

INTERNAL CONTROL SYSTEM AND FINANCIAL PERFORMANCE OF FOOD AND BEVERAGES FIRMS IN NIGERIA

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ABSTRACT

The study investigated the relationship between internal control system and financial performance of listed food and beverages firms in Nigeria with its dimension as audit control activities, and financial performance as well. Interpretive Philosophy and cross-sectional survey design was adopted for the study. The study population was based on six (6) food and beverages firms in Nigeria, using census sampling technique study sampled the 6 firms for the study, while 110 respondents from various departments such as Finance and Accounts, Procurements, Internal Controls, Quality Assurance, Marketing & distribution were sampled for the study. Copies of questionnaire was used for data gathering. Descriptive statistics and Spearman's Rank Order Correlation Coefficient, statistics was used for data analysis. The result of the study showed that internal control system and its dimension of audit control activities have a very strong and positive relationship with Financial Performance measures of Market share, profitability and operation efficiency. The study concluded that internal control system significantly affects financial performance as such an effective and efficient control system is needed in firms for effective operations. The study recommends among others that the management should ensure that there are adequate controls in the system, so that enhanced financial performance can be achieved; Where there are existing internal controls, they should ensure that they are efficient and effective and engage in regular reviews so that lapses can be identified and corrected; Management should focus more on the establishment of audit controls, risk assessment and monitoring aspects of internal control system in the firms; Management of the firms as well as regulators should consider the size of the food and beverage firms and its operations as well as how the organizations are categorized, total assets, turnover and number of employees as these could affect the level of establishment of internal control system; they should constantly watch their total turnover level as a way of ensuring the effectiveness or otherwise of its control system and financial performance indicators so that the internal control measures would not be undermined.

KEYWORDS: Internal Control System, Financial Performance, Profitability, Operational Efficiency, Audit Control Activities

INTRODUCTION

An effective and efficient internal control system creates an organization's confidence in its ability to perform or undertake a particular task and prevents errors and losses through monitoring and enhancing organization and financial reporting processes as well as ensuring compliance with pertinent laws of internal control. Njui (2012), investigated the effectiveness internal control and audit promoting good governance within Kenya Government Ministries followed by risk management while compliance and consulting had the least effect. Eke (2018), the success of an organization depends largely on the measures it has put in place to support its operations and facilitate the achievement of its objectives. These measures together with others, such as internal auditing, budgeting, performance evaluation and many more, that an organization may implement in order to achieve its objective, constitute the internal control system of the organizations. Many businesses partly attributed to internal control failures. The study concluded that the control

environment affects total revenue as such influence financial performance of hospitality organizations in Rivers State, its non-existence of internal controls or inadequacy may spell doom for an organization.

Ngugi (2011), survey of internal control system among listed private companies and the public sector companies in Kenya in which the result indicated that the private sector compared to the public sector had a strong internal control system. Several studies have been carried out on internal controls globally, regionally and locally on the effect of internal control system and financial performance of diverse firms. For example, globally studies by Jensen (2005); Carl (2013); Wittayapoom (2011), and on regionally Mbuti (2014); Gift A(2018), have established that there exists a relationship between effective internal control and financial performance of firms.

There is a general consensus that internal control systems are used as management tools in financial management. In view of the foregoing virtually all the food and beverages firms have established internal control measures in order to enhance their financial reporting systems, check on their efficiency and effectiveness of operations as well as enhance adherence to the prescribed rules and regulations. However the latest Nigeria Sugar Board Report (2012), shows that management of food and beverages firms are performing below expectations and this is exemplified in the poor returns they post for their clients - the customers. It is also revealed that members are unhappy with food and beverages services and keep staging protests. According to Kirsty (2008) efficient internal controls creates an organization's confidence in its ability to perform or undertake a particular task and prevents errors and losses through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations. Muio (2012), studied the impact of internal control on the financial performance of private hospitals in Nairobi and established a significant relationship between internal control system and financial performance. Kakucha (2009), evaluated the level of effectiveness of internal controls operating in Nairobi and established that there are deficiencies in the systems of internal controls, with the degree of deficiencies varying from one enterprise to another. Njui (2012) investigated the effectiveness of internal control and audit in promoting good governance in the public sector in Kenya and found that internal control has the greatest effect on corporate governance within Kenya government ministries followed by risk management while compliance and consulting had the least effect. Ngugi (2011) survey of internal control systems among the listed private companies and the public sector companies in Kenya in which the results indicated that the private sector compared to the public sector had a strong internal control system.

