Effect of Internal Control Environment System on Financial Performance of Selected Federal Institutions in Oyo State, Nigeria

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ABSTRACT

This study focuses on the effect of organizational structure and human resource policies and procedure on financial performance of some selected federal institutions in Oyo State. The methodology of the study is based on survey research approach. The statistical data used for the study were obtained by distribution of one hundred and fifty (150) questionnaire among selected employees, in the five (5) federal institutions considered in this research work. These respondent were selected using non-probability sampling method, the data obtained from the questionnaire were analyzed using multiple regression statistical tools in SPSS (Statistical packages for social sciences.). The result of the analysis shows that organizational structure and human resource policies and procedure has significant relationship with accountability and cost management in the institutions, and this was because the P-value obtained (i.e. 0.002) using multiple regression was greater than the benchmark value of 5% specified in SPSS for this analysis. Based on this result, the study recommends that management should develop more effective strategies on organization structure and human resource policy and procedure that will ensure effective and efficient, accountability and cost management.
INTRODUCTION

The effective and efficient utilization of both financial and non-financial resources available to an organization is the determinant of their success. Hence, optimum utilization of resources entrusted to stakeholders in an organization, various control measures introduced for implemented within the organization, are internal control and internal audit. The “control environment” is often referred to as the general “attitude” to internal control of management and employees in the organization. Internal control environment has been defined by the Institute of Internal Auditors (ISA 315) as the attitude and actions of the board of directors and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment elements are integrity and ethical values, management’s philosophy and operating style, organization structure, assignment of authority and responsibility, human resources policies and practice and personnel competence (Amudo & Inanga 2019). A strong control environment is typically one where management shows a high level of commitment to establishing and operating sound controls. According to Donald & Delno (2020), achievement of strategic overall objectives is when actions are enhanced by appropriate performance measures.

1. Statement of the Problems

Internal control environment and internal control activities/measures have been an age long procedure and process in all organizations, but it has not completely eliminated financial and non-financial crimes in any sector of the economy federal institutions inclusive. The existence of a strong control environment cannot guarantee that controls are operating effectively, but it is seen as a positive factor in the risk assessment process. Without a strong control environment, the control system as a whole is likely to be weak.

2. Objectives of the Study

The main objective of this research work is to examine the impact of internal control environment selected federal institutions in Oyo State, while the specific objectives are to: - ascertain the influence of organization structure on financial performance of federal institutions in Oyo state. - examine the influence of human resource policy and procedure on financial performance of federal institutions in Oyo state

METHODS

The methodology of this study is based on survey research approach, which involves distribution of questionnaires to 150 employees of the selected federal institutions in Oyo state considered for this study. These federal institutions in Oyo state selected are Federal School of Surveying Oyo, Federal College of Agriculture Ibadan, University of Ibadan Ibadan, Federal College of Education (Special) and Federal College of Forestry Ibadan. These federal institutions were chosen based on the sampling method (i.e. purposive sampling method) adopted for the study. The results obtained from the questionnaires were analyzed using regression analysis in SPSS (Statistical Package for social sciences).

1. Model Specification

The model specification used in this study is based on the explanation of the relationship between the dependent and independent variable of this research work. Therefore, the multiple linear regression equation for this study is defined as:

\[ Y = \beta_0 + \beta_1X_1 + e \]

Where, \( Y \) = the Dependent variable, which was represented by financial performance (accountability and cost management) \( X_1 \) = Independent variables, which was represented by organization structure and human resource policy and procedure \( \beta_0 \) represents the intercept or constant \( \beta_1 \) represents the regression parameters/ regression coefficient \( e \) = Error term.
2. Data Analysis and Interpretation

This chapter is on the presentation, analysis and interpretation of the data collected from respondents of the selected federal institutions. The responses of the respondents were basically categorized into three, and this three constitute the variables that were used in generating the finding for this study. The analyses of the questionnaire were done using multiple regression analysis in SPSS (Statistical package for social sciences).

Table 1. Rate of Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Returned</td>
<td>110</td>
<td>73.3</td>
<td>73.3</td>
</tr>
<tr>
<td>Unreturned</td>
<td>40</td>
<td>26.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2023

The above tables shows that One hundred and fifty (150) copies of the questionnaire were distributed, but only One hundred and ten (110) were returned, while the remaining, were unreturned, reasons for the unreturned questionnaires could be that respondents misplaced questionnaires, respondents filled answers wrongly, respondents ticked two answers for a question which makes it void.

3 Hypotheses Testing

Decision Rule: Accept Null hypothesis if the P-Value obtained using SPSS is greater than 0.05 which is the alpha level of significance specified in SPSS for this Analysis. But, if, otherwise, then accept the Alternate Hypothesis.

Hypothesis One

Ho1: There is no relationship between organization structure and financial performances of federal institutions in Oyo state.

