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Original Research Article

Internal Control Structures and Financial Performance: Evidence from Listed Companies in Nigeria's South-West Region

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Abstract

The primary goal of this research was to examine the internal control mechanisms and financial results of listed companies in Nigeria's southwest area. The research framework was developed primarily based on a thorough review of the literature and compliance with stakeholder theory. The research used multi-level random sampling and multiple regression models to determine if internal audit control, control processes, risk management control, the control environment, and monitoring practises impacted financial performance. The findings indicated a favourable association between internal audit control, risk management, monitoring practises and operational performance, pointing to the objectives. Mmonitoring practices and control environments have a significant negative impact on asset returns. This analysis would be helpful to corporate managers because it demonstrates the elements that are overlooked in internal control systems and strategies to improve the performance of the internal control system. Policymakers and other stakeholders will have access to the critical role of internal management in the company's performance. The study affected the inculcation of empirical and inductive logic and ethical attitudes and thought growth in all organisational employees.

Keywords: internal control, risk management control, control environment, monitoring activities.

JEL Classification Codes: L25

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1. INTRODUCTION

Internal controls are set up to ensure that all assets are secured, prevent the company's assets from being misused or misappropriated, and detect and safeguard from likely fraud. Munene (2013) suggested that a few of the internal control issues encountered involves: liquidity difficulties, no acceptable financial statements and reports, lack of accountability of financial resources, corruption and abuse of administrative capital and the outcomes anticipated have not been obtained through a series of decisions made.

World Bank statistics (2014) show a drop in demand in all economic sectors, including tourism. The poor financial performance of the listed firms adversely affects the economic development of the Nigerian economy. Most companies quoted in Nigeria have operational Internal Audit divisions with accountability for ensuring the leadership of the adequacy of internal control processes and the quality of services (Omolaye & Jacob 2017). Nevertheless, poor financial quality persists where plans are not accepted, fiscal rules and regulations are not enforced, and significant funds struggle to be accounted for (Omolaye & Jacob 2017). This has contributed to enterprises' economic insufficiency, employee discontent, and poor financial results (Mikes & Kaplan, 2014).

An internal auditing department should always help guarantee compliance with rules and regulations amid corporate scandals and the global financial meltdown. Most companies have made efforts to attain significant results. Regardless, companies are still struggling with liquidity issues, financial reporting in an ill-timed manner, ineffective financial responsibility, fraud and mismanagement of the company's resources and several decisions made that do not yield the anticipated results. Thornton (2004) states that stakeholder perceptions for internal audit activities have dramatically changed in recent years. The emphasis has now moved from regulation and financial control to promoting the constructive detection, evaluation and monitoring of threats.

Prior studies on the importance of internal control systems on the SMEs financial performance are Nyakundi, Nyamita & Tinega (2014). Mawanda (2008) studied the impact of internal control mechanisms in an institution of higher education on financial performance. Khamis (2013) studied the role of the financial institution's internal control mechanisms. Many internal control researches concentrate on the features of organisations that reveal fundamental

vulnerabilities in internal control. Al-Matari, Al-Swidi, Faudziah and Al-Matari (2012) recognised there was a noticeable lack of studies into the direct integration of internal control systems and firm performance in developed countries and developing countries.

Likewise, in the Nigeria economy, the studies related to internal control and financial performance by Ejoh and Ejom (2014); Ineh and Ojo (2014) were conducted in the area of tertiary institutions, which do not explicitly show its impact on the quoted firms on the bond on the financial performance of businesses. The concern is how internal controls influence the financial performance of companies in Nigeria. This paper thus sheds light on the broader range of companies listed on the Nigerian stock exchange and aims to resolve existing research limitations in assessing the impact of the internal control structures on the financial performance of companies listed on the NSE. The research would add to the existing knowledge regarding internal control mechanisms and organisational efficiency. It will also help scholars and aspiring scientists who will carry out other research on this subject. This is because it enhances the internal control awareness, which offers the details needed to integrate into the organisational task. The research will also allow the organisation to raise better internal control systems and their effect on Nigerian corporate results. The research would help instil rational and inductive thought and enable all workers to establish rational processes and thoughts. The research findings should concern the leadership of organisations as they suggest issues neglected in internal control processes or ways to improve the performance of the internal control process.