Locally, a study by conducted by Simiyu (2011) on effectiveness of internal control system in higher institutions of learning in Kenya clearly indicate that Institutions of higher learning face quiet a number of challenges during internal controls in performance like struggles with liquidity problems, financial reports are not made timely, accountability for the financial resources is still wanting, frauds and misuse of institutional resources. It is for this reason that this study sought to investigate the effects of internal controls on financial performance of institutions of higher learning in Kenya. Therefore, this study sought to investigate the relationship between internal control systems and financial performance of Institutions of higher learning in Kenya, a case of Nairobi City County, Kenya. Mohammed (2003), researched effect of the internal controls of Ethiopian Airlines Branch office in Nairobi and a case study of internal controls of Nyayo Bus Service Corporations in Nairobi (Esmailjee, 1993). Chira (2009) researched on the analysis of internal controls systems in financial institution. The findings were that though various internal controls systems do exist in the banking industry more weight had been given to operational controls compared to other types of controls.

Despite the fact that internal control system have been in existence for many years in food and beverages firms, the problem of financial crimes, have continued to be on the increase. Examples of this financial crimes include; financial irregularities within the departments, collusion among senior or highly-trusted employees, breaches of control, to mention a few. Various researchers, have affirmed that internal control set by management in most organization has not

been able to completely prevent these fraudulent occurrences because these controls have not significantly reduced the reoccurring fraud and corruption perpetuated by employees in most organizations. Proportion of these studies has concerted on a mix of listed firms in around their localities. Additionally, the studies employed different methodologies hence such studies may not be generalized to the study context. Although, locally studies carried out by various scholars are of the opinion that a lot of organizations are faced with quite a number of challenges on internal control system and financial performance such as, struggles with liquidity problems, untimely financial reports, lack of accountability, frauds and misuse of organization's resources. This study therefore, sought to answer the question "what is the effect of internal control system on financial performance of food and beverage firms in Nigeria?"

Aim and Objectives of the Study

This study aimed to investigate the relationship between internal control system and financial performance of food and beverage firms in Nigeria. Specifically, the objectives of the study are to:

- i. Determine the relationship between audit control activities and market share of food and beverage firms in Nigeria.
- ii. Determine the relationship between audit control activities and profitability of food and beverage firms in Nigeria.
- iii. Determine the relationship between audit control activities and operational efficiency of food and beverage firms in Nigeria.

Research Questions

- i. What is the relationship between audit control activities and market share of food and beverage firms in Nigeria?
- ii. What relationship does audit control activities have on profitability of food and beverage firms in Nigeria?
- iii. What is the relationship between audit control activities and operational efficiency of food and beverage firms in Nigeria?

Research Hypotheses

- Ho₁:** There is no significant relationship between audit control activities and market share of food and beverage firms in Nigeria.
- Ho₂:** There is no significant relationship between audit control activities and profitability of food and beverage firms in Nigeria.
- Ho₃:** There is no significant relationship between audit control activities and operational efficiency of food and beverage firms in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Internal Control System

Internal controls are measures that organizations institute together with the position guaranteeing that targets, aims and visions of an establishment are achieved. They refer to set of organizational plans and measures that ensure any transaction is managed in the suitable way to circumvent excess, stealing and misapplication of organization funds. Through internal control systems, organizations accomplish performance and objectives, avert loss of funds, allow creation of dependable reports and guarantee agreement with rules and guidelines. Therefore, internal control is established by the organization to ensure that the business of enterprise is carried out in an arranged in addition to a well-organized manner. This further ascertains obedience to organization procedures to protect the resources as well as protect the extensiveness and correctness of the accounts (Ndungu, 2013). Control system will be the main feature of handling a business (Muhunyo, 2018). This is because it could be self-examination of one's position and the

guidelines of management with regards to the significance of internal audit in the economic unit. However, it is the basis aimed at the extra mechanisms of internal control in addition to making for a system (Sudsomboon & Ussahawanitchakit, 2009).

