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ABSTRACT

Over the years, there have being a problem of incorrect and unreliable financial record which has lead to loss of organizational integrity. The research work aimed among others at determining the relationship between internal measures to proper accounting records. A survey research design was adopted for this research study and a sample size was selected using Yaro Yamane sampling technique as data used were obtained from both primary and secondary sources. Four research questions were formulated out of which three hypothesis were formulated using regression co-efficient analysis method at 5% level of significance and the Z table was also used for comparison between calculated value of significance B and tab le value. The finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization. Financial management of any organization cannot do without internal control as true and fair presentation of financial statement may never be possible if the board and senior management are not committed to providing a well planned internal control system. It also recommends that a periodical review of the organization should be done by the management so as to cope with the model trends in organizational fraud prevention

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Every organization both profit or non-profit organization has its objectives and goals in mind to achieve. For the non-profit making organization, their goal is to satisfy the social need of the citizens and in the effort to achieve these purposes supervision more often than not play a vital role.

The size and scope of these organizations have sometimes made it hard for the executors to exercise personal and first hand supervision of operation. It is in this light that internal control established by management is initiated. For an organization to carryout its business there must be some factors put in place for the smooth running of the organization like materials, machines, money etc.

These need to be well co-ordinated in order for the success of the organization to be achieved. These factors are used by a group of persons known as management. Neither can management exists without an organization both are inseparable. The system of internal control provides assurance to management of the dependability of the accounting data used in the decision making of the organization

It has been discovered that due to lack of internal control several banks have been discovered to have defrauded its customers mostly foreign investors, Having discovered this, banks now take extra precaution before clearing a cheque because of rampant incidence of fraud and forgeries which have placed bank. Loss on average of ₦1m each working day of the year in Nigeria. Due to this challenges, CBN issued a directive to banks to increase its capital base to ₦25 billion.

Management use internal control as a tool to check it staff due to the fact that managers are not able to monitor the activities of the organization. It therefore adopts the internal control in such a way that the system checks itself and any irregularity within the system is been detected and corrected.

To ensure that the system checks itself, management could use devices such as segregations, supervision of work and acknowledgement of performance. The effective arrangement and implementation of this control system would ensure proper management.

1.2 STATEMENT OF PROBLEM

We might not really understand the impact of internal control system in an organization until probably we run an organization void of internal control system.

The absence of adequate internal control measures exposes the financial management of an organization to certain threats such as:

- Incorrect financial statement and /loss of the companys'assets.
- Stealing and mis-management of organizational vital documents which may be done by an employee to take undue advantage.
- Incorrect and unreliable financial records which may lead to loss of organizational integrity.
- Non implementation of accounting policies in consistent with the applicable legislation appropriate in presentation of financial statement.

1.3 OBJECTIVE OF THE STUDY

The overall purpose of this research work is to evaluate and determine the impart of internal measures in an organizational financial management.

A well defined organizational structure helps management to run the business in an orderly manner. This enhance operational and efficiency, which is the important features of internal control.

Specifically, this research work stands to achieve the following objective.

1. To determine the impact of internal control to proper use of organizations funds and assets.
2. To ascertain whether perpetration of fraud and losses of Revenue in an organization are as a result of weakness in internal control system.
3. To ensure whether a true reflection of organizational activities are presented in financial statement where there is an active observation of internal control measures.

4. To determine the relationship between internal control measures and proper keeping of accounting records.

1.4 RESEARCH QUESTION

The following research questions will be used to form the research hypothesis and they are:

1. To what extent does the internal control measures impacts on appropriation of organizational assets and funds.
2. To what extent does perpetration of fraud and losses of Revenue in an organization are as a result of weakness in the internal control system
3. To what extent does internal control enhance a true reflection of organization activities as presented in the financial statement
4. To what extent does a relationship exists between internal control and proper keeping of accounting records

1.5 STATEMENT OF HYPOTHESIS

This research is undertaken on the basis of the following hypothesis.

HYPOTHESIS ONE (1)

Ho: internal control measure does not ensure proper use of organizations funds and assets.

Hi: Internal control measure ensures proper use of organization funds and assets.

HYPOTHESIS TWO (2)

Ho: Fraud perpetration and losses of revenue in an organization are not as a result of weakness in the internal control system.

Hi: Fraud perpetration and losses of Revenue in an organization are as a result of weakness in the internal control system.

HYPOTHESIS THREE (3)

Ho: internal control does not ensure, a true reflection of an organizational activities as presented in financial statement

Hi: Internal control ensures a true reflection of an organizational activities as presented in financial statement.

1.6 SIGNIFICANCE OF THE STUDY

There is no controversy that this research works have been conducted on internal control system, however much emphasis has been placed on the impact of a good internal control system on financial management of organizations.

This research work will go a long way in helping an organization discover the impact of weakness in internal control and suggest measures in correcting them. It will also reveal the problems caused by bad internal control system and be useful to students, scholars, lecturers and other third parties as it shall open new area of further research work and at same time advance challenges to up-coming researchers.

