Internal Control System and Financial Management in Federal Government Hospitals

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ABSTRACT

Literatures on internal control system in the public sector are quite numerous, with just a few studies assessing how financial management in Federal hospitals in Southwest, Nigeria could be enhanced by the components of internal control system. This study covered this gap by examining internal control system and financial management if Federal government hospitals in Southwest, Nigeria. Descriptive research was adopted and the population covered six Federal government hospital in Southwest. 91 respondents were selected across the sampled Federal government hospitals in Southwest, Nigeria. A close-ended questionnaire was used after which, analysis was carried out via Pearson product moment correlation and multiple regression. It was discovered that there is a positive and significant relationship between the components of internal control system (control activities, control environment, risk assessment, information and communication and monitoring) and financial management (financial planning and control) in Federal government hospitals in Southwest, Nigeria. It was concluded that financial management in Federal government hospitals could be enhanced through the internal control system. Thus, it was recommended that the federal government hospital management should ensure that the internal control system is periodically monitored and evaluated to enhance their financial management productivity.

Keywords: Internal Control System, Control activities, Control environment, Risk assessment, Information and Communication, Monitoring, Financial Management.

INTRODUCTION

The health sector of an economy is a division in the economic system charge with the responsibility of providing medical services, manufacturing medical equipment/tools and drugs, providing medical insurance otherwise facilitate the provision of healthcare to patients and many more (Faiza Longbao, Abid-Hussain, Muhammad & Syed, 2018). This sector consists of hospitals, sanatoriums, nursing and care homes, medical and dental practices, ambulance transportation, complementary medicine and other health activities, such as medical laboratories and scientific and research services, across a range of organizations within the public, private and voluntary sectors. As a result of the significant contribution of this study to the Nigerian economy among other economies in the universe, the government at all levels ensures the sustainability of this sector among other sectors (Abdulrahman, 2018).

Most especially, the federal government established various hospitals with up-to-date facilities to render medical services for the populace at free as at little price as the case may be. Ajayi and Edewusi (2020) posited that recently the federal government pumps public funds into the health sector on daily basis to fight against the germane virus in society and ensure the sustainability of the sector at the long run. However, many Nigerians have a deep-rooted mentality that public funds are popular cakes for individuals to consume for personal satisfaction. This is due to the corrupt practices that has eaten deep into the fabric of public office holder in the public health sector. Though, it is basically necessary to effectively mobilize and

effectively allocate and use public funds to improve personal living standards and eliminate economic poverty when possible.

Nigeria's financial system is controlled by established codes of conduct, rules, policies and regulations, which coordinate the actual performance of the public health sector to achieve established goals. To ensure the efficiency, transparency, effectiveness and accountability of the public sector, emphasis is on public financial management (Ajayi & Edewusi, 2020). Gamaliel and Ali (2019) described financial management as the effective and efficient allocation and utilization of finances to achieve a stipulated objective. As generally known, financial management in every sector is essential for achieving sustainable development and growth goals.

The recent global pressured on corruption control and management of public funds is the major factor that necessitates the implementation of internal control system in every public sector at federal, state down to the local government level, to ensure financial management at all levels. New public management (NPM), an international public reform movement formulates significant improvement in the management of public treasures in many countries, to promote good management system that will work towards efficiency, effectiveness and proper accountability, which can only be realized through effective internal control system.

Internal control system is a process, effected by entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of organizational objectives. According to Adeoye and Adeoye (2014), internal control system is a process designed and effected by the board member, administration and staff of an organization to effectively and efficiently achieve operational financial and compliance objectives. Effective internal control system involves regular review of quality of financial and operating information, review of policies regarding the control of assets, employee's assessment and compliance with organizational policies, procedures, laws and regulations Akinyomi (2017) posited that internal control system plays a significant role in eradicating errors and omission to the barest minimum in an organization.

According to Salihu (2015), there are three major classifications of internal control systems; these are preventive, detective and corrective measures. He further explained that preventive controls forecast likely problems that may occur and make an adjustment to prevent error, omission or malicious act from happening. Detective controls are employed to detect and report the occurrence of an omission, error or malicious act. While corrective controls help to minimize and identify the cause of a problem as well as to correct errors arising from such a problem. Internal control system, therefore, can provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better financial management in the federal government hospitals. Poor internal control leads to asset misappropriation, corruption, fraud in financial statements. Dorcas, Sheriff, Paul and Folashade (2020) asserted that the basic components of internal control system include: control environment, control activities, risk assessment, information and communication and monitoring.

The Nigerian society is filled with stories of wrong practices such as stories of ghost workers on the pay roll of Ministries, Extra-ministerial Departments and Parastatals, frauds, embezzlements and setting ablaze of offices housing sensitive documents and corruption are found everywhere in the country (Salihu, 2015). Huge amounts of Naira are lost through one financial malpractice or the other in Nigeria, which to say the least, drains the nation's meager resources through fraudulent means with far-reaching and attendant consequences on the development or even socio-economic or political programmes of the nation (Benson, 2018).