Control system help in the direction of plummeting the extent of fraudulent activities within organizational operation. Also, the qualities of an organization internal controls structure hinge on the procedure value of their control environment (Amudo & Inanga, 2009). Therefore, providing a proper control system for a public institution is very essential to the effectiveness of their operation. Risk valuation is the recognition and examination of related threats linked to the success of management objectives. Similarly, Sudsomboon and Ussahawanitchakit, (2009); Muhunyo, (2018), view risk assessment as the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in line with General Accepted Accounting Principles.

Measures of Internal Control System

Audit Control Activities

Audit control activities are the policies, procedures and mechanisms put in place to ensure management directives are properly carried out. Control activities are policies and procedures that ensure that management directives are carried out. They are on-going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transaction processing. Examples of control activities which also serve as indices for measurement of internal control include: segregation of duties, authorization, supervision, physical controls (security measures), performance reviews, etc. Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews.

According to Uwadiae (2013), control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks towards the achievement of set objectives are carried out. The study pointed out that control activities are performed at all levels of the entity, at various stages within business processes and over the technology environment. Such activities may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. This was buttressed by Mire (2016). Segregation of duties is typically built into the selection and development of control activities. Management should establish control activities to effectively and efficiently accomplish the organization's objectives and mission. In the view of Amudo and Inanga (2009), the study considered authorization, segregation of duties, and verification before making the payments, control over access to resources, reconciliation, review operations and supervision as the control activities in any organization. Mire (2016) however noted that control activities enable organizations to establish suitable procedures to reduce loss.

Control activities are actions (generally described in policies, procedures, and standards) that help management mitigate risks in order to ensure the achievement of objectives. Control activities may be preventive or detective in nature and may be performed at all levels of the organization (Foster, 2019) Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in

nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities (Ayodele, 2013). The following are the examples of such controls: procedures for transaction authorization, transaction verification, and segregation of duties, system access passwords, tendering processes, bank reconciliation, and monthly review of budget execution reports, "imihigo" performance review (Minecofin, 2013).

Financial Performance

Before we delve into the concept of financial performance especially as it applies to food beverage firms, it is important that we appreciate what 'performance' is. Adebawojo et al. (2019), defined performance as the extent to which organizations, viewed as social systems, fulfill their objectives. Thus, performance can be viewed as a composite reflection of how well an organization attains its objectives. Stoner (2003) described performance as the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats. Performance is "doing today what will lead to measured valued outcomes tomorrow (Lebas & Euske, 2002). In essence, performance is the result of organizational activities over a given period of time. Financial performance is the degree to which financial objectives are being or has been accomplished (BPP Learning Media, 2016), that is, the ability of an organization to achieve its financial targets. Financial objectives include, but are not limited to, shareholder wealth maximization, profit maximization, revenue growth, earnings per share growth, restriction on the level of gearing as well as enhanced liquidity or solvency (BPP Learning Media, 2010; Pandey, 2010).

Mishkin (2007), cited in Kinyua (2016), argued that financial performance is a measure of a company's policies and operations in monetary terms. It is a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Mawanda (2008), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. They assert that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process. Hitt, et al., (1996) believes that many firms' low performance is the result of poorly performing assets (businesses).

Measures of Financial Performance

Market Share

Market share refers to the portion or percentage of a market earned by a company or an organization. In other words, a company's market share is its [total sales](#). Sales revenue is the income received by a company from its sales of goods or the provision of services. In accounting, the terms sales and in relation to the overall industry sales of the industry in which it operates. [Market](#) share can be understood as the portion of the total sales of a company within the entire market where it is operational. In much simpler terms, it can be defined as the percentage that a company has in the total sales of its industry or market. Analyzing market share is essential for finding out the competitiveness, presence, and growth of a company. Market share is used to give you an idea of how large, powerful or important your business is within its particular sector. You can calculate your share by taking your total sales and dividing the figure by the total sales of the entire sector or market you are selling in. A company that maintains its share over time is growing its revenues in line with its competitors. But an increase shows a speedier, market-leading, boost in revenue. Market share is a useful metric, delivering insights far beyond illustrating an organization's relative size within the market it is operating in. Knowing your responsibilities in the market also indicates how successful your business is in relation to competitors, and how effective your marketing, advertising, and new product development have been. Understanding and

