REVIEW

Recent advances in internal control: Soft control overcoming the limits of hard control

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Abstract: Uncertainties and risks continue to pose a threat to governance and internal control, impeding public sector modernization and essential service delivery. Attempts to develop alternative strategies to meet desired results in highly bureaucratic institutional environments such as the public sector are intensifying because ideas and principles matter. This study advances informal "soft control" as a substitute for formal "hard control" in four dimensions: (a) creates a clear difference between "soft" and "hard" control; (b) designs key determinants of informal "soft" control; (c) limitations of formal "hard" control; and (d) a conceptual framework and propositions to support future empirical research and "operationalization" of the proposed constructs. Critical observations imply that the increasing cases of corporate malpractice and consequential non-alignments with best practises in recent times are sufficient evidence to suggest that formal control is incapable of mitigating financial crimes, irregularities, and preventing complex accounting scandals classified as white-collar fraud. The causes of these control failures are attributed to overreliance on "hard control" which primarily works with sanctions and the neglect of informal control mechanisms "soft controls". This condition has limited the ability of auditors to uncover systematic failures of controls that are process-specific, resulting in a partial and incomplete evaluation of internal controls. The study assumed a theoretical approach due to the lack of existing empirical research on "soft control". However, this observations form a solid theoretical foundation for further discussions. We argue that "tone at the top," informal social control, organisational culture, ethical values, empowerment, and employee competence are effective substitutes for and complements to formal "hard" controls in preventing another Enron.

Keywords: soft control, hard control, public administration, "tone at the top"

1 Introduction

Public auditors are less likely to independently evaluate and report potential weakness of formal control when it is obvious that process-based control deficiencies remain unresolved due to management and audit committees' involvement in internal audit programs [1]. This topic is attracting growing debate as recent advances in public administration is permanently shifting towards a post-bureaucratic era, but attempts to digest the argument rather point to more controversies due to wide-ranging opinions [2]. From a public sector perspective, this study highlight key elements for unlocking extreme bureaucracy in public organizations, pointing out those measures that advance informal control, as alternative strategies for downscaling the limitations of internal control, mostly caused by coercive control which applies ; (a) control activities; (b) monitoring; (c) risk assessment; (d) control environment (e) information and communication [3].

Customarily, these tools are initiated to supervise and maintain alignment with best practices and organizational standards [4]. These principles belong to two major classifications namely; formal and informal controls, alternatively called tangible and intangible controls [5]. Examples of formal controls (bureaucratic, hard control) are; organizational structure, approval and review, audit, and segregation of duties [6]. Informal and intangible controls include "tone at the top," ethical climate, core values, organizational culture, trusting relationships, and competency. However, in this study, we argue that public organizations place too much emphasis on formal controls while devoting little or no attention to the benefits of informal controls. This stance is based on the fact that key audit programs are traditionally meant to highlight compliance objectives thus; verifying public income expenditure statements, reconciliations of financial records and review of authorization procedures, monitoring assets acquisition, and the general idea of promoting value for money [7]. These are mostly the key factors captured in audit findings, and the results remained silent over the control environment which embodies; the organizational culture, management philosophy, core values, and competency which are equally important. We find contradiction to COSO's underlying principle, which stipulates that internal control may cease to provide full advantage if the five main components are used independently of one another. To that end, it is justified to use this research to reassess the weaknesses and limitations of formal controls and highlight the advantages of informal controls. Failure to accomplish this research objective would leave internal control being partially assessed, and it is a constraint to accomplishing organisational goals.

2 Literature review

2.1 Formal – hard controls

The definition of "formal control" (hard control) is ambiguous [8]. Earlier researchers outlined two dimensions. First, they defined the meaning of internal control and separately highlighted what makes it formal. Quite similar to Commission definition [9], formal control is documented and written standards of procedures designed to guide individuals toward a collective objective [10]. The term describes how people's behavior is influenced to achieve organizational goals along with tools to detect errors, correct mistakes, and determine punishment for wrongdoing such as fraud. According to, Ouchi [11] such control measures are explicitly visible, taught, and passed on to members of the organization. From the perspective of public organizations, formal control can be constitutional provisions and legislative instruments such as public administrative acts and laws [5]. These features characterize formal controls as bureaucratic tools in public service, similar to those applicable to industry. The universally accepted definition of internal control is the one enshrined in COSO's framework [9]. The framework consists of mechanisms that support organizations to navigate risks and advance the effectiveness, and efficiency of operations, guarantee financial reliability and promote compliance with applicable ethical standards and laws with a systematic application of its five principles [12]. To fulfill the entity's objectives, the control system must encompass; control environments, control activities, risk assessment, monitoring, and information and communication. Jensen [13], observation that "making the control systems operate effectively is a major challenge confronting the management profession" has resurfaced in management research after decades. We may interpret internal control as any available means by which management can achieve its goals, however it is widely acknowledged that internal control have frequently proven incapable and inefficient, so creating a conducive environment for managerial greed, poor governance, and fraud, such as the highly publicized global financial scandals that led to the collapse of well-known, reputable firms [14]. Experts undoubtedly anticipated more corporate scandals after what the world witnessed in; Enron, WorldCom, the Lehman brothers, Siemens, Cadbury, Kodak, and Compaq [15], if attempts to promote informal control fails to materialize.