1.7 SCOPE OF STUDY

The impact of a good internal control aids management effectiveness in its organization. This research will specifically Focus attention on the activities of organizations in Nigeria and due to the logical point that not every organization can be studied, this research is therefore limited to the Nigeria Bottling Company. The focus of this research is to show the impact of a good internal control system in the performance of organization Financial management.

1.8 LIMITATION OF THE STUDY

The major constraints in this study include the conservating nature of organization and their apathy towards providing information, especially with respect to their internal operation policies

Human errors and biasness are other limiting factor of this study. This is because some data's were obtained through discussions and interviews therefore there is the possibility of human error of omitting some vital information. Respondent may also exaggerate important information in order to give their organization a positive credit for fear of what seem an invasion into the organization's privacy. Time and finance is also a limiting factor.

1.9 DEFINITION OF TERMS

The following terms have been used in the course of this research work and as such need to be explained. They were as stated below:

INTERNAL CONTROL

It has been defined by the Auditing planning committee (APC) IN Uk as “the whole system of control financial and otherwise established by management in order to carry out the business of the enterprise in an orderly and efficient manner to safeguard the assets and secure as far as possible, the competence and accuracy of records, the prevention and detection of errors and fraud in accordance with the final preparation of financial statement.”

CONTROL

Is an exercise performed in the present to achieve a plan drawn up for the future.

MANAGEMENT

It is defined as the process of planning, organizing co-ordinating and controlling the activities of an organization. It is seen as a group of people who monitor and control the organization activities towards the achievement of the organization objectives.

AUDIT

This comes from a Latin word “AUDIRE”meaning to hear in other words it means official examination of account and records.

REFERENCE

1. chambers Auddrew: the structure of internal audit October 1979,pp27-31

2. paddy: financial management for student pp 28-30

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

The chapter takes a critical look on the nature and circumstance of internal control, the review of related literature in a research study is a search for the discovery of existing information on a given research problem. It sets the current research into perspective to show "the state of the art" a literature review must be done in a con text of the research problem.

In this study, related literature that highlight properly internal control system will be reviewed to enable and enhance our understanding of the research work so that the intended aims and objectives of the research can be met.

2.2 INTERNAL CONTROL

The United Kingdom Auditing practices committee (1979) defined internal control as "the whole system of control, financial and otherwise established by management in order to carry on the business of the enterprise in an orderly band effective manner to ensure adherence to managerial policies and directives, safeguard the assets and ensure as far as possible the completeness and accuracy of the records the prevention and detection of errors the fraud ,and the timely preparation of financial information"

According to statement of accounting standards, (SAS) internal control is the combined plan, method and procedures which can safeguard the firm's assets promote operational efficiency and encourage adherence to prescribed policies."

Also according to Robertson and Davis (1988:169) "internal control system is a set of client procedures both computerized and manual imposed on the accounting system for the purpose of preventing, detecting and correcting errors and irregularities that might enter the system and thereby affect the firm's financial statement.

The SAS (statement of accounting standard) further explains that internal control maybe categorized as either accounting or administrative controls. Accounting control is concerned with the plan of the organization and all the co- coordinated methods and procedures which are implemented with a view of safeguarding assets and enhancing reliability of financial records.

An administrative control comprises of the plan of the organization and all co-ordinates methods and procedures that are concerned with operatically efficiency an adherence to management policies and directives. This is also known as operational controls.

2.3 ROLE AND PURPOSES OF INTERNAL CONTROL

According to Walter and William (1982:5), the role and purpose of internal control system is meritable because internal control consists of the measures, record procedures and plan of an organization that deals mainly with safeguarding asset and ensuring financial records are accurate and reliable. They further explained that the need for internal control can be seen in its roles and purposes which are:

1. financial internal control
2. Administrative internal control

2.3.1 FINANCIAL INTERNAL CONTROL

The need for internal c control system under this is :

a. To ensure the assets of the company is protected.

b. Protecting against improper disbursement of the assets for the company

c. Assuring and securing the accuracy and reliability of all accounting, financial and other operating information of the company.

2.3.2 ADMINISTRATIVE INTERRNAL CONTROL

a. To ensure that the operations the organization are carried out effectively and efficiently.

b. To ensure the objective and aim of the organization are attained

c. To provide assurance that access to asset is permitted only in accordance with management authorization

d. To ensure transactions are properly recorded in the financial statement

To ensure financial statements are prepared in accordance with accounting principles.

2.4 TYPES OF INTERNAL CONTROL

The guideline of internal control put forward eight (8)types of internal control system that should be obtainable in an organization in an organization and they are follows:

2.4.1 ORGANIZATIONAL CONTROL

An organization should have a plan of its activities which should define and allocate responsibilities that is every function should be monitored by a specific person who may be called "responsible officer." Adequate lines reporting for all aspect the organization operations, including controls should be clearly stated and the delegation of authority and responsibility should be clearly specified

2.4.2 SEGREGATION OF DUTIES

One of the prime means of control is the separation of duties. This reduces the risk of internal manipulation, accidental error and increases the element of checking.

