

Analysis of Effect of Public Sector Accounting on Financial Control Systems in Nigeria Local Governments

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Abstract

The local government in Nigeria has faced a persistent challenge of financial control leading to the loss of billions of naira into the hands of public office holders. The trend has negatively affected local governments' ability to fulfill their statutory responsibilities. Therefore, the main thrust of this study was to empirically examine the effect of public sector accounting on financial control system in local governments in Osun State—specifically Osogbo, Ife Central, and Iwo. In specific terms, the study investigated the extent to which public sector accounting, as measured by public sector audit, budgetary process, and procurement process affects financial control in local governments. The study population comprised 188 staff members of the three selected local governments, and random sampling techniques were employed. Data collected through questionnaires were analyzed using descriptive statistics and inferential regression analysis. The result of the findings indicated that public sector audit has a significant positive effect on financial control in Osogbo, Ife Central, and Iwo Local Governments, Osun State, Nigeria. This is shown by the following statistics: public sector audit was found to have a significant positive effect on financial control system in local government in the Osogbo, Ife Central and Iwo, Osun State, Nigeria. ($\beta = 0.482$, $SE = 0.092$, $t = 5.269$, $p < .001$). Budgetary control had no significant effect on financial control in the Osogbo, Ife Central, and Iwo Local Governments, Osun State, Nigeria ($\beta = 0.121$, $SE = 0.082$, $t = 1.479$, $p = .132$). Procurement process was found to have a significant positive effect on financial control in Osogbo, Ife Central and Iwo local government, Osun state. Nigeria ($\beta = 0.279$, $SE = 0.079$, $t = 3.668$, $p < .001$). The study therefore recommended that the government strengthen its audit practices, procedures, and mechanisms; it also recommends that future research should investigate why budgetary control fails to predict financial control; lastly the government should domesticate and enforce the Procurement Act across all local governments in the country.

Keywords: Procurements, Budgetary, Audit, Public and Local Government

1.INTRODUCTION

Nigeria's financial system is one of the most extensive and diverse in Africa. However, the society is rife with stories of wrongdoing, such as ghost workers on the payroll of Ministries, agencies, and parastatals. Frauds, embezzlements, and corruption in Nigeria have been a subject of ongoing discussion among scholars and the general public. Every year, billions of naira are lost in the public sector due to fraud in Nigeria. The former Accountant General, Ahmed Idris, was reportedly involved in an alleged N109 billion case, one instance of fraud in the public sector. It was also reported that Nwabuoku Nweke was removed as the Accountant General of the Federation in July 2022. These frauds occurred under the supervision of the internal auditor, whose primary responsibility is to prevent fraudulent practices through adequate internal control mechanisms in place in the public sector.

Public sector accounting is a form of accounting organized and operated by the government to ensure that citizens' welfare is catered for, comprising various ministries, agencies, and parastatals. The government manages public entities on behalf of the public, whereas the primary aim of private entities is to make a profit. The public sector accounting system is created to record all financial transactions and information related to government activities at a particular point in time. For proper accountability, transparent and in conformity with the global best practices, Nigeria has adopted the International Public Sector Accounting for the preparation and presentation of all government financial activities.

Financial management in the public sector has been of great concern worldwide due to its complexity and importance. The public sector is responsible for providing goods and services to its citizens to ensure their well-being and economic development. The Public Financial Management (PFM) reform agenda has been a key driving force in the study of public sector accounting and financial control in Nigeria. The PFM reforms aim to strengthen financial management systems, promote transparency, and improve accountability in the public sector. These reforms involve the adoption of International Public Sector Accounting Standards (IPSAS), the introduction of an Integrated Financial Management Information System (IFMIS), and the establishment of internal control mechanisms. Nigeria operates a federal system of government, where public funds are allocated to the federal, state, and local government levels.

The funds allocated to the tiers of the government are meant to provide basic amenities for the people and ensure a secure society. However, without a robust financial management system, the provision of these goods and services may be challenging for the local government in Nigeria. Thus, there is a need for an efficient financial management system to ensure the smooth operation of the public sector. Financial management has two perspectives: accounting and finance (IASB,2018). Accounting deals with the recording, communication, and analysis of financial information, while finance deals with obtaining, managing, and utilizing funds. The combination of these two makes up the financial management system in the public sector.

