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Internal Control Practices and Financial Performance of Bayelsa State Broadcasting Corporation of Nigeria

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ABSTRACT

The study attempts to establish a link between internal control practices and financial performance inBayelsa State Broadcasting Corporation of Nigeria using both primary and secondary data obtained from the organization through questionnaire and monthly reports of the entity. The objectives, research questions and hypothesis were established in this line to link internal audit and safeguarding of assets with gross surplus margin and net surplus margin. The empirical analysis shows that there is an insignificant relationship between internal control and the performance of parastatals in Nigeria; internal auditing has a positive and insignificant relationship with gross surplus margin; safeguarding of assets has a negative and insignificant relationship with gross surplus margin of government owned companies. It is evident from the findings of the study that internal control plays a minute role in enhancing the performance of government owned companies in Nigeria. It can therefore be deducted that government owned companies are not managed efficiently; downplay authorization, circumvent laid down processes and by-pass procedures. the following recommendations are made: Only competent technocrats should be engaged to head audit units of government owned companies. Experience should be accorded in the appointment of leaders of parastatals.

Keywords: Safeguarding of Assets, Accounting control, Broadcasting Corporation

1.INTRODUCTION

Throughout the world, including the most advanced capitalist countries, government involvement in economic activities is a common decimal. In Nigeria, all tiers of government engage in one business activity or the other through direct involvement or the establishment of publicly owned companies or firms-parastatals that are required to operate competitively against other private establishment. Quite unfortunately, most of those publicly owned business organizations are always in perpetual "intensive care" like the Bayelsa State-owned broadcasting corporation that has remained inefficient with a string of losses and capacity underutilization. Researchers and other interest groups have adduced several reasons for it. Lenz (2019) blamed the terrible performance on protracted bureaucratic systems and the lethargic disposition of the civil service that is easily transmitted to such entities. Perhaps, a public institution – the Federal Ministry of Finance (2006) most succinctly captures therationale for the perennial underperformance of those parastatals as high level of fraud and nepotism/ racketeering in recruitment. This is generally possible in a system that lacks proper internal controls. Consequently Lannoy (2019) posited that improper financial records, and improper internal controls,laxity in internal control practice have culminated in several financial scandals which have triggered reactions for companies. In the United States of America, scandals involving companies such as WorldCom and Enron resulted in the enactment of Corporate and Auditing Accountability and Responsibility Acts (Sarbanes & Oxley, 2002). Internal control system was not extricated from the Cadbury Nigeria Plc scandal in 2006. A report on what is believed to be Nigeria's biggest corporate scandal has it that internal auditing department is culpable in the inflation of profile prior to the company's acquisition. This trend is worse in Government Owned Corporations where political patronage and executive fiats override existing internal audit process and internal control structures thus leading to failure in terms of performance (Lenz, 2019).

Accounting controls practices such as internal control are therefore indispensable to attend to the success of an enterprise as they act as a powerful brake on possible deviations from the pre-determined objectives and policies. This means that an organization that put in place an appropriate and adequate system of accounting controls is likely to perform better (in financial terms) than those that do not. As Okezie (2004) puts it, "an enterprise's internal control function can significantly affect the operations of the enterprise and may have an impact on the ability of the entity to remain a going- concern. This portrays Enron's demise as the consequence of a "few unethical 'rogues' or 'bad egg' acting in the absence of any control" (Peter, Abbot & Paker, 2012). Thus, inadequate system control may negatively affect an organization's success. According to Hermanson and Rittenberg (2013), the existence of an effective internal control function is associated with superior organization performance; however, studies that relate to the deployment of internal control in influencing financial performance has not been appreciably extended to corporations in Nigeria, hence this study. The practice of constraining internal control to bureaucracy which culminates in demised use of the initiatives especially in matters that requires urgency, growing calls for future investigation relating to internal control. Internal control practices have been broadly discussed in existing literature, availed theoretical underpinnings, provided conceptual relations and subjects to empirical scrutiny by several scholars over the years possibly due to the growing importance of internal control in achieving organizational goals as the scandals and collapse of Enron, WorldCom, in the US and even Nestle Plcin Nigeria are practical demonstrations of the consequence that internal control failure portends.

