE OF THE STUDY**

1. To find out if there exist a viable control system which could be used in checking misappropriation of funds, waste and fraud thereby restoring confidence in the proprietors.
2. To find if the internal control measures used could discourage the finance activities of fraudsters and outline a system of separation of duties.
3. To find out whether the internal control measures adopted by the management of the local government area as a tool for effective business management are strictly adhere to be the staffers.
4. To find out whether internal control measures could be use to monitor the resources of an organization
5. To evaluate the internal control measures employed by the local government area in safeguarding its finance control and its resources

**1.5 SIGNIFICANCE OF THE STUDY**

At the completion of this research project will serve the following:

1. Help the management to adopt internal control measures as a tool for an effective business management
2. Serve a reference material to researches in similar field of study and will be beneficial to the management and staff of the local government
3. It will enlighten the management on how effective internal control measures will guide them inn proper record keeping.
4. The management will also use the information provided in this project as a consisted data for effective internal control measures, thereby committing them to objectives of the local government.
5. The management will appreciate information system are an internal control measures so as to improve their performance .

**1.6 SCOPE AND LIMITATIONS**

The scope of this research is based on the significance of internal control measures as a tool for effective business management in Etinan Local Government Area.

The research is limited to information gathered from the management and staff of the local government fact sheets. There was also a problem of inadequate time and uncooperative attitude and incessant strikes which hampered the progress of this work, thereby limiting the researcher’s material for secondary data to the library and other information centers in nearby areas.

**1.7 RESEARCH METHODOLOGY**

The methodology used in this project is descriptive in nature and involves the gathering of data for analysis through primary and secondary methods.

The primary data collection involves interviewing the management and staff of the central administration, departmental officers, stores and works department and the issue of questionnaire to selected administrative personnel.

Data collected by secondary involve the review of professional opinions in textbooks, journals periodical newspaper and the local government area fact sheets. The data collected will be analyzed by statistical devices, such as simple percentages frequencies and chi-square to obtain empirical results.

**1.8 RESEARCH HYPOTHESES**

The hypotheses to be tested in this research are:

**Hi:** Operations at various stages are performed by different personnel to promotes accuracy and reliability of performance and transaction recording

**Ho:** Operations at various stages are not performed by different personnel to promotes accuracy and reliability of performance and transaction recording

**Hi:** Personnel ensure the safeguarding of resources and assets against waste, frauds and inefficiency as internal control measures.

**Ho:** Personnel do not ensure the safeguarding of resources and assets against waste, frauds and inefficiency as internal control measures.

**Hi:** Asset and liabilities are always trailed to the sources document in ensuring transactions during internal checks.

**Ho:** Asset and liabilities are not always trailed to the sources document in ensuring transactions during internal checks.

**Hi:** The internal audit system ensures that operations comply with worth set policies

**Ho:** The internal audit system ensures that operations do not comply with worth set policies.

**1.9 GENERAL INFORMATION ABOUT THE LOCAL GOVERNMENT**

 Etinan is one of the 31 Local Government Areas of Akwa Ibom State.

**1.10 ORGANIZATION OF THE STUDY**

 This project is arranged into five chapters on survey the study. it contain the introduction, statement of the problems, purpose of the study, objective of the study, significance of the study, scope and limitation of the study, research methodology, research hypotheses, general information about the local government, organization of the study, definition of terms used in the research.

 Chapter two reviews the related literature. Chapter three undertakes the research methodology used in the analysis of the data collected for the research.

Chapter four contains data presentation, analysis and evaluation of the research while chapter five draws, summary conclusion and recommendation of the research.

**1.11 DEFINITION OF TERMS**

**Accounting**: Is the art of recording, classifying and summarizing in a significance manner and in terms of money transaction and event which are reporting the result to management and other users of accounting information.

**Finance control:** Finance controls are a critical of any financial system, they ensure that the resources of the housing association are been correctly and effectively used and activities are correctly and accurately reported.