Billions of Naira is lost in the public sector every year through fraudulent means. This represents only the amount that is ferreted out and made public. Indeed, much more substantial or huge sums are lost in undetected frauds or those that are for one reason or the other hushed up. Hamidu, (2020) argued that cases

of fraud are prevalent in the Nigerian public sectors and that every segment of the public service, could seem to be involved in one way or the other in some of these nasty acts. However, accountability reflects the need for government and its agencies to serve the public effectively in accordance with the laws of the land. This increase in activities has brought with it an increased demand for accountability of public officers who manage these activities of the public.

Ejoh and Ejom (2016) posited that an emphasis on accountability by citizens is one aspect of the growing emphasis on eliminating corruption and promoting transparency in public sector. However, the issue of accountability in Nigeria is a fundamental problem because of the high-level corruption in all divisions of the public sector in the country. Also, failures to understand the impact of internal control system in public sector has drastically eaten the fibre of the public health sector as a result of lack of financial controls (Omondi & Evan, 2020). The absence of adequate internal control measures exposes the accountability of the public health sector to certain threats such as incorrect financial statements, loss of government assets, fraud, 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.

On this basis, several studies like Victo (2015), Sanu and Mustapha (2015), Adetula, Balogun, Uwajeh and Owolabi (2016), Akosile and Akinselure (2016), Onyefulu and Ofor (2016), Emmanuel (2017) and Gideon and Adebola (2020) have been conducted in relation to internal control system using different dependent variables like organizational performance, fraud detection and prevention, organizational growth and development and so on. However, none of the aforementioned studies focused on Federal Government hospital in Southwest, Nigeria. This necessitated this study which sought to establish the impact of internal control system on financial management in federal government hospitals in Southwest, Nigeria.

It is expected that the result of this study would be of great benefit to the government, policymakers and other scholars interested in similar topics. For the government and public office holders in the federal government hospital across Nigeria, it is expected that this study would help them to understand the components of internal control system and how best to utilize them for personal development and financial probity. Also, provides safeguards to public resources management and allocation.The rest of this paper shall be divided into four sections. Section two covers the literature review, section 3 centers on the methodology, section 4 covers analysis and discussion of findings and section five covers the conclusion and recommendations.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Conceptual Review

Internal Control System

Recently, the global pressure on public fund management and corruption control is a basic factor needed to implement a good internal control system in every organization in the private and public sectors at the federal, state and local government levels to ensure financial accountability and funds management transparency at all levels. An international public reform known as New Public Management (NPM) was formulated majorly to improve public wealth management in many countries, to promote good management systems, to improve efficiency, effectiveness and proper accountability (Babatunde, 2018). This can only be achieved through effective internal control to realize the system. An effective internal control system includes regular review of the quality of financial and operating information, review of policies related to assets control, employee evaluation, and compliance with organizational policies, procedures, laws and regulations.

As it is applicable to the private sector, so also it is in the public sector. According to Fakunmoju, Fasol, Fashagba and Akinbiyi (2020), internal control plays a crucial role in how the government performs its management or institutional responsibilities; maintain control measures put in place to achieve an efficient public resources management. This implies that proper internal control not only ensures that assets and records are protected, but also creates an environment that encourages and monitors efficiency and effectiveness utilization. The success of each sector in the private and public sectors is affected by internal controls as it seeks to use its resources efficiently. Resources must be protected to ensure that they are not used to serve the personal interests of workers.

As far as federal government hospitals are concerned, internal control is the entire control system, including finance, established by the management to perform medical functions in an orderly and efficient manner, ensure asset safety and ensure its integrity and accuracy of record for decision making purposes (Gideon & Adebola, 2020). The main goal of federal government hospitals is to provide medical services and consultations to the public in a timely manner. To this end, federal government hospitals established an internal control system (Oyerinde, Balogun & Owolabi, 2020). It is important to realize that in order for federal government hospitals to effectively achieve their expected goals, the management of such federal government hospitals must establish a sound internal control system, thereby forming an effective internal audit unit that can provide management with necessary analyses, appraisals and recommendations for onward decision making.

The income of federal government hospitals comes from internal and external sources. The judicious utilization of these incomes can only be effective through a proper internal control system. To support this, Mawanda (2018) posited that the internal control system is an indispensable mechanism and plays a vital role in all federal government hospitals. In Nigeria, federal government hospitals continue to work extensively to improve their internal control systems to increase income inflows, survive in a rapidly changing economy and competitive environment and adapt to changing environmental needs and priorities (Magaret, 2021). Internal control is composed of five interrelated components, which are: control environment; risk assessment; control activities; information and communication and monitoring. However, in the context of this work, control environment; risk assessment; control activities; and monitoring will be critically examined.