Objectives of the study

The primary aim of this study is to ascertain the relationship between internal control practices and financial performance of government parastatals in Nigeria using Bayelsa State Broadcasting Corporation as a case study. Thus, the specific objectives include to:

1. Examine the nature of relationship between internal audit and gross surplus margin of Bayelsa State Broadcasting Corporation.
2. Determine the extent of relationship between safeguarding of assets and gross surplus margin of Bayelsa State Broadcasting Corporation.

In order to achieve the objectives stated above, these hypotheses hereunder were formulated in null forms:

Ho_1: There is no statistically significant relationship between internal audit and gross surplus margin of Bayelsa State Broadcasting Corporation.

Ho_2: There is no statistically significant relationship between safeguarding of assets and gross surplus margin of Bayelsa State Broadcasting Corporation.

2. LITERATURE REVIEW

Internal control means different things to different people. This causes confusion among business people, legislators, regulators and others resulting in miscommunication and different expectations from the various stakeholders in an organization. Problems are compounded when the term, if not clearly defined, is written into law, regulation or rule (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2014). This is especially valid when it comes to the issue of whether control systems should be mandatory, advisory or proprietary based. COSO (2014) defines internal control as a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. This definition highlights four essential characteristics of internal control (Diamond, 2012). These are: internal control as a process; people are crucial for strong internal controls; internal control systems only provide reasonable assurance; and that internal control has four main objectives-accomplish its mission and reach its objective; produce accurate, reliable data for decision-making; comply with statues, laws and policies; and safeguard its assets (Diamond, 2012). The definition as enumerated by COSO (2014) has some few shortcomings; firstly, COSO's definition sees internal control from the advisory perspective rather than from the mandatory and proprietary perspectives. Also, COSO's definition defines internal control as providing reasonable assurance. That is, internal controls cannot possibly detect all errors. Also, the definition does not explicitly mention the four main roles of internal control systems which are the direction, prevention, detection and correction of errors. Lastly, the definition limits the purpose of internal control to four main objectives.

Schroy (2019) states that internal control is the process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. He added that it is a means by which an organization's resources are directed, monitored and measured, and plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (for instance, machinery and property) and intangible (reputation or intellectual property such as trade mark). The definitions as provided by Schroy (2019) seem to have been modeled around the COSO framework definition and as such suffer a similar fate like the COSO's. What is quite unique in this definition is that Schroy (2019) explicitly stated that internal control systems are there to prevent and detect fraud but it fails to mention the correction of these errors detected (Diamond, 2012).Based on the definitions, internal control may be summarily defined as any system established or adopted by an organization which may be mandatory, advisory or proprietary in nature for the direction, prevention, detection and correction of errors for the achievement of specific objectives and goals. Thus, it is important that for any control system to be instituted, there must first be potential internal control risk (Diamond, 2012).

This study is also underpinned on the stewardship theorywhich revolves around socio-psychological foundation. Donaldson (2019) stated that this theory advocates the protection of stewards and maximizes shareholders' wealth through firm performances, so as to advance the innate satisfaction of success by the stewards. The duo defined stewards as executives and management of the organizations that tend to protect and secure profits for shareholders. Therefore, stewards are accomplished when hierarchical achievements are accomplished. Agyris (2013) argues that agent theory identifies employees as material beings. On the contrary, Donaldson, (2019) opine that stewardship theory appreciates the worth of structures and systems that empower the steward and provides total autonomy based on mutual trust. Additionally, strives to make management more independent so as to maximize investors "returns". In addition, Frumkin and Galaskiewiez, (2018) purports that there is an inmate drive by executives to be successful in an organization so as to portray themselves as possessors of requisite competence and skills as well as captains of an organization's success. Generally, stewardship theory presumes that managers keep their best interests in mind to align with that of shareholders, with the knowledge that there are certain components of risks that are associated with auditing practices in the organizations. The theory motivates managers, internal auditors and auditing committee to be keen in risk identification as it relates to procedural and accounting errors.