Table 2. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Squared</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.901</td>
<td>0.811</td>
<td>0.049</td>
<td>4.08164</td>
</tr>
</tbody>
</table>

Model Testing and Interpretation

The model summary above explains the percentage of the dependent variable accountability that can be determined by the independent variable organization structure According to this Table, the dependent variables account for 81.1% (R Square, 0.811) of the independent variable, while the remaining 18.9% can be explained by other factors outside the scope of this model. This implies that accountability and organization structure have significant relationship with each other. This Pearson correlation coefficient (R) result also showed a positive value of 0.901, which also lends credence to the fact that accountability has direct influence on organization structure.
The study also conducted anova (i.e. analysis of variance) to determine the extent to which the independent and dependent variable relates with each other, and the result showed that p-value obtained is 0.002 which is lower than the 5% level of significance specified in spss software for this analysis, therefore, according to the decision rule, the alternate hypothesis will be accepted, while the null hypothesis will be rejected. this implies that accountability has significant influence on organization structure in the selected federal institutions in oyo state.

Multiple Regression analysis was carried out to further determine any similarities in the result established by ANOVA statistic in respect of regression coefficient. The results reveal that the P-value obtained 0.002 for the regression coefficient was also lower than the alpha level of significance of 5% specified in SPSS for this analysis therefore, thus, it can be inferred from this result, that there are similarities in ANOVA Statistic and that of the regression coefficient. Thus, the Alternate Hypothesis will be accepted while the Null Hypothesis will be rejected, which means that there is significant relationship between accountability and organizational structure of selected federal institutions in Oyo state.

**Hypothesis Two**

Ho2: There is no relationship between human resource policy and procedure and cost management of selected federal institution in Oyo state.
Table 5. Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.782</td>
<td>0.612</td>
<td>0.021</td>
<td>7.66231</td>
</tr>
</tbody>
</table>

Model Testing and Interpretation

Table 5 model summary explains the percentage of the dependent variable represented by cost management that can be determined by the independent variable human resource policy and procedure. From this model summary, the independent variables account for 61.2% (R Square, 0.612) of the dependent variable, while the remaining 38.8% can be explained by other factors outside the scope of this model, this implies that the relationship between the dependent and independent variables is statistically significant, thus any change in human resource policy and procedure will affect cost management. The Pearson correlation coefficient (R) result display positive value of 0.782, which also support the fact that both variables have direct influence on each other.

Table 6. ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.303</td>
<td>1</td>
<td>0.303</td>
<td>0.005</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>2818.131</td>
<td>48</td>
<td>58.711</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2818.434</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The study also conducted an analysis of variance to determine if the result of the model summary above can be relied upon and the result established that P-value obtained 0.000 was lower than the alpha level of 5% specified in SPSS for this analysis, therefore, according to the decision rule, Null hypothesis will be rejected and Alternate hypothesis will be accepted. This implies that human resource policy and procedure has significant impact on cost management. Thus, any effort by the management to enhance human resource policy and procedure will have a multiplier positive effect on ability to manage cost.

Table 7. Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>6.973</td>
<td>1.485</td>
<td>4.695</td>
</tr>
<tr>
<td></td>
<td>Firm size</td>
<td>6.205E-9</td>
<td>0.000</td>
<td>0.072</td>
</tr>
</tbody>
</table>
Multiple Regression analysis was conducted to determine if the result shown in ANOVA Statistic is statistically correct, and the result shows that the P-value obtained (i.e.0.000) for the regression coefficient was also lower than the alpha level of significance of 5% specified in SPSS for this analysis, therefore, it can be inferred from this result, that the ANOVA Statistic was correct. Thus, the Alternate Hypothesis will be accepted while the Null Hypothesis will be rejected, which means that there is significant relationship between cost management and human resource policy and procedure of the selected federal institutions in Oyo state.

RESULTS AND DISCUSSION
Organization structure has significant relationship with accountability as reveal by the finds of this study accurately confirmed by the result of the statistical analysis which shows the P- value 0.002 was lower than significance value of 5% specified in SPSS for this analysis. Furthermore, this study was able to established human resource policy and procedure is significant to cost management, this was also confirm by the result of the P-value 0.000 obtained which shows value obtained was lower than the significance value of 5% specified in SPSS for this analysis.

CONCLUSION
This study concludes that a well designed organization structure will significantly improve financial performance by helping the federal institutions in their quest for accountability significantly. This statement was confirmed by the result of the statistical analysis which shows that the P-value obtained (0.002) was lower than significance value of 5% specified in SPSS for this analysis. Furthermore, the study also concluded that human resource policy and procedure contributes significantly to cost management, this was because the P-value obtained (i.e.0.000) using regression analysis was lower than the significance value of 5% specified in SPSS for this analysis. This means to achieve accountability and effective cost management federal institutions must discover a dynamic method of standardizing organization structure with human resource policy and procedure.

REFERENCES


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