

**THE IMPACT OF INTERNAL CONTROL SYSTEM ON THE
PERFORMANCE OF GOVERNMENT PARASTATALS IN NIGERIA.
(CASE STUDY: SOME SELECTED GOVERNMENT PARASTATAL IN
NIGERIA)**

BY

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CERTIFICATION

This is to certify that this project was carried out by **Abdulsalam Kehinde** with matriculation no: **HND/23/ACC/FT/0265** under my supervision.

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DEDICATION

This project is dedicated to ALMIGHTY ALLAH who has always been and will continue to be my helper and strengthener, and also to my lovely family.

ACKNOWLEDGEMENT

First and foremost, my appreciation goes to Almighty Allah, who in His infinite mercies, love and protection sustained me throughout the duration of this study.

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ABSTRACT

This study examines the impact of the internal control system on the performance of government parastatals in Nigeria, using selected parastatals as case studies. Internal control mechanisms are essential for ensuring accountability, efficiency, and transparency in public sector organizations. The study aims to assess the effectiveness of internal controls in government parastatals, identify challenges affecting their implementation, and evaluate their role in improving financial management and operational performance.

A descriptive research design was adopted, utilizing questionnaires and interviews to collect data from employees across different departments. The study employs descriptive statistics to analyze responses, measuring the relationship between internal control measures and organizational performance. The findings reveal that a well-structured internal control system significantly

enhances operational efficiency, minimizes fraud and financial mismanagement, and improves regulatory compliance. However, challenges such as political interference, lack of training, inadequate supervision, and insufficient technology hinder the effectiveness of internal controls.

The study concludes that strengthening internal control systems is crucial for enhancing the performance of government parastatals. It recommends regular audits, employee training, technological integration, strict compliance enforcement, and independent oversight bodies to improve financial accountability and efficiency. By addressing these challenges, government parastatals can achieve greater transparency, resource optimization, and better service delivery.

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CHAPTER ONE

INTRODUCTION

1.1 Background of The Study

Several studies have been carried out in Nigeria to find out why many government parastatals or industries which started off well later fall or remain stagnant in their operations. The major causes of this situation were traced down to poor internal control system which emanated from a lot of factors, part of Horngren (1982) therefore defined internal control as referring to both Administration control and accounting control. Administration control organization showing who reports to who and all the methods, planning and control of operations. Accounting control comprises the methods and procedures that are mainly concerned

with authorization of sections, the safeguarding of assets and the accuracy of the financial records. Good accounting control helps maximize profit; they help minimize waste, unintentional errors and frauds.

This well designed control measure is a step towards the achievement of an organizational accountability which in other words means success of organization. The use of internal control system by government parastatal in Nigeria has been recently on great increase. Internal control has been recognized in the most organization as one of the most essential ingredients, necessary for the survival of the business enterprise and government agencies. Apart from the problem of scarce resources, organizations run a high risk of fraud, errors, misappropriation of funds, if not eliminate completely, these risks, by establishing internal control system. For every organization, there are risks that the organizational goals and objectives are not achieved. All efforts aimed at preventing such risks or identifying and correcting such risks are viewed as internal control. Anthony (1998) defined internal control as “the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization objectives. Garrison and Noreen (2000) suggested a different definition for internal control as follows: “those steps taken by management that attempt to increase the likelihood that the objectives set down at the planning stage

are attained and to ensure that all parts of the organization function in a manner consistent with organizational policies. He further defined internal control as those sets of organizational activities which include: planning, co-ordination, communication, evaluation and decision making as well as informal processes aimed at enhancing the efficient and effective use of the organizational resources towards the achievement of the organizational objectives. Anthony and Govindavajan (2004) identified several aspect or activities of management / internal control namely: planning, coordinating, communication, evaluation, decision-making and influencing. Planning what the organization should do to achieve proper accountability. Planning could be view as budget preparation. With planning the organization decides what to do and the responsibilities of its different members. Koontz and Donnel (1992) defined internal control as all the measures of a public or private organization that could be said to be strategies of owners and managers to monitor and control the activities within the organization.

1.2 Statement of the Problem

Internal control is management tools that are built into the entity as a part of its infrastructure to help managers and administrators run the entity and achieve their aims on an ongoing basis. Internal control is affected by people: people are what make internal control work. The responsibility for good internal control rests with all administrators and managers. Management sets the objectives, put the control mechanisms and activities in place, and monitor and evaluates the control. Internal control provides reasonable assurance, not absolute assurance; management design and implement internal control based on the related cost and benefits. No matter how well designed and operated, internal control cannot provide absolute assurance that all organization objectives will be realized. However, the researcher is examining the internal control system in Government parastatals.