Financial Management

Management is as important as our daily foods for sustainability of life. In every organization be it profit oriented or non-profit oriented organizations; management of the available resources contributes to the success of an entity. By definition, Gamaliel and Ali (2019) defined management as the way of getting things done by people. Outrightly, people serve as the most important resources in every organization. among the people include the entrepreneurs, employees both skilled, semi-skilled and unskilled. They all come together to utilize other material resources which include raw materials, machinery and capital towards the achievement of the desired objective. According to Jumare, Yusuf and Mohammed (2015) management is the effective and efficient allocation and utilization of resources available towards the achievement of the stipulated organizational aims and objectives at the expected time.

Financial management is the effective and efficient allocation and utilization of finances to achieve a stipulated objective (Nyamita, Dorasamy & Garbharran, 2015). As generally known, financial management in every sector is essential for achieving sustainable development and growth goals. According to Oladitan (2016), financial management as the process of planning, coordinating, controlling and monitoring financial operations in an organization. It is the function related with the level of profitability, income and expenses, cash and credit in an organization towards the achievement of the desired organizational objectives. In addition, financial management is mainly used to address managerial priorities in an organization. Serrao (2016) posited that the components of financial management include; financial planning and control as explained below:

Planning is crucial for the success of any endeavours in life. This birth the common sayings that he who fails to plan plans to fail. Planning function is also required in management of financial operations in an organization be it public or private organization. Onuorah (2017) conceptualized financial planning as the process of estimating the capital required and determining its competition to ensure sustainability at the long run. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise. Financial planning is required to set an expected outcome at the long run. Also, financial planning could serve as a guide put in place towards the achievement of the stipulated objective.

Control function is required to prevent an organization from defraying from the expected outcome. According to Racheal (2016), financial controls are the procedures, systems, policies and ways by which an organization, monitors and controls the direction, distribution and utilization of its financial resources. Financial controls are at the very core of financial management and operational efficiency in any organization. Stanley (2017) defined financial control as the structures, policies, procedure, processes and automations used to implement financial management in an organization. Financial control is the basic drives towards the achievement of the stipulated organizational aims and objectives.

Control Environment and Financial Management

According to Omondi and Evans (2020), control environment is the main aspect of the management of federal government hospitals, because it reflects the board's attitude and policy on the importance of internal auditing of federal government hospitals. It has an impact on the goals and achievements of the system. The control environment helps reduce the level of fraudulent activities in the organization's operations. The quality of the internal control system depends on the function and quality of its control environment (Benson, 2020). Therefore, providing a proper control environment for federal government hospitals is critical to the effectiveness of their operations. In addition, the control environment provides the tone set by the front-line management, its philosophy, style and supportive attitude to the internal control system, as well as the capabilities, ethical values, integrity and morale of the organization's personnel. This will define the behavior of employees and thus affect financial management.

Risk Assessment and Financial Management

This is the identification and analysis of major risks associated with achieving management objectives (Salisu & Mustapha, 2015). This implies that risk assessment is the process of identifying and analyzing the risks associated with the management's preparation of financial statements, which will be fairly presented in accordance with generally accepted accounting principles. In this case, management must carefully determine the level of risk accepted and should try to maintain this risk. Therefore, it is necessary to constantly assess the level of risk they experience in order to take the necessary actions. Risk assessment involves a dynamic and iterative process to determine and evaluate the harm to the achievement of goals. Magaret (2021) posited that the risk of achieving medical goals is considered relative to the traditional risk tolerance. Therefore, risk assessment forms the basis for determining how to manage risk. The prerequisite for risk assessment is the formation of goals, which are associated with different levels of entities.

Control Activities and Financial Management

Control activities are procedures, policies and mechanisms put in place to ensure that management's instructions are correctly implemented (Magaret, 2021). Appropriate documentation of these policies and procedural guidelines not only helps determine how to perform control activities, but also provides sufficient information for auditors to check the overall adequacy of the control design in financial management practices. According to Gideon and Adebola (2020), internal control activities take place in federal government hospitals. These activities include a series of activities, such as; approval, authorization, verification, reconciliation, business performance review, asset security and separation of duties. They combine a wide variety of exercises that provide evidence of performing these activities and appropriate documentation. From the perspective of Agbenyo, Jiang and Cobblah (2018), control activities consist of

activities carried out by middle level management. The level of top management's commitment to control environmental activities also affects financial management of federal government hospitals. Control activities provide a solution to various risks that may hinder the achievement of organizational goals. Essentially, control activities are established for obvious risks.

Information and Communication and Financial Management

This refers to the process of confirming, obtaining and disseminating relevant information within a time frame in an appropriate manner in order to achieve the financial reporting goal (Mawanda, 2018). Information and communication affect working relationships in federal government hospitals at all levels. Information is communicated throughout the organization so that people can perform their responsibilities related to the established goals. According to Benson (2018), information and communication systems or processes support the identification, capture and exchange of information in some form and time frame to enable people to perform their duties in federal government hospitals. Basically, it is assumed that the information and communication system provide reports containing information related to operations, finances and compliance, enabling the operation and control of the organization.