2.1.1 Types of Internal Control System

There are different types of internal control system (Ditttenhofer, 2011; Dziobek, De lucio and Chan, 2015). According to Dittenhofer (2011), the types of internal controls are: safeguarding of assets, separation of duties, supervision, verification, approval and authorization, documentation and reporting. However, other authors such as Dziobek, De lucio and Chan, (2015) have concurred that the type of internal controls include directive controls, preventive controls, compensating controls, directive controls and corrective activities. These types of internal controls are clarified below.Directive Controlsaccording to Dziobek, De lucio and Chan, (2015) are established to ensure compliance with regulations. He asserted that messages that control procedures are very important to promote directive controls compliance. Directive controls help to identify that an error has occurred but do not prevent errors. Directive controls include activities such as audits, inventory taking, reviews, reconciliations and variance analysis. Directive controls provide evidence about the effectiveness of preventive controls.Preventive Control: Preventive controls relate to measures made by a firm to deter non-compliance with policies and procedure. They are proactive controls that help to prevent a loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation and physical control over assets (Dziobek, De lucio and Chan, 2015).Detective Control: are set up to discover errors after they have happened. Nonetheless, preventive controls are more critical than detection of occurred errors. Also, detective controls do not work legitimately with the absence of penalties (Dziobek, De lucio and Chan, 2015).

2.1.2 Effectiveness of Internal Control System

Internal control effectiveness is related to the fluidity of system's internal interaction and how rooted the system is in the company's processes. One of the important factors that ensure internal control effectiveness and assurance is the institution of agents of effectiveness (Awdat, 2015). These agents of effectiveness are vibrating board and autonomous internal audit office. Even though internal control is procedural, its effectiveness is a state of process. Awdat, (2015) indicated that it is important to continually evaluate the internal control system intermittently. Internal control effectiveness is assessed on three levels. These are: 1) the degree to which the directors comprehend that the organization's objectives are being realized; 2) the reliability of published financial statements; and 3) compliance with appropriate rules and guidelines.According to COSO (2014), an internal control framework can be judged to be viable on the high level. Ahmad, (2019) stated that a deficient internal control system is the one that ignores how internal control components can be measured but emphasized on elaborate control framework. COSO (2014) indicated that the effectiveness of the individual components determines the effectiveness of the entire control structure. Thus, the effectiveness of the five control components determines the control framework's effectiveness. Accordingly, evaluating control structure effectiveness must be in tandem with the individual components. However, the effectiveness of control framework is a subjective decision on the individual components of the entire control system (COSO, 2014). The internal control evaluator must comprehend the individual workings of the five control elements, the working philosophies of the control elements, and the applications of the components throughout the company (Agyare, et al, 2014).COSO (2014) indicated that the control effectiveness levels across different businesses stem from the diverse ways of implementing, controlling and monitoring systems adopted. The effectiveness of controls are subjective decisions on whether there is a sound assertion that aims to ensure that the systems of internal control are being met.

2.1.3 Challenging/limitation of internal control system

No matter how well internal controls are designed, they can only provide reasonable assurance that objectives have been achieved (COSO, 2014). Some limitations are inherent in all internal control system (Mercer University, 2015). The effectiveness of controls would be limited by decisions made with human judgment under pressures to conduct business based on the information at hand. According to Lannoye (2019), effective internal control may be limited by the realities of human judgment. Decisions are often made within a limited time frame, without the benefit on complete information, and under time pressure of conducting agency business. These judgment decisions may affect achievement of objectives, with or without good internal control. Internal control may become ineffective if management fails to minimize occurrence of errors, for example misunderstanding instructions, carelessness, distraction, fatigue or mistakes (Lannoye, 2019). Even well-designed internal controls can break down. Employees sometimes misunderstand instructions or simply make mistakes. Errors may result from new technology and the complexity of computerized information system.High level personnel may be able to override prescribed policies and procedures for personal gain or advantage. This should not be confused with management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes. According to Lannoye (2019), management may override or disregard prescribed policies, procedures and controls for improper purposes. Override practices include misrepresentation to state officials, staff from the central control agencies, auditors or others. Management override must not be confused with management intervention (i.e. the departure from prescribed policies and procedures for legitimate purposes). Intervention may be required in order to process non-standard transactions that otherwise would be handled inappropriately by the internal control system. A provision for intervention is needed in all internal control systems since no system anticipates every condition (Mercer University, 2015).