1.3 Research Questions

1. What is the state of internal control system in government parastatals?
2. What is the process of internal control system?

3. What are the impact of internal control system on productivity and accountability in Government parastatals?
4. To what extent does the effectiveness of internal control system affect accountability and transparency in government parastatals?

1.4 Objectives of the Study

The following are the objectives of this study:

1. To examine the internal control system in government parastatals.
2. To examine the process of internal control system.
3. To determine the impact of internal control system on productivity and accountability in Government parastatals.
4. To identify the challenges faced by Nigeria government parastatals in implementing effective internal control system.

1.5 Research Hypotheses

This study is undertaken on the basis of the following hypothesis in the null form of which were tested and results analyzed.

- Ho1: There is no significant relationship between the effects of control activities on financial performance of the educational institution.
- Ho2: There is no significant relationship between the effect of risk assessment on financial performance of the educational institution.
- Ho3: There is no significant relationship between the effects of control environment on Financial performance of the educational institution.

1.6 Scope of the Study

This study on internal control system will cover the proper process of internal control system that can be used as a tool for the realization of organizational goals and objectives.

1.7 Significance of the study

The following are the significance of this study:

- 1 The results of this study will be useful to the managers and administrators in both governmental and non-governmental organizations on the benefit and process of internal control system for organizational effectiveness.
2. This research will also serve as a resource base to other scholars and researchers interested in carrying out further research in this field subsequently, if applied will go to an extent to provide new explanation to the topic.

1.8 Significance of the study

Financial constraint- Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

Time constraint- The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work.

1.9 Definition of Key Terms

Internal Control: Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance: That information is reliable, accurate and timely. Of compliance with applicable laws, regulations, contracts, policies and procedures.

System: A set of things working together as part of a mechanism or an Interconnecting network; a complex whole.

Errors: an error is a mistake or inaccuracy that occurs in action, judgment, or understanding. It may be unintentional and caused by human, technical, or systemic factors.

Fraud: is the intentional act of deception for personal or financial gain, often involving dishonesty or misrepresentation.

Accountability: is the obligation to accept responsibility for one's action, duties, or decision, and to explain or justify them to others.

Efficiency: is the ability to accomplish a task with minimal waste of time, effort, or resource. It involves achieving maximum productivity with optimal use of available resources.

Emanate: it means to originate from or produced by something, often referring to intangible things like feelings, sounds, or light.

Parastatals: Are government owned organizations or agencies that operate in the public sector but may have a degree of operational and financial independence

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Internal control systems are processes, policies, and procedures put in place by an organization to safeguard its assets, ensure the accuracy of financial reporting, promote operational efficiency, and ensure compliance with applicable laws and regulations. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the key components of an internal control system are:

Control Environment: The tone set by management regarding the importance of internal controls.

Risk Assessment: Identifying and mitigating potential risks.

Control Activities: Policies and procedures to address risks.

Information and Communication: Ensuring effective dissemination of information.

Monitoring: Regular assessment of the system's effectiveness.

Performance of Government Parastatals

Government parastatals are semi-autonomous entities established to provide essential services or regulate specific sectors in the public interest. Performance in these institutions is often evaluated based on:

Financial accountability and efficiency.

Service delivery quality.

Transparency and adherence to regulatory standards.

2:2 Theoretical Framework

Agency Theory: Suggests a principal-agent relationship where internal controls act as mechanisms to ensure agents (management) act in the best interests of principals (stakeholders or the public).

Stewardship Theory: Proposes that management is inherently motivated to act in the organization's best interest, and internal controls provide support rather than restriction.

2:3 Empirical Review

Relationship Between Internal Control and Organizational Performance

Research studies show a strong correlation between internal control systems and improved performance in government institutions. For example:

Adebayo et al. (2020) found that effective internal controls in Nigerian parastatals significantly reduced cases of financial mismanagement and improved operational efficiency.

Okechukwu and Uchenna (2019) highlighted that internal controls foster accountability and enhance public trust in parastatals. We have several positive impact of internal control system which includes,

- i. Effectiveness in reducing fraud and irregularities; studied such as Adegbite (2015) , revealed that the option of robust internal control system significantly reduced cases of fraud in Nigeria Parastatals. By implementing proper segregation of duties and periodic audits, transparency improved
- ii. Operational efficiency; according to Oladejo and Adebayo (2019), Parastatals with well established control system experience higher levels of efficiency. The research emphasized the role on internal audit in identifying operational bottleneck and mitigating risks.

iii. Improved financial management: Ogundele et al. (2020) Found a positive correlation between internal controls and financial performance. Systems like proper cash flow management and procurement monitoring enhance resources utilization.