Monitoring and Financial Management

According to Babatunde (2018), monitoring is an evaluation of the performance of internal control over time. It is proficient through continuous inspection exercises and specific assessments of internal controls (including self-assessments, peer reviews, and internal audits). The purpose of monitoring is to determine whether internal control is adequately designed, properly implemented and effective. It is assumed that monitoring is required to ensure that the planned administrative, operational and financial tasks and activities are executed in a timely and appropriate manner so as to achieve the established internal control objectives and organizational performance. Monitoring also aims to determine whether the members of the organization are effectively performing or have performed their tasks in accordance with the requirements of the entity's policies (Agbenyo, Jiang & Cobblah, 2018). The monitoring of operations can ensure the effective operation of the internal control system. Therefore, monitoring determines whether the procedures and policies designed and implemented by management are being adhered to by the employees.

Conceptual Framework

This reveals the relationship between internal control system proxies in terms of control environment; risk assessment; control activities; information and communication and monitoring, and financial management (financial planning and control) of Federal government hospitals in Southwest, Nigeria.
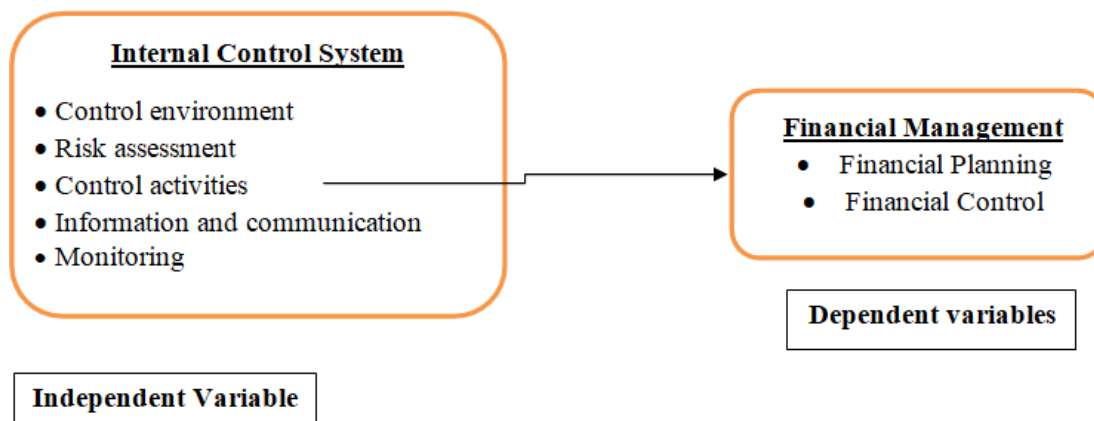

Figure 2.1: Conceptual Framework

Source: Authors' Design (2021)

Theoretical Review

Agency Theory

This theory is well known and significant to a lot of fields and topics in management science, education and social science. The highlight of this theory is that issues must abound when an agreement has taken place between two people. This theory is widely accepted to have been established by Jensen and Meckling (1976). This theory recognizes the agency relationship where one entity, the principal, assigns work to another entity, the agent. In the same vein, agency relationship exists where there is a transfer of authority to undertake a particular tasks. This theory recognizes two personalities; the principal and the agent. According to Benson (2018), the principal is usually seen as the owner or stakeholder of a firm, and is the one that assigns responsibility to the agent. Thus, the agent is the one that carries out the bidding and wishes of the principal. This theory also states that the agency relationship could have some demerits based on the opportunism or self-interest of the agent. For instance, the agent may not perform to the best wishes of the principal, or he may perform partially to the best wishes of the principal. To expatiate, it is possible for the agent to abuse his authority for monetary benefits or other benefits. Also, it is possible for the agent not to undertake appropriate risks in pursuance of the principal's wishes because he (the agent) assesses those risks as not being suitable and the principal may have dissimilar opinion to risks.

Another issue recognized by this theory when it comes to principal-agent relationship is the issue of information asymmetry, where the principal and the agent have access to varying degrees of information (Agbenyo, Jiang & Cobblah, 2018). Implicitly, the principal is usually at a disadvantage because the agent has more relevant information than him. The degree to which principals believe in their agents would most likely influence the extent of the monitoring system that would be implemented for the overview of agents' activities and the degree to which agents' compensation levels would be deemed acceptable. In connection to the study, one of the monitoring systems usually implemented by principals is internal control system. Ishaku, Kakanda and Danladi (2020) noted that implementing a strong internal control system is not limited to having competent internal auditors. It could also be in form of regular reporting by the agent to the principal, and at times, even hiring of external auditors to the organization. Agency theory brings a beneficial theoretical framework for the study of the internal control system. It has been stated that agency theory not only aids in explaining and predicting the existence of internal control system but it also aids in explaining the role and duties delegated to internal auditors by the firm, and that agency theory forecasts how the internal control function is likely to be influenced by organizational change.

