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RESEARCH ARTICLE

INTERNAL CONTROL MECHANISM AND FINANCIAL ACCOUNTABILITY IN THE LOCAL GOVERNMENT SYSTEM IN NIGERIA (A CASE STUDY OF OWO LOCAL GOVERNMENT, ONDO STATE)

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ABSTRACT

The objective of this paper is to study the impact of internal control mechanisms on the financial accountability in the local government system in Nigeria, using Owo local government as a case study. The study employed survey design for the purpose of the research work along with a sample size of fifty (50) respondents which comprises staff of this local government. The statistical tool used for the hypotheses' test was ordinary least square (OLS) regression analysis. The findings showed that if the instruments of internal control noted in this research work are strictly complied with, financial accountability in the local government system will be certain and effective. The study concluded that the internal control mechanisms are very effective in ensuring financial accountability in the local government system. The study recommended that all the internal control mechanisms needed to be complied with strictly, if financial accountability will be achieved in Nigerian Local government system.

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INTRODUCTION

Transactions involving business activities are usually summarized in accounting records. In order to ascertain the work and value of any organisation, there is the need for proper scrutiny of the accounting system of the organisation. Accounting is defined as that set of rules and methods which involves the collection, processing and summarizing of financial and economic data which can be used by management in decision making. It should be emphasized that local government accounting aims at providing analyses of the revenue and taxes gotten from carrying out their various activities. It also aims at addresing the issue of how these resources are being used in the provision of services, which are the task of the local government. The local government functions have to be carried out; therefore, there is need for proper financial accountability, hence the need for effective internal control. The Local government is known to be the third-tier of government created with the aim of bringing the government to the reach of the people. The local government is created with the objectives of involving the people at the grassroots in the development of their area and to make sure that resources are appropriately used for meaningful development (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). This tier of government is governed by the local government council with the local government chairman as the leader. The local government is constitutionally vested to carry out numerous responsibilities and these responsibilities include the following among many others; the provision of education, healthcare, motor parks, markets, rural electrification and rural roads construction and security, etc. To perform these tasks, local government has internal and external ways of generating finances: those generated internally and from state and federation account (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). In view of the above, it is therefore the responsibility of local government management committee to ensure financial accountability in the disbursing the realised revenue in providing infrastructural services to the community in order to ensure economic development at the grassroots level. This can only beachieveable when effective internal auditing which is a component of internal control system in the financial activities of the local governments is appropriate. Internal control therefore, can be well-defined as the whole system of control both financial and otherwise, established by management to carry on the business of the organization in an orderly and efficient manner and to keep its assets and secure as far as possible the accuracy and reliability of its records

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(Sylvia U. Agu, 2004). The above definition revealed that Internal control is a process which is continuous and ongoing, it also involves people who are saddled with the responsibility of making the system work. Internal control is also seen to go beyond those matters, which relate to the functions ofaccounting or financial department. It is the ways through which management gathers information, protection and control for successful operations of an enterprise. Internal control is a system that ensures that organizational accounting activities are in line with the established procedure standard and statutory requirements. Internal control system usually entails a constant checking and rechecking of day-to-day activities of the organizational business. This is done in order to ensure the correctness and fairness of the accounting records and to detect and simultaneously expose any deviation. An internal control system that is effective have impacted immensely on financial accounting in all organizations as well as local governments. The need for assessing internal control and accountability in the local government system arises because achieving proper accountability demands internal control mechanism. This mechanism ensures that the provisions made in the financial memoranda concerning accountability are adhered to (Sylvia U. Agu, 2004).The absence of which creates room for fraudulent accounting system. Moreover, internal control helps in making sure that the targets of the organization are achieved. Installation of internal control mechanism in the system enhances detection of poor accountability system in any organization.

Local governments occupied a strategic position in public governance. The ordinary expectation is that it should bring about meaningful increament to the socio-economic development of the people. However, this objective seems unachieveable due to the prevalence of corruption, misstatement, misappropriation, embezzlement and other similar vices by officers in charge of the management of financial resources at the local government (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). Internal control activity helps in checking and controlling the bad behaviours of both the public officials and the civil servants from corrupt behaviours. Then, to what magnitude is the control activity practiced effective in strengthening financial accountability of the local government?

