

1.0 INTRODUCTION

Internal control is an insupportable part of the accounting profession where importance to growth and posterity of an organization cannot be over emphasized. It is incubate that no one can succeed without an effective and efficient internal control mechanism. Internal control can also be likened to the brake and steering in a business, which if they are not ther, th business train will crash. It can be likened to the laboratory or quality control machinery which controls the quality of production produced by an organization. According to the British auditing comedian, internal control is the whole system of control, financially and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and affluent manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. Control are of fundamental importance to the auditor profession, he must decide to ascertain the best approach to the plan the test he intend to carryout in his audit program, he should decide o what extent he can rely on

Internal system of internal control, he should ascertain the enterprises system of recording and processing transactions and adequately as a basis for the preparation of the financial statement. Horgan and Foster (1990:1910) defined internal control as “the set of accounting and administration control and practice that help to ensure that approved and appropriate decisions are made in an organization, the auditor should therefore ascertain record test and evaluate the operations of any internal control on which he wishes to place reliance in determining the nature, expent of auditing of his audit work on which his opinion on the financial statement will be based. internal control is best regarded as indicating the whole system of control, financially and otherwise, established by the management in the conduct of a business including, internal cheeks is best regarded as indicating the checks on the day to day transaction which operate continually as part of the routine system, where the work if the one

person is proved independently or is complement to the work of another, the object being the prevention or early detection of errors and frauds.

This study is expected to view internal control as a measure of preventing errors in manufacturing industries with emphasis on special militating factors against internal control policies which includes independency of auditor, low balling, poor distribution of the enterprises and many other factors. Management has recognized internal control as a valuable tool in effectively crrying out its responsibilities and auditors have pressed for improvement in internal control to their effects to be of assistance to management as well as to permit education in audit work made possible by the increase in the credibility of the accounting records.

internal control comprises the whole system of financial and other control established and operating within an organization including internal cheek. internal audit and all other control established.

What is to be noted about internal control is that it is established by the management and it relates to the entire system of control in an orgaizaiton not limited ot accounting matters. Therefore within an organization, a control is seen as any action by management to enhance the livelihood that stable objectives and goals will be achieved.

Therefore the different types of internal control procedures such as in organizations which should define and allocate responsibility and identify lines of reporting, segregation of audits. Physical custody of assets, authorization and approval automatically and management through these areas of control; a kind of internal audit and internal cheek is maintained.

Evaluation of internal control has been of important of any management because of its objectives in any organization to succeed the management needs consistency and effectiveness of internal control producers.

1.1 BACKGROUND OF THE STUDY

Life Brewires Company Limited Onitsha is a private liability company with above forty

(40) share holders including some separate partners.

It is a Joint venture between Nigeria owning 70% and 30% co-Africa (French Company based in France having 30%). The company was incorporated and was almost completed in 1982 and 1983. The office blocks were completed and handed over to the company on August 3rd 1983. The company is located at the head bridge industrial area Fagge layout Onitsha. The share capital has since been increased to 22 million. The company is a brewery and other drinks are produced like Life Continental Lager Beer 60cl contents for the purpose of study which is aimed at viewing internal control as a measure of correcting or preventing errors in manufacturing company. Internal control could be seen as the organization of accounting duties in such a way as to maximize the chances of accurate accounting and minimize many chances of undetected fraud, error and litigation of negligence. Life Breweries serves for the related years traced by the study lay credence.

On the effectiveness of the internal control installed by the management of the firm and carried out by the auditor and accounting general of the federation.

1.2 STATEMENT OF THE PROBLEM

By this the research wishes to confess the main fundamental and popular demands. Nagging problem that necessitated the writing of the project. Below are some of the problems of this educative research work.

1.0 Excessive money laundry, frauds and misappropriation of fund in most manufacturing companies.

2.0 Lack of effective control found in Nigerian industries.

3.0 Problems encountered by auditors in the course of undertaking their auditing functions in Nigerian industries.

4.0 The use of internal control to detect and measure error and poor accountability in Nigerian manufacturing industries.

5.0 The essence of internal check and internal audit in Nigerian business organization

6.0 Weakness of management and internal control as the main reasons for

business failure and low profitability.

1.3 OBJECTIVE OF THE STUDY

This research is at least expected to achieve the following objective at the end of the road.

To expose, how effective the installation of internal control mechanism could be used to prevent fraud and errors in life breweries and other manufacturing companies of the country.

- i To show-case the need for auditors independence integrity and competence in carrying out all the auditing function and responsibilities.
- ii to enhance and expatiate the benefits and importance of **internal** control to the profitability and growth of manufacturing industries.
- iii How the weakness of management could negatively atleast the profitability and installation of effective country in an industry.
- iv to recommend working measures that could be used ot enhance and positively improve the internal control structure of most organizations.
- v Finally suggest how effective book keeping and accountability can contribute to the growth of the organizational internal control policies.

1.4 RESEARCH QUESTION

There is no way such a quantity and research investigation can be without the satisfaction asking him so many questions to other respondents that supplied solution whitish formed basis for the generation inference and conclusion arrived at after the exercise.

Below are the fundamental research questions which the researcher considered quite adequate to the success of the study.

- i What is this internal control all about
- ii How is internal control policies formulated in your firm and what level of management is responsible for this critical responsibility.
- iii Hw has internal control helped to detect fraud and prevent errors in your firm so

far?

iv What roles have the auditors and the accountant of your firm played in order to contribute their respective quota to the growth of internal control.

v Do you think your company can afford to succeed and meet up with world and management standard without the aid of internal control.

vi How many accounting departments do you have?