The agency theory holds weighty assumptions that are significant and relevant to diverse fields and topics. However, this significance and relevance has not shielded it from criticisms due to some limitations. Firstly, the theory has been criticized based on the fact that it only viewed the agency problem from the side of the agent (Brahmadev & Leepsa, 2017). That is, it is the agent that is always at fault. It also believes that there is no competent or reliable agent that principals can wholly trust. This is a limitation of the theory, because it is not possible to have a consensus on all agents in the corporate world. The tenet of this theory based on separation of powers between managers and owners is also a limitation. This is because there are firms where the owner doubles as the manager. This theory holds numerous relevance and significance to the study because it recognizes that internal control system is one of the instruments used in federal government hospitals to address the agency problem by reducing agency costs that influence the overall running of the relationship, as well as the benefits of the principal. In essence, this theory highlights that the financial management of federal government hospitals can be improved as a result of strong internal control systems. When principals implement strong internal control systems, it would be difficult for agents to manipulate information to their benefit. This would ultimately improve financial management.

Empirical Review

Several studies have been conducted to examine internal control system though with diversified outcome

variables both locally and internationally. For instance, the relationship between internal controls, financial accountability, and service delivery in the private health sector in Uganda was examined by Victo (2015) using regression analysis method. The study revealed that there is a significant positive relationship between the three variables studied. In a similar study carried out by Dickson (2015), it was revealed that there exists a positive correlation between the components of internal controls and financial performance of public water companies in Kenya using Pearson correlation analysis method. Both study center on internal control system. However, the studies were conducted in different locations.

A deep understanding of internal control system for good financial accountability at the local government council level in Nigeria was investigated by Sanusi and Mustapha (2015) using chi square analysis method. The result revealed that internal control system has a positive significant effect on financial accountability in the local government area council in Nigeria. relating to tertiary educational institutions in Nigeria, Aramide and Bashir (2015) chose Nasarawa state polytechnic to examine the effectiveness of the internal control system in the tertiary educational institutions in Nigeria using descriptive statistical tools, it was revealed that internal control study has contributed significant to towards the achievement of the institutional goals.

Aramide and Bashir (2015) examined the contribution of internal control system towards the achievement of good financial accountability at the local government level in Oyo state using chi-square analysis method. The result revealed that a positive significant relationship exists between internal control system and financial accountability at the local government level in Oyo state. Using descriptive statistical tools, Adetula, Balogun, Uwajeh and Owolabi(2016) investigated internal control system of Nigerian tertiary institutions using for institution in Southwest, Nigeria. the outcome of the study revealed that many components of the internal control system are properly situated except that the internal audit units of those institutions are not independent.

Also, the effect of internal control on the financial management of selected universities in Nigeria was carried out by Akosile and Akinselure (2016) using regression analysis method. The result revealed that a positive significant relationship exists between the two variables. Onyefulu and Of or (2016) related internal control system to fraud detection in the public sector using Pearson Correlation analysis method. The outcome of the analysis revealed that internal control of Anambra state public sector has appositive relationship with fraud prevention and detection.

In Kenya, Cornelius, Caroline and Edwin (2016) examined the effect of internal control system on the financial management in Baringo County government in Kenya using multiple regression analysis method. The result revealed that control activities and monitoring of information communication technology, significantly influences financial management. Control activities and ICS monitoring significantly predict changes in financial management, while control environment and information and communication does not significantly predict changes in financial management. Emmanuel (2017) and Kakye (2017) examined the impact of internal control system in the public sector in Ghana using regression analysis method. Their studies revealed that internal control system exert a positive significant effect on the financial management of public sector in Ghana.

Using descriptive, chi-square and regression analysis method, Ahmed, Nifa, Peter and Pwagusadi (2017) examined the effect of internal control activity on financial accountability and transparency in local government areas of Borno State, Nigeria. The outcome of the study revealed that internal control activity has insignificant impact on financial accountability but has positive impact on financial transparency in the local government areas of Borno State.

Theoretically, Sambo and Benneth (2018) examined internal control system and fund management of universities in Bayelsa State, Nigeria. The outcome of the study revealed that for the universities in Bayelsa State to manage their funds or financial resources, through the detection and prevention of errors, waste, frauds and mismanagement to ensure adherence to management policies and regulations, safeguarding the universities assets and properties and finally securing accurate and reliable records hence the need for strong

internal control system in our Nigerian universities.

Relating to the banking sector, Umar and Dikko (2018) investigated the effect of internal control on performance of commercial banks in Nigeria. The regression result revealed a positive and significant relationship between the four components of internal control namely; control environment, control activities, monitoring and risk assessment; and bank performance while information and communication were found to have insignificant positive relationship with bank performance.