Literature Review/Concetual clarifications

Concept of Internal Control System: The concept " internal control system" has been seen as an essential part of any organization's financial and business policies and procedures (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). An effective organization must have in place an effective internal control system which will ensure an orderly process of carrying out the organizational functions. The concept includes all measures taken by the organization for the purpose of protecting its resources against waste, fraud and inefficiency, thereby ensuring accuracy and reliability of accounting and operating data, compliance with policies and procedure and evaluating the level of performance in all the parts of the organization (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). However, the above definition does not restrict internal control system to all the means used by the management of an organisation in keeping its resources against waste, fraud, inefficiency and compliance with applicable laws to obtain accuracy of financial data but it includes to assess the level of performance of the whole organisation. Internal control systems have five inter-related components which are the responsibility of all employees in the organization. These components include: control environment, risk assessment, control activity, information and communication and monitoring control (Coso, 1998; Intosai, 2001; & Aristanti, 2015).

Concept of Internal control activity: Internal control activity refers to the established policies and procedure by an organization to aid the directives issued by management in ensuring that tasks are completed in compliance with the standards established by the organization. It includes both manual and automated tools that help in prevention or reduction of risks that can affect success of achieving organisational objectives (Gamage, Lock and Fernando, 2014; Yee, 2015). It occurs in all sections of an organization and at all levels in all functions. (Kamau, 2014). This description revealed that internal control activity ensures that organizational objectives are met. It is not restricted to portions of an organization rather it involves all sector of an organization. Internal control also helps to mitigate risks.

Control activity has three parts, namely; preventive, detective and corrective. The preventive control is targeted towards preventing an errors and fraud from taking place and it includes the following; authorization and approval procedures, segregation of duties and control over access to resources and records. The detective control is developed to detect errors and fraud that have taken place. It includes verifications/ reconciliation, review of operating performance and supervision. The corrective controls seek and help to identify and eradicate the causes of issues that can lead into errors, omission, mis-statement and any malicious act from taking place. It is a balance medium between detective and preventive controls necessary to complement the other two controls in order to achieve the organizational objectives (Labaran, 2008; Kamau, 2014; Aramide and Bashir, 2015). The activity of Internal control makes sure that the authorization procedure should be documented and communicated clearly to employees in order to reduce the risks of error, waste, or wrongful acts (INTOSAI, 2001; Ntongo, 2012; Minja, 2013). Aristanti, 2015). It therefore implies that no employee should have any doubt about the activity of the organization. Proper communication therefore is necessary in the actualization of any objectives in the organization. Internal control activity ensures that employees work provides checks on each others andthat effective checks and balances exist so that corrective action is taken to address weaknesses identified. It restricts access to organizational resources and records to only individuals duly authorized who can account for the keeping and/or use of the resources, and also it ensures that actual accomplishment meets the established standard or objectives (Hannah, 2013; Wakiriba, Ngahu, and Wagoki, 2014; Yee, 2015).

Aramide and Bashir (2015) opined that proper internal control activity ensures that the process of financial accountability is effective and it is a useful mechanism for financial accountability and transparency at local government. The higher the level of accountability, the more the local government is seen as being transparent (Ahmad A. Abubakar, Nifa A. Dibal, Peter Amade and Pwagusadi Joyce, 2017). Transparency depends on accountability and the latter on the effectiveness of internal control activity in operation.

Factors that Limit Effective Application of Internal Control Measures: Several factors are considered to be the reasons for non-application of some of these control mechanism installed in the system targeted towards financial accountability. These factors include:

- **Poor Supervision:** when the works of employees are not regularly and appropriately supervised by well trained and experienced officers, fraudulent and covetious staff may use the opportunity to carry out dubious act in organization for their advantage. Also poor supervision allows staff to print fake receipts and issue such to market women. At times, revenue remitted to local government are not issued receipt neither documented. All these are the outcome of poor supervision.
- **Socio-Economic Factors:** These include inappropriate, inadequate and undue promotion, non motivation and non recognition of staffs. When staffs are not properly motivated and encouraged to work, the resort to not adhering to the control mechanism.
- High Bride Price in the Society: The societal demands are sources of financial pressures on workers. Therefore, workers in order to meet up with these societal expectations engage in various fraudulent activities aimed towards increasing their financial base.
- **The Biting Inflation and Sapping Condition:** Inflation has inflicted so much pain on a lot of people in the world at large. Inflation is the continuous rise in price of goods and services. This increase, leads revenue collectors in the local government system who earns very little to seek alternative means of sourcing for means of survival which may leads to non-adherence to the internal control system installed. Likewise, the employee in the payroll section who includes ghost names into the payroll and collects such peoples' salary.
- High rate of financial burden and also high costs of living resulting from extended family system contribute to the non-application of the internal control measures installed in the system. Others include lack of sincere and honest personnels.

Legal Instrument of Control in the Local Government Councils: Every governmental council is always guided by laid-down rules, as spelt out in the Financial Memorandum, whether in policies form, programmes, activities or functions. These rules and regulations are rigorous particularly as it relates to the accounting and reporting for collection and consumption of government finances that assist the process of good governance (Uguru, Leonard C. 2016). The legal frameworks in the public sector accounting and financial management are as follows; Acts, Circulars, rules, regulations, constitution and so on (Uguru, Leonard C. 2016). Anyafo (2002) states that government accounting is based on a number of legal instruments that constitute the statutory foundation on which the public sector accounting manuals, treasury circulars, federal financial regulations, and local government financial memorandum are established. For the sake of this work, financial memorandum, financial control and management act, treasury and finance circulars will be focused on as the major controls that enhance the financial accountability of local governments in Nigeria.

Financial Memorandum: The "Financial memorandum" (FM) which is a legal framework used in the third tier of government serves different functions as an instrument for accounting and financial control. Principally, FM is a regulation code and italso stands as a body of governing rules and includes as many techniques or harmonization in the course of keeping the records of some economic transactions and events (Oshisami, 2004). Codes of regulations are parts of the content of financial memorandum which consist of rules that specify actions acceptable and the unacceptable ones. These rules are not allowed to be altered under any circumstances. The local government service as a complex organization, needs some set standards in order to ensure uniformity and conformity of application. Development of effective means of communication is also needed in order to prevent errors. Like all other large organizations, local government machinery requires rules which help to keep its assets from misuse or misappropriation. Hence, local government requires a code such as this to achieve its aims.

Finance Control and Management Act 1958: This is anAct that governs management and operation of all governmental funds. This Act regulates the accounting system, the books of accounts to be retained and the procedures required in the preparation of accounts and financial statements. It reveals the principles of valuation of government investment and securities required in government's portfolio. The Act limits the management of government fund investments to risk minimization and prevents the Accountant-General of the Federation from carrying out the maximization of rate of return. If this act is totally complied with, it can ensure financial accountability in local government.

Treasury and Finance Circulars: These are extra administration tools used for the correction or adjustment of the available provisions of financial regulations, civil service rules and introduction of new policy guidelines. A strict compliance to these circulars can leads to financial accountability.

Concept of Financial Accountability: The "accountability" as a concept reveals the way of how resources are deployed relative to objectives (Mohammed, 2015). It originates from financial accounting which is focused on checking the manner the books are secured and the ways money is utilized (Rabrenovic 2007). It is the duty of public officials to report on the utilization of public resources and to achieve performance standards as it relates to the public sector. However, Khan (2010) construed it as the duty to present an account for responsibility conferred. Apaza (2011) stated that any person assigned a task need to be controlled over the power exercised. Financial accountability, is concerned with tracing and reporting on allocation, disbursement and utilization of financial resources, thereby using the tools of auditing, budgeting and accounting (Brinkerhoff (2001). Financial accountability reveals the level of compliance of an individual entrusted with financial resources, hence the concept of local government financial accountability is the extent to which the local government reports, explains and justifies what it has done or fails to do to the public. It indicates the degree to which those with public funds apply such for the purposes meant and for the good of the people.

Financial Accountability and Transparency in Local Government: The management of local governments needs funds for the purpose of fulfilling the government constitutional responsibilities which includes provision of projects among many others (Abebe, 2012; Samuel, 2012).