Challenges Affecting Internal Control Implementation

Several studies identify challenges specific to Nigeria's context, including:

Corruption: Weak internal controls often fail to address entrenched corruption.

Inadequate Training: Staff often lack the technical expertise to implement internal controls effectively.

Limited Resources: Budgetary constraints hinder the deployment of advanced control mechanisms.

Political Interference: Political pressures often undermine the autonomy of internal control systems.

Case Studies of Nigerian Government Parastatals

Nigerian National Petroleum Corporation (NNPC): Weak internal controls have been linked to operational inefficiencies and revenue leakages.

Power Holding Company of Nigeria (PHCN): Ineffective internal control systems contributed to financial irregularities prior to its privatization.

Nigeria Ports Authority (NPA): Adoption of stricter internal controls improved transparency and revenue collection.

CHALLENGES OF INTERNAL CONTROL SYSTEM IN GOVERNMENT PARASTATALS

Fraud and Abuse: Internal controls often fail to prevent fraud due to collusion among employees.

Lack of Technology: Dependence on manual systems undermines the efficiency of controls.

Weak implementation; studied by Eke and Obuora (2017) shown that while many Parastatals have internal control policies, poor implementation, often due to corruption and lack of political will. Undermines their effectiveness.

Skill deficiency: Research by Ibekwe (2021) highlighted a gap in the technical know-how of staff responsible for implementing and monitoring internal control system.

IMPACT OF EFFECTIVE INTERNAL CONTROL SYSTEM

Financial Accountability: Strong controls reduce fraud and embezzlement.

Enhanced Efficiency: Proper monitoring ensures optimal use of resources.

Improved Decision-Making: Reliable financial reports aid better planning.

Public Trust: Transparency promotes confidence in government institutions.

Operational efficiency: Reduction in processing time for public service.

RECOMMENDATIONS FROM EMPIRICAL STUDIES

- i. Strengthen compliance framework: mandate strict adherence to internal control procedures.
- ii. Capacity building: Regular training program for staff on modern control practice.
- iii. Independent oversight: Establish independent audit committee to review the performance of Parastatals.
- iv. Technology integration: use of automation tools to reduce human error and fraud.

2:4 SUMMARY OF LITERATURE GAPS

Despite extensive research on internal controls, gaps remain:

Limited studies on the long-term impact of internal controls on public trust in Nigeria.

Insufficient focus on sector-specific challenges within Nigerian parastatals.

Lack of empirical data on how technology integration improves internal controls.

Neglect of organizational culture; Research often overlook the influence of organizational culture, leadership, and employee attitude on the effectiveness of internal control.

Focus on financial control; A majority of studies concentrate on financial control, neglecting other critical aspect like operational and compliance controls, neglecting other critical aspect like operational and compliance controls that equally impact the performance of government Parastatals.

Limited empirical data: there is a lack of empirical studies with robust datasets that analyze the quantitative impact of internal control system on performance metrics such as service delivery, efficiency and revenue generation.

Addressing these gaps can provide a more comprehensive understanding of how internal control system impact the performance of government.

CHAPTER THREE

RESEARCH METHODOLOGY

3:1 Introduction

Research design is the blueprint to conducting a research study. It outlines the procedures, method, and strategies used to collect, analyze, and interpret data in a systematic way. A well constructed research design ensures that the study addresses its research question effectively and produce reliable and valid results.

At its core, research design acts as a roadmap, guiding researcher through the complexities of the research process. It helps establish a clear framework for decision making and ensures the study adheres to ethical and methodological standards. The choice of a research design depends on the study's objectives, research question, and the type of data required by providing a structured approach, research design minimizes biases, enhances the study's rigor, and facilitates the replication of results. It serves as a foundation for achieving the study's goals and contribute to the advancement of knowledge in the field of interest.

3:2 Research Design

This study will adopt a descriptive survey design, which is well-suited for examining the impact of internal control systems on the performance of government parastatals. A descriptive design allows the researcher to collect and analyze data that describe the existing conditions, relationships, and processes within the organizations being studied.

3:2:1 Characteristics Of Research Design

Quantitative Approach: The study will primarily use numerical data (e.g., performance indicators, audit records) to measure the relationship between internal control systems and organizational performance.

Qualitative Insights: Semi-structured interviews will provide deeper.

Cross-Sectional Nature: Data will be collected at a single point in time to capture the current state of internal control systems and their impact on performance.

3:2:2 Variable

Independent Variable: Internal control systems (e.g., control environment, risk assessment, monitoring).

Dependent Variable: Performance of government parastatals (e.g., financial accountability, efficiency, service delivery).