Using regression analysis method, Fakunmoju, Fasol, Fashagba and Akinbiyi (2020) examined the effect of bank internal control system components on non-financial performance of selected quoted deposit money banks in Nigeria. The regression result found that internal control system components have significant effect on bank efficiency and operational performance of the selected quoted deposit money banks. Also, in Ekiti State, Gideon and Adebola (2020) examined the effect of internal controls on performance of selected tertiary institutions in Ekiti state using multiple regression analysis method. The regression analysis method revealed that control activities, Information & communication (IFC) and Monitoring activities (MA) had significant and positive influence on organisational performance of the selected tertiary institutions.

Gaps in Literature and Hypotheses Development

Several studies like Victo (2015), Sanu and Mustapha (2015), Adetula, Balogun, Uwajeh and Owolabi (2016), Akosile and Akinselure (2016), Onyefulu and Ofor (2016), Emmanuel (2017) and Gideon and Adebola (2020) have been conducted in relation to internal control system using different dependent variables like organizational performance, fraud detection and prevention, organizational growth and development and so on. This is an identified gaps in literature that this study intends fill. In the same vein, none of the aforementioned studies focused on Federal Government hospital in Southwest, Nigeria. This necessitated this study which sought to establish the impact of internal control system on financial management in federal government hospitals in Southwest, Nigeria. To achieve the stated objectives of the study, the following hypotheses were formulated and tested at 0.05 level of significance:

1. there is no significant impact of control environment on financial management in federal government hospitals in Southwest, Nigeria.
2. there is no significant impact of control activities on financial management in federal government hospitals in Southwest, Nigeria.
3. there is no significant impact of risk assessment on financial management in federal government hospitals in Southwest, Nigeria.
4. there is no significant impact of information and communication on financial management in federal government hospitals in Southwest, Nigeria.
5. there is no significant impact of monitoring on financial management in federal government hospitals in Southwest, Nigeria.

METHODOLOGY

The research design for this study is descriptive survey type of research design and the population covered all the118 internal auditors of the six federal government hospitals in South West, Nigeria. Table 1 gives the breakdown.

Table 1: Population

S/N	Federal Government Hospital, Southwest, Nigeria.	Location	Internal Auditors
1	Federal Teaching Hospital	Ido Ekiti, Ekiti State	22
2	Federal medical center	Owo, Ondo Sate	15

3	University College Hospital	Ibadan, Oyo State	20
4	Obafemi Awolowo Teaching Hospital	Ile Ife, Osun State	24
5	Orthopedic Hospital	Gbobi, Lagos State	9
6	Federal Medical Center	Abeokuta, Ogun State	28
	Total		118

Source: Internal Audit's Office of Each State (2021).

Sample Size and Sampling Technique

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

Where:

n = sample size

N = the population size

e = level of significance

$n = \dfrac{118}{1 + 118(0.05)^2} = 91$

The sample for the study consists of 91 respondents, using Taro Yamane and Bowley's formula.

The formula is given as:

Table 2: Sample Size for Each Hospital

S/N	Federal Government Hospital, Southwest, Nigeria.	Location	Sample Size
1	Federal Teaching Hospital	Ido Ekiti, Ekiti State	n = (22(91)/118 = 17
2	Federal medical center	Owo, Ondo Sate	n = (15(91)/118 = 12
3	University College Hospital	Ibadan, Oyo State	n = (20(91)/118 = 14
4	Obafemi Awolowo Teaching Hospital	Ile Ife, Osun State	n = (24(91)/118 = 19
5	Orthopedic Hospital	Gbobi, Lagos State	n = (9(91)/118 = 7
6	Federal Medical Center	Abeokuta, Ogun State	n = (28(91)/118 = 22
	Total		91

Source: Author's Computation

The selection process was purposive sampling technique to select internal auditors with at least five years working experience. The instrument for data collection was a structured questionnaire titled Internal Control System and Financial Management (IFSFM) and it was subjected to validity test by experts to determine the suitability of the instrument facially and securitized the items to ascertain their representativeness of the variables in the research question and the formulated hypotheses. Their corrections and suggestions were used to modify the instrument before it was subjected to the test of consistency. For the reliability test, a pilot study was conducted where 15 questionnaires were administered on Federal Medical Center in Kwara State. Thereafter, Cronbach Alpha which measures internal consistency was used. As argued by Alhassan (2018), the reliability coefficient should be at least 0.70. The reliability coefficient of all the variables was given in table 3:

Table 3: Reliability Test Results

S/N	Variables	Reliability Coefficient
1	Control environment	0.748
2	Risk assessment	0.819
3	Control activities	0.874
4	Information and communication	0.798
5	Monitoring	0.832
6	Financial Planning	0.739
7	Financial Control	0.773

Source: Authors' Computation, 2021.

The data collected were analyzed using descriptive and inferential statistics with the aid of Statistical Packages for Social Science (SPSS). Pearson Product Moment Correlation and multiple linear regression were used to test the hypotheses. This study adapted the model used by Muhunyo (2018) to examine internal control systems on financial performance of public institutions of higher learning in Nairobi city County, Kenya. The model is given thus:

FIN= f(COECOA, RIA, IAC MON) 3.1

where: FIN is Financial Management, COE is Control environment, RIA is Risk assessment, COA is Control Activities, IAC is Information and Communication and MON is Monitoring.