In contrast, government and policymakers will also attain perspective into the crucial position of internal controls in Nigeria's corporate performance. In particular, the stakeholders will be told about the sort of internal audits to be implemented in government undertakings. Many organisations would profit from an appreciation of corporate management procedures and the principal role of internal control structures in improving corporate governance, especially in encouraging corporate responsibility and all-round transparency in the effects of corporate success.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Internal Audit

Internal auditing is a distinct, objective, value-adding and advisory practice designed to improve an organisation's operations. It assists an organisation in achieving its goals by offering a structured, competency-based approach to assess and improve the efficiency of managing risk, control and management processes (Internal Auditor Institute). Gupta (2001) argues that internal audit is an independent evaluation function set up within an organisation to review its activities as a service to the organisation. Internal audit serves to support company leaders in the successful execution of their obligations. It is also an independent assessment feature developed within an organisation to assess and evaluate the control system's efficacy, productivity, and economy for management (Subramaniam, 2006). The goal is to convince management that its internal control mechanisms are adequate to the organisation's needs and function satisfactorily (Reid & Ashelby, 2002). It is a part of an enterprise management's internal control process setup

to audit, analyse and monitor accounting and other control operations. For practice, the performance and efficiency of internal audit procedures are essential because internal auditors perform a wide range of tasks, not all of which apply to accounting areas of interest to the external auditor. Emasu (2007) states that the efficacy of the internal audit role depends in part on the legal and regulatory structure, the location of the function and its autonomy, the presence of audit committees, resources allocated to the internal audit staff's task and professionalism. Nevertheless, it is a bitter reality that divisions of internal audit are seldom adequately facilitated.

Gerrit and Mohammad (2010) found evidence supporting the monitoring position of the internal audit system to the size and facilitation of the internal audit function. We found specific proof that management ownership is favourably related to the scale of the Internal Audit Unit, which contradicts traditional business hypothesis arguments that reflect a detrimental association but is more in line with recent earnings management reports. This result indicates that increased management ownership can influence the board of directors to embrace broader internal audit functions to track manager efficiency closely. The effectiveness of internal audit procedures is a measure of the program's potential to achieve a qualitatively measurable outcome or consequence (Harvey, Leinicke, Rexroad & Ostrosky, 2004). According to Rezaee and Zabihollah (2002), Internal audit practices should be in order to guarantee the accuracy of financial records, operating accounts, corporate asset management, and adequate organisational controls. Eniola and Akinselure (2016) investigated the effect of internal management on the financial success of Nigerian businesses. Internal management has a significant association with corporate deception, according to the findings of the study. Based on this outcome, the study suggests that management implement more effective strategies to ensure effective and efficient internal control to reduce the perpetration of fraud in the company significantly. Mwakimasinde, Odhiambo and John (2014) are also studying the impact of internal control systems on the financial performance of outgrow sugarcane companies in Kenya. The study adopted a descriptive survey correlation model. Using questionnaires, primary data was gathered from main informants from all nine out of Kenya's growers. The approach of the main informant was used; thus all Finance Managers and Internal Audit Heads were selected to participate in the study for each out-grower company. The study found a significant positive effect on financial performance of the internal control process. Ibrahim, Diibuzie and Abubakari (2017) are also investigating the effect of the internal control process on financial performance among five health institutions in Ghana's Upper West Region. In choosing a sample of fifty (50) respondents, a purposeful sampling strategy was used. Using the ordered logistic regression method, the data are analysed. The outcome of the study found a positive correlation between controls of internal audit and financial performance. Internal audit is thus embraced as a factor affecting the company's performance.

$H0_1$: *Internal audit has no substantial impact on Nigeria's Companies financial performance*

Control activities

Whittington and Pany (2001) say that tracking practices are just another aspect of

internal controls. These researchers recognise that control operations are codes of conduct that assist with the execution of management directives. Organisational management tasks include performance reviews (compare actual performance with plans, prediction and output for the previous period), storage data (needed to check reliability, completeness and payment authorisation), physical control (relevant protection to both the documents and the other assets), and separation of duties (where no one is involved). Manasseh (2004) has found that management practices lower the risk of theft, mistake, and market exploitation, thus improving the efficiency and performance of the company's operations.

Although Barra (2010) claimed that monitoring operations, the separation of tasks, increases the cost of fraud, the benefits of fraud must therefore outweigh the costs of an employee committing fraud in an environment of segregated duties. However, it was observed that the separation of tasks is the least cost deterrence for non-managers, but for managers, the maximum penalties are the "lowest cost" disincentives for cheating. He states that the efficacy of proactive checks and monitoring, such as role division, relies on investigator measures. The correlation between internal control operations and financial performance in Tertiary Institutions in Nigeria is being analysed by Ejoh and Ejom (2014). The study results indicate that there is no important link between internal control practices and financial performance. The study also recommends that the management of the institution organise regular control mechanism training for staff. A management operation is therefore implemented as a variable not to impact the output of the company.

$H0_2$: Control activities has no substantial impact on Nigeria's Companies financial performance

Risk management control

In 2004, COSO introduced Enterprise Risk Management (ERM) to tackle the risks associated with a company. The frame incorporates all internal control framework elements but provides elements of objectives structure, incident detection and threat response (Eniola, 2020). It is highlighted that the significance of the company's target environment and compares it as a precondition for risk evaluation. It should be noted that the organisation's internal control system should be defined to have reasonable assurance as to the critical components for achieving the identified aim, threat recognition and evaluation. It is essential to assess the efficacy of internal control operations against the objectives and associated threats of the organisation. Internal control should evaluate both internal and external indicators of the threats posed by the company. They should be analysed for their possible effect once risks have been identified. Management must also develop a risk management strategy to determine the internal control practices required to minimise specific threats and meet the priorities of reliable and productive operations, accurate financial statements, and conformity with laws and regulations.