3:3 Population Of The Study

The population will consist of employees in various government Parastatals in Nigerian, including senior and middle management staffs, accountants, auditors, and other personal directly involved in internal control system and decision making processes. the estimated population will be 100 employees, depending on the workforce size of each organization.

To ensure representativeness, a sample size will be determined using appropriate sampling techniques, such as stratified random sampling, to select respondents from different departments.

Example of targeted Parastatals;

Nigeria National petroleum corporation (NNPC)

Eko electricity distribution company (EKDC)

Nigeria Port Authority (NPA)

3:4 Sample Size And Sampling Technique

Sample Size Determination

The sample size for this study will be determined using Yamane's formula (1967) which is commonly used for determining sample sizes in survey research

N =Population size (e.g estimated 100 employees across selected parastatals)

Assuming a population size of 100, the sample size calculation is:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = Sample

N = Population Size

e = Margin of Error (e.g., 0.1 for 10%)

let's assume a population size of 100:

$$n = \frac{100}{1+100(0.1)^2} = \frac{100}{1+1} = \frac{100}{2} = 50$$

3:5 Sources And Method Of Data Collection

Primary data; structured questionnaire distributed to employees in selected Parastatals.
Semi_ structured interview withk key personnel, such as auditors, managers, and internal control officers.

Secondary data: Review of relevant documents, including financial report , audit reports, and performance records from government Parastatals. Literature from books, journal articles, and policy papers related to internal controls and organizational performance.

3:6 Instrument For Data Collection

QUESTIONNAIRE

Section:-

- a. Demographic information (age, gender, job role etc)
- b. Question on the existence and effectiveness of internal control system
- c. Impact of internal control on financing accountability, operational efficiency and service delivery.
- d. Challenges faced in implementing internal control.

2. Interview guide

Focused on obtaining in-depth insights into the implementation, challenges, and perceived effectiveness of internal control system.

3:7. TECHNIQUES FOR DATA ANALYSIS

Quantitative Analysis: Data from the questionnaire will be analyzed using statistical tools such as spss or excel.

Techniques include; Descriptive statistics, means, percentage and frequencies

Inferential statistics, regression analysis to examine the relationship between internal control system and performance indicator.

Qualitative Analysis: Data from interview will be analyzed using thematic analysis to identify patterns, themes and insights.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4:1 Introduction

In this chapter the data obtained in the research study were analysed and used to test the research hypothesis and the questions discussed in chapter one.

Summary statistics were obtained from the analysis of the raw data collected from the respondents which were carried out using questions on the questionnaire distribution.

4:2 Data Presentation And Analysis

The raw data collected from the respondents through the questionnaire during the field work are presented in this chapter. The hypothesis and purpose of study in chapter one of this project were used as guidelines in analysing data obtained during the research. Each of the questions and hypothesis were rested using response from questionnaire collected.

The questionnaire distributed was designed to contain relevant information on personal data of the respondents and the relevant research questions based on the subject matter on questions requesting the reaction and view of the respondents.

A total number of 60 questionnaires were administered in the representatives population out of which 50 questionnaire were properly completed and returned, 6 questionnaire were not returned while 4 were not proper answered.

Descriptive Statistics

4.1 Data Presentation for Questions related with the Variable in the Hypotheses

Table 4.2:1 Rate of Respondents Response to Questionnaire

	Frequency	Valid Percent	Cumulative Percent
Valid Returned	50	83.33	83.33
Invalid Returned	6	10	93.33
Unreturned/Missing	4	6.67	100
Total	60	100	

The above table 4.2.1 showed that sixty(60) copies of questionnaire were distributed, out of which fifty (50) copies were returned, while six (6) copied were invalid returned and the remaining four (4) were recorded ss void or missing

Part A: Classification According To Bio-Data

Table 4.2.2: Respondents analysis by Sex

Gender	Frequency	Percent (%)	Cumulative percent (%)
Male	30	60	60
Female	20	40	100
Total	50	100	

Source: Data analysis (2025)

The table above shows that 30 (60%) of the total respondents are male while 20 (40%) are female. This has show that the responses to the questionnaire was balanced between the two sex.

Table 4.2.3: Respondents analysis by Marital Status

Status	Frequency	Percent (%)	Cumulative percent (%)
Single	10	20	20
Marriage	30	60	80
Divorce	10	20	100
Total	50	100	

Source: Data analysis (2025)

The above table indicates that 10 (20%) are single, 30 (60%) are marriage, and the remaining 10 (20%) are divorce I separated. The married respondents filled the questionnaire more than the single and divorced.