analyzing market share is vital for an organization looking to scale up or improve profitability. Fluctuations are usually indicators of a company's [competitive advantage](#), which can be extremely important information for investors and for stock performance.

Profitability

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities. There are many different ways for you to analyse profitability. This lesson will focus on profitability ratios, which are a measure of the business's ability to generate revenue compared to the amount of expenses it incurs. According to Peter (2012), opined that; profitability is ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations. Profitability is one of four building blocks for analyzing financial statements and company performance as a whole. The other three are efficiency, solvency, and market prospects. Investors, creditors, and managers use these key concepts to analyze how well a company is doing and the future potential it could have if operations were managed properly (Achison, 2010).

The two key aspects of profitability are revenues and expenses. Revenues are the business income. This is the amount of money earned from customers by selling products or providing services. Generating income isn't free, however. Businesses must use their resources in order to produce these products and provide these services. Resources, like cash, are used to pay for expenses like employee payroll, rent, utilities, and other necessities in the production process. Profitability looks at the relationship between the revenues and expenses to see how well a company is performing and the future potential growth a company might have.

Operational Efficiency

Operational efficiency encompasses several strategies and techniques used to accomplish the basic goal of delivering quality goods to customers in the most cost-effective and timely manner. Resource utilization, production, distribution and inventory management are all common aspects of operational efficiency, explains productivity software maker. Operational efficiency is the relationship between an organizations's output and input, that when healthy, helps businesses cut down on unnecessary costs while increasing revenue. It's what businesses strive to do: produce a high-quality product at scale with as few resources as possible. To decrease extraneous costs, the operations manager must be able to identify which processes in place are not needed. To do this, they need to be able to identify a baseline of operations. Operational efficiency according to Adekunle (2019), is more concerned about producing at the same level with fewer resources, so if we revisit our manufacturing company example, this would mean the company wants to keep the same number of machines but have them produce more product.

Theoretical Review

Agency Theory

The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions. In short, Ross introduced the study of agency in terms of problems of compensation contracting; agency was seen, in essence, as an incentives problem. Mitnick introduced the now common insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships: Behavior never occurs as it is preferred by

the principal because it does not pay to make it perfect. But society creates institutions that attend to these imperfections, managing or buffering them, adapting to them, or becoming chronically distorted by them. Thus, to fully understand agency, we need both streams to see the incentives as well as the institutional structures (Mitnick, 1973).

Agency Theory explains how to best organize relationships in which one party determines the work while another party does the work. In this relationship, the principal hires an agent to do the work, or to perform a task the principal is unable or unwilling to do. The theory describes internal control systems as necessary structures to maintain contracts, and through internal control systems, it is possible to exercise control which minimizes opportunistic behavior of agents. When shareholders (principal/business owners) and the manager (agent) are separate individuals it creates some problems for shareholders (Jensen & Meckling, 1976). As both individuals want to maximize utility, the agent might adapt a managerial behavior that is not in the interest of the principal (Jensen & Meckling, 1976).

Agency Theory was pioneered by Jensen and Meckling (1976). The theory postulated that in any institution or organization, there exists a relationship between the employees of an organization and the owners of those organizations. In most cases, the owners of the organization are directors whereas, on the other hand, the employees are management of the organizations who share close relationships and activities of either side effects the other. Managers are tasked by directors to make critical decisions in organizations on behalf of the director such as tightening loose ends so that money for the company does not get lost. Besides, the managers should ensure that the company realizes better financial performance. These decisions may be on an operative basis or long-term basis. Directors of organizations are most interested in increasing their shareholding value whereas the managers, on the other hand, make decisions that mainly are geared towards maximizing their profits or advancing selfish interests. Such actions cause conflicts of interest in organizations between these two teams (Pouryousefi & Frooman, 2017).