In public administration, formal controls refer to constitutional mandates implemented by heads of public entities, through the board and executives directors to direct and strictly control people and public expenditure [5]. They are visible, written, documented, and published and circulated among members of the public and known to all civil servants. In public service, control systems mainly guard against financial irregularities, and payroll fraud, and regulate public procurement, accountability, and sound governance [16]. Some authorities argue that formal control may not be explicit, known and taught to public workers, as most civil servants only learn about misappropriation when annual audit reports detailing financial irregularity is published [17]. Nonetheless, what distinguishes formal control is the desire to collectively force compliance with specified norms, which are harshly penalized when violated.

From industry perspective, formal control have been used to achieve specific targets, thus sales targets, consumption limits, revenue, and budgeted expenditure targets, which is planned and backed by relevant authority and supervision for the accomplishment of tasks [18]. Experts suggest that the cost of installing effective control may outweigh the benefits. Audit fees, Forensic auditors, audit committees, board members' remuneration, automated controls, and other physical controls are a few examples of what makes formal control a costly program [19]. On many occasions, failure to meet high financial expectations such as revenue targets often necessitates corrective actions like pay cuts, bonus reductions, or even demotion. Controls are relevant for maintaining consistency of performance, minimizing organizational risks, and overcoming threats of fraud, misappropriation, and bad governance [20]. However, hard controls are not always effective because organizational risks are evolving and changing rapidly, and systems of controls need to change in equal proportion to minimize the impact of those risks (Kong et al., 2018). Substantial literature implies that formal control may not guarantee absolute compliance as the global financial landscape is getting more complicated than ever [19]. According to Commission [14] the internal control framework is recommended but not mandatory. However, appraisal, evaluation, and use of controls are entirely based on judgment, context of organization and peculiar opinion of policymakers. The board's most important task is to maintain reasonable independence from management, executive directors, and other actors involved in the entity's oversight responsibility [21]. Boards and senior management executives are complicit in major corporate scandals making internal control the most vulnerable. Experts argue that an organization's survival and continuity depend on the control system. Therefore, when control mechanisms fail, the entire organization fails due to unresolved limitations of formal control [4]. Moving forward, the effectiveness of internal control requires a periodic appraisal and benchmarking with well-established international norms and frameworks, most preferably adopting cost-effective alternatives

2.2 Limitations of formal controls

There is little doubt that polarization and politicization occur in public administration due to excessive bureaucratic procedures [22]. Management accounting literature rarely emphasizes the inadequacy of formal control and how it fails to mitigate all types of corporate wrongdoing; the conversation is focused on continual evaluation to eliminate risks and propose new solutions to all categories of deficiencies [2]. Despite the set-up of internal control, an organization and its people may be vulnerable to excesses. According to Kumar and Mohan [23] control effectiveness is not permanent, thus require regular review; management procedures are critical for identifying a long-term solution to accounting and corporate scandals caused by internal control breakdowns. Today, forensic auditors are concerned and devoted to designing stiffer standards to strengthen integrity and thwart fraudulent schemes [24], however, this comes at a cost to the public budget, and yet public organizations continue to record significant accounting irregularities yearly, implying the limited strength of formal control. According to one study, stringent controls are insufficient to stop new dimensions of fraud and corporate scandals; therefore, managers must decide whether the organization's control mechanisms are too misleading or simply a formality [25]. Assessing various aspects of internal controls and determining their effectiveness and the root causes of malfunctioning components satisfies the conditions of effective controls.

Experts argue that limitations of formal control can be viewed from various angles, each of which is unique to each organizational structure. Consideration of people as a "business resource," indicates that the organization analyses employee conduct in the same way it would when acquiring new assets or managing physical resources for ultimate profit [26].