The public sector consists of all organizations that are not privately owned and operated but are established, run, and financed by the government on behalf of the people, operated through its agencies (Adams, 2004). These government agencies employ financial rules to monitor the government's financial activities for effective and efficient fund utilization. Spending in the public sector should align with budgetary provisions, and the government's revenue and expenditure are prepared on a yearly basis. Elected officials or legislatures must create appropriations or spending

authorizations to transfer funds among government fund accounts. This process attempts to restrict the spending of money on a free-will basis that will quickly deplete. In the recent time, there have been issues of mismanagement, corruption, and lack of accountability in the public sector specifically in the local government in Nigeria, leading to the misappropriation of public funds and low development outcomes to the third level of governance in Nigeria, the local government which is the most closest to the people, as such, the impact of government should be felt on the area of provision of basic amenities.

However, the public sector, particularly the local government, is characterized by complaints of inadequate funding. Essentially, improper financial record-keeping would have failed to track unbudgeted spending, which leads to the embezzlement of public funds by top officials in the local government. It has set back the development at the grassroots level in Nigeria. The source of revenue available to the tiers of government, particularly local government authorities, is often insufficient, as it invariably affects various activities carried out in the local government area. The use of unstructured, inappropriate, and ineffective public sector accounting principles and financial processes, and poor administration of local government funds, are other problems faced by the local government.

As a result, there are still setbacks in the local government concerning infrastructural development, and financial control has become a bane in Nigeria. However, available literature indicates that despite the existence of financial control mechanisms in the public sector in Nigeria, the financial control system is yet to improve (Nwoke et al., 2023). In addition, there is a dearth of empirical research exploring this relationship within the public sector of local government in Osun State, Nigeria. As a result, this study proposes to examine whether the dimensions of public sector accounting (public sector audit, budgetary control and procurement processes) have any effect on financial control in the public sector of local government, Osun state, Nigeria. Hence, the study examined the nexus between public sector accounting and the financial control system in Nigeria's local governments, with a focus on Osun State. Hence, the study raised the following research questions: What is the effect of public sector audit on financial control in local government, Osun State? To what extent does the budgetary process have an effect on financial control in the local government of Osun State? What is the effect of procurement processes on financial control in the local government, Osun State?

The study focuses on the third tier of government in Nigeria because it is the closest level of governance in Nigeria, while there are three senatorial districts in Osun State. The local governments chosen were buoyant primarily in terms of resources and span the three senatorial districts of Osun State: Osogbo (Osun Central), Iwo (Osun West), and Ife Central (Osun East). The study would assist the local government in Osun State with the prudent management of local government resources and enlighten them on the concept of public sector accounting, as well as the best strategies to adopt for monitoring the funds generated.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Public Sector Accounting

Public sector accounting is the process government agencies and municipalities use in recording financial transactions, in order to create a standard expectation of ethics and accountability for a nation's financial information (Nwabueze, 2005) Also, Kara, (2012) defines public sector accounting as a system which collects, records, classifies and summarizes transactions occurring in the public sector and, pursuant to accountability and financial transparency requirements provides information to users associated with public institutions. While Adams (2004) views public sector accounting as a process of recording, communicating, summarizing, analyzing and interpreting government financial statements and statistics in aggregate and details; it is concerned with the receipts, custody and disbursement and rendering of stewardship on public funds entrusted.

Public sector consists of agencies or organizations that carry out public policy by providing services and redistributing income and capital, with both operations primarily funded by compulsory taxes or levies on other industries (Dibra, 2016). Governments, as well as all publicly owned, regulated, and/or publicly supported agencies, corporations, and other government bodies that provide public programs, products, or services, are included (Eginiwin & Dike, 2021). Therefore, accounting in general term is defined as “the recording, disseminating, summarizing, assessing, and interpreting financial accounts in aggregate and detail” (Ogiriki & Buseri, 2022)

Financial Control in Nigeria

2.1.1 Financial Control

The Nigerian financial system is one of the largest and most diversified subs – Saharan Africa. In recent years, the system has undergone significant changes in terms of the policy environment, number of institutions, ownership structure, depth and breadth of markets, as well as in the regulatory framework. However, in spite of the far-reaching reforms of the past ten years, the Nigerian financial system is not yet in a position to fulfil its potential as a propeller of economic growth and development.