The theory on agency desires that both managers and directors work on the same page by managers availing necessary information due to their high access to critical information regarding the institution's activities. This, however, creates an asymmetry of information where managers withdraw critical information and thus keeping the directors always in darkness and unable to have control of important matters relating to the business. To avoid such unfortunate incidences it is only important to have managers revealing critical details about the business such as areas that would lead to financial losses through strengthening the internal controls (Panda & Leepsa, 2017). Shankman (1999) argues that appropriate governance mechanisms between the principal and agent would minimize the conflicting interests them. Agency theory also assumes that in some situations, an agent is utilizing resources of a principal. Therefore, although the agent is the decision-maker, they are incurring little to no risk because all losses will be the burden of the principal. This is most commonly seen when shareholders contribute financial support to an entity that corporate executives use at their discretion. The agent may have a different risk tolerance than the principal because of the uneven distribution of risk. However, this is one of the greatest weaknesses of this theory because it is ignoring the fact that Even though the agent is tasked with the job of taking care of the assets, the agents till must be held accountable since the special ownership concept applies.

Reasons for anchoring this study on agency theory

This Theory was chosen for this study simply because "Internal control system is one of many mechanisms used in business to address the agency problem" (Jensen, 2003) and again" studies have shown that internal control reduces agency costs". It implies as per the current study that the directors of Moonbluez Enterprises are the principals, while the manager and the other

employees are agents who are entrusted with various roles of managing resources which in one way or another translates to financial performance. As per the agency theory, the manager and other employees should only serve the interest of the directors by ensuring that all other employees below him obeys only the set financial policies such that the interest of the principals are fully exploited. However, as per the Moonbluez directors in their internal memo, May 2017), this is not the case. The present study therefore intended to explicitly understand the cause of this non-adherence and the agency conflict. The theory on the agency is specifically important to this study because costs such as borrowing costs have huge financial implications for businesses. Lack of appropriate costs management on materials might expose the institution to bankruptcy due to low profits. On the other hand, directors need to have internal audits that give opinions on the true affairs of a company at any particular time and therefore safeguarding the interests of directors.

Empirical Review

Kisanyanya (2018) examined internal control systems and financial performance of public institutions of higher learning in Vihiga County, Kenya. Data for the study was sourced primarily from 96 employees sampled from a population of 140 employees of the four institutions under study. The data were analyzed using descriptive and multiple regression analysis technique. The findings of the study showed that the institutions had satisfactory as well as operative control functions which comprised steady reports of internal audit, suitable separation of duties in the finance and accounts sections and controls physical assets to avoid surplus allotment of resources. The study further showed that control undertakings were discovered to have a positive major influence on the business performance of the public institutions under study. Also, it was discovered that the institutions under study had suitable risk management gears and risk evaluation system since they performed constant financial appraisal of their organizations together with steady, well-timed and deep audits. Risk management also was discovered to have a positive substantial influence on the business performance of the institutions under study. The study recognized that the institutions had operational control setting.

Ndiwa (2014), studied the assessment of internal control system on financial performance in tertiary training institutions in Kenya. The general objective of the study was to establish the relationship between internal control and financial performance in food and beverage firms in Kenya. The study was limited to the African Institute of Research and Development Studies. The findings indicated that most respondents were of the view that indeed there was a relationship between internal control and financial management.

Mwakimasinde, et al., (2014), analyzed the effect of internal control systems on the financial performance of sugarcane out grower companies in Kenya. The specific objective of the study was to determine the effect of internal control system components on the financial performance of the sugarcane out grower companies. Internal control system was characterized by control environment, risk assessment process, information system and control activities while financial performance was characterized by cost per unit, goal attainment and profitability or surplus. The regression results also show that internal control system helps increase financial performance of sugarcane out grower companies percent. Based on the findings and conclusions of the study, the following recommendations were made; internal control system has been found to have a statistically positive effect on performance of sugarcane out grower companies hence there is need for the sugarcane out grower companies to improve on their internal control system. Despite the fact that the study produced meaningful results it was subject to some limitations which provide avenues for further research.