Producing correct, complete, appropriate, timely, and credible financial information to show and retain responsibility and accountability, consistent with regulatory reporting standards, and accounting for the financial results of an organisation's stakeholders are all goals of financial

reporting and agency performance. In their research, Cebenoyan and Strahan (2004) observed that businesses that have progressed in risk management have lower credit availability. The improved availability of credit contributes to increasing the benefit of the productive assets and the business. Researchers emphasise the importance of good practices in risk management to maximise the value of businesses (Eniola, 2020; Nocco & Stulz, 2006). It is argued, in particular, that good organisational risk management (ERM) gives an organisation (or banks) a long-term comparative edge over others who handle and control risks separately. Schroeck (2002) proposes to increase earnings by ensuring good practices through prudent risk management. A financial organisation's sustainability and performance depend significantly on handling such threats (Khan & Ahmed, 2001). Therefore, financial institutions' conservative risk management is the foundation of preventing financial distress that could contribute to a fully developed financial crisis. A Kamau (2014) study investigates the effect of internal controls on manufacturing firms' financial performance in Kenya. The empirical results of the regression analysis indicate a positive relationship between manufacturing firms' internal control and financial performance in Kenya. Most specifically, reasonable risk control is highly relevant to keeping the investors better off, as cited in (Eniola, 2020).

$H0_3$: Risk management control has no substantial impact on Nigeria's Companies financial performance

Control environment

Management system as a set of policies and practices to be implemented while carrying out internal controls within an organisation (Kgabo, 2013). COSO (2013) claimed that the effective control enviroment provides a mental attitude within which the institution's internal control process will function at all levels. Numerous reports also tried to highlight the impact on the financial performance of the management system. Among the lists are, among others, the studies carried out by Kinyua, Gakure, Gekara and Orwa (2015), Muraleetharan (2013), Mawanda (2008), and Ali (2013). Kinyua, Gakure, Gekara and Orwa (2015) investigate the impact on financial performance in Kenya of the internal control system. Internal control mechanisms are shown to have a significant financial quality partnership. Based on the research findings, it can be concluded that a positive predictor of financial performance is the internal control system. Muraleetharan (2013) investigates whether an internal control process improves an organisation's firm output and identifies a statistically insignificant correlation between the management structure and firm performance.

Although, Mawanda (2008) has identified a positive relationship between the management system and the financial performance of higher learning institutions in Uganda, as shown by his case study at the University of Uganda Martyrs. Ali (2013) found a significant positive relationship between the management process and financial institutions' success in his research on the importance of the internal control framework to financial institutions' financial performance. Malekmahmoudi, Saeidi and Shokoohi (2015) examine the partnership between the Iranian telecommunications company's internal control system and financial performance. The study findings revealed that the internal control process and financial performance of the Golestan

Province Telecommunications Company in Iran had a strong and positive relationship. However, Muraleetharan's research (2013) attempts to decide whether the internal control process can increase an organisation's financial performance. The study finds that in assessing efficiency, internal control and financial performance are statistically significant. In the financial performance of non-governmental organisations in Uganda, Etengu and Amony (2016) examine the role of the internal control process in the governance climate. The study findings revealed a significant relationship between financial performance and the control environment. The report proposed improving the management system to improve the efficiency of the company further. A controlled environment is thus adopted as a factor influencing the company's performance.

$H0_4$: Control environment has no substantial impact on Nigeria's Companies financial performance

Monitoring Activities

Monitoring describes the process of measuring the consistency of the system for internal control over time. To order to ensure reasonable assurance about the accomplishment of the company goals, Coffin (2003) indicated that a review mechanism should be conducted to assess and analyse internal control systems to ensure that processes are enforced continuously over an extended time span. He also claims the internal audit is part of the internal control system oversight. Managers will evaluate the outcome of the audit and other reports immediately, including those identifying shortcomings or suggestions identified by auditors and others reviewing the activities of departments, in order to identify necessary actions in response to audit and evaluation findings and recommendations. Jones (2008) describes monitoring as evaluating the output value of a system over time. Staff should evaluate the various internal control systems on an ongoing basis, and update / modify/enhance where necessary. Some vulnerabilities found will be looked at immediately and applied to the internal control mechanisms as a whole. Internal monitoring should include policies and procedures to ensure prompt resolution of audit findings and other reviews. Coffin (2003) also claimed that monitoring requires practices and processes to determine the efficacy of the internal control system in achieving the entity's financial reporting objectives.