Functions which should be separated in an organization financial management include: initiation (officer or person who decides to give out the loan), Execution (the person who keeps the money to be loan out) and recording (the person who records the whole process in the book).system development and daily operations have to be considered in moulding the internal control system to be full proof against fraud.

2.4.3 PHYSICAL CONTROL

This concerns the physical custody of assets and involves procedures and security measures designed to limit access to authorized personnel only. These include both direct and indirect access via documentations. These controls assume importance in the case of valuable, portable, exchangeable or desirable assets." Physical control can also be achieved by electronic means in a computerized environment for example through the use of electronic I.D cards, password etc to restrict access to particular file.

2.4.4 ARITHMETICAL AND ACCOUNTING CONTROL

These are the controls within the recording function which h checks that the transactions to be recorded and processed have been authorized and that they are correctly and accurately processed. Such controls include checking the arithmetical accuracy of the records, maintenance and checking of totals, reconciliation, control accounts and trial balances and accounting for document.

2.4.5 PERSONNEL CONTROL

There should be procedure to ensure that personnel have capabilities commensurate with their responsibility. Inevitably, the proper functioning of any stem depends on the competence and integrity of those operating it. The qualifications, selection and training as well as the personal characteristics of the personnel involved are important features to be considered in setting up any control system especially in financial management.

2.4.6 SUPERVISION CONTROL

Any system of internal control should include the supervision by responsible officials of day-to –day transactions and the recording thereof. Al activities performed in the financial management by all the level of staff should be clearly laid down and communicated to the person supervising

2.4.7 MANAGEMENT

These are the controls exercised by management outside the day-to-day routing of the system they include the overall supervisory controls exercised by management, the review of management accounts and comparison thereof with budget internal audit function and other special review procedures. It is also the duty of the management to review the internal control from time to time in order to accommodate changes in the financial management operations.

2.4.8 AUTHORIZATION AND APPROVAL

All transactions should require authorization by an appropriate responsible person. This is very important in the financial system of an organization where large amount of money is handled so therefore it is appropriate for these money which are used for are used for various transactions to be authorized by a trusted and responsible person

2.5 ESSENTIAL FEATURES OF INTERNAL CONTROL IN FINANCIAL MANAGEMENT

According to Walter and William (1982:5-7), the detailed nature of the controls operative within any organization will depend upon the following:

a. The nature and size of the business conducted.

b. The number of administrative staff employed

c. The materiality of transaction concerned

d. The importance placed upon internal by the organization's own management.

e. The management style of the entity particularly the twist placed on the integrity and honesty of the key personnel and the latter's ability to supervise and control their own subordinate staff.

Despite the many variation in internal control system, which manifest in different situations, all internal control system will possess an unavoidable principle of "separation of function". These functions among others include

2.5.1 FUNCTION - ENTAILING

AUTHORIZATION -This is the approval of contractual obligation

2.5.2 CUSTODY - The handling of assets involved in transaction

2.5.3 RECORDING -The creation of documentary evidence of the transaction and its entry in the accounting recording .in commercial organizations or banks, the nature of the business has been stated earlier on and it is peculiar to all banks, regardless of the size or location. The size varies from organization and the number of staff depend s on the size of the organization. In smaller organizations or banks, an officer could perform the work meant for two or three people, if the work load is adequate for one staff.

Banks transactions have materials which are usually very important and confidential; therefore the internal control of the banks will have to be such that naturally safeguards all its documents. Furthermore, the main act of banking i.e a customer patronizing a bank is an automatic gesture of trust and so therefore, the integrity and honesty of the key personnel must be sound and well emphasized by the internal control operating in the bank.

2.6 INTERNAL CONTROL IN FINANCIAL INSTITUTION AND STATUTORY GUIDELINE AS TOOL AGAINST FRAUD AND DISTRESS

Looking at financial institution for example a bank it is always under the control of some bodies like CBN, SEC etc. these bodies monitor and influence the activities of all banks directly or indirectly.

It has been established that fraud is a very deadly disease to any commercial banks, because if allowed to grow and eat deep into the banking system, it inevitably leads to distress. Evidence from recent banks regarding fraud and forgeries in commercial and merchant banks reveals that the phenomenon has been on the upward trend,i.e the incidents of fraud and forgeries has been increasing, despite the control measures put in place by individual banks. The subject fraud has increasingly gained the attention of the monetary and supervisory authorities, in view of the fact that fraud results in huge financial losses to banks and their customers loss of confidence in banks which may ultimately bring about bank failure. It is therefore important to stress the need for all banks to comply with the statutory requirements of rendering returns for the effectiveness of all policy measures, which the monetary and supervisory authorities might design to curb this menace. The statutory requirement for financial institution is to employ external auditors to check their books and affairs. regulatory authorities exercise their powers to deal with members of the institution and management found to have grossly violated the regulatory and statutory code of conduct or to have been engaged in financial malpractice or have condoned such offences of other staff.