Kamau (2014), investigated the effect of internal controls on the financial performance of manufacturing firms in Kenya. The findings revealed that most manufacturing firms had a control

environment as one of the functionality of internal controls of the organization that greatly impacts on the financial performance of the firms. The results also revealed that the staffs were trained to implement the accounting and financial management systems, the security system identified and safeguarded organizational assets. The statistical result from the regression analysis shows that there is a positive relationship between internal control and financial performance of manufacturing firms in Kenya. The study recommends that both internal and external auditor should be constantly updated and well-grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.

Akosile and Fasesin (2013), assessed internal control system in public and private institutions in Southwest, Nigeria. Using purposeful sampling method, twelve universities in the south west region were selected. Data for the study were gathered through questionnaires and analyzed using factor analysis and multivariate analysis of variance. The findings of the result established that systems of internal control are very similar in both public and private institutions in Nigeria, but that synthesis of obligations is more noticeable in private institutions are well financed than public institutions and that system of internal control can be over looked by management in both public and private institutions. Examination of the efficiency of internal control system in the private University displays that ICS is active in plummeting cost of administration of University in addition to consolidating the achievement of a University objective and mission but the study showed backing for ICS as a method of assisting appropriate situation of academic timetable. However, it enables administration system review in the private institutions while findings showed that ICS in public Universities have limited amount of effectiveness is real as a cost plummeting measure in running the institutions and as a checking instrument via an recognizable internal audit section.

METHODOLOGY

Research Design

The research design adopted in this study is the cross-sectional survey design. The study considered a quasi-experimental study given its concern and interest in investigating the relationship between social-based constructs within non-contrived settings (Baridam, 2001; Sarantakos, 2005). As a relational study, the outcomes or links between variables are considered in terms of their associations or their relationships and not the cause and effects, this is because considerations were made in regards to the mitigating or contributing influence of some extraneous or contextual factors that are operational within the context of the study.

Population of the Study

The population of the study comprised six (6) food and beverage firms representing the five (5) different segments of the industry were selected.

Sample and Sampling Techniques

This research adopted a census sampling technique.

Nature/Sources of Data

This study utilizes both primary and secondary data. Thus, the primary data for this study were sourced through the direct administration of the structured questionnaire. While the secondary data for this study were article obtained from published reports on the issues that has relationship with the variables stated in the study

Methods of Data Analysis

. The tests were carried out using the Spearman's Rank Order correlation coefficient at 0.05 level of significance based on the adoption of a 95% confidence interval. The choice of the Spearman's

Rank Order Correlation is based on its flexibility in assessment of data scaled on both ordinal and interval scales (Sarantakos, 2005; Sullivan, 2001).

DATA PRESENTATION, ANALYSIS, RESULTS AND DISCUSSION

Data Presentation

Distribution and Retrieval of Questionnaire

Through a 41 capacity variable, data were collected and presented next.

Distribution and Collection Pattern of Respondents' Questionnaire

S/N	Characteristics of Questionnaire	Available Quantity	Percentage%
1.	Total number of copies produced and distributed	110	100
2.	Copies returned (received)	101	92
3.	Copies not returned (not received)	9	8
4.	Usable copies	101	92
	Usable rate	101	92

Source: Field work, (2025).

Table 4.1 shows the analysis of the distribution and collection pattern of respondent's questionnaire concerning internal controls systems and financial performance in the selected food and beverages firms in Nigeria. Of the 110 copies of questionnaire that were distributed to the respondents, 101 copies were returned, yielding a response rate of 92 percent. The remaining 9 copies produced and distributed were not returned and were unaccounted for. Additionally, of the 101 copies of the questionnaire returned, they were used for the analysis.