The concept of financial control has no universal definition with the concept assuming different meanings to different scholars. According to Wakiriba et al. (2014), financial control is defined as a field of study that prioritizes the effective and efficient allocation of scarce resources so as to attain value in the attempt at achieving the objectives of the government. Bina and Obah (2018) on their part define financial control as the system that is intentionally designed to protect government assets and to ensure that all financial transactions are recorded to prevent and reduce errors and fraud. According to Cheruiyot et al. (2017), the main focus of financial control is to provide a comprehensive regulatory framework for the effective and efficient management of state resources. It is also an aspect of financial management practices, which include resource generation, resource allocation, and expenditure and resource utilization.

Financial control is the framework through which the public sector report on both the internal and external financial expenditures and revenues of government as laid out by extant laws and regulation. Hayles (2005) posit that an effective and efficient financial control system ensures the maintenance of proper accounting records so as not to expose public institutions to arbitrary risks.

As argued by Maimako (2005), Avery and Obah (2018) and Anane et al. (2019), the dimensions of financial control include public sector audit, budgetary control, and procurement processes

Control of capital expenditure via annual allocation; the control is over the extent to which they can expand beyond the limit of their self-finance growth. This control is also over total capital expenditure no matter how it is been financed. Borrowing control is exercised on the amount and the method of borrowing and over issuing stocks and ambiguous loan control over revenue finance and through the annual rate support and other fees and charges. The complexity of the administrative machinery requires the establishment of an independent committee to control the expenditure of the execution of the executive communities in the local government council.

These duties are usually committed to a once commute work to a detailed code of financial regulations and provides a control which enables the corporation between the executive committee and the department and the principal officers to be achieved with a view of obtaining the economy with efficiency.

Controls for the local government operation in Nigeria

Nigeria Constitution (1999) as amended states levels and bodies that control the local government operation as they include;

1. The federal government,
2. The state government, and
3. The local government citizens (people).

In view of the new local government system, each local government is now self-contained operationally in the sense that each local government now manages its functions and affairs with minimum interference and regulation from both the state and the federal government which controls the local government area in general matters. The internal auditors also controls the local government and this inspectorate service is done through most of the chairmen and not just by cutting the internal auditors and there by going about embezzling the funds of the government through execution and signing of non-awarded contracts while in normal circumstance, the auditors are supposed to carry out such appraisals of the local government accounting exercise, the financial process is enumerated in the financial memorandum of the section (83) of the edit giving the governor of the state the power to appoint an inspector who supervises the local government finance. He draws the attention of the auditors to any matters that relate to the amount which he considers to have a special attention and examination.

It is obviously impossible for the national assembly to control effectively the huge volume of public expenditures through the supply of procedures alone since the public authority obtains much reserve and a typical grant from the federal government. It is inevitable that there should be a range of financial control.

Financial Regulations: These are the accounting manual of government which deals with financial and accounting matters. They set out the procedures and steps to be taken in treating most of government transactions.

Finance/ Treasury Circulars: These are the administration tools which are used to amend the existing provisions of Financial Regulations, public service rules and the introduction of new policy guidelines.

Public Procurement Act, (2007): It is an act which set the National Council on Public Procurement and the Bureau of Public Procurement as the regulatory authorities responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Nigeria.

Fiscal Responsibility Act, (2007) It provides for the prudent management of the Nation's resources, ensures long-term macro-economic stability of the national economy, secures greater accountability and transparency in fiscal operations within a medium-term fiscal policy framework, and the establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of Nation's economic objectives.

Financial Year Act: It provides for the alteration of the financial year and for the appointment of the new period of January to December as being the financial year for henceforth and for the purposes connected therewith. The Act also stated that the financial year shall, pursuant to section 318(1) of the Constitution of the Federal Republic of Nigeria 1999 as amended, be the period of twelve months commencing on 1st January and ending on 31st December.

Other laws guiding Public Sector Accounting in Nigeria includes the Pension Reform Act of 2004, The Independent Corrupt Practices and Other Related Offences Commission Act of 2000, Economic and Financial Crimes Commission Act of 2002, Appropriation Act, Code of Conduct Bureau and Tribunal Act of 1991 and Money Laundering Act of 1995; all as amended.