2.6.1 BEARERS OF INTERNAL CONTROL RESPONSIBILITY

The role of management in any organization involves the planning and control of the operations of the organization to ensure that there in accordance with plans. (Walter and Will 1982-6).the totality of the procedure is to ensure that the internal control system is effective on its operators.

According to Oyejide and Soyode (1998:8) management has the responsibility under the company and allied matter Act (CAMA) to keep adequate accounting records. Management should therefore introduce appropriate controls to prevent or reduce the incidence of irregularities, and intentional errors, including fraud. The risk of fraud can be reduced by ensuring that the key functions which each transaction cycle are always performed by separate individuals.

Segregation of duties should exist among:

1. Those with power to authorize a translation and to commit the bank to execute it.

2. Those charged with the dust of recording such translations in banks in banks book.

3. Those who have the custody of assist and can determine their release.

2.6.2 KEY SUCCESS FACTORS OF A FINANCIAL INSTITUTION

An example of a financial institution is a bank. IBFC Augusto Training limited (2004:2-3) mentioned the following to be the key success factors of commercial banks.

a. Strong capital base

b. Strong internal process

c. Ability to use technology for competitive advantage.

d. Good and disciplined management and staff

e. Share holders of good standing capacity and willingness to support

2.6.3 FUNCTIONS OF A COMMERCIAL BANK.

Banks are noted for their full services, which they render to commerce and individual. These services are encapsulated in their functions which include the following:

a. Acceptance of Deposit

b. Granting of loans

c. Issuing bank drafts and travelers cheque

d. Making payments on behalf of their customers.

e. Buying and selling of securities on behalf of their customers.

2.7 ELEMENT OF A GOOD INTERNAL CONTROL SYSTEM

2.7.1 INTERNAL AUDIT: Leslie R.. Howard (1973) writing on internal audit said, it is a review of operation and records sometimes continuous which is been looked into by specially assigned staff.

Leslie went further to say that where internal audit exist, internal controls is greatly facilitated and in order to achieve the planned objectives, management must have to set reasonable procedure for the internal audit department to apply. He went further to state that if the internal auditor would achieve the aim of management that is profit maximization, independence is also a necessity.

Also Sir Author E. Cutforth (1975) defined internal audit as a review of operation and records sometimes continuous, undertaken within a business by specially assigned staff. A situation where the external auditor, there could be unnecessary duplication of work which stands to tamper the financial management of the organization.

He went further to say that if management set up a strong internal audit department with its own autonomy, the scare fund of an organization would be adequately and effectively managed. Internal auditors have responsibilities to carry out some of which are:

- Providing management with information about the adequacy and effectiveness of the organization system of internal control.
- Review and improvement of the system of internal check
- The examination and review of the organization policies and activities to ensure compliance with statutory legislative requirement.
- Internal auditors should be able to undertake at all times special investigation at the management request.

2.7.2 INTERNAL CHECK

It has also been deemed necessary to explain the principles of internal checks which also forms part of the system internal control embrace. The institute of chartered accountant of England Wales defined internal check as the allocation of authority and work in such manner as to afford checks on the routine transaction of day to day work by more of the work of an individual being proved independently by another. According to Oremade T. (1979:31), internal check covers the detection of fraud or errors and interior quality of work. It involves a number of principles among which are:

(a) Work is divided so that no single person has sole control over a complete cycle of work. Thus, for example a cashier should not post the ledger instead these functions should be carried out by an independent person responsible to the accountant.

(b) The work flows from one person to another and in the process each stage is subjected to an independent check. This is done with a minimum amount of duplication.

(c) When checks are not automatically out as part of the system, special checks should be carried out by senior officials.

(d) Proper lines of authority should be established for dealing with such transactions.

2.8 RELATIONSHIPS BETWEEN INTERNAL AUDITING AND INTERNAL CONTROL

There has been a misconception about the use of the work internal audit and internal control and a clarification has been deemed necessary. Oremade T. (1979:30) defined internal audit as "An independent review of operations and records, some times continuously undertaken within a business by a specially assigned staff".

While he defined internal control as "A system which comprises the plan of organization and all of the co-ordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies".

Furthermore, he explained that an efficient internal control embraces internal audit. Also, internal audit is carried out on the basis of the internal control system in place

2.9 MANAGEMENT AND INTERNAL CONTROL SYSTEM

The internal control system should be evaluated periodically to expose any lapses present, to know how strong or weak the system is. Management is in the position to override controls, which it has established, for its own interest.

The role of management in internal control is explained as follow;

It is the management of an organization that put in place the internal control system for smooth running and continuity of the enterprise. However, management has a way of affecting the internal control system and vice versa. When an internal control system is set up by the management, it will be arranged in such a way that any misconduct or lapses in the system will be noticed. The effect of management on internal control will be obvious from the way in which they handle misbehaviors or misconducts among workers. If management deals with the misconduct with levity, the whole organization will relax, i.e people will begin to work at will and at their own pace, knowing that nothing will be done to them. It should be noted that with this kind of management, fraudulent act would thrive very well. Also in a case whereby the management shows favoritism to some workers and turn blind eyes to their misconduct, fraud thrives. A good management ought to ensure effectiveness of the internal control system by frowning at any type of malpractice or misconduct.