These organizations are concerned with determining what resources are required, how to obtain them, how much they will cost, and then how to use them profitably to achieve desired goals (much like fixed assets, stock, and so on) [27]. As a result, the primary aim will be to squeeze the most value and efficiency out of them (workers), most likely by squeezing their employment resources to minimize business costs. In a formal control environment, management's first job is to ascertain the organization's labor requirements, recruit for them, and manage them appropriately (hiring, relocating, and terminating) [28]. Hard control is primarily concerned with efficiency and production, not with investing in people's intangible assets. In a typical formal control environment, the organization may hire frequently and fire frequently. In an ideal scenario, the entity would oppress employees because its primary focus is on financial compensation for its members, which is linked to individual performance [29]. Another drawback of hard control is the presence of a complex hierarchical system that provides very little employee empowerment, responsibility, and authority. The absence of delegation of authority, according to Fukuyama [30] is a common occurrence.

Overreliance on formal control tools such as; monitoring, approval, segregation of duties, review, reconciliation, and internal audit, for economic results (profits), may uncontrollably turn into a system of indoctrination of people [2]. Extreme rigidity, bureaucracy of control brings frustration upon employees when poorly executed [31]. Likewise auditors turn to overlook potential red flags when overly relied on formal controls. Experts recommend automated control environment with continuous audit program to adequately handle the increasing demand for rapid fraud detection and risk assessment [20]. However, new findings show that, despite the use of advanced internal audit techniques, organizations are still unable to achieve full compliance due to time, resource, and budget constraints [24]. Internal control deficiencies have a significant impact on external auditors' reports since their judgements and opinions are significantly impacted by internal audit methods.

In practice, formal controls may have been ineffective and wilfully ignore serious errors and misappropriations, particularly in the case of most public organizations. According to Tumwebaze, Mukyala [21] management unduly rely on formal control, allowing it to ease supervisory duties and consistency and subsequently exposing the organization to risks such as accounting fraud, errors, and avoidable liabilities. Instead prioritising "tone at the top", an ethical climate, culture, integrity, trust, and competency are commendable [26].

Evidence of collusion between employees or management, directors, and CFOs, with tendencies to undermine or bypass procedures to commit misleading reporting, is a major cause of the alarming financial irregularities in public organizations [17]. Formal control is degraded, and it demands prioritising informal control to nurture good conduct and build a culture of ethical compliance.

Few authorities argue that formal control serve as cover-up for management. It lowers their degree of responsiveness and ultimately misleading management on quality standards. To make matters worse, the installation of technology control methods renders the system open to cyber-attacks and system hacking [32]. Recent research has shown that excessive control limits individual creativity, organizational learning, and knowledge sharing. This issue not only lowers the value of human capital, but it has a detrimental impact on overall performance [33]. Excessive control restricts interaction between senior workers and inexperienced staff and ultimately limits the rapid dissemination of technical knowledge. Studies have concluded that corporate scandals are strongly influenced by management overriding well-designed control mechanisms. In some cases formal control is vulnerable when employee loyalty is divided. There is a higher probability that at a given opportunity, employees may rebel against oppressive hard controls. Interesting findings by Jarah, Zaqeeba [34] establish that misapplication of relevant controls are the causes of ineffective risk management. Finally, the most detrimental limitation of formal control occurs when two or more circumvent the purpose of controls [14], usually for motivated by greed, mistrust and lack of integrity.

2.3 Informal "soft controls"

The environment of control is a component of the COSO framework whose embedded values are under research; its main function is to establish a positive tone [2]. However, the component's significance is frequently clouded by misconceptions [35]. Soft control comprised of elements found in the control environment, described as invisible standards derived from company culture and virtues instilled in employees during induction via policy orientations [28]. The control environment serves as the foundation for the whole control program, often manifest in the governance and leadership approach and imbedded in the minds of individuals. Controlling the environment entails "operationalizing" the organizational culture and core values, emphasizing employee competence, empowerment, and satisfaction instead of financial rewards [36]. Unconsciously shared and transferable old philosophical ideas and norms among employees maintains consistency with the corporate vision and it's a typical example of soft controls that work [37]. Earlier empirical researchers categorized organizational culture, information sharing, social networks, motivation, delegation, and trust as strong determinants of individual behavior [8]. Prior study by Falkenberg and Herremans [38] observed that "coordinating individuals with disparate traits, abilities, and talents from diverse cultural backgrounds can only be accomplished through informal controls, thereby stimulating people's behavior in a way that aligns interpersonal skills among employees, in a social environment devoid of barriers to group learning and mentoring." Although informal control is not as visible as formal controls, its assessment and observation require a strong sense of judgment based on their soft components, which include management's ability to promote organizational learning, ethical values, and positive tone; commitment to ethics, empathy, and integrity; internal communication; collectiveness; and social trust [39]. As a result, businesses are turning to self-development to achieve employee satisfaction and loyalty rather than defining particular performance requirements with monetary benefits. According to experts, informal control is preferred when assessing factors influencing the attitudes of people in crucial positions in organisations through unwritten culture, as opposed to formal control, which uses explicit benchmarks to develop control systems [38]. Well-known study discovered that interpersonal connections, employee social networks, group behavior, expectations, and peer review all have a significant impact on the effectiveness of informal [40]. Similar variables featured in a knowledge management research where the researchers discovered that when employees are connected through social networks, technology tools, and organizational learning, they influence organizational knowledge [33]. Its, justifiable to imply that informal control is best described as the application of collective values guiding a group of people based on their shared beliefs, custom, and morals that are universally acceptable by members of the group or organization and it members [41]. The issue of informal control first emerged in literature but lacked maximum consideration, consensus and thorough evaluation since [42] were published. Attempts to fill the research gap generated disagreement and full elevation, thereby being dominated by the conversation surrounding formal control [43]. Subsequent reintroduction of informal control can be traced to the environment of control.