2.2 Public Sector and State-owned Enterprises

Several scholars have attempted to provide a well-articulated perspective of what public sector implies; these diversities, in terms of its conceptualization shows that the term, public sector, is highly eclectic (Simpson, 2013). Consequently, its definition is basically descriptive on the basis of its role in any specific clime or jurisdiction; therefore, the prevailing features define its definition. Generally, these features include the nature of control, its purpose, and existence of multiple principals, monopolistic disposition, existence of multiple tasks and the existence of motivated agents (Broadbent, 2018;IMF, 2020) asserted that the ascertainment of productivity or performance of public entities is cumbersome in the short run.Due to some parameters, Braodbent , (2018) expressed the difficulties associated with the identifications of the public sector as a consequence of frequent structural alterations. This ambiguity in deciphering activities considered as relating to market from non-market activities culminate in intra (public) sector boundary and inter (public-private) sector problems (Lienert, 2019). For instance, there is an increase in private sector and civil society organizations such as Non-Governmental Organizations (NGOs) that make public goods available, outsourcing of public sector duties to private economic agents and innovations like public-private partnerships (PPP) (Simpson, 2013). Simpson (2013) therefore argued that contemporary developments in the public sector stimulate challenges if the identified characteristics are to be depended on in defining what public sector truly entails.However, this study relies on definitions by international bodies, researchers and professional bodies to produce a working definition of public sectors. The IMF considers public sector to encompass all locally domiciled institution units under the direct or indirect control of the government such as "general government sector and resident public corporations" (IMF, 2014). The IMF thereby insinuates that the public sector is broadly composed of "the general government and the public corporations" (IMF, 2014). This interestingly, is also adopted by the international public sector, Accounting Standard Board (IPSASB), (IFAC, 2010 cited in Simpson, 2013).The "general government" comprises of central/federated government state/provincial/regional government, local government and non-for-profit public institutions. The other strand, "public corporations" (also called state enterprises) is composed of financial and non-financial corporations established by an act of parliament to engage in business with the aim of generating profit, protect vital resources, provide essential products, services at subsidized prices and enhances competition in areas with regulatory restriction (IMF, 2014) but excludes quasi-corporations (Simpson, 2013; IMF, 2001)Broadbent, (2018) confined the frontiers of the public sector to the "general government", public institution systems (PIS) and public Business Enterprises (PBEs). These frontiers were expanded by the duo-Broadbent, (2018) to include Public Private Partnership (PPP) and Private Finance Initiative (PFI) arguing that monumental changes in funding and accounting for control culminate in what is defined as Public Services (PS).

2.2.1 Internal Audit in Public Institution

Internal audit is critical to public institutions' financial management as well as crucial to ensuring effective and efficient operations and proper adoptions of controls. It evaluates compliance with relevant financial and non-financial regulations, directives and measures, as well as the appraisal of efficiency as regards adopted internal controls. This creates value addition to the organizations through the attainment of organizational objectives in terms of government, risk management and internal controls. This implies that internal audit function is not terminated until deviations are sorted out and remain rectified (Sawyer, 2015). Van Gansberghe (2015) therefore posits that internal audits effectiveness can be measured in public institutions by its contribution to service delivery, which culminates in improved productivity and performances.

2.3 Internal auditing in Nigeria's public sector

Dual benefit can be derived by organizations (Whether private or public) from the internal audit function. These are operational efficiency and effectiveness broadly seen as economic and detection and prevention of irregularities (AI- Twaijry, Brierley & Gwilliam, 2013). Section 85 of the constitution of the federal republic of Nigeria 1999 (as amended) and the audit ordinance Act (1956) mandates the Auditor General for the Federation to audit and report on the public account of Nigeria including public corporations and other bodies established by acts of parliament. Despite this strong legislative backing, the state of internal audit can best be described as comatose and full of administrative malaise. This is in units (IAUs) in ministries, departments, agency as well as the issuance of internal audit guideline for practicing internal audits in the MDAs parastatals.