2.2 Theoretical Review

2.2.1 Financial Control Theory

The theory of financial control was initiated by George P. Marsh in 1864 but was recently elaborated by Ostman (2007). This theory of financial control principally stipulates that existing and possible functions of financial tools for organizations are most essential. The theory of financial controls for organizations places a natural focus on the organization such that they are viewed from several latitudinal areas. The first focus of the theory is on individuals (in this study, the employees in the public service) and what activities they do for their organization (in this study, public institutions). The second focus of this study is on how the organization is structured (in this study, the bureaucratization) and the interrelationships among the different structures of the organization (the public service in this study). The last focus of the study dwells on the internal control system in the organization (in the public sector in this study) and the procedures and rules instituted to ensure its success. According to this theory, these three aspects work together to ensure the efficient and effective functioning of organizations (that is, the public sector).

Financial control theory therefore provides an assurance to the management of the reliability of accounting data employed in making decisions. The financial control theory is very relevant to the current study given that it helps in better understanding the intricacies surrounding financial management in an organization. It delineates the aspects of financial control such as public sector audit, budgetary control and procurement process that are relevant towards maintaining high levels of financial accountability.

Empirical Review

Nigeria Studies

Ironkwe and Okiakpe's (2017) study on the other hand examined the impact of budgetary control on financial accountability in Nigeria using Ministry of Commerce in Rivers State. Using a quasi-experimental research design, the study revealed that there is a significant impact of budgetary practice proxies on financial accountability.

Ogundana and Adegbe (2018) investigated the impact of IPSAS on financial reporting in Nigerian public organizations. The study used a sampling technique of 116 respondents and an inferential statistical analysis and found that the adoption of IPSAS enhanced financial reporting quality in Nigerian public organizations.

Umar's (2018) study examined the impact of budgeting on the financial accountability of government parastatals, specifically the Abuja Federal Housing Development Authority. His study revealed that there is a great degree of relationship between budgetary implementation and their actual performance.

Ozuomba (2019) examined the relationship between performance audit and accountability of the public sector entities in Nigeria. The population of the study was the Nigeria public sector. The results demonstrated that there was a huge gap between performance audit and accountability in the Nigeria public sector entities. The absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance.

Likewise, Abdulsalam and Bamidele (2019) on their part examined the place of public sector audit in organizational performance of public sectors in Nigeria, using some selected Local Government in Zamfara State, Nigeria as case study. The findings revealed among others that there exists a significant relationship between internal audit department and the administration of the Local Government, specifically that there was a significant relationship between internal public sector audit and proper reporting of stewardship by accounting officers.

Also, Igwe et al. (2021) study established that e- procurement facilitates documentation of the bidding process which in turn enhances transparency and accountancy especially in public sector financial management.

Other Country Studies

Tweneboah and Ndebugri (2017) examined the effectiveness of the procurement acts in public financial administration using Ghana as a case study. Using a sample size of 100 respondents, the authors found that the procurement act contributes significantly to improving accountability and transparency in the Ghanaian public sector

Bosco's (2018) study was also conducted in Rwanda to assess the impact of electronic procurement on the performance of public institutions in that country. The author revealed that e procurement was found to improve the performance of public institutions in Rwanda.

Debebe and Osebo (2019) which examined the impact of the budgeting process on the organizational effectiveness of Wolaita Zone Public Finance was able to find a direct relationship between budgetary control on the performance of public institutions in Kenya.

Jembe and Wandera (2019) analyzed factors of procurement audit that may affect performance of public institutions in Kenya. The results showed a positive correlation between the independent variables of procurement accountability, procurement conformity, procurement transparency and procurement performance on performance of public institutions in Kenya.

2.5 Theoretical Frame work

The study reviews the financial control theory which underpinnings the study by explaining the nexus between the public sector accounting and financial control system. The theory is relevant to this study because it highlights the role of the individual, how the public sector is structured including the rules, regulations, and processes and the internal control systems instituted. The theory argues that if these components are lacking in an organization, that is the public sector, then such an organization will be exposed to corruption and financial recklessness. As a result, scholars have argued that the effective enforcement of financial control in the public sector will improve financial accountability in the system.

2.3 Conceptual Framework

The conceptual framework for the study indicated the relationship between the public sector accounting and financial control system in local government, Osun state, Nigeria. The figure 1 shows:

Independent Variable

Dependent Variable



Figure 1: Conceptual framework

The Figure 1 indicated the nexus between the public sector (independent variable) and financial control (dependent variable) as proxies with public sector audit, budgetary process and procurement process.

3. METHODOLOGY

This study employed the survey research design with population of one hundred and eighty-eight (188) cut across the finance and account departments selected local government (Osogbo, Iwo, and Ife Central). The random sampling was used in selecting one hundred and twenty (128) staff of the selected department. The primary source of data through the use of questionnaires were used

to source for data. Data collected were analyzed using both the descriptive and inferential statistics. Tables, charts also used to explain data collected, while regression analysis and t-test was used to test the answer the research questions raised for this study.