Operationalizing control systems is based on essential elements of the entity environment, such as culture, philosophy, training, recruitment ideals, and ethics, and what instills organizational discipline [36]. Other theories argue that informal control is preferable since it is drawn from institutional culture, is intuitively integrated into employees' daily work, and encourages them to achieve the organization's purpose without being imposed or threatened with a punishment [43].

The assumptions supporting the use of formal and informal control can be categorized into economic goals—maximizing profit and opportunistic tendencies; core values—hierarchy and structure of authority; Social values define trusting relationships along the hierarchical levels, which all drive individual respect towards the institutional vision [38]. Individuals become conscious of their work culture and morals and they resort to self-control in compromising situations [2]. People act according to their ideologies and principles, which are in alignment with those of their charismatic leaders. The working environment and the social circles and personal involvement turn to influence the individual's attitudes toward the ethical values of the organization [44]. Employees are guided by internal values, which have long been utilized as an informal control.

In their research entitled "Building Your Company Vision" presence of moral values and internal beliefs encourages people work independently and decide what is beneficial for the company rather than taking orders from superiors [45]. An empirical finding concluded that corporate ethical environment, staff training have a significant relationship with quality internal control. The study further stressed that ethics is deep rooted and that promotes a positive work attitude [46]. Few years' earlier a study concluded that informal control can successfully replace formal controls based on three assumptions; there should be no condition where employees would be oppressed by actions of other employees and that management must always create a healthy working atmosphere [47]. Several notable studies concluded that behavior orientation is an essential foundation for developing the mindset of adhering to quality control processes [48, 49]. Recent advances in internal control research require solid empirical evidence to establish consensus on informal controls and validate how ethical culture, voluntary moral judgment, and corporate values may eliminate bureaucratic systems in public administration.

2.4 Propositions for future empirical research

Following the global financial crisis and several high-profile corporate scandals, academics and business leaders began reviews of governance, leadership, control, and transparency policies [50]. As a result, many laws and provisions emerged aimed at preventing bad corporate behavior through stricter and more stringent regulation. However, increasing cases of financial malpractices and white-collar crimes point to the conclusion that these financial decrees have proven incapable of eliminating corporate fraud, unethical behaviour, and restoring sanity in public administration, thus introducing more research gaps to be addressed [19]. This study is aiming to formulate the key elements of informal/soft control to lay the foundation for future empirical research. The implications of developing these hypotheses are to encourage responsible accountability based on organisational cultural norms and to reduce reliance on formal control and outdated regulatory instruments that have little impact on ethical financial behaviour [15]. These hypotheses are useful tools for empirical researchers interested in investigating the impact of "soft control" but lack reasonable justification for selecting the key variables [51].

2.4.1 Proposed conceptual framework

The conceptual framework (see Figure 1) is a deliberate effort to direct researchers' attention toward a quantitative methodology technique to facilitate the advancement of empirical research and simplify the process of variable identification for this topic. These variables are drawn from a vast literature attempting to explain the significance of informal "soft control" such as hypotheses; (H1-H3) depicting ; tone at the top, ethical values and organisational culture [46]. The conceptual framework also captured "hard control" factors for consideration and re-evaluation in future study to provide new evidence.

Adopting this conceptual framework necessitates three criteria: establishing a clear purpose, consider effective and unsuccessful historical control policies. Other assumptions include industry type, external forces, institutional context, and relevant regulations.

