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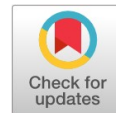


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Effective Internal Control System and Fund Management Model (FMM): Solutions to Fraud, Errors and Irregularities in Nigeria



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EFFECTIVE INTERNAL CONTROL SYSTEM AND FUND MANAGEMENT MODEL (FMM): SOLUTIONS TO FRAUD, ERRORS AND IRREGULARITIES IN NIGERIA

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Abstract. Internal auditing system is very crucial as one of the internal control mechanisms. The effectiveness of the internal audit department is tailored towards excellent fund management. The problem of information asymmetries, fraud errors and irregularities are controlled. This paper adopts the conceptual methodology. The article concludes that the effective internal auditing system and excellent fund management system will enhance organizations' goals. This paper examines the effect of an excellent internal auditing system and fund management. The internal control mechanisms can lead to effective management of revenue generated by institutions. Errors, irregularities and fraud could be minimized if the FMM is adopted. Therefore, this paper recommends that public institutions adapt or adopt the FMM as it is a medium for controlling fraud by the administrator.

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INTRODUCTION

A Fund Management Model (FMM) comprises of a model which is developed to handle the system of collection and processing of monies due to organizations. This system will function well with the availability of internal and external control mechanisms put in place by the organizations. The existence of internal audit in any organization is a means of controlling the incidence of errors, irregularities and frauds (Monisola, 2013; Scarbrough, Rama & Raghunandan, 1998). Fraud is an intentional distortion of facts and figures. According to Adams (2011), the major role and responsibility of internal auditors is prevention of asymmetries information. The proposed FMM frame work may lead to reduction of errors to their minimal level and also correct the irregularities. Its therefore important to note that internal audit department should be effective to monitor the financial activities of the entire institution (Monisola, 2013). Fund available to institutions may have suffered in some quota. Despite the existence of internal check and mechanisms, there have been cases of institutions leader not managing the limited resources effectively. On the other hand, Irregularities are considered to be "Accounting irregularities that are acts committed in a concerted and organized accounting system that deviate from the generally accepted accounting principles, in order to create a financial illusion of a business entity that has the capacity and capability to sell more and at lower cost than its competitors. The illusion is further sustained by creating an image of a company that owns more resources to support its

profitable operations as it aims to project an enhanced credit worthiness and eligibility for substantial borrowing" (Cantoria & Richter, 2011). The objective of this article is to develop a model for effective fund management system in the Nigerian tertiary institutions and for the model to strengthen the internal auditing function.

Internal Ccontrol System

Objectives and goals of the organizations will be achieved efficiently and economically if adequate control is considered to be present and administrative management has planned and organized in a manner, which provides reasonable assurance towards attaining organizational goal (Fadzil, Haron & Jantan 2005). The role of internal auditing in the review of effectiveness of the system of internal control is to ascertain whether the system is functioning as intended. Internal auditing focuses on an evaluation of this system or framework of internal control (Fadzil et al., 2005). The performance of reviews of the systems established to ensure compliance with policies, plans, procedures, laws, regulations and contracts represents a third element of audit activity described by the standards. Administrative management is responsible for establishing the systems designed to ensure compliance with such requirements as laws, rules, regulations, policies and procedures (Fadzil et al., 2005). The role of internal audit is traditionally viewed as assisting management in safe- guarding assets and monitoring

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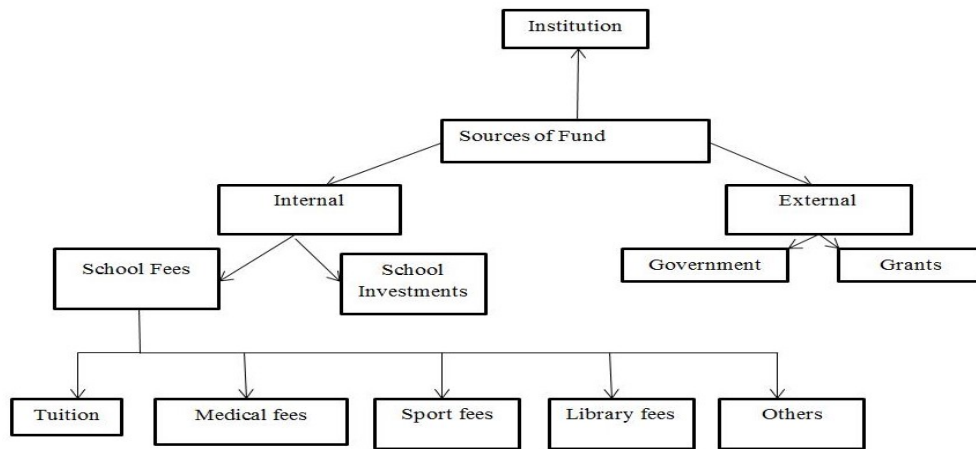
control systems (Carey, Simnett & Tanewski, 2000; Widener & Selto, 1999), The emphasis in many internal audit departments is on adding value to the entity, and includes services ranging from advice on business planning and risk management to information systems evaluation (Carey et al., 2000). The internal audit function must be effective in order to deter fraud and monitor the internal control system. It must be noted that the internal auditor must be independent for effectively discharging its professional responsibilities (Scarbrough et al., 1998). Also, internal audit functions can enhance administrative effectiveness and corporate governance (Edogbanya & Kamardin, 2015; Gramling, Mario, Schneider & Church, 2004). Based on all