Monitoring efforts can be ongoing or independent assessments, and it is essential given the dynamic situations that most companies are experiencing (Henle 2005). This helps to ensure the quality of programs as expected. Nonetheless, this is done by continuous surveillance operations, annual reviews or a mixture of the two (COSO, 2004). Monitoring has therefore helped to evaluate the quality of the organisation's performance over time. By reporting, the company is ensured of timely confirmation of examination results and other assessments (Amudo and Inanga, 2009). Amudo and Inanga (2009) reported that organisational supervision guarantees the efficient running of the network of internal controls. Through supervision, a company decides whether or not workers are successfully following the policies and procedures the management formulated and implemented.

$H0_5$: Monitoring activities have no substantial impact on Nigeria's Companies financial performance

Stakeholder Theory

A redefinition of the corporation is a general idea of the Stakeholder principle. The theory was basically about what the corporation ought to be but also how to conceptualise it. Friedman (2006) argues that the association itself should be regarded as a shareholders' community, and its goal is to address its priorities, requirements and perspectives. This management of stakeholders is perceived to be carried out by the company's managers. Managers should manage the company for its stakeholders, on the one hand, to guarantee their rights and involvement in decision making.

Active environmental management, partnerships and the pursuit of shared values are of great importance to stakeholders to build business strategies (Friedman & Miles, 2001). A broad range of topics, such as working conditions, environmental concerns or civic responsibility, may be included in stakeholders' interests and may clash with the corporation's interests (Friedman & Miles, 2006). This is expressed in Frooman's 11 (1999) assertion that conflict management arising from differing ideologies may be regarded as stakeholder management. In a similar debate on corporate social responsibility and citizenship, Waddock (2001) proposes that being a good corporate citizen requires identifying and incorporating highly integrated accountable organisational practices into corporate strategy, planning, managing and decision making.

It is a philosophy in corporate and business ethics which encompasses principles and ideals of institutional leadership. According to the conventional view of the company, the investors become shareholders of the company, and the business has a contractual fiduciary obligation to place its interests first and increase their value. Stakeholder theory claims that more entities, including workers, consumers, vendors, societies, governmental bodies, political groups, trade associations or trade unions, are concerned. Often only competitors are classified as interested parties, their status depends on their potential to impact the company and its shareholders.

The research was based on the theory of investors. Stakeholders involved lenders, executives, workers, consumers, vendors, neighborhoods, governmental institutions, political groups, trade unions and syndicates (Eniola & Akinselure, 2016). Jensen (2001) suggests that the stakeholder hypothesis solves the problems created by several targets as this concept is essential to our research and offers an understanding of how the company works. It states that if any business is successful, it must build value for consumers, vendors, workers, societies and funders, shareholders, banks and others.

The Stakeholder Theory states that every stakeholder in a company or organisation is equal and treated in the same way, its priorities need to be coordinated, and the role of a director or businessman is to decide whether consumers, vendors, societies, staff and financiers are involved in that path. Each group is crucial for the company's merits, and managers and entrepreneurs need to figure out where their interests go in the same direction. One of the latest implementations of the Stakeholders Theory is organisations' risk management, which attempts to

systematically understand the shared effects of different threats in the interest of the parties concerned (Beasley, Chen, Nunez & Wright, 2006).

From an analytical point of view, a stakeholder approach will assist executives to evaluate how the company fits into its broader context, how its standard operating practices impact stakeholders in the company (workers, management, shareholders) and immediately outside the company (consumers, vendors, financiers). For instance, Freeman suggests that each company with specific shareholders should complete 'a non-specific stakeholder map'. More specific stakeholders will be included in broad categories such as shareholders, monetary, community, advocacy groups, distributors, government, political groups, clients, unions, workers, labor organisations, and competitors. In addition, the logical director would not make significant decisions for the company before considering the effects on each of the shareholders.

As the company evolves and decision-making concerns evolve, the individual stakeholder map will be changed. If the executive just wants to optimise stockholder capital, ignoring other company interests (stakeholders) is easy. In a moral sense, the Stakeholder Theory implies that excluding other stakeholders is (a) unwise or incorrect and (b) ethically unjustified. The Stakeholder Theory thus engages in a broader corporate and ethical debate: is an ethical organisation longer to gain than a corporation that only looks at the' bottom line' in any quarter or year specified? Those who argue that managers were unwise by dismissing numerous non-stockholder groups will reply "yes." Most would say that irrespective of the short-term and long-term results of the company, ignoring these other components is not ethically justified. Premised on the empirical frameworks to the influence of the internal control process on firm performance, this analysis suggested the following graphical interpretation, which clarifies a significant amount of the variation in firm performance.