Model Specification

The study formulated the following model to explain the relationship between the independent variable and dependent variable

$$PSAC = f(FCS) \dots\dots\dots i$$

$$PSAC = f(PSA, BP, PP) \dots\dots\dots ii$$

$$PSAC = \beta_0 + \beta_1 PSA_{it} + \beta_2 BP_{it} + \beta_3 PP_{it} + \mu_{it} \dots\dots\dots iii$$

Were,

PSAC = Public Sector Accounting

PSA = Public Sector Audit

BP = Budgetary Audit

PP = Procurement Process

Measurement of Variables

The independent variables in this study represent the measurement of public sector accounting, while financial control system was measured by public sector audit, budgetary control and procurement process.

Table 3.1 Measurement of Variables and Sources of Data

Variables	Measurements	Type of Variable
Public Sector Accounting	Measured through items that addressed the public sector accounting	Independent Variable
Public Sector Audit	It was measured through the items that explain the public sector audit and financial control	Dependent Variable
Budgetary Process	It was measured through the items that explain the budgetary process and financial control	Dependent Variable
Procurement Process	It was measured through the items that explain the procurement process and financial control	Dependent Variable

Researcher's Computation (2025)

4. DATA PRESENTATION AND DISCUSION OF FINDINGS

Demographic Statistics Analysis

The profile of the staff of the selected local government from department of finance and accounts was subjected to analysis using demographic characteristics in term of gender, education, qualification, age, and position.

Table 4.1 Socio- Demographic Characteristics of Respondents

Characteristics		Frequency	Percentage
Gender	Male	88	68.7
	Female	40	31.3
	Total	128	100
Age	18-30 years	14	10.9
	31 – 40 years	55	43.0
	41-50 years	42	33.0
	51 years above	17	13.1
	Total	128	100
Employment Status	Confirmed	119	93
	Probation	7	5.4
	Contract	2	1.6
	Total	128	100
Position	Management	18	14.0
	Level	68	53.0
	Grade Level	42	33.0
	(10-14)	128	100
	Middle Men Level (7-9) Total		
Educational Qualification	ND/NCE	32	25.0
	HND/BSC	81	63.3
	Master	15	11.7
	Certificates	128	100
	Total		

Researcher's Computation (2025)

Out of the 188 questionnaires that were distributed to the staff of the three selected local government, Osogbo, Ife Central and Iwo respectively, 60 questionnaires were lost with a final sample size of 128 used for the data analysis representing an effective response rate of 68%.

The result for the gender indicated that there was male staff than female in the selected local government, which indicated that 88 of the respondents (68.7%) are male while 40 (31.3%) are female while 14 (10.9%) were within 18-30 years, 55 of the respondents (43.0%) within 31-40 years, 42 (33.0%) were within 41-50 years and 17 (13.1%) were above 51 years. For status of employment, majority of the respondents that 119 (93%) are confirmed staff, 7 (5.2%) were on probation while only 2 (16%) were contract staff. Concerning respondents' position, 18 (14%) are in the management cadre, 68 (53.0%) of the sample are on Grade Level 10-14, while 42 (333%) are on Grade Level 7-9. Lastly, in terms of their level of education, 32 (25%) have a diploma or

NCE certificate, 81 of the respondent which represented 63.3% have HND or undergraduate degree, 11.7% that is, 15 of the total respondents have a master's certificate.

4.2 Descriptive Statistics of the Research Constructs

The descriptive statistics for all latent variables in this study was computed through means and standard deviation. Both the means and standard deviation are fundamental descriptive statistics for interval and ratio scale.

Table 4. 2 Respondents on Statistics on Public sector accounting and financial control system

S/N	Characteristics	Min.	Max	Mean	SDV
1	Public Sector Accounting	1	5	3.97	0.85
2	Public Sector Audit	1	5	3.96	0.81
3	Budgetary Process	1	5	3.79	0.90
4	Procurement Process	1	5	3.63	0.71

Source: Researcher's Computation (2025)

The mean and standard deviation values (Table 4.2) for each of the variables show the following: public sector audit (M = 3.96, SD = 0.81), budgetary control (M = 3.79, SD = 0.90), procurement processes (M = 3.63, SD = 0.93) and financial accountability (M = 3.97, SD = 0.85).