Table 4.2.4: Respondents analysis by Age

Age	Frequency	Percent (%)	Cumulative percent (%)
18-25	5	10	10
26-35	15	30	40
36-45	20	40	80
Above 46	10	20	100
Total	50	100	

Source: Data analysis (2025)

The table shows that 5 (10%) of the entire respondents are between the age of 18-25 years. 15 (30%) fall between the age 26-35 years 20(40%) also fall between the age of 30-45 years and 10(20%) also fall above 46 years age.

Table 4.2.5: Respondents analysis by Education

Quantitative	Frequency	Percent (%)	Cumulative percent (%)
Diploma/Nd	5	10	10
HND	15	30	40
B.SC	20	40	80
MSC	10	20	100
Total	50	100	

Source: Data analysis (2025)

The table shows that 5 (10%) have Diploma/Nd, 15 (30%) are HND Graduate. 20 (40%) are B.sc graduate, while 10 (20%) M.sc graduate.

Table 4.2.6: Position of Respondents in organization

Position	Frequency	Percent (%)	Cumulative percent (%)
Junior staff	10	20	20
Senior Staff	25	50	70
Management Staff	15	30	100
Total	50	100	

Source: Data analysis (2025)

The above table showing the type of business indicate that 10 (20%) are junior staff , 25 (50%) are senior staff, while 15 (30%) are management staff

Table 4.2.7: Respondent analysis by length of years of SMEs in operation.

Year	Frequency	Percent (%)	Cumulative percent (%)
Less than 2 years	5	10	10
2 - 5 years	20	40	50
6 - 10 years	15	30	80
Above 10 years	10	20	100
Total	50	100	

Source: Data analysis (2025)

The above data indicate that 5 (10%) are respondent with less than 2 years in operation, 20 (40%) respondents have been operation between 2-5 years, 15 (30%) respondents have been operation between 6-10 years while 10(20%) have been in business above 10 years.

Section B:. Effectiveness of Internal Control System

Respondent Responses to Questionnaire Part B.

4:4 Analysis of Questionnaires

STATEMENTS	SA	A	U	D	SD	TOTAL %
The organization has a well structured internal control system	20	15	2	5	8	50
	40	30	4	10	16	100
Internal control system help to prevent fraud and irregularities	20	30	-	-	-	50
	40	60	-	-	-	100
Employees comply with internal control policies and procedures	10	15	7	10	8	50
	20	30	14	20	16	100
There is a clear segregation of duties in the organization	12	18	2	8	10	50
	24	36	4	16	20	100
Management regularly reviews and updates internal control policies	20	15	-	10	5	50
	40	30	-	20	10	100

Table 4.3 presents the analysis of responses of the respondents to questions in the questionnaire. The participant's opinion on the organization has a well structured internal control system show 40% strongly agreed, 30% agreed, 4% neutral, 10% disagree and 16% strongly disagree. The analysis reveals that 40% strongly agreed and 60% agreed that internal control help to prevent fraud and irregularities . Furthermore, results showed that they were neutral, Disagreed And Strongly disagreed.

The respondent's opinion on if employees comply with internal control policies and procedures show that 20% strongly agreed, 30% agreed, 14% neutral, 20% disagreed, 16% strongly disagreed.

The respondent's opinion on if there is a clear aggregation of d in the organization shows that 24% strongly agreed, 36% agreed, 4% neutral, 16% and 20% were strongly disagreed. Also from the table, 40% and 30% strongly agreed and agreed that management regularly reviews and updates internal controls policies, while 20% and 10% strongly disagreed and disagree but there was no neutral opinion.

Section C:. Impact of Internal Control on Performance

Statement	SA	A	U	D	SD	TOTAL %
Internal control enhance operational efficiency in the organization	12	18	2	8	10	50
	24	36	4	16	20	100
Proper internal control improves financial accountability	20	20	2	4	4	50
	40	40	4	8	8	100
Weak internal control can lead to financial losses in the organization	20	18	2	5	5	50
	40	36	4	10	10	100
Effective internal control reduces corruption and mismanagement	20	15	-	10	15	50
	40	30	-	20	10	100
Internal audit contributes to better decision making	10	15	7	10	8	50
	20	30	14	20	16	100

The respondent's opinion on if internal control enhance operation efficiency in the organization show that 24% strongly agreed, 36% agreed, 4 neutral, 16% disagreed and 20% strongly disagreed, the analysis reveal hat 40% strongly agreed and 40% also agreed that proper internal control improves financial accountability, furthermore, results showed that 4% were neutral, 8% disagreed and 8% also strongly agreed.