Internal control processes, such as internal auditing, are generally intended to increase the consistency of operational performance, intentionally or unintentionally, by making an organisation's information sources increasingly accountable (Jensen, 2003). The much broader purpose of internal monitoring is to provide an unbiased evaluation of the consistency of management performance when fulfilling delegated revenue responsibilities in order to achieve the organisational level of control issues associated with lower revenue, which examines the connection between the disclosure of material deficiency and fraud, revenue management or the restoration of internal controls (Beeler, Hunton & Wier, 1999).

Fadzil, Haron, and Jantan (2005) reported an active internal control process corresponds unambiguously with corporate progress in achieving the set amount of sales. Reasonable internal control of company quality includes a frequent examination of the accuracy and credibility of financial and administrative records, a review of the measures used to protect property, an evaluation of the commitment of workers to management procedures, protocols and related laws and regulations, and an assessment of leadership performance and effectiveness. Many companies no longer develop an internal control structure as a regulation but also helps to ensure that all administrative

operations are correctly done (Kenyon & Tilton, 2006). Therefore, companies find it a responsibility to prepare, inform and educate their workers on using such internal control mechanisms as their success relies on the expertise and efficiency of the individuals who use them.

These monitoring mechanisms ensure that any risks that can impact the company's ability to achieve its goals are sufficiently reduced and should occur at all levels and across all functional departments (Doyle et al., 2005). There are three major internal management classifications: prevention, investigator, and punitive. Preventive systems foresee potential problems, make adjustments, or avoid a mistake, absence, or malicious act from happening until they happen. Detective controls are used to detect and report an omission, error, or malicious act that occurs. Ultimately, the correction controls aim to minimise the impact of a hazard, identify the cause of an incident and recognise the appropriate errors resulting from the issue. Corrective checks correct detective control problems and modify the processing system to minimise the problem's future occurrence (Singleton, Bologna, Lindquist, & Singleton, 2006).

3. METHODOLOGY

The study adopted an *ex-post-facto* and survey research design (Madugba *et al.,* 2020). A sample of 77 publicly listed firms in southwestern Nigeria(NSE Report, February 2018) that have been operating over the past seven years was considered for this study. The target population corresponds to the whole set of objects of interest from which the author seeks the appropriate study data (Cooper & Schindler, 2011; Kothari, 2011). Nevertheless, it is not possible to collect information as the world is limitless. Therefore, the demographic is restricted only to the executive staff of the internal inspection department, the finance, accounting and the audit departments which dealt with the internal inspection of the company in the 77 listed companies: The companies cut-across banking, oil and gas, engineering, development, healthcare, Agro and Allied, Conglomerate, and insurance companies. To achieve the number of companies specified for sampling, formulas were used with Kothari (2007) and Mugenda and Mugenda (2003). Multi-level random sampling of 141 senior managers in different groups or categories received 120 (85%) valid answers. Using a standardised questionnaire, data were collected. The collected data were s evaluated with a quantitative analysis. A maximum of 10041 copies of the questionnaire was sent to the respondents surveyed, while 10020 (120) was effectively obtained from a subset of sampled top-level managers of cited companies in Nigeria, reflecting 85% of the response rate. The dependent variable in this study is financial performance measured with Return on Assets (ROA), while the independent variable is internal audit structure measure with Internal audit (INTA), control activities (CONA), Risk Management (RSIM), Control environment (CONE) and monitoring activities (MOA).

Model Specification

$ROA_{it}=f(INTA, CONA, RISM,CONE,MOA)$ 1

$ROA_{it} =f(\beta 0+\beta 1INTA, +\beta 2CONA+\beta 3RISM +\beta 4CONE +\beta 5MOA +et)$ 2

Where ROA= Return on Assets, β0 = constant term, INTA =Internal audit, CONA= control activites, RSIM= Risk Management, CONE= Control environment, and MOA= monitoring activities, et =error term that states those other variables not

included in our study that might influence the dependent variable.

4. ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

This section examines descriptive statistics, Pearson correlationand tests for normality in the use of questionnaire and to justify the multiple linear regressions for the purpose of testing hypotheses formulated

Table 1 Descriptive Statistics of the Measurement Variables

Variables	Mean	Maximum	Std. Dev.	Skewness
ROA	17.47500	25.00000	5.304133	0.606584
INTA	18.95833	25.00000	5.236260	0.561938
CONA	18.56667	25.00000	5.876507	0.830075
RISM	18.52500	25.00000	4.342409	0.755877
CONE	15.34167	20.00000	4.904972	0.682589
MOA	17.65833	25.00000	7.341028	0.742196