4.3 Correlation and Cronbach's Alpha

The study here presented the correlation and cronbah alpha for the study as it represented Table 4.3

Table 4.3: Correlation and Cronbach's Alpha

S/N	Characteristics	1	2	3	4	A
1	Financial Control	1.00				0.878
2	Public Sector Audit	.76*	1.00			0.779
3	Budgetary Process	.67*	.71*	1.00		0.810
4	Procurement Process	.71*	.68*	.68*	100	0.876

*p<.001

Source: Researcher's Computation (2025)

Table 4.3 contains the correlation coefficients of public sector accounting (public sector audit, budgetary control and procurement processes). The table also presents the correlation coefficients among the independent variables. The correlation result shows that financial control correlated

significantly with public sector audit ($r = 0.76$, $p < 0.001$), budgetary control ($r = 0.67$, $p < 0.001$), and procurement processes ($r = 0.71$, $p < 0.001$). In terms of the correlation among the independent variables, public sector audit correlated significantly with budgetary control ($r = 0.71$, $p < 0.001$).

4.4 Test of Model fit

This sub-section tested the model fit, it was indicated that public sector accounting was regressed against public sector audit, budgetary process and procurement process, the regression model was significant ($f = 67.91$, $df = 3, 109$), p -value = < 0.001 . Table 4.4.

Table 4.4: ANOVA – Test of Model Fit

Model	Sum of Squares	df	Mean Sq.	F	Sig.
1 Regression	52.301	3	17.434	67.905	.000b
Residual	27.984	109	.257		
Total	80.285	112			

a : dependent variable: Financial control

b: Independent variable (Public sector accounting)

4.5 Test of Hypotheses

This sub-section is dedicated for the analysis of observed data to provide answer to research questions raised in chapter one through the restatement of their corresponding hypotheses. The research question here was in line with the specific objectives and it was sought to examine the effect of the public sector accounting on financial control (public sector audit, budgetary process and procurement process).

Table 4.5 Test of Hypotheses

Model	Unstandardized Coefficients			Sig.	Decision
	B	Std. Error	t		
Constant	.583	.245	2.377	.019	
Public Sector Audit	.482	.092	5.269	.000	Reject
Budgetary Control	.121	.082	1.479	.132	Accept
Procurement Process	.279	.079	3.668	.000	Reject

Dependent Variable(s): Financial Control System

Source: Researcher's Computation (2025)

To evaluate the significance of the hypotheses, the t-value and p-value were employed to assess

4.6 Discussion of the Findings

Hypothesis One (H1): Public Sector Audit has no significant effect on financial control system in local government, Osun State, Nigeria.

Regarding hypothesis one, the study stated that public sector audit does not have a significant effect on financial control system in selected local government (Osogbo, Ife Central and Iwo) of Osun State, Nigeria. Going by the results of the regression analysis, public sector audit has a significant positive effect on financial control in the public sector in Osogbo Ife Central and Iwo local government, Osun State, Nigeria. This is shown by the following statistics: $\beta = 0.482$, $SE = 0.092$, $t = 5.269$, $p < .001$. This shows that hypothesis one is rejected 'in favor of the alternative hypothesis that public sector audit has a significant and positive effect on financial control in Osogbo, Ife Central and Iwo local government, Osun state, Nigeria. The multiple regression result showed that the effect of public sector audit on financial control in the Osogbo, Ife Central and Iwo local government, Osun state, Nigeria is significant and positive explaining 48.2% of the variance in financial control. This means that if budgetary control and procurement processes are held constant while public sector audit is allowed to vary, then public sector audit will significantly improve financial control Osogbo, Ife Central and Iwo local government, Osun state, Nigeria 48.2%. This implies that local government in Osun State, who are desirous of improving their financial control must as a matter of importance improve their public sector audit system as this is the most important financial control mechanism that contributes more to ensuring financial control in governance. This research finding agrees with earlier research conclusions by Onatuyeh and Oniefor (2013), Ozuomba (2019), Abdulsalam and Bamidele (2019) and Sorunke (2016).