It is the discharge of these functions that leads to public expenditure and brings about the necessity for accountability and transparency (Samuel, 2012) in which the citizens wanted to know the effectiveness of the local government in the utilization of the allocated funds. In a situation where judicious utilization has not been done, accountability sanction can therefore be used for correction of any illegal action. The base of financial accountability is to detect, punish and correct wrong doings and attain improvement in the effectiveness in the use of allocated funds (Hedges & Blick, 2008). This gives the reason why citizens of a country depend on the legislative arms for holding the executive arms responsible for administration of public debt and expenditure on public programmes (Khan, (2010). The use of sanctions for illegal or inappropriate actions improve accountability in the public sectors (Brinkerhoff 2001). The local government like other tiers of governments, is expected to utilize public funds and resources for the benefit of the people under her control. To guarantee this, there are clearly stated rules and regulations for public expenditure at the local government.

The budget form the foundation upon which Local Government funds can be spent and it ensures that expenditure conforms to the budget. The purpose of this provision is to secure value for money at the local government and avert a situation where the management of the local government siphoned or diverted funds alloted for public good for personal use. Unfortunately, these rules seem neglected as there are several cases of corruption, embezzlement and misuse of public funds in Nigeria especially at the local government level (Adeyemi, Kindele, 2012; Boris, 2015; Coker and Adams, 2012). The leaders at the local government seems not observed due process in the utilization of funds at the local government. Whereas, public funds at that level of government are supposed to be used judiciously, efficiently and effectively in a way that it will benenfit the populace.

Effect of Internal Control Activity on Financial Accountability in the Local Government: Internal control activity in any local government ensures that duties are achieved in agreement with the rules and regulations for prevention of risks that can upset accomplishments of its objective and aims. For internal control activity to be operative, the policies and procedures established addresses the risks that concerns the achievement of the local government's objectives and are comprehensive, appropriate, cost effective, reasonably and functioning consistently inline with the plan throughout the period and concerns the control objectives (INTOSAI, 2001). The objectives of internal control activity consist of fraud prevention, provision of reliable reports and safekeeping the local government assets (Ntongo, 2012; Minja, 2013). The control activity if well established and working effectively as planned is an instrument for financial accountability and transparency at local government. This is revealed by Brinkerhoff (2001) and Rabrenovic (2009) who state that the higher the level of internal control activity, the more economically accountable is the undertakings of an organization. Wakiriba, Ngahu, and Wagoki (2014) discoursed that for financial accountability, there must be an active financial control system sustained by the presence of clear separation of roles, supervision and commitment of management on the application of internal controls. Aristanti (2015) was of the opinion that control environment, control activity and supervision considerably affect financial accountability.

Theoretical Framework: In order to understand the effects of internal control mechanisms on financial accountability in local government, this study anchored on two theoretical foundations: Financial control theory and Agency theory.

Theory of Financial Control: John *et al*. (2014) noted that the present and future personal functions of human beings are asserted to create the fundamental point of reference in a theory of financial controls. This theory states that existing and possible functions of financial tools for organizations are most important. Similarly, it is stated that, payments, financial instruments, accounting, control models, economic calculations, and related considerations, both within and outside of the firms, are supposed to be deliberated in regard to inner characteristics but also possible effects. It is known that founding the relationships amongst various activities and financial processes, from a point of view of financial control , is a general and basic issue (Ostman, 2009). The theory of financial controls for organizations seats a natural focus on the organisation such that they are viewed from several latitudinal areas. The first concerns the human beings' functions of what is accomplished via organizations, their activities and productivity. The second is about the arrangement of the firm and activities, and of transactions that several parties have with each other. The third area deals with the control systems in the sense of recurring procedures and methods that are used to relate present and future functions to resources both externally and internally. The abovementioned financial control instruments are claimed to be crucial from an individual organization's perspective and for bigger economic systems. The fourth area shows the specific procedures of individual organizations for specific issues. The theory further reveals that structure and financial control system works together (Ostman, 2009). The financial control theory is very pertinent to this study in the sense that it assists in improved understanding of the intricacies surrounding accountability in an organization.