Table 1 presents the descriptive statistics of the variables employed by the study in capturing the internal control model. The variables include internal audit, control activities, control environment, and monitoring activities. The analysis shows that the mean value of return on assests (ROA) was 17.4 out of the maximum possible value of 25.00, indicating a high level of return on assets of listed companies in southwestern Nigeria. Similarly, the mean value of internal audit (INTA) was 18.9 out of a maximum possible value of 25.00, indicating moderate (56%) internal audit functions that help firm performance. In control activities (CONA), the mean value was 18.6 out of a maximum possible value of 25.00, implying that control activities such as reconciliations, authorisations, verifications, approvals, and performance reviews, were impressively (83%) practised among the quoted firm. Likewise, the mean value of risk management (RISM) was 3.43 out of a maximum possible value of 25.00. The result signified an impressive (75%) practice of risk management which involves identifying and analysing internal and external risks related to the achievement of the firm's management objectives. Control environment (CONE) mean value was 15.34 out of a maximum possible value of 25.00, depicting a moderate (68%) control environment that establishes discipline, structure, honesty, ethical principles, employee competence, and the leadership of senior management and the board of directors which aid internal controls in firm performance. Finally, monitoring activities (MOA) had a mean value of 17.65 out of a maximum possible value of 25.00. These results showed a high level (74%) practice of monitoring activities in the firms.

Table 2 Pearson's Correlation

	ROA	INTA	CONA	RISM	CONE	MOA
ROA	1					
INTA	.953**	1				
CONA	.930**	.962**	1			
RISM	.743**	.751**	.749**	1		
CONE	-.018	-.012	-.034	.600**	1	
MOA	-.032	-.026	-.043	.589**	.978**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Pearson's Correlation Product Moment was used to assess the nature and intensity of the correlation between two variables. The frequency of a relationship based on Guilford's thumb rule can be correlated with small (< 0.2), weak (0.2–0.4), medium (0.4–0.7), strong (0.7–0.9) and very large (> 0.9). Table 2 provides the test of the relationship between internal control elements and the organisational success of individuals. Results show that all factors are intertwined, and the most significant link among monitoring practices and company performance of 0.978 ** units is shown. It means that the rise in the monitoring units of 0.978 ** would increase the company's performance to the same level.

Table 3: Test for Normality

The normality analysis of company performance (dependent variable) was conducted with the Kolmogorov-Smirnov method. Because H0 and H1, set to α=0.05, the principle is to disregard H0 when P-value is less than α; otherwise, H0, where: H0: the data is normal H1: the data is not normal Data not normal.

Table 10: Test for Normality (One-Sample Kolmogorov-Smirnov Test)

		Return on Assets (ROA)
N		120
Normal Parameters[a,b]	Mean	21.3917
	Std. Deviation	6.24876
Most Extreme Differences	Absolute	.147
	Positive	.084
	Negative	-.147
Kolmogorov-Smirnov Z		1.612
Asymp. Sig. (2-tailed)		.211

a. Test distribution is Normal.

Table 3 shows that the return on assets evidence is normal using the Kolmogorov-Smirnov Test of normality since the P-value, 0.211, is greater than 0.05, and therefore the null hypothesis is not rejected (H0). As a result, the report suggested that the return on assets component has a natural distribution, allowing for more research. It also indicates that the return on assets is roughly normally distributed, with a mean

of 21.3917, a standard deviation of 6.24876, and a total of 120 respondents (N=120). Since the analysis used a multiple linear regression model, where the normality criterion must be met, the dependent variable should be normally distributed (Lapan, Quartaroli & Julia, 2012).

Regression Result and Test of Hypotheses

Table 4: Dependent Variable ROA

Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.457611	0.909696	0.503038	0.6159
INTAC	0.543547	0.097404	5.580311	0.0000
CONA	0.030721	0.095770	0.320781	0.7490
RISM	0.618550	0.130441	4.741993	0.0000
CONE	-0.115342	0.082130	-1.404379	0.1630
MOA	-0.204110	0.077129	-2.646359	0.0093
AR(1)	0.818854	0.054755	14.95494	0.0000
R-squared	0.973326			
Adjusted R-squared	0.971897			
S.E. of regression	0.887198			
F-statistic	681.1398			
Prob(F-statistic)	0.000000			
Durbin-Watson stat	2.384471			

* Significant at 0.05 level

This section examines regression results and testing of various hypotheses formulated previously

The findings of the regression model of the variables tested were shown in Table 4. The results revealed that all independent variables such as: internal audit (INTA), control activities (CONA), risk management control (RISM), control environment (CONE) and monitoring activities (MOA) were used as indicators for internal control.

The respective coefficient results showed that internal audit control (INTAC) with a positive coefficient value of 0.543 units with firm performance implied that an increase in unit internal audit control (INTAC) would result in a 54 per cent increase in firm performance. Control activities (CONA) with a positive coefficient value of 0.031 return on assets units (ROA) also suggested that an increase in unit control activities would result in a 3 per cent increase in return on assets. Similarly, risk management control (RISM) with a positive coefficient value of 0.618 revealed that an increase in risk management control unit would increase return on assets. Nevertheless, it was proposed that a controlled environment (CONE) with a negative coefficient value of-0.115 units with return on assets meant that a decrease in the control environment would decrease 12 per cent in return on assets (ROA). Similarly, monitoring activities (MOA) with a negative coefficient value of-0,204 units with return on assets implied that a decrease in unit monitoring

activities would decrease return on assets (ROA) by more than 20%.