The institutional context relates to top management's exemplary behavior, as indicated by "tone at the top," which emphasizes on managers who demonstrate commitment to alignment with best practices without resorting to sanctions. As this condition may vary across organizations, it

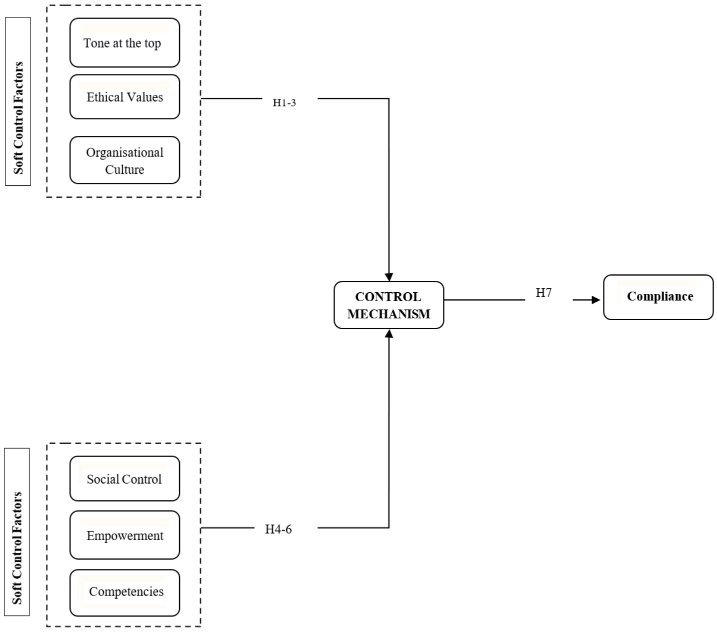

Figure 1 Conceptual framework (Source: by authors)

requires critical judgment. A broad category of variables emerged in literature and have been associated with "soft control" informal control thus; commitment to integrity, loyalty, an ethical culture, personal ideals, innovation, employee competency, information sharing, moral climates, and collective thought [52]. Hard controls, as seen in Figure 1, are fairly explicit in their goal to regulate behaviour through the framework of procedures, regulations, and standards, as well as many means of directing and influencing people's behaviours in a specific manner that requires them to adopt certain laws.

(a) Tone at the top

"Tone at the top" represent board and top managerial commitment to integrity, setting the right alignment with existing controls [14]. The public sector exists to provide essential services based on a constitutional obligation directing all public agencies headed by the boards to report to stakeholders on how public funds is spent and whether they follow specific guidelines that will ensure value for money [53]. The purpose of introducing this variable is to use quantitative methodologies to assess how management tone can represent soft control and improve ethical compliance. This variable is hypothesized as follows:

***Propositions (1)**: "tone at the top" positively enhances compliance*

The tone is established by the control environment that exists in every entity, and it is the board's obligation, as prescribed by law, to direct and correct wrongs of public institutions in accordance with key public administrative regulations [16]. The key elements embedded in to tone include prioritizing accountability, quality reporting and adherence compliance

(b) Ethical values

This hypothesis measures the extent management uses minimal rigidity and limited supervision and reflects on deep internal communication, beliefs, diversity, and social behavior that indirectly impacts productivity, creativity, and high performance [37]. Core values belong to the category of control policies that connects people by their shared morals and uses less visible measures of control. Empirical evidence is needed to validate this claim. The following hypothesis is formulated to examine the impact of ethical values on internal controls:

***Proposition (2):** ethical values positively affects compliance*

Values influence behaviour, which may be studied at both the individual and collective level. A strong balance of individual and institutional values is referred to as "person-organizational fit," also known as "congruence" [54]. The goal of this hypothesis is to demonstrate empirically how ethical beliefs encourage people to deliberately obey best practises without being coerced by rules, regulations, or prescribed penalties. Based to one study, organisations with high internally consistent values are more likely to resolve ethical conflicts. Subsequently, it was argued that ethical principles promote ethical decisions at all levels of an organisation.