The Agency Theory: The theory identifies the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Moral hazard and adverse selection disturb the productivity of the agent in two different ways; not doing precisely what the agent is selected to do and not having the requisite knowledge about what should be done. Anderson, Francis & Stokes (1993), opined that the agency theory describes organizations as necessary structures to sustain contracts, and through firms, it is possible to implements control which minimizes opportunistic behaviour of agents. In order to harmonize the interest of the agent and the principal, a broad contract is written to address the concern of both the agent and the principal; they further elucidate that the relationship is fortified by the principal employing an expert to monitor the agent. This affects the overall performance of the relationship as well as the benefits of the principal in the form of cash residual.

Empirical Analysis: Emem (2008) carried out a study on public fund management and control in Nigeria using Boki Local Government as the case study organiation. He adopted survey research design using 27 questions administered on 75 respondents. The outcome of the study performed showed that the laid down processes of fund administration were not strictly followed which resulted to ineffectual fund management in the public settings.

Also, there is ineffective fund management initiated by weak internal control system in the council as well as partnerships by the public fund administrators. Coker and Adams (2012) concentrated on how the third tier of government utilizes their funds upon the backdrops of the nonexistence of financial autonomy, corrupt practices, and undue meddling in their affairs with basic prominence in the style and pattern of joint state-local government accounts are operated that gave the state government the unjustified right over local government areas. With respect to the methodology, the paper employed the descriptive qualitative analysis technique. The results showed that local government areas in Nigeria have been underperforming as a result of the absence of financial autonomy, continuous interfering of state governments in local government areas matters, and so on. The study prescribes for a full-fledged financial autonomy to be given to the local government councils on issues that are constitutionally apportioned to them; and the annulment of the joint state – local government councils account system.

Onuorah and Appah (2012) carried out investigation on accountability and prudent financial management in Nigerian public sector, the control of public funds with respect to the method of account rendition of public office holders as stewards was studied. The findings reveals that the level of public accountability in Nigeria is not the way it should be due to the non-availability of socio-economic and political information concerning the undertakings of government for the governed to assess the performance of their leaders. The study recommends that transparency, integrity and accountability in the management of funds is of paramount importance if Nigeria is to increase in the area of growth and development. Also, accountability mechanisms and establishments of control need to be hardened to minimize the rate of corruption in the country. Murana (2015) studies the sources of local government funds in Nigeria and examines the practicable financing prospects that are inside the purview of local government areas in Nigeria. The study used primary data through face-to-face interviews and observations, the findings reveals that the ideals of fiscal autonomy in the Local Government Areas Councils in Nigeria have been forfeited; that structural and institutional problems have rendered the them helpless on issues of revenue generation. It then recommends that mechanism should be put in place to promote integrity, transparency and accountability. Again, statutory allocation should be reviewed upward in favour of the Local Government Councils. The empirical analysis carried out reveal that there is the need for the improvement on the internal control mechanisms over public funds in order to achieve the outlined objectives.

METHODOLOGY

In this study, the survey design was used as this type of research design aids the gathering of large amount of data from a sizable population in a highly economical way. This research design is critical in determining the quality of research as it helps in addressing the study's research questions. The population size for the purpose of this study comprises all the Local Government Councils, but using the staff of Owo local government, Owo, Ondo state Nigeria, as a study. This study targeted 50 respondents as sample, through the use of purposive sampling technique. The sources of the data for this research is mainly primary source through structured questionnaires. The method of data analysis used is Ordinary Least Square (OLS).

Model Specification: The model can thus be specified in functional form as follows:

FACC= f (CFIM, CFCM, CTFC) (1)

Where:

FACC= Financial Accountability
CFIM= Compliance with Financial Memorandum
CFCM= Compliance with Finance Control and Management Act

CTFC= Compliance with Treasury and Finance Circulars

The model can thus be specified in econometric form as follows:

$$FACC= \beta_0 + \beta_1 CFIM_t + \beta_2 CFCM_t + \beta_3 CTFC_t + \mu_t \quad (2)$$

Where $\boldsymbol{\beta_0}$, $\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, **and** $\boldsymbol{\beta_3}$ are all parameters which are divided into intercept/constant and slope/coefficient.