Spearman's Correlations matrix of the variables

		ACA	MKS	PTY	OPE	
Spearman's rho	ACA	Correlation Coefficient	1.000	.905**	.912**	.880**
		Sig. (2-tailed)	.	.000	.000	.000
		N	101	101	101	101
	MTA	Correlation Coefficient	.890**	.952**	.907**	.894**
		Sig. (2-tailed)	.000	.000	.000	.000
		N	101	101	101	101
	MKS	Correlation Coefficient	.905**	1.000	.927**	.853**
		Sig. (2-tailed)	.000	.	.000	.000
		N	101	101	101	101
	PTY	Correlation Coefficient	.912**	.927**	1.000	.874**
		Sig. (2-tailed)	.000	.000	.	.000
		N	101	101	101	101
OPE	Correlation Coefficient	.880**	.853**	.874**	1.000	
	Sig. (2-tailed)	.000	.000	.000	.	

tailed)				
N	101	101	101	101

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

Source: (SPSS output of Data, 2025)

Summary of Findings

In this section, the summary of findings from analysis of univariate and bivariate analysis of the study is provided and clearly stated here.

Bivariate Analysis: The result of the bivariate analysis of the variables are summarized as:

- Audit control activities has a very strong, positive and significant relationship with market share of food and beverage firms in Nigeria.
- Audit control activities has a very strong, positive and significant relationship with profitability of food and beverage firms in Nigeria.
- Audit control activities has a very strong, positive and significant relationship with operational efficiency of food and beverage firms in Nigeria.

Table of summary of findings

S/N	Hypotheses (HO)	Statement	Decision rule: (Pv) < 0.05 reject Null	Interpretation	Decision
1	Ho₁:	There is no significant relationship between audit control activities and market share of food and beverage firms in Nigeria.	p=0.000, rho =0.905	Audit control activities has a very strong, positive and significant relationship with market share of food and beverage firms in Nigeria.	Rejected HO ₁
2	Ho₂:	There is no significant relationship between audit control activities and profitability of food and beverage firms in Nigeria.	p=0.000, rho=0.912	Audit control activities has a very strong, positive and significant relationship with profitability of food and beverage firms in Nigeria.	Rejected HO ₂
3	Ho₃:	There is no significant relationship between audit control activities and operational efficiency of food and beverage firms in Nigeria.	p=0.000, rho=0.880	Audit control activities has a very strong, positive and significant relationship with operational efficiency of food and beverage firms in Nigeria.	Rejected HO ₃

Source (Researchers Compilation, 2025)

Discussion findings

Internal control System and Financial Performance

From the results obtained, it can be observed that a system with effective internal controls have a significant relationship with financial performance of food and Beverages firms in Nigeria. It implies that where there are adequate internal controls in place, in the private sector organisations, it would result in better funds management and safeguard of assets, this could in turn lead to enhanced financial performance of the companies as such efforts should be channeled to ensuring that the internal controls system are in place and monitored to ensure that they are effective. This is in line with the assertion of Abdullah and Muturi (2016) control systems help to checkmate incidences of the frauds in business and they are uncovered through internal controls, strong system plays an important role in both private and government organization. Mire and Mukhongo,

(2016) however noted that control activities enable organizations to establish suitable procedures to reduce loss.

Audit Control Activities and Financial Performance

Looking at the hypotheses that are tested to ascertain the relationship of audit control activities and financial performance measures of market share, profitability and operational efficiency, they should positive, very strong and significant relationships. For hypothesis one which says that there is no significant relationship between audit control activities and market share of food and beverage firms in Nigeria, using the value of rho (0.905**), and P- level of 0.000, the alternate was accepted as there is a very strong, positive and significant relationship between audit control activities and market share of food and beverage firms in Nigeria. The result shows that 90.5% of the changes in financial performance in terms of market share is accounted for by audit control activities in the firms studied.

In the same vein, the research hypothesis two states there is no significant relationship between audit control activities and profitability of food and beverage firms in Nigeria, as evident in the statistical results rho (0.912**), a positive, very strong and significant relationship was revealed to exist between audit control activities and profitability of food and beverage firms in Nigeria. The result shows that 91.2% of the changes in financial performance in terms of profitability is accounted for by audit control activities in the firms studied.