Furthermore, it was found that the findings were at a high positive determination coefficient (R2= 0.973), which meant that the model's explanatory variables accounted for 97% variability in the dependent variable (ROA). The revised determination coefficient (R2=0.971) also showed that approximately 97% of the differences are well established after the independent variables change the degree of freedom. The overall test (F-statistic) (goodness-of-fit measure) showing a value of 681.139 units and a significant level of 1% compared to the standard regression error with a minimum value of 0.8871, suggested that the overall result was statistically significant. The Durbin-Watson figures with a 2,384 value indicated that the outcome was no collinearity, which is another indicator that the outcome was adequate for inference and policy evaluation.

Test of Hypothesis

Testing of hypotheses previously formulated, the decision rule was to accept the hypothesis formulated if it is statistically significant at 5%; otherwise, we reject the hypothesis. To test the hypotheses, multiple linear methods results in Table 4

Test of Hypothesis One

(i) Hypothesis Formulated: $H0_1$: *Internal audit has no significant influence on return on assets(ROA) of listed companies in southwestern Nigeria*

(ii) Test Statistic and Decision: Internal audit (INTA) result stood at t-statistic value (5.580) and probability value (0%) while the critical value was at 5% significance level. The result indicated that internal audit is statistically significant. The implication is that internal audit (such as effective and efficient operation, independent appraisal function, reliable financial reporting and effective discharge of responsibilities) is a strong determinant of internal control in the selected quoted firms. Concerning the decision rule stated earlier, we, therefore, reject the hypothesis formulated. This implied that internal audit significantly influences the return on assets of listed companies in southwestern Nigeria.

Test of Hypothesis Two

(i) Hypothesis Formulated: $H0_2$: *Control activities have no significant effect on return on assets of listed companies in southwestern Nigeria*

(ii) Test Statistic and Decision: control activities (CONA) was at a calculated t-statistics value of 0.321 and probability of 0.749 (75%), while the critical probability value was 5% significance level. The outcome indicated that control activities were not statistically significant, and its coefficient was positive. Following the decision rule, it showed results that we reject the hypothesis formulated, indicating that control activities significantly affect the return on assets of listed companies in southwestern Nigeria.

Test of Hypotheses Three

(i) Hypothesis Formulated:$H0_3$: *Risk management control has no significant influence on return on assets of companies in southwestern Nigeria*

(ii) Test Statistic and Decision: Risk management control stood at calculated **t-statistics** (4.741) and probability (0%) while the critical value was at 5% significance level (95% confidence). The result showed

that risk management control is statistically significant, and the coefficient was at a positive value of 0.618. Based on the decision rule, we reject the hypothesis suggesting that risk management control (such as risk identification, risk evaluation, assessment of risk profile, responses development and advancement in risk management) has a significant influence on return on assets of listed companies southwestern in Nigeria.

Test of Hypotheses Four-

(i) Hypothesis Formulated: $H0_4$: *Control environment has no significant effect on return on assets of listed companies in southwestern Nigeria.*

(ii) Test Statistic and Decision: Control environment indicated t- statistic calculated value of 1.404 and probability value of 0.163 (16%) compared to the critical value at 5% significance level (95% confidence). The result was not statistically significant, with a negative coefficient value of 0.115. The decision rule showed that we accept the hypothesis formulated, meaning that the control environment has no significant effect on the return on assets of listed companies in southwestern Nigeria.

Test of Hypotheses Five

(i) Hypothesis Formulated:$H0_5$: *Monitoring activities have no significant influence on return on assets of listed companies in southwestern Nigeria.*

(ii) Test Statistic and Decision: Monitoring activities (MOA) stood at calculated t-statistic (2.646) and probability value (0%) while the critical value was 5% significance level (95% confidence). The result was negatively statistically significant with a negative coefficient value of 0.204. Following the decision rule, the results showed that we reject the hypothesis indicating that monitoring activities significantly influence return on assets of listed companies in southwestern Nigeria.

Discussion of Findings

With respect to the evaluation and explanation of the different results, the conclusions of this study are addressed as follows: First, it was found that internal audit oversight was statistically significant, indicating that it is a potent constituent of COSO's internal control system for return on assets. The internal audit is called the company's core, as it is the segment that tracks all activities relevant to the industry. Internal audit success helps develop the company's work as the financial reports represent the performance of the internal audit team. The outcome showed a positive coefficient and agreed with our apriori assumptions. Improved internal audit regulation (effective and efficient activity, objective appraisal feature, accurate financial reporting and effective discharge of responsibilities) can result in increased return on assets of the listed companies in southwestern Nigeria. The result revealed that internal audit control influences return on assets significantly and positively. This conclusion was compatible with existing studies by Ibrahim, Diibuzie and Abubakari (2017). He studied the effect of the internal control process on the financial performance of selected Nigerian stock exchange companies and found a positive relationship between internal audit controls and financial performance. Similarly, Eniola and Akinselure (2016) analysed the impact of internal control on corporate financial output in Nigeria; the study results show that internal control has a significant relationship with organisational corruption.