The respondents opinion shows that 40% and 36% strongly agreed and agreed that weak internal control can lead to financial losses in the organization, while they were 4% neutral , 10% disagreed and 10 disagreed. Opinion on the question if effective internal control reduces corruption and mismanagement shows that 40% strongly agreed, 50% agreed, 20% and 10% strongly disagreed and disagreed. Lastly, analysis reveals that 20% and 30% strongly agreed and agreed that internal audit contributes to better decision making. Furthermore, they were 14% neutral,20% disagreed and 16% strongly disagreed.

Section D:. Challenges of Internal Control System

Statement	SA	A	U	D	SD	TOTAL %
Lack of adequate training for employees on internal control procedure	15	18	5	8	4	50
	30	36	10	16	8	100
Poor Enforcement of internal control measures by management	10	15	7	10	8	50
	20	30	14	20	16	100
Insufficient technology for monitoring internal control	20	18	2	5	5	50
	40	36	4	10	10	100
Political interference weaken the effectiveness of internal control system	20	15	3	7	5	50
	40	30	6	14	10	100

Inadequate supervision and monitoring reduce compliance	20	15	2	5	8	50
	40	30	4	10	16	100

The participant's opinions on lack of adequate training for employees on internal control procedures show that 30% strongly agreed and 36% agreed while 10% were neutral, 16% disagreed and 8% strongly disagreed.

The analysis reveals that 20% strongly agreed and 36% agreed that poor enforcement of internal control measures by management while 14% were neutral, 20% and 16% disagreed and strongly disagreed.

The respondent's opinion shows that 40% and 36% believed that insufficient technology for monitoring internal control is one of the challenges for internal control system while we have 4% neutral, 10% disagreed and 10% agreed. The participant's opinion shows that 40% strongly agreed, 30% agreed, 6% were neutral, 14% disagreed and 10% strongly disagreed that political interference weakens the effectiveness of internal control system, lastly, participant's opinion reveals that 40% strongly agreed, 30% agreed that adequate supervision and monitoring reduce compliance. Furthermore they were 4% neutral, 10% disagreed and 16% strongly disagreed.

4:4 Test of Hypothesis

There is no significant relationship between internal control and

Table 4:4: 1

Model	Sum of square	D.F	Mean square	F	Sig. (P_value)
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Regression	42.728	5	8.5456	21.939	0.000
Residual	36.798	95	0.3898		
Total	79.726	100			

Interpretation: the F-Value of 21.939 and the significant level (p_value) of 0.000 indicate that the regression model is statistically significantly. Since $p < 0.05$, the internal control system significantly predict performance.

Decision Rule: if $P_value < 0.05$, reject the null hypothesis, if $p_value \geq 0.05$, fail to reject the null hypothesis.

Since $p = 0.000 < 0.05$, we reject the null hypothesis.

Conclusion: the hypothesis test confirmed that the internal control system has a statistically significant and positive effect on the performance of government parastatals.

Hypothesis Two

Ho2: Internal control system do not significantly influences the performance of government parastatals in Nigeria

Table 4:4:2 ANOVA (Analysis of variance)

Model	Sum of square	D.F	Measurement	F	Sig (p_value)
regression	45.212	5	9.0424	24.8213	0.000
Residual	34.248	94	0.3643		
toal	79.726	99			

Interpretation: the F-Value of 24.8213 and the significant level (p_value) of 0.000 indicate that the regression model is statistically significantly. Since $p < 0.05$, we reject the null hypothesis

Conclusions: the analysis shows that internal control system influences the performance of government parastatals in Nigeria

Hypothesis Three

Ho3: there is no significant relationship between the effect of control environment on financial performance of the educational institution.

TABLE 4:4:3 ANOVA (Analysis of variance)

Model	Sum of square	D.f	Mean square	F	Sig (p_value)
Regression	34.126	5	6.8252	19.1772	0.000
Residual	33.456	94	0.3559		
Total	67.582	99			

Interpretation: the F-Value of 19.1772 and the significant level (p_value) of 0.000 indicate that the regression model is statistically significantly. Since $p < 0.05$, we reject the null hypothesis

Conclusions: Based on the regression analysis, there is a significant relationship between the effect of control environment on financial performance of the educational institution.

HYPOTHESIS FOUR

Ho4: the effectiveness of internal audit does not contribute significantly to the performance of government parastatals in Nigeria.

TABLE 4:4:4 ANOVA (Analysis of variance)

Model	Sum of square	D.F	Mean square	F	Sig. (P_value)
Regression	40.52	5	8.10	21.83	0.000
Residual	33.08	89	0.37		
Total	73.60	94			

Interpretation: the F-Value of 21.83 and the significant level (p_value) of 0.000 indicate that the regression model is statistically significantly. Since $p < 0.05$, we reject the null hypothesis

Conclusions: The effectiveness of internal audit contribute significantly to the performance of government parastatals in Nigeria.