2.3.1 Nature of Parastatals or State – Owned Enterprises (SOEs)

The conceptualization and establishment of parastatals globalyare born out of government's desire to enhance social-economic and environmental conditions of its citizens. These organizations were given different nomenclatures like parastatal organizations (POs), Government Business Enterprises (GBEs), Government corporations (GCs), Public Enterprises (PEs), Public Sector Units (PSUs), government-linked companies (GLCs), Government Controlled Enterprises (GCEs), Public Business Enterprises (PEBs), etc. (PwC, 2013; Simpson, 2013). Although the impetus for establishing SOEs may change over time, there seems to have been unending existence of the SOEs sectors in the global economic landscape (AI- Twaijry, Brierley & Gwilliams, 2013).More so, Simpson (2013) argued that the plethora of descriptions attributed to parastatals is due to their globally heterogeneous nature. But PwC (2013) notes that current efforts towards the harmonization of the legal framework of SOEs with privet sectors organizations will provide a systematic and comprehensive description of the SOEs as, for insurance, the IPSASB has commenced definitions and tag existing for SOEs across different countries (PwC, 2015; Garson, 2015).OECD (2009) asserted that SOEs are either wholly owned or controlled by the government by virtue of investment in it. Consequently, it is argued that SOEs is a generic term that consists of government owned and state-holding business concern where the former is completely owned and the latter has majority state ownership (OECD, 2009). Similarly, Garson (2015) suggested that corporation that is birthed by acts of parliament or legislative actions are SOEs if they participate in economic activities. This implies that joint-stock companies, partnership and limited liability companies that have government financial interest as defined is seen as parastatals.

2.4 Empirical Review

In an attempt by Haylas & Ashton (2020) to provide proof on the effectiveness of specific internal control,detected defects that undermine financial statements credibility, recommended that all computed errors are focused in comparatively few audits which occur in reasonably predictable industries. The significant aspect of such defects affects income but the direction of effect might be an understatement or overstatement. In relation to the signalling of errors, they indicate that the principal aspects of financial statements errors are basically heralded by casual audit procedures such as critical review and discussions with the client. Client personnel challenges like inexperience, ineffectiveness, inadequate knowledge and insufficient control follow up or reviews were found influential in causing the errors. D' Onza, Melville and Allegrini, (2019) evaluated the internal control function in a sample of 34 Australian companies through the functional relationship with both management and the audit committee. An e-mail-based survey identified a number of threats to independence arising from internal audits link with the audit committee. These threats include failure of reporting directly to the audit committee, the audit committee's lack of exclusive responsibility for hiring, firing and evaluating the chief audit executive and dearth of accounting knowledge by committee members. Sarens and Beelde (2016) used a case study approach of five Belgian companies to study the expectations of senior management and internal auditors with respect to the relationship between the two parties. They found that, when internal audit operates primarily in a management support role, there is lack of perceived objectivity and the relationship with the audit committee is weak. They also found that senior management expectations significantly influence internal audit and that the support of senior management is critical to the acceptance and appreciation of the internal audit. Functions within the organization. Van Perusem (2015), in a multiple case study of six senior internal auditors in New Zealand, found that internal auditor's close relationship with management can place their independence from management at risk. Babatunde, (2013) studied stakeholder's perception on the effectiveness of internal control function on financial accountability in the Nigerian public sector. Findings show that there is a considerable significant correlation in the respondents' perception that financial accountability is substantially influenced by internal control function and that application of penalty for violation of moral conduct impacts conformity with internal control. In a related investigation Asare, (2016) considered the impact of the applying corporate governance on the quality of internal audit in industrial companies listed in Alardnellorac Financial market. The study surveyed 114 finance directors and heads of department of accounting, internal audit and managers, and workers in the accounting and internal audit department in these companies from whom data were collected and analyzed to show a statistically significant effect of corporate governance on the quality of internal audit of listed companies.

3.METHODOLOGY

This study used cross-sectional survey design; which is considered appropriate as the study pertains to non-observant elements such as perceptions, attitudes, preferences, etc. (Kiabel, 2012). Consequently, the study is co-relational and non-contrived to obtain data from officials of SOEs for analysis so as to predict the extent (and direction) of relationship among variables. So, in this research design, data relating to the variable are collected at about the same time to basically describe the relationship between the variables under study. This study adopted the use of questionnaire to collect the primary data used for the study. Subsequently, secondary data that pertain to financial performances-Gross Profit Margin and Net Profit Margin were obtained from the Bayelsa state broadcasting co-operation. The data obtained via the questionnaire and secondary sources ware analysed through a pair of multiple linear regression models which is apt in assessing the relative predictive power of the independent variables on the dependent variable. The statistical package for social science (SPSS) is employed in the analysis that is conducted.