The model is modified by replacing financial performance with financial management which was captured with financial planning and control in relation with the components of internal control system (control environment, control activities, risk assessment, information and communication and monitoring). All these modifications are triggered because of the stated objectives and also the intentions to cover every major part of the concerned variables. In line with these modifications, the new models are specified thus:

Model 1

FIP= f(COECOA RIA IACMON) 3.2

Model 2

FIC= f(COECOA RIA IAC MON)... 3.3

The equations of the models are given thus:

FIP = $\alpha_0 + \alpha_1 COE + \alpha_2 COE + \alpha_3 RIA + \alpha_4 IAC + \alpha_5 MON + U$… 3.4

FIC = $\alpha_0 + \alpha_1 COE + \alpha_2 COE + \alpha_3 RIA + \alpha_4 IAC + \alpha_5 MON + U$… 3.5

Where: FIP is Financial Planning, FIC is Financial Control α_0 is Intercept, $\alpha_1 - \alpha_5$ are the coefficient of independent variables.

RESULT AND DISCUSSION

Correlation Analysis

Table 4: Correlation Matrix

	FIP	FIC	COE	RIA	COA	IAC	MON
FIN	1.000000						
FIC	0.852436	1					

COE	0.412591	0.547353	1.000000			
RIA	0.44852	0.754073	0.383079	1.000000		
COA	0.530112	0.645521	0.267373	0.285803	1.000000	
IAC	0.714186	0.734283	0.381427	0.181386	0.338003	1.000000
MON	0.732309	0.422263	0.398943	0.205012	0.177497	0.481604	1.000000

Source: Author's Computation, 2021.

Where FIP is Financial Planning, FIC is Financial Control, COE is Control environment, RIA is Risk assessment, COA is Control Activities, IAC is Information and Communication and MON is Monitoring.

Table 4 shows that FIP maintained a positive relationship with FIC, COE, RIA, COA, IAC and MON with their respective correlation coefficient of 0.852436 for FIC, 0.412591 for COE, 0.448520 for RIA, 0.530112 for COA, 0.714186 for IAC and 0.732309 0.516227 for MON. This reflects that all the explanatory variables move in a similar direction with the outcome variable (FIN). This explanation still holds for the relationship between FIC and all the predictors with their respective correlation coefficient of 0.547353, 0.754073, 0.645521, 0.734283 and 0.422263. In the similar vein, the relationship between all the predictor variables is positive all through. This signifies that all the predictor variables (COE, RIA, COA, IAC and MON) move toward the same direction.

Multiple Regression Analysis

Model 1: Effect of internal Control system on financial planning in federal government hospitals in Southwest, Nigeria.

Table 5: Multiple Regression Analysis

Variables	Coefficient	Std Error	T-Statistic	Prob.
C	9.439	2.326	7.349	0.000
COE	0.490	0.162	3.864	0.008
RIA	0.370	0.137	2.699	0.009
COA	0.462	0.147	2.309	0.007
IAC	0.485	0.124	3.90	0.021
MON	0.855	0.089	9.614	0.000

R-0.629, Adj. R-square-0.452, f-statistics 43.212, p-value 0.00021

Source: Author's Computation, 2021.

The result reveals that COE, RIA, COA, IAC and MON exert a positive and significant relationship on financial planning in federal government hospitals in Southwest, Nigeria to the tune of 0.490 (p=0.008<0.05) for COE, 0.370 (p=0.009<0.05) for RIA, 0.462 (p=0.007<0.05) for COA, 0.485 (p=0.021<0.05) for IAC and 0.855(p=0.000<0.05) for MON. Adjusted R-square reported to be 0.452 reflects that all the predictor variables accounted for 45.2% of the change in financial planning while the remaining 54.8% could be accounted for by other variables not covered by this study. The F-statistics of 43.212 along the probability value of 0.00021 revealed that the model is fit.

Model 2: Effect of internal Control system on financial Control in federal government hospitals in Southwest, Nigeria.

Table 6: Multiple Regression Analysis

Variables	Coefficient	Std Error	T-Statistic	Prob.
C	13.96	9.19	8.21	0.001
COE	9.80	4.09	3.53	0.039
RIA	12.33	3.20	5.41	0.023
COA	25.19	9.04	6.31	0.022
IAC	13.96	9.16	8.64	0.0012
MON	27.98	12.52	9.24	0.0004

R-0.574687, Adj. R-square-0.447093, f-statistics 32.50436, p-value 0.0302.

Source: Author's Computation, 2021.