Finally, the competence and integrity of the personnel operating the controls must be ensuring by management through proper selection and training to assure the organization beyond reasonable doubt against fraudulent acts.

2.10 DEFECT AND SHORT COMINGS OF INTERNAL CONTROL

Internal control is a set of control institutionalized by the management of an organization to accomplish a number of objectives and goals. Internal control as a system means the combination of inter-related and independent controls, necessitating a high degree of co-ordination, working together towards the achievement of known goals and aspirations. When there is a defect on the side of the management in carrying out proper internal control system, the result might lead to distress in the organization. Some factors responsible for distress in internal control system are;

1. Dishonesty and fraudulent act of workers. Fraud is referred to as an intentional misrepresentation of financial information by one or more individuals among the management or employees. These include.

a) Manipulation and falsification of records or documents

b) Misappropriation of assets.

c) Omission of defects in transaction from records or document.

d) Misapplication of accounting policies.

It should be noted that in an organization, two types of fraud are recognized namely: management fraud and employee fraud.

2. An unstable environment or monitoring body could also lead to defect in internal control system. It should be noted that the types of fraud perpetuated are:

a) Presentation of forged cheques and dividend warrants.

b) Granting of unauthorized credits.

c) Posting of fictions credits

d) Fraudulent transfers and withdrawals

e) Outright theft of money

2.11 POSSIBLE SOLUTION TO DEFECTS IN INTERNAL CONTROL SYSTEM

The defects in internal control system can be corrected and replaced by a healthy system through the following measures (Ares and Loebbeck 1996:270-274), which is applicable to organization

.2.11.1 PERSONNEL CONTROLS

- Proper recommitment procedure
- Proper disengagement procedure
- Posting and placement
- Job rotation
- Training programmes

2.11.2 ADMINISTRATIVE CONTROL

- Segregation of duties
- Dual custody
- Security duties e.g test key, commerce etc.

2.11.3 ACCOUNTING CONTROLS

- Date validation
- Prompt posting of transaction
- Balancing
- Reconciliation

2.11.4 FINANCIAL CONTROL

- Cash limit
- Signing powers
- Specialized stationer

2.11.5 PROCESS CONTROL

- Input/output validation
- Program control

2.11.6 INVENTORY CONTROLS

- Logs and listing
- Physical checks and counts
- Bin lards, stock receipt notes

2.12 LIMITATION OF INTERNAL CONTROL

Internal controls are essential features of any organization that is non-effective. However no system of internal control can by itself guarantee efficient administration and the completeness and accuracy of the records nor can it be proof against fraudulent act especially in connection with those holding the position of authority.

According to Oyejide and Soyade (1998-8-9) the inherent limitations of internal control include:

- Management overdoing controls whenever the control does not suit their selfish ambitions.
- Fraud committed by someone who has carefully studied the system of a particular organization
- Abuse of responsibility i.e taking advantage of the position held to do or carryout illegal acts.
- Cleverness of some people who specialize in gelding computer codes of an organization which are designed to prevent public access, no matter how secure they might be.
- Employees of an organization making potential human errors caused by sheds of excess worked alcohol, carelessness, distractions etc.

All these are factors that can limit the effectiveness of internal control system in the financial management of an organization.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter, issues that would be discussed are as follows: Research design, area of the study, population of the study, sample size and sampling technique, instrument of data collection, validity and reliability of the instrument and method of data analysis.

3.2 RESEARCH DESIGN

For the purpose of carrying out a good analysis and reaching a reasonable conclusion, data are been collected from various sources either through the primary source and secondary source.

3.3 SOURCES OF DATA

Data used for this research work were collected mainly from both primary and secondary sources.

- **Primary source**: The primary data used for this work were gotten through questionnaire and oral interview which was administered to the respondent.
- **Secondary Source:** The secondary data was gotten from textbooks, journals, newspapers, magazines and bulletin.

3.4 AREA OF STUDY

This study covers the Nigeria bottling company Breweries which is precisely situated at 9th mile corner Enugu.

3.5 POPULATION OF THE STUDY

This research was only limited to the employees of Nigeria Breweries. The population of this study which consist of over 2,000 workers but the target population of this work consists of 500 staff which is made up of Accountants, Directors, External Auditors and Managers and other stakeholders put together.

3.6 SAMPLE SIZE AND SAMPLING TECHNIQUE

Sample is a small or selected group used to represent the whole. The sample size that will be used to represent the whole population will be determined using the Yaro Yamane as it would not be easy to use the entire population.