these arguments, the FMM was developed to effectively manage institutions resources.

THE FUND MANAGEMENT MODEL

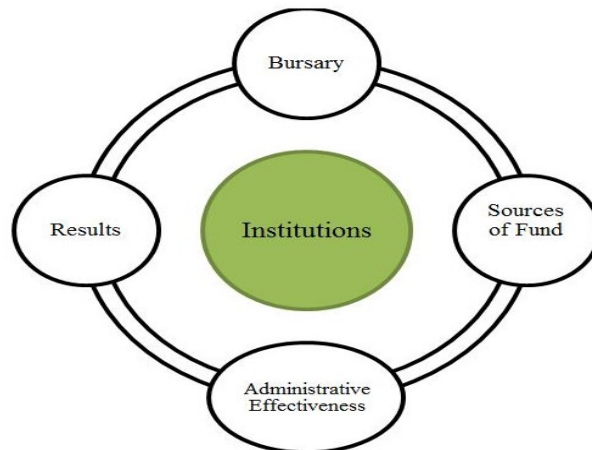
The FMM is developed for the accounting system to consider various heads and sub-heads of revenue sources in preparation accounts and statements available to the tertiary institutions. The essence of this model is for different sub-head to be created for all sources of revenue and for all monies meant for the sub-head to be judiciously utilized for the purpose it is meant for. This model if adopted will reduce errors, irregularities, fraud and will make the management to produce results.

FIGURE 1
Fund Management Model (FMM)



Fund Management Circle (FMC) and Effectiveness

FIGURE 2
Fund Management Circle (FMC)

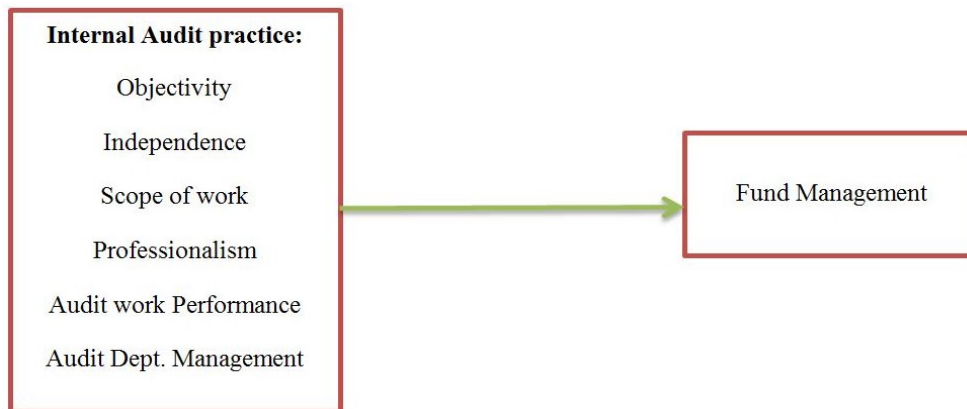


INTERNAL AUDITING AND FUND MANAGEMENT FRAMEWORK

framework and the internal auditing functions.

The fig. 2 below explains the proposed fund management

FIGURE 3
Proposed Internal Auditing and Fund Management Framework



CONCLUSION

This paper examines the effect of excellent internal auditing system and fund management. The internal control mechanisms can lead to effective management of revenue generated by

institutions. Errors, irregularities and fraud could be minimized if the FMM is adopted. This paper therefore recommends for public institutions to adapt or adopt the FMM as it is a medium for controlling of fraud by the administrator.

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-This articles does not have any appendix.-