The Regression Model:

$GSM=a+\beta_1 INTA+ \beta_2 SAFG+\mu$

$NPM=a+\beta_1 INTA+ \beta_2 SAFG+\mu$

Where:

INTA	=	Internal Audit
SAFG	=	Safeguarding of Assets
GSM	=	Gross Surplus Margin
NSM	=	Net Surplus Margin
$B_{1+}\ \beta_2$	=	Coefficients
μ	=	Error Term

4. DATA PRESENTATION

The depending variable are first, subjected to descriptive analysis to establish the trend of performance (as conveyed by Gross profit margin, net profit margin and capacity utilization) of, the parastatal in study – BBC . This is primary composed of the mean standard deviation and show in table 4.2 below.

Table 1 Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. deviaton
GSM	48	-16.26	100.00	27.7558	37.85037
NSM	48	-5646.40	25.30	-296.2579	911.47445
OPS	48	.00	36.73	11.2467	9.26439
Valid N (listwise)	48				

Source: author's computation (SPSS, Version 21)

The results from the table (1) above shows that over the 48-monthperiod, the gross operating margin slipped into negative territory severally with its lowest being a loss of 16.26% leading to an average of 27.76% gross surplus for the period. This is also seen to be highly volatile as it could increase or decrease by as much as 37.8% as expressed by the standard deviation. The net profit/surplus margin is much worse with negatives as much as -5,646.40% of revenue. This culminated in an average net profit margin of -296.26%. This could be compounded by a further draft of 911.41 which is the standard deviation. For several months the corporation had no operation as shown in the table as over the 85-month period the average capacity utilization of the parastatal stood at 11.25% of installed. This could increase of decrease by as such as 9.26% as indicated by the standard deviation.

Regression analysis.Given that the Ordinary least Square (OLS) is the best linear unbiased regression estimator, it is considered most appropriate and used for the analysis by the formulation of three multiple linear models to test the direction and extend of relationship between the homogenous and exogenous variable.

Summary of modelsPrior to the determination of direction and extend of relationship as well as test of hypotheses, it is pertinent to have a basic test of the models employed in the study.

Summary of models

Model	R	R Square	Adjusted R Square	Std. Errors of the Estimated
1	.996[a]	.929	.868	6.00974
2	.738[a]	.644	.604	34.07997

Predictors: (constant), INTA, SAFG

The R-squared (R^2) shows an output of 0.929, which indicates that the independent variables account for approximately 93% variation on the dependent variation while 7% are captured by other variation not in the model – stochastic terms. Given that conventionally, 60% is set as the acceptable limit for the R-square, the model is considered valid.

Model II relates the predictor variables to another criterion variable – Net Profit/Surplus Margin (NSM). This model has 0.644 as its R^2 which suggest that the independent variables account for 64% of the element that influence the dependent variables – Net Profit Margin. The adjusted R^2 also is within the acceptable threshold as it is 60%.

Direction and Extend of Relationship

The direction and extended of relationship among the variation used the study are expressed in the analytical outputs below.

Coefficients

Model	Unstandardized Coefficients		Standardized coefficient	t	Sig.
	B	Std. Errors	Beta		
(constant)	107.287	5.339		20.094	.032
INTA	.341	.341	1.294	6.857	.092
SAFG	-.175	-.175	-.567	-2.054	.288

Dependent Variable: GSM

It is observed from the table above that the coefficients of the constant is 107.29, which indicates that if all other variables are kept at a constant or zero, the gross profit surplus of government owned business corporations will continue or thrive.The coefficients of endogenous variables show that internal auditing has a positive coefficient of 0.341. This indicates that alterations in internal auditing will result in a direct effect on the gross profit on state owned companies to the extent that a 1 unit increase in internal auditing elicits 0.341 units rise in the gross profit/surplus of the organization. On the contrary, a negative relationship is seen between safeguarding of assets and gross profit margin of such Owned Companies (SOCs) as a unit increase in the safeguarding of firm's assets culminates in a 0.175 decrease in gross profit margin.