(c) Organisational culture

A survey of vast literature reveal no single universal definition of organizational culture, as in the case of leadership, except those given in contexts. According to one study, the actual benefit of utilizing organisational culture is based on the environment and ideas, as well as a conscious appraisal of the organization's culture and behaviour [26]. A very popular definition of culture is credited to Collins and Porras since 1996. Organizational culture defines the organizational behavior, philosophy, and moral standards observed by the people, including management, employees, and the board, in a manner that influences the conduct of individuals to pursue the objectives of the enterprise. Considering the wide spread of fraud and accounting scandals, with the existence of legal regulatory frameworks, "soft controls" have become essential alternative for curbing corporate malpractice. The following proposition is introduced to test the above variables:

Proposition (3): *organisational culture has a positive impact on compliance*

(d) Informal social control

According to the social disorganisation theory, social control is vital in regulating criminal behaviour and reducing crime [55]. Various definitions of social control is documented in criminology literature, while some related sources imply that social informal control reduces unethical behaviour in people and institutional contexts [56]. This hypothesis is aimed at testing how intention to voluntarily act ethically in the absence of formal controls. Informal social control uses actions such as "gossips", "peer scolding" , "group disapproval" and peer discussion all with the intention of preventing unwanted behavior [57]. Other factors affecting social control include: seeking help from neighbours to solve a problem; surveillance; and rapid contact with law enforcement and local authorities. Prior studies suggest that established social ties, shared expectations, and collective objectives are the pillars of sustaining informal social control [58]. It implies that the organisation encourage friendship ties its employees. Other factors include contributory relations with peers as it motivates intention to act [55]. As implied by the collective efficacy theory, shared expectations are a key indicator of collective norm and are likely to influence behavior. This hypothesis seeks to gain conceptual clarity about using informal control to achieve quality internal control compliance. This model has been previously examined in community regulation to maintain social order [57]. In the opinion of this study, it is important to explore whether social ties and shared expectations of employees are strong determinants of informal control ("soft control"). The "operationalization" of this variable may minimise white-collar crime in public administration.

Proposition (4): *informal social control positively impacts compliance*

(e) Empowerment

Employee empowerment originates from organisational practices that provides subordinates with the authority to take critical decisions affecting their daily functions [59]. This level of authority is sometimes derived from existing structural conditions that permit employee initiatives at every level of the organisation and not necessarily the individual traits or impact of socialization [60]. Positive indicators of empowerment include perception of working conditions, while existing knowledge classifies accessibility to growth opportunity for employees, delegation of critical functions, access to relevant information and participating in decision-making. The implication is that people are more likely to work towards the organisational objectives and willingly comply with applicable guidelines without necessarily being forced when they perceive better chances for growth and personal development, creativity and knowledge associated with the condition of the tasks [61]. Access to opportunity may arise from leadership mentoring programs, succession plans and knowledge sharing tools that advances organisational learning [33]. This process prepares employees for bigger responsibilities as they rise through the ranks. Employees also get empowered when organisations prioritize in service training such as higher education opportunities for employees to upskill periodically [62]. According to Randolph [63] employees are more likely feel empowered with timely access to vital information that provides clear guidance about the goals , policy changes and the strategic direction of the organisation. Empowered employees turn to offer maximum contribution to the goals and are able to measure their individual input with the collective achievement. The study proposes the hypothesis to investigate the association between empowerment and informal control.

Proposition (5): *employee empowerment positively enhances compliance*

(f) Competence

Sufficient evidence from empirical findings suggests that employee competence is strongly associated with organisational performance and output [64, 65], but little is documented about the relationship between competence and internal control compliance, which explains why the effectiveness of internal control deteriorates over time from weak to vulnerable. Commission's [14] elaboration adds clarity by stating that operational efficiency is reliant on the type of control measures designed and taught to employees. Studies have attempted to investigate how employee competence affects the degree of alignment with applicable laws, best practices, and sound ethical governance and became the foundation stone for further studies [66]. Subsequent studies suggest that employee competence limits the occurrence of risks and weaknesses in the control mechanism of the entity [35]. However, further examination is necessary to determine how organisations can incorporate competency as a soft control mechanism with the following proposition;

Proposition (6): *employee competence has a positive impact on compliance*

Competence is a criterion-referenced measurement used to predict an individual's job performance [67]. The definition of competence is mostly taken in context; for example [68], define competence as knowledge accumulated from performing a cross-functional functions overtime. Miville and Duan [69] associate competence with performance success. Key features of competence include; ability to perform a task with minimum supervision and produce results with minimum errors. Competent employees often possess prerequisite capabilities, positive attributes and expertise necessary to meet organisational goals. By implication employees also understand the laws and all relevant rules and regulations guiding the entity's business.