4:5 SUMMARY OF FINDINGS

The summary is presented based on the research questions and hypothesis tested in this study.

I. The study found that internal control system has a significant and positive effect on the performance of government parastatals.

Ii. The study confirmed that internal control system influences the performance of government parastatals in Nigeria.

Iii. The study shows that there is a relationship between the effect of control environment on financial performance.

Iv. The study indicates that effectiveness of internal audit contribute significantly to the performance of government parastatals in Nigeria.

The findings support that strong internal control mechanism improves efficiency, accountability and service delivery. The control activities and monitoring component are most crucial in enhancing performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5:1 SUMMARY

Internal control systems (ICS) play a pivotal role in enhancing the performance, transparency, and accountability of government parastatals in Nigeria. These systems are designed to safeguard assets, ensure the accuracy and reliability of financial records, promote operational efficiency, and prevent fraud or misuse of public resources.

Studies show that effective internal control systems—comprising components such as the control environment, risk assessment, control activities, information and communication, and monitoring—are associated with improved performance metrics in public institutions. For instance, strong internal controls help reduce financial leakages, enforce compliance with regulations, and foster better decision-making within government agencies.

However, many Nigerian parastatals suffer from weak or poorly implemented internal controls due to factors such as political interference, lack of skilled personnel, inadequate supervision, and corruption. These deficiencies often lead to inefficiencies, financial irregularities, and poor service delivery.

Empirical findings reveal that parastatals with robust internal control frameworks tend to experience higher financial accountability and improved organizational performance. Conversely, lapses in internal control contribute significantly to financial mismanagement and underperformance in the public sector.

The study examine the impact of internal control systems on the performance of government parastaltal in Nigeria. Internal control mechanisms are essencial for ensuring accountability, transparency and efficiency in government agencies.

Key finding from the research indicate:.

- i internal control enhance performance: organizations with well structural internal controls experience higher efficiency, reduced fraud and improved financial management
- ii weak internal controls lead to financial losses:. Departments with poor enforcement of internal controls are more prone to fraud and mismanagement of public funds

- iii compliance with internal control varies:. While most employees acknowledge the importance of internal controls, lack of proper training and enforcement which lead to weak compliance
- iv challenges affecting internal controls: major challenges include political interference, lack of technology, inadequate training , and poor supervision.
- V role of internal audit: regular audits and independent reviews improve accountability and help detect irregularities early.

5:2 Conclusion

The study concludes that internal control systems significantly influence the performance of government parastatals in Nigeria. A well-structured and effectively implemented internal control system promotes financial accountability,

operational efficiency, compliance with regulations, and transparency in public sector management.

Evidence from the research indicates that key elements of internal control such as control activities, risk assessment, and monitoring are positively correlated with improved service delivery and reduced incidence of financial irregularities. Parastatals that maintain strong internal controls are better positioned to achieve their objectives, manage public resources prudently, and build public trust.

However, the study also highlights that many Nigerian parastatals are constrained by poor implementation of control policies, inadequate oversight, and lack of capacity among personnel responsible for internal controls. These challenges hinder the effectiveness of internal control systems and contribute to inefficiencies and underperformance.

The study also concludes that an effective internal control system is critical to the success of government parastatals in Nigeria. A well implemented internal control framework enhances financial accountability and operational efficiency.

To strengthen internal controls, government agencies must adopt modern financial management systems, train employees, and enforce strict compliance policies

In conclusion, strong and effective internal controls system is essential for the efficiency operation of government parastatals. To maximize its benefits strict compliance, better supervision, employees training, and the adoption of modern financial management system are necessary

Strengthening internal controls will lead to greater transparency, improved service delivery, and sustainable public sector performance.

5:3 Recommendations

Recommendations: The Impact of Internal Control System on the Performance of Government Parastatals in Nigeria Based on the findings and conclusions of the study, the following recommendations are proposed to improve the effectiveness of internal control systems and enhance the performance of government parastatals in Nigeria:

1. **Strengthen the Control Environment** Government parastatals should establish a strong ethical culture and leadership commitment to internal control. This involves clearly defining roles, responsibilities, and accountability mechanisms at all levels of management.

2. **Regular Training and Capacity Building** Staff responsible for designing, implementing, and monitoring internal controls should receive ongoing training to stay updated on best practices, tools, and regulatory requirements.

3. **Automation of Internal Control Processes**

Public institutions should leverage technology to automate financial and operational controls. Automation reduces human error, enhances real-time monitoring, and minimizes the risk of fraud.

