

PDF - IMPACT OF ACCOUNTING AND FINANCIAL CONTROL SYSTEM ON PUBLIC SECTOR FUND MANAGEMENT (A CASE STUDY OF EBONYI STATE UNIVERSAL BASIC EDUCATION) -

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INTRODUCTION

BACKGROUND OF THE STUDY

Public sector is the sector of the economy established and operated by government and its agencies as distinguishable from the private sector. Public sector accounting on the other hand is the process that the government agencies and its municipalities use to record its financial transactions. The financial control of the Public Purse is in the hands of Government administration. Government business whether in form of policies, programmes, activities or functions, are formalities that become rigorous especially in relation to the accounting and reporting for the collection and use of government fund which supports the process of governance. Public accountability is not a new phenomenon it is old as man in his social relations with his fellowman. This is because in ancient times, the Accounts of estate domain or manor were examined by reading them out by those compiled them to the persons in the authority. Thus, there was an element of answerability in government.

Today, however, public accountability involves the addition to stewardship assessing whether the uses of allocation of resources yield more benefit than another, this makes public accountability more complex with various consequences especially when decisions taken by public officers are brought under open and public scrutiny. The scrutiny is often being done by people who are not involved in making such decisions and/or those capable of understanding the intricacies of such decision, therefore, public accountability can be vague articulate depending on the understanding and ethical standards of the group defining it. According to Mathias (2004), the focus of public sector accounting is somewhat different from the private sector accounting theory. He opined that most government agencies and municipalities need to track funds generated from tax revenues and expenditures related to projects or appropriations. He added further that nations may need to follow a set of standard of accounting principles different from the private sector accounting rules. It must be recognized that the creation of an international accounting standard helps nations to follow similar rules in order to present accounting information in a similar manner. Government accounting and financial control system typically uses a set of rules that track financial information. Rather than attempting to determine how much money a public sector entity has made, the entity must report financial information to interested parties, primarily constituents. The separation of money into these funds makes it difficult for government agency or municipality to spend money on unauthorized purposes. Appropriation or spending authorization must be created through legislation to transfer funds amongst government fund accounts. This process attempts to restrict the spending of money on a free will basis that will quickly deplete an agency's resources. Looking at government and public sector accounting and financial control, public sector which is that sector of the economy established and operated, by the government and its agencies, this distinguished it from private sector and it is organised on behalf of the whole citizens as they are expected to make minimum profit from their operations. Orewa (1978), emphasized that one of the main reasons why local government council exists is to collect various forms of revenue from its citizens or the federal government and then use the collected revenue to provide social services in an efficient manner as possible. The plan of expected cost of various services has to be prepared periodically and be provided on the coming year. The circle of poverty in Nigerian local government Adedeji (1972), referred to as due to inadequate functions and

powers, inadequate finances, low calibre and poorly paid staff, corruption and poor performances of the employed staff and members of the local government council. The scope of services classified as being in the public sector will vary slightly from one country to another, and most will include services that are freely available to all citizens, even those who do not contribute to the upkeep and maintenance of those services. This means that services considered within the public sector benefits virtually everyone, even those who do not directly make use of these services. Education is another example of service provided in a public sector. Nations that support a public school system typically do so without requiring students to pay tuition or fees to take advantage of learning opportunities found in a primary education system. In addition, individuals who are not directly involved with the system still benefit from the presence of the schools, since graduates are better equipped to function in the community in terms of securing employment and participating in activities that help to improve the quality of life in that community.

1.2 STATEMENT OF THE PROBLEM

It is argued that there may be failures to understand the impact of internal control system in public sector until the public sector runs void of financial controls. The absence of adequate financial control measures exposes the financial management of public sector to certain threats such as incorrect financial statements, loss of government assets, mismanagement of government vital documents, incorrect and unreliable financial records which may lead to loss of government integrity, and implementation of accounting policies inconsistent with the applicable legislation.

However, there is a general perception that institution and enforcement of proper internal control systems may lead to improved financial management. It is also a general belief that properly instituted systems of financial controls improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity. Nevertheless, available literature indicates that in spite of elaborate system of controls in organizations, financial management has been elusive in most of these organizations (OAG, 2010). Therefore, all aspects of financial management in public sector organizations should operate in an environment where there is confidence in the veracity of the financial information being used. Hence, the public sector requires robust systems of financial controls supported by effective audit and assurance arrangements. This necessitated this study which sought to establish the effect of internal controls on financial management in public sector.

AIMS OF THE STUDY

The major purpose of this study is to examine the impact of accounting and financial control system on public sector fund management. Other general objectives of the study are:

1. To examine the extent to which control activities affect financial management in the public sector.
2. To examine how accounting and financial control affect effective use of public funds.
3. To examine the impact of accounting and financial control system on effective management of public funds.
4. To examine whether effective and efficient accounting and financial control system in public institutions can ensure accountability and transparency in the management of public funds.
5. To examine the relationship between accounting and financial control system and management of public sector fund.
6. To examine ways for implementing effective accounting and financial control system on public sector fund management.

1.4 RESEARCH QUESTIONS

To what extent do control activities affect financial management in the public sector?

How does accounting and financial control system affect effective use of public funds?

What are the impacts of accounting and financial control system on effective management of public funds?

How does effective and efficient accounting and financial control system in public institutions ensure accountability and transparency in the management of public funds?

What is the relationship between accounting and financial control system and management of public sector fund?

What are the possible ways for implementing effective accounting and financial control system on public sector fund management?

1.5 RESEARCH HYPOTHESES

H01: There is no significant impact of accounting and financial control system on effective management of public funds.

H02: There is no significant relationship between accounting and financial control system and management of public sector fund.

1.6 SIGNIFICANCE OF THE STUDY

The findings of the current study may help identify gaps within the systems of financial controls in public sector organizations. Consequently, the research findings may be important in addressing these gaps. The findings may also be of invaluable benefits to the management and those charged with public sector governance since they are bound to enable them streamline the systems of financial controls. Ultimately, the findings are likely to ensure improved financial management and also attainment of the public sector organizations' objectives. The study may also add to the existing knowledge regarding accounting, financial controls and financial management particularly in the public sector. The study may generate knowledge to link accounting, financial controls and financial management which may guide policymakers in the planning for the public resources. The findings of the study may be helpful to all academicians in finance and accounting, management, legal, and other pertinent fields.

1.7 SCOPE OF THE STUDY

The study is based on the impact of accounting and financial control system on public sector fund management, case study of Ebonyi state universal basic education.

1.8 LIMITATION OF 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.

1.8 DEFINITION OF TERMS

Public Sector: This is an area which belongs to the government which deals with the production, ownership, sale, provision, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local municipal.

Internal Control System: Internal controls are policies, procedures, practices and organizational structures implemented to provide reasonable assurance that an organization's business objectives will be achieved

and undesired risk events will be prevented or detected and corrected, based on either compliance or management initiated concerns.

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