(f) Compliance

Compliance is the result of effective internal control [5]. The theory of internal control imply that a well-designed system of control guarantees judicious utilization of assets and resources only for the purposes of the entity's activities. More specifically, compliance involves series activities that compel members of an entity to be conscious and not violate relevant laws, norms and applicable guidelines [7]. The concept of control stipulates the gravity of liability if violated. The board of directors design the governance and risk management frameworks to embody internal control when discharging their oversight duties to guard against unethical practices [24]. Historical literature emphasised that internal control compliance has always been successful with the use of sanctions associated as a disincentive or deter unwanted and unethical corporate behavior. Preventive controls mostly spell sanctions to discourage individuals from engaging in wrongdoings or taking actions that are nonaligned with the accounting and other organisational standards [5]. Internal control compliance is defined as a system where an entity maintains conformity with its strategic objectives by enforcing operational efficiency and reliable financial reporting as prescribed in relevant accounting and governance standards. Internal auditors and the audit committee of the board are directly responsible for conducting internal assessment to measure alignment and detect reasonable deviations [21]. The board's responsibility include review of control policies and tightening internal control requirements periodically. Given that existing literature has overemphasised on sanctions, which originated from the – General Deterrence Theory (GDT) that is traditionally a disciplinary measure to intimidate people from acting against a collective objective [70]. Sanctions have contributed significantly to financial discipline however, past and present corporate scandals have cast doubt on the effectiveness of sanctions which are also referred to as formal controls. Despite the significant impact of sanctions on internal control compliance, this study examines a new dimension using informal control to predict compliance. The outcome of this study will offer recommendations against the numerous findings that found a strong relationship between severity of sanctions and compliance. In this study formal control elements are replaced with informal control factors such as; empowerment, competence, ethical values, organisational culture and tone at the top among others. This is in consonance with Boss and Kirsch [71] who opined that a good reward system is a strong determinant of internal control compliance.

2.5 Advancing informal "soft control" in public administration

Table 1 emphasize key control processes and policies that regard employees as the most valuable resource and, typically, will obtain a significant competitive advantage from a human capital standpoint [28]. Table 1 implies that when top management builds contributing relationships among employees, strengthens social links, and implements a culture of shared expectations at all levels, employees are more inclined to conform to internal control. Then, among people of the same rank, peer criticism may be used to discourage unethical behavior. Furthermore, to ensure that the ethical culture is widely taught and observed by all, peer discussion may be used.

In contrast to the formal control "hard approach," soft control focuses on getting the most out of people and how they can assist the organization overcome challenges [80]. Most likely, the decision concerns policies that gets the right recruits and then developing their potential, keeping them motivated and well-organized enough to drive the organization with passion and collective thinking. This study also infer that public sector will possibly set a good tone when management exhibit ethical conduct, design a two-way communication and being conscious of their reputation when they remain consistent in their conduct. Furthermore, exemplary leadership born out of their commitment to integrity is key to achieving internal control compliance without resorting to rigid laws and bureaucratic principles [49]. However, reward and compensation are linked to employee empowerment in this context. It implies that delegation of authority, organizational learning/upskill and promoting participative decision making are key determinants of informal control. The study also observed that, giving employees leadership roles, autonomy with consistent appraisal systems will create mutual trust. When management treat feedback and recommendation from employees as valuable, it's a positive sign of collectivity. This way employees may not rise against decisions they are part of.

Table 1 Key Variable definition and proposed measurement

Variable/Factor	Actionable tools	Literature Domain	Sources
Informal Social Control	Friendship/Social ties Contributory relations Shared expectations Peer disapproval Peer discussion	Criminology /Organisational Behavior	[55–58]
"Tone at the top"	Good conduct Two-way communication Credibility Consistency Ethical foundation Collaboration Positive Reputation Exemplary Leadership	Corporate Governance /Management /Accounting /Leadership	[14–16, 45, 46, 52, 53]
Organisational Culture	Moral framework Interest alignment Shared assumptions Free-flowing opinions Organisational learning Social Network Unified purpose Recognition & Appreciation Openness & Creativity Leadership foundation Diversity	Organisational behavior /Knowledge management /Ethics /social responsibility	[22, 26, 33, 36, 40, 47, 49, 54, 72]
Ethical Values	Trustworthiness Core morals Fairness Confidentiality Privacy Autonomy Veracity Beneficence Justice Veracity Respect & responsibility Share norms	Management /Medical Health /Ethics /Business	[37, 43, 48, 54, 73, 74]
Employee Empowerment	Delegation of authority Responsibility Leadership/Mentorship roles Organisational Learning/upskill Participative decision/criticisms Feedback/recommendations Employee autonomy Mutual trust Reward & Incentive systems Fair appraisal systems	Leadership /Governance /Strategic management / HR	[65, 75, 76]
Competence	Change management Knowledge management Succession planning Retain tacit knowledge Reward outstanding contributions Innovation Mental health programs Personality alignment Technology tools	Leadership /Governance /Strategic management /HR /Innovation /Mental Health	[33, 72, 77–79]

Source: by authors

It can be inferred that "Soft control" uses non-financial methods of rewards and motivation such as job satisfaction, working environment, culture, organizational learning, and transfer of knowledge between senior and junior employees in an apprenticeship relationship [37]. The idea of "Soft control" primarily stands for all forms of empowerments that identifies and develop employee potential towards creativity and new knowledge. With this approach, an organization turn to have flatter structures where the leadership style protects rights of employees.