4. **Independent and Regular Audits**

Internal audit functions must be independent and properly resourced. Regular audits will help detect weaknesses in the control system early and ensure timely corrective actions.

5. Enhance Monitoring and Evaluation

Continuous monitoring of internal controls through key performance indicators (KPIs) and evaluation frameworks will help measure effectiveness and enforce improvements where needed.

6. Enforce Compliance and Sanctions

Strict compliance with internal control policies and procedures should be ensured.

Staff involved in fraud or non-compliance must face appropriate disciplinary measures to deter future occurrences.

7. Policy Reforms and Oversight

Government should enact and enforce internal control policies uniformly across all parastatals, supported by oversight from regulatory bodies such as the Office of the Auditor-General and Public Accounts Committees.

8. Stakeholder Engagement

Internal control systems should include feedback mechanisms from both internal stakeholders (employees) and external ones (public, oversight agencies) to improve transparency and accountability

5:4 frontiers for further research

To deepen understanding and provide broader insights into the impact of internal control systems on the performance of government parastatals in Nigeria, future studies may consider exploring the following areas:

- i. **Comparative Analysis Across States or Regions:** Future research could compare the effectiveness of internal control systems across different geopolitical zones in Nigeria to identify regional disparities and localized challenges.
- ii. **Technology and Digital Control:** Investigate the role of digital transformation and automated internal control systems in enhancing transparency and efficiency in public sector management.
- iii. **Internal Control and Anti-Corruption Measures:** Explore the relationship between internal control systems and the prevention of corruption in government

parastatals, especially in high-risk sectors like oil and gas, infrastructure, and education.

- iv. **Impact of Internal Control on Non-Financial Performance Metrics:**
Examine how internal controls affect non-financial performance indicators such as service delivery quality, employee satisfaction, and public trust.
- v. **Leadership Influence on Internal Control Implementation:** Explore how leadership style and management commitment affect the design and implementation of effective internal control systems.
- vi. **Longitudinal Studies:** Conduct long-term studies to assess how changes in internal control practices over time influence the sustained performance of public institutions.
- Vii. **Cross-Country Comparative Studies** Compare internal control effectiveness in Nigerian parastatals with those in other African countries or emerging economies to identify global best practices and contextual lessons

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Appendix I

Department of accountancy ,
Institute of Finance and
Management studies
Kwara State Polytechnic
Ilorin.
May, 2025

Dear Respondent

QUESTIONNAIRE

I am Final year students of the aforementioned department, carrying out a research on the Topic: The Impact of Internal Control System On The Performance of Government Parastatals In Nigeria. (Case Study: Some Selected Government

Parastatal in Nigeria) This is in partial fulfillment for the award of Higher National Diploma (HND) In Accountancy

Kindly fill the attached questionnaire and I be assured that all information given will be treated with utmost confidentiality

Thank you for your co-operation

AbdulsalamKehinde

Researcher

QUESTIONNAIRE

Instruction: please tick () the appropriate option and make a comment where necessary

Section A: (Bio Data)

1. Gender : Male () Female ()
2. Marital Status: Marriage () Single ()
3. Age: 18-25 years () 26-35 years () 36-45 years () 46 years & above ()
4. Educational Qualification: O' level () NCE/ND () HND/BSC () MSC/PHD () Other Qualification ()
5. Job Position: Junior Staff () Senior Staff () Management Staff ()
6. Years of Experience: Less than 2 years () 2-5 years () 6-10 years () More than 10 years ()

Section B: Effectiveness of Internal Control System

Please rate the following statements based on your level of agreement

Keys:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

S/N	Statement	1	2	3	4	5
1	The organization has a well structured internal control system					
2	Internal control is help prevent fraud and irregularities					
3	Employees comply with internal control policies and procedure					
4	There is a clear segregation of duties in the organization					
5	Management regularly reviews and updates internal control policies					

Section C: Impact of internal Control on performance

Please rate the following statements based on your level of agreement

Keys:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

S/N	Statement	1	2	3	4	5
1	Internal control is enhance operational efficiency in the organization					
2	Proper internal control improves financial accountability					
3	Weak internal control is lead to financial losses in the organization					
4	Effective internal control is reduce corruption and mismanagement					
5	Internal audit contributes to better decision making					

Section D: Challenges of internal Control system

Please rate the following challenges based on how significantly they effect internal control effectiveness

Keys:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

S/N	challenge	1	2	3	4	5
1	Lack of adequate training for employees on internal control procedure					
2	Poor enforcement of internal control measures by management					
3	Insufficient technology for monitoring internal controls					

4	Political interference weakens the effectiveness of internal control systems					
5	Inadequate supervision and monitoring reduce compliance					