The result reveals that COE, RIA, COA, IAC and MON exert a positive significant relationship on financial control in federal government hospitals in Southwest, Nigeria to the turn of 9.80 (p=0.039<0.05) for COE, 12.33 (p=0.023<0.05) for RIA, 25.19 (p=0.022<0.05) for COA, 13.96 (p=0.0012<0.05) for IAC and 27.98(p=0.004<0.05) for MON. Adjusted R-square reported to be 0.447093 reflects that all the predictor variables accounted for 44.71% of the change in financial control. While the remaining 55.29% could be accounted for by other variables not covered by this study. The F-statistics of 32.50436 along the probability value of 0.0302 revealed that the model is fit.

DISCUSSION OF FINDINGS

This study examined internal control system and financial management in Federal government hospitals in Nigeria. From the regression analysis result, it was revealed that there is a positive significant effect of control environment on the financial management proxied with financial planning and control in federal government hospitals in Southwest, Nigeria to the tune of 0.490(p=0.008<0.05) for financial planning and 9.80(p=0.039<0.05) for financial control. This shows that a 1% increase in control environment, would engender 0.49% and 9.8% increase in the financial planning and control in Federal government hospitals in Nigeria. This is due to the contribution of the management toward internal control and control consciousness established and maintained. And creation of a favourable working environment for the employees of the organization. This finding is in tandem with the findings of Kakaye (2017) that control environment exerts a positive significant effect on the financial management of public sector.

Also, it was revealed that a positive significant relationship exists between control activities and financial planning and control in federal government hospitals in Southwest, Nigeria to the tune of 0.462(p=0.007<0.05) and 25.19 (p=0.022<0.05) respectively. This implies that a 1% increase in control activities would breed 0.46% and 25.19% increase in financial planning and control in federal government hospitals in Southwest, Nigeria. Thereby, control activities could independently enhance the financial management in federal government hospitals in Southwest, Nigeria. This finding is in support of the findings of Ahmed, Nifa, Peter and Pwagusadi (2017) that control activities have positive impact on financial transparency in the local government areas of Borno State.

Furthermore, it was revealed that there is a positive significant effect of risk assessment on financial management measured with financial planning and control in federal government hospitals in Southwest, Nigeria to the tune of 0.370(p=0.009<0.05) for financial planning and 12.33 (p=0.023<0.05) for financial

control. This implies that a 1% increase in risk assessment would engender 0.37% and 12.33% increase in both financial planning and control in federal government hospitals in Southwest, Nigeria. This might be attributed to the efficient and effective function of the management in determining whether to accept the risk, reduce it up to the acceptable levels or avoid. This finding supports the conclusion of Umar and Dikko (2018) that a positive and significant relationship between the risk assessment and bank performance.

The study also revealed a positive significant relationship between information and communication and financial management (financial planning and control) in federal government hospitals in Southwest, Nigeria with the coefficient and probability values of $0.485(p=0.021<0.05)$ 13.96 $(p=0.0012<0.05)$ respectively. This shows a 1% increase in information and communication would engender 0.49% and 13.96% increase in both financial planning and control in federal government hospitals in Southwest, Nigeria. this is as a result of the adoption of the effective communication system within and outside the hospitals. This finding is in tandem with the findings of Dickson (2015) that there exists a positive correlation between the information and communication and financial performance of public water companies in Kenya.

Finally, it was revealed that a positive significant relationship exists between monitoring and financial management in federal government hospitals in Southwest, Nigeria to the tune of $0.855(p=0.000<0.05)$ for financial planning and $27.98(p=0.004<0.05)$ for financial control. This shows a 1% increase in monitoring would engender 0.855% and 27.98% increase in financial planning and control in federal government hospitals in Southwest, Nigeria. Implementation of an effective and efficient supervision contributes to the productivity of employees towards enhancing the financial management functions in federal government hospitals in Southwest, Nigeria. This outcome agrees with the conclusion of Gideon and Adebola (2020) that monitoring activities (MA) had significant and positive influence on organizational performance of the selected tertiary institutions.

CONCLUSION

Despite considerable and rich advances in maximizing financial management in the public sector, there is still a void in the literature with respect to the effect of internal control system on financial management in the public hospitals in Nigeria. Specifically, little is known about financial management (financial planning and control) in federal government hospitals in Southwest, Nigeria. This was the ground on which this study was designed. Empirically, this study was developed to bridge this gap. Through the findings made, it was concluded that the control activities, control environment, risk assessment, information and communication and monitoring as indicators of internal control systems have a significant influence on both proxies of financial management (financial planning and control) in federal government hospitals in Southwest, Nigeria.

RECOMMENDATION

Based on the findings made, the following recommendations were made:

1. For the federal government hospitals to promote their financial management effectiveness and efficiency, their control environment needs to be improved, cultivated and implemented diligently as it promotes the financial management functions.
2. The federal government hospitals management should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system.
3. The federal government hospital management should ensure that the internal control system is periodically monitored and evaluated to enhance their financial management productivity.
4. The management should evaluate the accessible risks before taking a decision.

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