The research hypothesis three states there is no significant relationship between audit control activities and operational efficiency of food and beverage firms in Nigeria. Similarly, as evident in the statistical testing of hypothesis three, a very strong and positive relationship was revealed to exist between audit control activities and operational efficiency of food and beverage firms in Nigeria, and correlation is significant at 0.01 level, this is evident in the correlation (rho) value of 0.880** (88%). The null hypothesis three is therefore rejected and the alternative hypothesis accepted. This shows that the 88% of the changes of financial performance in terms of operational efficiency is accounted for by audit control activities in the firms studied.

These results imply when the mechanisms, rules and procedures designed to find errors after they have occurred, also serve as part of a checks-and-balances system and to determine how efficient policies are in place in the firms studied, it can ensure that the firms measure of returns on investment is enhanced, in addition, a measure of its fixed assets turnovers, current assets turnover and net worth turnover ratios is enhanced. Thus the firm's viability as well as speed of turning over its assets within the year, which may determine its financial distress level is enhanced. Furthermore, it could ensure that the portion or percentage of a market earned by a company or is increased. In other words, its total sales is increased and vice versa. Furthermore, looking at the spearman's rank correlation values as well, Audit control activities and Market share (ACA & MKS) is ranked 6th, while ACA & profitability (PTY) is ranked 4th in the order of the impacts as its value is higher than that of ACA and MKS and other variables studied. On the other hand ACA and Operational efficiency (OPE) is ranked 9th in the ranking order as its value is the least among the variables studied. It further implies that were there is audit control activities in place, the first financial performance measure to be achieved is profitability followed by market share while operational efficiency would be the least in that order.

The findings here are in consonance with earlier studies of (Nguyen, 2021; Gideon & Adebola, 2020; Adekunle, 2019; Adeyemi & Olanrenwaju, 2019; Mwai, 2018) whose study results indicated that internal control systems has a positive significant effect on financial performance of firms across different countries. The study of Gideon and Adebola (2020), examined internal controls and performance of selected tertiary institutions in Ekiti State: a Committee of Sponsoring Organizations (COSO): Framework approach. Findings from the study showed that

the overall influence of COSO (control environment, control activities, risk assessment and information technology) components of internal control on performance of selected tertiary institutions in Ekiti State was significantly positive. That of Adeyemi and Olanrenwaju (2019) within the Nigerian context investigated internal control system and financial accountability in Nigeria public sector and indicated that internal control system had a positive effect on financial accountability, in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency and flow of information.

SUMMARY, CONCLUSION, RECOMMENDATION AND CONTRIBUTION TO SCHOLARSHIP

In summary, this study was carried out to investigate the relationship between internal control system and financial performance of food and beverages firms in Nigeria

Conclusions

The result obtained shows that Audit control activities has a very strong, positive and significant relationship with market share, Profitability, and operations efficiency of food and beverage firms in Nigeria. In addition, Audit control activities and Market share (ACA & MKS) is ranked 6th in order of impacts, ACA & profitability (PTY) is ranked 4th while ACA and Operational efficiency (OPE) is ranked 9th. Similarly

Recommendations

Based on the findings made in the course of this study, the following recommendations are hereby suggested:

- i. Internal control system is essential in the smooth and efficient actualization of objectives of food and beverages firms thus the management should ensure that there are adequate controls in the system, so that enhanced financial performance can be achieved.
- ii. Where there are existing internal controls, they should ensure that they are efficient and effective and engage in regular reviews so that lapses can be identified and corrected. This is important as result has shown that there is a significant relationship between internal control system and financial performance, thus without effective and functional control system and monitoring, better financial performance may not be achieved.
- iii. Management should focus more on the establishment of audit controls, risk assessment and monitoring aspects of internal control system in the firms as these controls have significant effect on how assets are managed that could lead to enhanced financial performance for the firms within the sub sector.

Contribution to Knowledge

This research has contributed to knowledge in the following ways:

Firstly, it provided understanding on the importance of adequate internal control system as a way of encouraging financial performance in the food and beverages firms in Nigeria that can be seen in the forms of market share, profitability and operations efficiency. To the best of our knowledge this is novel to the developing nation's context,

Finally, the study adds to the body of literature on the age long issue of internal control system in the private and public sector organizations in Nigeria.

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