1.5 SIGNIFICANCE OF THE STUDY

The importance and significance of this educative and qualitative analysis cannot be over emphasized as internal control is an inseparable through internal part of the accounting profession.

Below are some of the reasons and relevant significant which triggered the conditions of the research investigation.

- The rate of incessant frauds, errors and misappropriation of fraud recorded by most organization and manufacturing industries as a result ineffective internal control.
- The sudden collapse, winding off, liquidation, bankruptcy and premature manufacturing firms.
- To appraise the inseparable function rendered by auditors and accounting officers of industries
- It is equally expected of this study to suggest to management how best to improve or rather effectively enhanced their internal control.
- To administer justice and punish those persons responsible for over shadowing and infringing on auditors independency and integrity.

1.6 SCOPE OF STUDY

The research if not because of the minute period of time and few months given by the management of any school for its completion, it could have covered some other non-production organization, including non-profit making entities like churches, cleanable organization, clubs etc.

However, the scope of this research is only limited to manufacturing companies of this

country. With the life breweries of Onitsha as a case study but,, it time could be expended or it wont be easy to accomplish. This exercise may have covered also, some service rendering and financial institutions, like banks, insurance, commerce, stock exchange etc.

1.7 LIMITATION OF THE STUDY

So many constants draw backs, stumbling blocks and limitations were accrued upon the research the research consequent upon carrying out this educative study.

The following are some of the nagging draw backs which later became a stepping stone necessary for the execution of this civic function:

FINANCE: Even the holy book of reading said it, that money answers all things. The above statement never made any sense to, nit until one entered into rusticity of this quantitative study, at the mid sea of this study defined sources of income apart form hundred percent dependence on parents. I got lost financially. This is a mattr of fact, delayed the production and collections of this work typed. Educated and photocopied this job.

TIME CONSTRAINTS: Time ahs already been defined by time series managers as the most costly commodity the world has ever known. The school management ave us between now nad the end of this academic section, whose period is nothing to write home about. As a result of this phenomenon, I was handicapped by the dilemma of timeconstraint which remained on it wind that bellowed the good to the successes of this exercise.

RESPONDENT ATTITUDE: The tpe of behaviours portrayed by the respondents expected tocomplete the qusitonnaire and return some as fast as possible, demoralized my spirit. So many of them lfft theirs uncompleted, while lot of others refused bluntly to write any thing on theirs, not to talk of completion of the questionnaire. As a result of this unsonpulous reactions of the respondents some of my questionnaires were returned exactly without any effort made on them.

DIFFICULTY IN COLLABORATING MY ACADEMICS WITH THE STUDY: Also a

great down trodden was equally recorded at mid sea of this study, when I was about to study and get fully prepared for my exams.

I found it extremely difficult to cope with them for I had to give myself many sleepless nights and day to ensure that, I maintained equilibrium between my academic pursuit and this research work.

HIGH TRANSPORTATION COST AND BAD ROADS: I equally recorded so many draw backs and stumbling blocks during the process of sourcing for data materials, journals, annuals dailies publications and other relevancies which contributed in one way or the other to the success of this job. I traveled far and near, across the boundaries of many states in the federation sourcing for materials.

1.9 DEFINITION OF OPERATIONAL TERMS:

INTERNAL CONTROL: This is a whole system of controls, financial and otherwise established by the management in order to carry on the business of an entity in an orderly effective and efficient manner and in adherence to management policies.

ERRORS: This is a state of effecting mistakes and misappropriation of fact and figures.

EFFICIENCY: This is concerned with doing things right and in the most orderly and acceptable manner, void of errors, mistakes and litigations of negligence.

CONTROL: This consist of verifying whether everything occurs in conformity with the plans adopted, the instruction issued and principles established.

EFFECTIVENESS: This is the degree which an organization is successful in acquiring and utilizing scarce and valued human and material resources.

EXCEPTION PRINCIPLE: This rule state that the more manages of organization concentrate control efforts on exception the more efficient will be the result of their control mechanisms.

INTERNAL AUDIT: This is an independent appraisal function within an organization for the view of the system of control and the quality of performance as a services of the organization, internal audit involves the following: proper organization, accounting,

authorization of fund, supervision” etc.

INTERNAL CHECK: These policies cover the defects of framed or errors and of interior quality work.

ACCOUNTING: This is the process of recording, analyzing classifying, summarizing and interpreting of business or financial transactions in prmit sound judgement form users.

MANUFACTURING: This is all process involving form the purchase of raw materials to the production of semi or completed finished goods ready for consumption

FINANCIAL CONTROL: This is the process which describes; that financial resources are obtained economically and utilized efficiently and effectively in the attainment of the organizational described goals.

PERIODUATY: It has been said that business units are assured to be going concern, as a matter of facts, the accounting concept made it necessary that business life or activities are divided into accounting periods so that changes in the position of business activities can be measured over the relevant periods.

FINANCIAL INDICATIONS: By this we mean the financial, performance of the organization as revealed by he key ratios, this may include, such accounting and balance sheet ratios, like current ratio, acidity ratios, debtor ratios, stock turnovers ratios, high gearing ratios.

HYPOTHESES

Ho: Weak internal control as a measure of prevention of errors of life breweriesOnitsha, ahs result in how profitability of the organization.

Hi: Weak internal control as a measure of prevention of errors of life breweriesOnitsha, ahs result in how profitability of the organization.

H1: Who is responsible for sharing of duties and responsibility.

INTERNAL CONTROL AS A MEASURE OF PREVENTING ERROR IN MANUFACTURING INDUSTRIES (A CASE STUDY OF LIFE BREWERIES ONITSHA)

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