A-priori Expectation

$\boldsymbol{\beta_0}$= Intercept parameter
μ=the stochastic disturbance term to capture unexplained residual.
t= the time subscription

Data Analysis and Discussion

	N	Range	Mean	Std. Deviation	Skewness	Kurtosis
FACC	50	3	2.46	1.074	.164	-1.229
CFIM	50	3	2.58	1.022	-.082	-1.108
CFCM	50	3	2.46	1.074	.101	-1.238
CTFC	50	3	2.38	1.086	.150	-1.260
Valid N (listwise)	50					

Source: SPSS Version 20.0

The Computation of (OLS) Result

Variables	Coefficient	Standard error.	T-statistics	Probability
Intercept	1.484	0.307	4.828	0.000
CFIM	0.105	0.070	3.575	0.017
CFCM	0.202	0.067	3.023	0.003
CTFC	0.506	0.066	7.561	0.000

Source: SPSS Version 20.0

OLS Analysis (Table 2)
FACC = 1.484 + 0.105 + 0.202 + 0.506 +U
S.E = (0.307) (0.070) (0.067) (0.066)
T-Stat= {4.828} {3.575} {3.023} {7.561}

Descriptive Statistic (Table 1): The descriptive statistics of the variables used in the analysis as presented in Table 1 explains the range, mean, standard deviation and the normality of variables, financial accountability as the main variable of interest, which is the dependent variable. From the table financial accountability had a mean value of 2.46 and the standard deviation is 1.074 which is a little close to the mean, this suggests a low degree of variability of data. Financial accountability was positively skewed with a skewed value of

0.164 which shows it is normally distributed. Two out of the explanatory variables are positively skewed which are Compliance with Financial Memorandum (CFIM) and Compliance with Financial Memorandum (CFCM) while the remaining Compliance with Treasury and Finance Circulars (CTFC) is negatively skewed. The intercept value shows 1.484 which means Financial Accountability (FACC) has 1.484 units when other variables are held constant. Compliance with Financial Memorandum (CFIM) shows that 1unit increase in it will bring 0.105 unit increase in financial accountability and its significant at 0.017 level of significance which means it is less than 0.05 level of significance, therefore this variable can significantly affect the financial accountability. Compliance with Finance Control and Management Act (CFCM) shows that 1unit increase in it will bring 0.202 unit increase in the financial accountability, it is also significant at 0.003 level of significance which means it is less than 0.05 level of significance, therefore this variable can significantly affect the quality of financial accountability.

Compliance with Treasury and Finance Circulars (CTFC) shows that 1unit increase in it will bring 0.506 unit increase in the financial accountability, it is also significant at 0.000 level of significance which means it is less than 0.05 level of significance, therefore this variable can significantly affect the quality of financial accountability. The R-squared stand at 0.322 which shows the explanatory power of the model which can be seen as 32.2 per cent, means 32.2 per cent of changes in fraud prevention can be explained living 67.8 per cent unaccounted for. The F – statistic shows the robustness of the model by comparing F-calculated to F-critical in order to explain the impact of whole explanatory variables on explained variable, and this was shown by looking at it from the angle of 0.01 and 0.05 level of significance which are 3.78 and 2.60 and are less than 24.070 calculated respectively, in terms of overall significance all independent variables showed a significant relationship with the dependent variable with the probability (F-statistic) of 0.000. The Durbin Watson value of 2.241 is an indication of the absence of autocorrelation in the model.

Discussion of findings: Based on the OLS table above, the result shows about 32.2 per cent of the systematic variation in FACC is explained by three independent variables (CFIM, CFCM and CTFC). Though, this coefficient determination is strong and shows a good fit of the regression line as well as indicating the forecasting power of the model is strong. The F value of 24.070 is statistically significant at 5 per cent. This means that CFIM, CFCM and CTFC have significant positive relationship with FACC. The results from the analyses above are indications that the independent variables have a significant impact on the financial accountability in local government. Therefore, strict compliance with these variables will greatly improve financial accountability greatly. Literature is filled to satisfaction with a very wide range benefits these variables offer its adopters.