The "Yaro Yamane" Formula is as stated below

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

Where

n = Sample size

N = Finite population

1 = Constant

E = Level of significance taken to be 0.05

$$n = \frac{500}{1+500(0.05)^2}$$

$$n = \frac{500}{1+500(0.0025)}$$

$$= 222$$

3.7 **RESEARCH INSTRUMENT**

The instruments used for the purpose of the study are oral interview and questionnaire.

Oral interview has to do with asking of question so as to gather as many information as possible. The questionnaire issued contains certain questions which are in accordance with the research work and the research hypothesis and are framed in a way that it would not be misunderstood by the respondent.

3.8 VALIDATION AND RELIABILITY OF THE INSTRUMENT

The question issued to the respondents for this research work was designed in a way that it arouse interest in the mind of the respondent. The Questionnaire was issued out to prominent lecturers, professors and statisticians in the university who went through them and made necessary suggestions. In the cause of the oral interview, certain checks and balances were also adopted to secure perfect validation of the information given.

3.9 METHOD OF DATA ANALYSIS

In this study, questionnaires issued was returned and analyzed based on simple percentage. A parametric statistical tool regression co-efficient analysis was used to test hypothesis in accordance with the research work.

It was adopted for this research because it shows the relationship between internal control and its impact on the financial management of an organization.

Z-table was used for comparison between calculated values of significance of b. The simple percentage method makes use of the above formula.

$$\frac{n}{N} \times \frac{100}{1}$$

Where

n = Actual or amount obtained

N = Total number or amount expected

100 = Percentage

The regression co-efficient method is stated thus:

$$b = \frac{\Sigma X_1 Y_1 - n\overline{xy}}{\Sigma X_1^2 - n\overline{X}^2}$$

$$a = \overline{Y} - b\overline{X}$$

Where

b = slope of the line or the gradient

Y = variation of x in regression line

X = a given value

$X_I Y_I$ = The score of the respondent population

$\overline{XY}$ = Mean score of the respondent population

X^2 = Variance of score X

Y^2 = Variance of score Y

n = Number of respondent

a = relationship of X and Y

To determine the relationship the above formula is used

Y = a + b

$$Sb = \frac{See}{\sqrt{\Sigma x^2{}_1 - n\,\overline{x}^2}}$$

Where See = the standard error of estimate

$$See = \sqrt{\frac{\Sigma Y_1{}^2 - a\Sigma Y_1 - b\Sigma x_1 Y_1}{n - 2}}$$

After sb has been calculated, the Z-test would be used.

$$Z = \frac{b}{Sb}$$

DECISION CRITERION FOR VALIDATION OF HYPOTHESIS

The following decision will apply thus:

If b < x reject the Ho (Null hypothesis)

If b > x accept the Ho (null hypothesis)

Where

b = critical or table value

x = calculate value

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter is concerned with presentation, analysis and interpretation of data tested with regard to the hypothesis stated in chapter one to determine either the rejection or acceptance of Ho hypothesis

4.2 DATA PRESENTATION

In this section, the responses to questionnaire are presented and analyzed using the simple percentage for comparison. The presentations and analysis are as stated below.

Questionnaire I

Internal control measures ensure proper use of organizational fund and assets.

Table 4.2.1

Respondent	**Strongly Agree**	**Disagree**	**Total**	**% of agreement**	**% of disagreement**
Accountant	13	18	33	45	55
Director	20	14	34	59	41
External auditor	29	16	45	64	36
Manager	7	14	21	33	67
Stakeholder	44	45	89	49	51

Questionnaire 2

A true reflection of organizational activities is presented in financial statement through the performance of internal control.

Table 4.2.2

Respondent	**Strongly Agree**	**Disagree**	**Total**	**% of agreement**	**% of disagreement**
Accountant	17	16	33	52	61
Director	18	16	34	53	50
External auditor	30	15	45	67	42
Manager	10	11	21	48	38
Stakeholder	45	44	89	51	49

Questionnaire 3

Perpetration of fraud and losses of revenue in an organization is as a result of weakness in the internal control system.

Table 4.2.3

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	13	20	33	39	61
Director	17	17	34	50	50
External auditor	26	19	45	58	42
Manager	13	8	21	62	38
Stakeholder	45	44	89	51	49

Questionnaire 4

Segregation of duties among the employees of an organization could improve financial management

Table 4.2.4

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	19	14	33	58	42
Director	15	19	34	44	56
External auditor	22	23	45	49	51
Manager	16	5	21	76	24
Stakeholder	78	11	89	88	12

Questionnaire 5

The internal control system has significant impact on the financial management of an organization

Table 4.2.5

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	21	12	33	64	36
Director	14	20	34	41	59
External auditor	20	25	45	44	56
Manager	12	9	21	57	43
Stakeholder	80	9	89	90	10

Questionnaire 6

Document verification enhances financial management

Table 4.3.6

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	22	11	33	67	33
Director	29	5	34	85	15
External auditor	41	4	45	91	89
Manager	19	2	21	90	95
Stakeholder	55	34	89	62	38

Questionnaire 7

Internal checks and balances enhance financial management

Table 4.2.7

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	28	5	33	85	15
Director	18	16	34	53	47
External auditor	44	1	45	98	22
Manager	17	4	21	81	19
Stakeholder	88	1	89	99	1

Questionnaire 8

Independent appraisal of internal control measured by an external auditor would improve financial performance and management of your organization.