Coefficients

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-4190.394	2793.335		-1.500	.374
INTA	7.156	25.983	.390	.275	.129
SAFG	-16.280	44.483	1.297	-.351	.144

Dependent variable: NPM

The table above presents output from the second model which enunciates the relationship between the endogenous variables and Net Profit Margin (NSM). The output shows the coefficient of the constant as -4190.39, which portrays that if all independent variables are held constant or kept zero, the dependent variables – NPM will plummet by approximating 4190 units.The coefficient of endogenous variables show that internal auditing (INTA) has a positive coefficient of 7.156 which is indicative if the fact the movement in internal audit will instigate an upward movement in the net profit margin of SOCs in that a 1 unit increase in the level of internal audits can cause 7.156 units rise in NPM. Similarly, the Beta of safeguarding of assets (SAFG) being -27.835 implies a positive relationship between safeguarding of assets and NSM in the sense that a unit appreciation in safeguarding of assets culminates in 0.27.853 unit decrease in NSM.

Hypotheses Testing

The probability of the T-statistics is used to test the respective hypotheses stated in the null and alternate forms as follows.

Hypotheses One

H_o there is no statically significant relationship internal audit and gross surplus margin of parastatals in Nigeria.

H_1 There is statically significant relationship between internal audit and gross surplus margin of parastatals in Nigeria.

It can be observed from the output in Table 4.4 above that the compound significant level (as portrayed by the Probability) for internal auditing (INTA) is 0.092, which is lower than the priori 0.05 significant level, implying that the null hypotheses is not rejected. Therefore, we do not reject the null hypotheses while its alternate is rejected; hence, there is an insignificant relationship between internal auditing and the gross surplus margin of government owned companies in Nigeria.

Hypotheses Two

H_0 There is no statistically significant relationship between safeguarding of assets and gross surplus margin of parastatals in Nigeria.

H_1 There is statistically significant relationship between safeguarding of assets gross profit margin of parastatals in Nigeria.

Table 4.4 above shows that the computed significant level (as by the probability) for safeguarding of assets (SAFG) is 0.288, which is lower than the a priori 0.05 significant level, implying that the null hypothesis is not rejected. Therefore, we do not reject the null hypotheses while its alternate is rejected; hence, there is an insignificant relationship between safeguarding of assets and the gross surplus margin of government owned companies in Nigeria.

5. DISCUSSIONS OF FINDINGS AND CONCLUSION

The empirical investigation has brought to beer certain salient findings that pertain to performance of government owned companies or business concerns. Internal control has a weak relationship with the performance of government owned companies or parastatals. The possible rationale for this cannot be farfetched-weak structures, poor institutions and terrible corporate governance practices. It is an open secret that leadership of such parastatals in merited on the basis of political patronage, cronyism and affiliation other than competence, sound managerial acumen and judgment, consequently fundamental business rules and practices are subjugated to the whims and caprices of the leadership of such public corporations.

This culminates in abuse of positional power, misuse of authority and self-interest-driven actions. For instance, it is common sight for

General Managers to break authorization limits, and commit corporate assets to private use; government owned hotels beings the palace of "loyal" party members, or airlines being grounded by government official. In fact, the organization could be an extension of the ruling political party's assets.

Safeguarding of assets and division of tasks are negatively related to gross surplus margin. Through this is mind-boggling, the modus operandi of typical SOCs lays credence to this reality. Proper safeguarding of assets and division of tasks will imply efficient utilization of organizational resources and responsibility hence limit the gratification of inefficiencies instigated by politically induced business. For instance, a State-owned Transport Company could deny the ruling party vehicles for rallies except they are sought at fair market prices. This could engender a rift between the company and government, thus limit its funding from government. Consequently, the restriction of funding from government could curtail the operations of the parastatal. On the hand, the positive relationship between internal auditing and gross surplus margin shows that the proper reviews and compliance with approval thresholds could improve evaluation and propel better performance that could lead to increase in operations.

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