3 Emerging issues and theoretical implication

Managing people in a public organization can be similar to managing bureaucracy. Public expenditure forms a substantial proportion of a country's economic growth. This makes the behavior of those in charge of executing various public spending programs a major concern in the face of transparency, governance, leadership, and controls. The method of control depends on a combination of the leadership approach and the posture of those in charge of authority. According to Weber [81] "Economy of Society", bureaucracy is the best method of maintaining law and order in a large organization, such as the public sector. It further implied that the structure of bureaucracy enhances consistency in processes when managing human institutions. This statement defines some characteristics of public control with multiple layers of legislative procedures, hierarchical powers, and excessive protocols, which are often referred to as the "iron cage of control." Emerging studies are shaping the style of management control, but major concerns remain with the public sector where most of the characteristics of bureaucracy are largely evident, such as the division of labor according to clearly defined objectives and specific goals, explicitly written formal rules, and procedures with structured guidelines and ambiguous expectations [82]. There are challenges of a long chain of command in the public sector with the decision-making authority allocated to only top executives who conduct performance measurements based on strictly on years of service without considering other motivating factors such as competencies and empowerment [38]. These approaches are not only discouraging, but oppressive, as they kill innovation and trust.

A new approach to management control is focusing on informal control "soft control" such as directors performing oversight responsibilities over management but in broad consultation, embracing diverse views and reflecting on the concerns of various interest groups both within and outside the organization, and ensuring that it maintains a fair balance between the expectations of leadership and employee development [83]. Hard controls have failed to address the increasing scale of corruption, financial irregularities, and unprofessional conduct of public sector [84]. Opined that formal control does not guarantee effective control because the influence is not permanent. However, the culture, ethical values, and social network of individuals supported by internal communication are more likely to shape the behavior of people permanently. If culture and ethical values replace excessive bureaucracy, internal control weaknesses such as management overriding and setting aside a well-designed control system in pursuit of their interests will be addressed. Furthermore, conflicts of interest, involving employees having their loyalty divided between bad management policies and their well-being, which often compel them to work against the formal control, also termed as "collision" can be eliminated. Finally, an inclusive approach where management and employees participate in change decisions, treat every opinion equally important, address differences, and offer equal growth opportunities would promote compliance with controls.

4 Conclusion

It has emerged that the few recent publications on "soft control" seem to highlight more the limitations and excessive use of hard control in organizational behavior. By utilizing culture and ethics, competence, employee and management social networks, trusting relationships between leader and team members, internal communication mechanisms, and organizational structure, this study provides an alternative practical guide for public organizations on how to incorporate soft controls into management and leadership frameworks to align people's behavior with internal control's principal objectives. The outcomes of the study highlight the need for management and the board of directors to incorporate appropriate soft controls into their internal control structures. Soft controls are an important part of the board's corporate governance, and they must always be incorporated into the tone, posture, and leadership philosophy. The entire organization will become aware of the repercussions of fraud, risk, and other corporate misdeeds if the board is committed to openness and transparency.

If the board is dedicated to developing social networks between itself and the rest of the organization, it will encourage greater collaboration and a diversity of viewpoints and opinions rather than rigid regulations that must be followed to meet deadlines [25]. The culture and ethical principles of an organization form its identity, ensuring that all segments are aware of the values rather than defying them. Furthermore, the researchers suggest that individuals in a soft-control organization are more likely to guide one another, share experience, solve problems on the job, and generate new knowledge than they should be in a strict-control organization [85]. Hard controls, which rely on external auditors, laws, policies, supervisory procedures, standards, and management's high expectations, are significantly more expensive to implement than soft controls, which rely on effective communication with clarity, and commitment to employees' competence.

Conclusively, the study suggests that auditors reporting on the effectiveness of internal controls must attach minimum value to hard controls, which consist solely of strict standards such as organizational structure, protocols, authority and approval, and bureaucratic layers of rules, which are insufficient and ineffective in accounting for people's behavior. They can instead concentrate on organizational culture, competence, socialization, and better workforce communication. If the impact of people's conduct, which forms part of the "so-called" norms and procedures, is overlooked, audit results may be inaccurate and unscientific.

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