Table 4.2.8

Respondent	Strongly Agree	Disagree	Total	% of agreement	% of disagreement
Accountant	29	4	33	88	12
Director	12	22	34	35	65
External auditor	40	5	45	89	11
Manager	6	15	21	29	71
Stakeholder	59	30	89	66	34

Questionnaire 9

A well known documented procedure for dealing with non-financial transaction in organization enhances financial management.

Table 4.2.9

Respondent	**Strongly Agree**	**Disagree**	**Total**	**% of agreement**	**% of disagreement**
Accountant	23	10	33	70	30
Director	12	22	34	35	65
External auditor	39	6	45	87	13
Manager	3	18	21	14	86
Stakeholder	79	10	89	89	11

4.3 **TESTING OF HYPOTHESIS**

The hypotheses were tested using data collected from questionnaire distributed.

HYPOTHESIS ONE

Ho: Internal control measure does not ensure proper use of organizations fund and asset.

H_I: Internal control measure ensures proper use of organization fund and asset.

Respondent	X_1	Y_1	X_1^2	X_1y_1	Y_1^2
Account	15	18	225	270	324
Director	20	14	400	280	196
External auditor	29	16	841	464	256
Manager	7	14	49	98	196
stakeholder	44	45	1936	1980	2025
	Σx_1-115	**Σy_1-107**	**ΣX_{12}-3451**	**Ex_1Y_1-3092**	**$\Sigma Y12$ – 2997**

$$\bar{X} = \frac{\sqrt{115}}{5} = 23$$

$$\bar{Y} = \frac{107}{5} = 21.4$$

$$b = \frac{\Sigma X_1Y_1 - n\,\bar{x}\,\bar{y}}{\Sigma X_1^2 - n\bar{X}^2}$$

$$b = \frac{3092 - 5x23x21.4}{3451 - 5x23x23}$$

$$b = \frac{3092 - 2461}{3451 - 2645} = \frac{631}{806} = 0.78$$

$$a = \bar{Y} - b\bar{X}$$

$$a = 21.4 - 0.78x23$$

$$= \quad 21.4 - 17.94$$

$$= \quad 3.46$$

Testing the significance of b

$$Sb = \frac{\sqrt{\dfrac{\Sigma Y_1^2 - a\Sigma Y_1 - b\Sigma x_1 Y_1}{n - 2}}}{\sqrt{\Sigma X_1^2 - n\bar{x}^2}}$$

$$Sb = \frac{\sqrt{\dfrac{2997 - (3.46)\ (107) - 0.78(3092)}{5 - 2}}}{\sqrt{3451 - 5 \times 23 \times 23}}$$

$$Sb = \frac{\sqrt{\dfrac{2997-370-2412}{3}}}{\sqrt{3451 - 2645}}$$

$$Sb = \frac{\sqrt{\dfrac{215}{3}}}{\sqrt{806}}$$

$$Sb = \frac{\sqrt{71.6}}{\sqrt{806}} = \frac{8.4617}{28.3901} = 0.30$$

$$Z = \frac{b}{} = \frac{0.78}{} = 2.6$$

Sb 0.30

Critical Z-table at 3 degree of 5% level of significance for two tailed test is ± 0.9989.

Decision

2.6 > 0.9989

Since 2.6 is greater than 0.9989, therefore we reject Ho which states that internal control measure does not ensure proper use of organization fund and asset.

HYPOTHESIS TWO

Ho: Fraud perpetration and losses of Revenue in an organization are not as a result of weakness in the internal control system.

H_I: fraud perpetration and losses of Revenue in an organization are as a result of weakness in the internal control system.

Respondent	X_1	Y_1	X_1^2	X_1y_1	Y_1^2
Account	13	20	169	260	400
Director	17	17	289	289	289
External auditor	26	19	676	494	361
Manager	13	8	169	104	64
stakeholder	45	44	2025	1980	1936
	$\Sigma x1$-114	**ΣY_1-108**	**ΣX_1^2-3328**	**Ex_1Y_1-3127**	**ΣY_1^2 –3050**

$$\bar{X} \quad \frac{114}{5} = 22.8$$

$$\bar{Y} = \frac{108}{5} = 21.6$$

$$b = \frac{\Sigma X_1 Y_1 - n\bar{x}\bar{y}}{\Sigma X_1^2 - n\bar{X}^2}$$

$$b = \frac{3127 - 5 \text{ x}22.8 \text{ x } 21.6}{3328 - 5 \text{ x } 22.8 \text{ x } 22.8}$$