Conclusion and Recommendation

This study examined the impact of internal control mechanisms on the financial accountability of local governments in Nigeria. The internal control mechanism made available in the local government system and its application for financial accountability to be achieved have also been enumerated above. It is therefore concluded that financial accountability cannot be achieved without proper effective internal controls. Also, in addition to the variables mentioned in this research work, the following measures, if implemented in the local government system, will contribute immensely to financial accountability; hence it will uplift the image of local government system in Nigeria. Therefore, my recommendations are:

- **Qualified, Honest and Sincere Personnel**: This is the bedrock upon which any successful internal control rests, sincere and honest personnel with integrity are one of the best internal check and control mechanisms. Dishonest and negatively ingenuous staff with dubious intentions can weary any system, while honest and disciplined staff will be less interested to commit fraud. It is, therefore, a control weakness for an enterprise to possess very strict and advanced control mechanism manned by cheap unqualified staff with fraud and incompetence history behind them. Local Government Chairmen and staff should work meticulously with the financial memoranda.
- **Clarity in the Definition of Functions:** The functions and responsibilities in the organization must be clearly defined. This is a very imperative stride towards financial accountability. Clarity of functions demands that adequate time records should be kept and the originators must sign these records. It is poor management when in a venture; a particular task is left floating, not specifically assigned to any official when two or more persons can perform a particular task depending on who is free at a time.
- **Effective Checks and Counter Checks:** It is possible to separate duties in such a way that multiple checks are built into the system. No single official should initiate an action and carry it through the negotiation, implementation and recording stage alone. Various stages of the transaction should be broken down in such a way that different officials are charged with each stage so that the work of one will routinely checked by another. This segregation of work should be done in such a careful way that no individual is in charge of related tasks. Examples, such as requisition, approving, ordering, inspecting, paying and recording. Proper segregation of duties for instance would make the work of one individual incomplete without that of another affording a routine and automatic check.
- **Rotation of Duties**: When a member of staff stays too long in a position, this provides him with avenue for short cuts to sidetrack policies and perpetrate frauds and errors. A lot of fraud is perpetrated by officials, who due to longevity in one office develops the technique to milk the organization while covering up their acts. Usually, the affected staff refuse to go on annual leave pointing to a heavy work schedule as an alibi. Rotation should be done wherever possible especially where the job does not require the possession of special skill or training but merely the acquisition of experience on the job. Where it should be based on the possession of special skill, then the accountant in the works department may be transferred to Administrative Section while the Administrative Accountant goes to Works Department
- **Documentation:** Written documents are needed for effective internal control to be achieved thereby leading to good financial accountability. "Paper work" is a derogatory name for the poor use of written documentation for record purposes especially in government bureaucracies. Adequate recording and

storage of records are therefore, an indispensable part of good internal control system. Records serve to minimize unnecessary arguments

- **Physical Stores Verification:** For effective internal control to be achieved there should be physical stores verification. Assets and other items stated to be in the stores should be physically verified to check if they actually exist or not. The internal auditor should physically inspect the assets in the stores, and should not declare worthy assets unserviceable and scrapped. Proper authorization is also a very important feature of internal control, which also helps in financial accountability in the local government system. Who authorized the purchase of an assert? Does the person have the approval to authorize the purchase of such item? This helps in financial accountability.
- **Bonding**: Bonding is not a particular distinct part of internal control system, but it has been found useful and consequently, applied in some organizations. Bonding is the act of taking out insurance cover against embezzlement of staff. One way of doing this is to ask an employee to bring a surety to guarantee him up to a certain amount of money and number of years to spend in the employment. This does not obviate the need for internal control measures such as rotation and compulsory vacation already outlined. Bonding is particularly useful led when dealing with staff occupying sensitive positions, e.g. cash and stores. Furthermore, local government staff should adhere strictly to the provisions of internal control in the Financial Memoranda.
- Local Government should enact bye laws to control high cost of funeral and traditional marriages.
- Revitalizing the economy thereby increasing national output. This will reduce inflation in the country.
- Recent government action on Code of Conduct Bureau is very encouraging. This will help to know the assets of workers if they have more than what they are supposed to have, they should give account of how they got such wealth. Government should please take this serious and every civil servant and those in power should declare their assets every three years. This will go a long way to check fraud.

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