Similarly, Subramaniam (2006) noted that Internal audit control is an independent assessment function set up within an organisation to analyse and measure the management control system's accuracy, effectiveness, and economy.

Second, it was found that there is no significant effect of control practices on the return on assets of the companies listed in southwestern Nigeria. This was apparent in the hypothesis check, which indicates that management operations such as permissions, authorisations, verifications, reconciliations, division of duties, and performance reviews were not statistically significant concerning Nigeria's return on assets. It shows negative coefficient quality with return on assets that counter our assumption of aprior, suggesting that decreasing control activities can reduce the return on assets. This finding is consistent with Ejoh and Ejom (2014) investigating the relationship between internal control activities and financial performance in Nigeria's tertiary institutions. The research result shows that the relationship between internal control activities and return on assets is not significant. At the same time, Ejoh and Ejom (2014) claimed that the presence of control activities, duties separation would increase the cost of committing fraud.

Third, the study revealed that control of risk management was statistically significant, implying that risk management control includes risk identification, risk assessment, risk profile assessment, responses development, and risk management advancement. This result is consistent with that of Anderson (2008). Risk management must be seen from a defensive view by firms and as a primary factor for earnings stability and improving overall business performance. Good risk management is directly involved in the company's earnings performance. Also, the second hypothesis is acceptable as firms with greater investment in intellectual capital show positive performance outcomes. Therefore, risk management discipline has been shown to carry a critical and beneficial impact on the company's performance. The result confirms the views of Akkizidis and Khandelwal (2008) and Al-Tamimi and Al-Mazrooei (2007), who acknowledged the substantial importance of good risk mitigation in providing better returns to investors. Nocco and Stulz (2006) have indicated that successful institutional risk management would yield long-term competitive merit over those personally handling or controlling threats.

Fourth, it was also revealed that the control environment was not statistically significant, indicating that honesty and ethical principles, devotion to expertise, and awareness of control did not positively impact the return on assets of listed firms in southwestern Nigeria. This suggests that the control system does not provide stability, organisation, honesty, ethical values, organisational expertise, or governance given by top management and the board of directors that can affect Nigeria's company efficiency. While Mawanda (2008) noticed a positive relationship between the management system and the financial performance of higher learning educational institutions in Uganda, as his case study at the University of Uganda Martyrs demonstrated. In addition, Ali (2013) found a significant positive relationship between the control environment and the firm performance of financial institutions in his study on the contribution of the internal control system to financial institutions' financial performance.

Ultimately, monitoring practices are statistically significant, indicating that the company's output is affected by continuing monitoring operation, strong internal review feature, consistent self-assessment, and periodic appraisal. The optimistic coefficient meaning refers to the prediction of the apriori. Monitoring activities have a substantial impact on the company's performance on the company quoted in Nigeria. Monitoring also helped evaluate the quality of the organisation's accomplishment over time. In monitoring, the organisation is assured of prompt determination of audit findings and other reviews (Theofanis, Drogalas, & Giovanis, 2011; Rezaee, Elam, & Sharbatoghlie, 2001). According to Kaplan (2008), failure to properly track the threat can contribute to an organisation's financial collapse. This, therefore, underlined the opinions of Amudo and Inanga (2009), who stated that surveillance operations ensure the efficient operation of the network of internal controls. An internal control framework is a model of an evolving system that follows strategic business development in which businesses can assess the rising risk associated with performance growth and adapt appropriately to their internal control needs. In consideration, effective internal control over filling financial statements ensures the accomplishment of financial results; it contributes to the attainment of goals of the firms and indirectly also the achievement of the expected performance of the firm. Internal controls aim to prevent mistakes and anomalies, identify problems, and ensure that appropriate action is taken.

5. CONCLUSION AND RECOMMENDATIONS

An internal control system is an essential mechanism for proper and responsible management in all types of companies. It can lend itself to manual executive supervision for small firms alone, but the more sophisticated the companies and the more personnel and procedures it has, the more features the system needs to provide that allow the management to ensure the internal controls are set and operate as expected. The effect of such flexibility would increase the likelihood that processes and procedures will perform as expected, and the hazard will be retained at tolerable levels. Accountability and regulatory compliance accompany this state of affairs, as do the company's improved productivity opportunities and a safer work environment. After examining relevant literature and various analyses, it finalises that internal control as a model influences firm performance through internal audit, control activities, and risk management control. On the other hand, on quoted firms in Nigeria, control environment and monitoring activities significantly negatively affect firm performance.

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