$$b = \frac{3127 - 2462}{3328 - 2599} = \frac{665}{729} = 0.91$$

$$a = \bar{Y} - b\bar{x}$$

$$a = 21.6 - 0.91 \text{ x } 22.8$$

$$a = 21.6 - 2075$$

$$= 0.85$$

Testing the significance of b

$$Sb = \frac{\sqrt{\dfrac{\qquad}{n - 2}}}{\sqrt{\Sigma X_1^2 \ - \ nx^2}}$$

$$Sb = \frac{\sqrt{\dfrac{3050 - (0.85)(108) - 0.91(3127}{5-2}}}{\sqrt{33328 - 5 \times 22.8 \times 22.8}}$$

$$Sb = \frac{\sqrt{\dfrac{3050 - 92 - 2846}{3}}}{\sqrt{3328 - 2599}}$$

$$Sb = \frac{\sqrt{37.3}}{\sqrt{729}} = \frac{6.1074}{27} = 0.23$$

$$.\colon t = \frac{b}{Sb} = \frac{0.91}{0.23} = 3.9$$

Critical *z*-table at 3 degree of 5% level of significance to two tailed test is $\pm$ 0.9989

Decision

3.9 > 0.9989

Since 3.9 is greater than 0.9989, therefore we reject Ho which states that fraud perpetration and losses of revenue in an organization are not as a result of weakness in the internal control system.

HYPOTHESIS THREE

Ho: Internal control does not ensure a true reflection of an organizational activities ad presented in financial statement.

H_I: Internal control ensures a true reflection of an organizational activity as presented in financial statement.

Respondent	X_1	Y_1	X_1^2	X_1y_1	Y_1^2
Account	17	16	289	272	256
Director	18	16	324	288	256
External auditor	20	25	400	500	625
Manager	10	11	100	110	121
stakeholder	45	44	2025	1980	1936
	Σx_1-110	ΣY_1-112	ΣX_1^2-3138	Ex_1Y_1-3150	ΣY_1^2 –3194

$$\overline{X} = \frac{110}{5} = 22$$

$$\overline{Y} = \frac{112}{5} = 22.4$$

$$b = \frac{\Sigma X_1Y_1 - n\overline{x}\overline{y}}{\Sigma X_1^2 - n\overline{X}^2}$$

$$b = \frac{3150 - 5x\ 22 \times 22.4}{3138 - 5 \times 22 \times 22}$$

$$b = \frac{3150 - 2464}{3138 - 2420}$$

$$b = \frac{686}{718} = 0.96$$

$$a = \overline{Y} - b\overline{x}$$

$$= 22.4 - 0.96 \text{ x } 22$$

$$= 22.4 - 21.12$$

$$= 1.28$$

Testing the significance of b

$$Sb = \frac{\sqrt{\dfrac{\Sigma Y_1^2 - a\Sigma Y_1 - b\Sigma x_1 Y_1}{n - 2}}}{\sqrt{\Sigma X_1^2 - n\overline{x}^2}}$$

$$Sb = \sqrt{\frac{3194 - (1.28)(112) - 0.96\ (3150)}{5 - 2}}$$

$$= \sqrt{3138 - 5X\ 22\ X\ 22}$$

$$Sb = \sqrt{\frac{3194 - 143 - 3024}{3}}$$

$$\sqrt{3138 - 2420}$$

$$Sb = \frac{\sqrt{9}}{\sqrt{718}}$$

$$Sb = \frac{3}{26.7955} = 0.11$$

$$\therefore\ z = \frac{b}{Sb} = \frac{0.96}{0.11} = 8.7$$

Critical t-table at 3 degree of 5% level of significance for two tailed test is ± 0.9989

Decision

$8.7 > 0.9989$

Since 8.7 if greater than 0.9989, therefore we reject Ho which states that internal control does not ensue a true reflection of an organizational activities as presented in financial statement.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 SUMMARY OF FINDINGS

Based on the data collected, analyzed and tested in chapter four, the following findings were made as summarized below:

- Internal control measures ensure proper use of organizational fund and assets.
- Perpetration of fraud and losses of revenue in an organization are as a result of weakness in the internal control system.
- A true reflection of organizational activities is presented in financial statement through the performance of internal control.

In accordance with the findings, recommendation and conclusion are made to ensure the effectiveness of internal control to management functions.

5.2 CONCLUSION

The financial management of any organization can be measured by the standard or the effectiveness of the internal control system and as well as the policies implemented by the management. A well-managed business entity will not only attract interest of outsiders but will also retain the zeal of the existing owners and users of the financial information.

Therefore in conclusion, it will be said that the financial management of any organization cannot do without internal control as true and fair presentation of financial statement may never be possible if the board and senior management are not committed to providing a well planned internal control system.

5.3 RECOMMENDATION

The role, responsibilities and procedures to be adopted by the management, internal audit department as well as the account department to the overall management of an organization should be focused on ensuring the safety of the assets and soundness of their operations.

- Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties
- The internal control system should be remolded and strengthened to position the staff in carrying out their duties

efficiently and effectively and at the same time evaluated periodically to strengthen its weaknesses in the organization.

- Finally, the management of the organization should be reviewed periodically so as to cope with modern trends in organizational fraud prevention.

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