Hypothesis Two (H2): Budgetary Control has no significant effect on financial control in the local government

This hypothesis was also stated that the effect of budgetary control on financial control in the public sector in Osogbo, Ife Central and Iwo local government, Osun state, Nigeria is not significant. The multiple regression analysis results show that budgetary control has no significant effect on financial control in the Osogbo, Ife Central and Iwo local government, Osun state, Nigeria ($\beta = 0.121$, $SE = 0.082$, $t = 1.479$, $p = 0.142$). In other words, the evidence is insufficient to reject the hypothesis; hence it was accepted. This Implies that budgetary control does not contribute to the variation in financial control Osogbo, Ife Central and Iwo local government, Osun state, Nigeria, despite its percentage contribution of 12.19%. This result reveals the acceptance of the stated hypothesis. The result is consistent with the work of Kimani (2014) and Maimako (2005) who also reported a non-significant effect of budgetary control on financial control.

Hypothesis Three (H3): Procurement Processes has no significant effect on financial control in local government.

The findings shows that procurement processes have no significant effect on financial control in the public sector in Osogbo, Ife Central and Iwo local government, Osun state, Nigeria. Based on the multiple regression analysis, procurement processes have been shown to have a significant positive effect on financial control in Osogbo, Ife Central and Iwo local government, Osun state, Nigeria, that is $\beta = 0.279$, $SE = 0.076$, $t = 3.660$, $p = 0.000$. Procurement processes, which contributes significantly to financial control in the Osogbo, Ife Central and Iwo local government, Osun state, Nigeria has been shown to account for a 27.9% variance in financial control. In order words, by varying procurement processes while holding public sector audit and budgetary control constant, its contribution to financial control Osogbo, Ife

Central and Iwo local government, Osun state, Nigeria is 27.9%. This implies that local government in Osun state who are desirous of improving their financial control must as a matter of importance, clearly implement procurement processes among the job roles in the service as this will help improve financial control in governance. These finding gains support in earlier empirical research that shows the relationship between procurement processes and financial accountability (Aigheyisi & Edore, 2015; Onofe & Onobun, 2014; Tweneboah & Ndebugri, 2017, Bosco, 2018; Jembe & Wandera, 2019; Igwe et al., 2021).

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

This study sought to examine how financial control has a significant effect on financial accountability in the public sector in North East Nigeria. The specific objectives were to examine the effect of the dimensions of financial control proxied as public sector audit, budgetary control and procurement processes on financial accountability in the public sector in local government Osun state. Using staff of the selected local government of Osun state which cut across the three senatorial districts of Osun state, that is, Osogbo from Osun Central, Ife Central from Osun East and Iwo from Osun West senatorial district respectively. The study was able to establish that public sector audit has the most influence on financial control which was followed by procurement processes. The evidence also supports the use of the theory of financial control as the underpinning theory of the study. By employing this theory as the basis of this study vis-à-vis the findings as presented, this study establishes the importance of the theory of financial control as providing explanation to the relationship between public sector and financial control system in the context of the public sector in local government of Osogbo, Ife Central and Iwo.

Recommendations

Based on the research findings as presented in this study, the following recommendations are suggested.

- i. Public sector audit has been shown to have the most influence on financial control in the public sector in Nigeria; hence, there is need for the government to strengthen its audit practices, procedures and mechanisms. This can be achieved through continuous training of audit staff in the numerous government ministries, department and agencies (MDAs). Extensive systems of audit regarding every financial transaction of government should be developed and deployed across all the states of the federation if the focus is on achieving the required financial accountability in the public sector.
- ii. Budgetary control was not found to be significant. The study therefore recommends that future studies should be conducted to understand why budgetary control fails to predict financial control. This may be because of the lack of budget implementation which is characteristics of the activities of employees in the Nigerian public sector.
- iii. To ensure financial control system in the public sector, there is also a great need to strengthen the procurement processes in all the local government across the country. One way to do that is to domesticate the procurement act across all the states as well as local government in the country. Without clearly laid down rules, regulations and laws guiding public procurement, the realization of financial accountability in the public sector in Nigeria will continue to be a mirage. There is also the need for the political

class and the elites to be involved especially as they are the individuals that contribute in flouting the laid down rules and regulations regarding public procurement, hence the onus is on them to respect the laws of public procurement as defined in the guidelines to help in promoting financial control.

Contribution to Knowledge

This study contributes to the study on the area of concept clarification and theoretical explanation. The study provided an insight to the issue of financial control and public sector audit, procurement and budgetary system in the Nigeria local government with particular reference to Osun State. Also, to the extent of the literature search, this study can be described as the first to have empirically delved into the financial control system in the third level of government in Nigeria, specifically in Osun State.

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