

**Forensic Audit Practice and Performance of Corporate Organizations in Nigeria:
Evidence from Enugu Electricity Distribution Company**

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Abstract

The current study was on the effects of forensic audit practice on the performance of corporate organizations in Nigeria: evidence from Enugu electricity Distribution Company. Fraudulent activities in corporate organizational setting may have a negative effect on the viability, performance, sustainability and reputation of the organization. This study was conducted through explanatory research design which required the analysis of how a set of independent variables affect the dependent variable. The findings indicated that forensic audit practice has a significant effect on financial performance of Enugu Electricity Distribution Company. The findings of this study were crucial in the formulating study conclusions. However, the study also took into account the expectations of the study. It was possible to conclude from the study findings that forensic investigation and forensic audit practice were statistically significant in explaining changes in financial performance of EEDC. The unique contribution of this paper is that it clearly addresses the effects of forensic audit practice on performance of corporate organizations in Nigeria, evidence from Enugu Electricity Distribution Company upon which majority of organizations in a developing economy ought to adapt to mitigate financial irregularities.

Keywords: Forensic Audit practice, Financial Performance, corporate organization, and Auditors' Skills

INTRODUCTION

Managements of various organizations have long sought ways to better control of the organizations they manage. Internal control is defined as the whole system of control, financial or otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records (Adeniyi, 2010). They are processes designed and effected by those charged with governance, management, and other personnel like internal auditors to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Organizations establish systems of internal control to help them achieve performance and organizational goals, prevent loss of resources, and increase effective financial management, enable production of reliable reports and ensure compliance with laws and regulations.

Fraud, which is the major reason for setting up an internal control system, has become a great pain in the neck of many Nigerian bank managers. It has also become an unfortunate staple in Nigeria's international reputation. Fraud is really eating deep into

the Nigerian banking system and that any bank with a weak internal control system, is dangerously exposed to bank fraud.

The CBN reported that cases of attempted fraud and forgery in banks, as at half-year 2007 have surpassed what was recorded for the whole year 2006. The CBN half-year report for 2007, revealed a total of 741 cases of attempted fraud and forgery, involving 5.4 billion, \$35,406.1, 150 Euros were reported as at June, 2007. In 2006, 1,193 cases were reported involving 4.6 billion, \$1.8 million and 14,389.7 pound sterling. The CBN also reported that the backward development was attributable to weaknesses in the internal control systems of the banks. This has clearly painted the picture of how fraud has penetrated in the financial strength of Nigerian Banks.

Nevertheless, available Literature still point out that despite elaborate system of controls in organizations, financial performance has been elusive in most of these organizations (OAG, 2010). Before Nigeria adopted IFRS in 2012, World Bank (2004) noted that poor governance culture, financial fraud, insider abuse of management, poor asset and liability management, poor regulation, weak internal control system and supervision were attributed to organizations noncompliance to IFRS.

The findings of the Tread Way Commission Report of 1987 in the United States (USA) confirmed that absence of or weak internal controls are the primary cause of many cases of fraudulent company financial reporting (Angella & Eno, 2009). Common loopholes in most organizations are (i) weak financial control system, (ii) poor book keeping, (iii) no financial policies had been formulated, (iv) poor usage of technology. According to Mercer University (2010) the United States of America has supported countries and corporate associations to place more emphasis on their internal control frameworks, internal auditing functions and risk management. In the United States for example, after the accounting scandals of Enron caused by Arthur Andersen and that of WorldCom, a gathering of organizations supported the development of the tread path commission to study and write about how to enhance the adequacy of internal control system, and in 2002 the US Congress passed the Sarbanes Oxley act giving new orders on how companies are to report on the effectiveness of their internal control systems (Spring, 2005).

It is worth noting that internal controls only provide reasonable but not absolute assurance to an entity's management and Board of Directors that the organization's objectives will be achieved. The achievement of the objectives is affected by limitations inherent in all systems of internal control, good internal control cannot guarantee organizational success. However, goals and objectives are much less likely to be met if internal control is poor (Thomas, 2007). The privatization of Power Holding Company of Nigeria (PHCN) on 30th September 2013 gave birth to Eleven Electricity Distribution Companies of which Enugu Electricity Distribution Company (EEDC) is one. At inception, the investors came with their own management staff in a bid to reverse cash collection inefficiencies and reduce the aggregate technical, collection and commercial (ATC & C) losses faced by Power Holding Company of Nigeria (DLA Piper, 2019). Electricity distribution companies are responsible for transporting and distributing electric power from specific points in high or medium voltage lines to end consumers at appropriate voltage level for industrial, commercial and residential usage (Power Watch, 2012).

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Enugu Electricity Distribution Company has eighteen (18) Districts covering the entire south-east. Their operations especially their financial management and control system have been subject of intense debate. This has resulted in some unsatisfactory performance as evidenced by near darkness all the time, inability to break even hence, the need to conduct a study on the effect of internal control system on corporate financial management in Enugu Electricity Distribution Company.

The quality of internal control in an organization determines to a reasonable extent the performance (financial or otherwise) of such organization. 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. In every organization Enugu Electricity Distribution Company inclusive, internal control is seen as an effective instrument through which those charged with governance ensures adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records (Adeniyi, 2010).

The series of business failures and corporate scandals have been identified by KPMG to be as a result of weak internal control system. The failure of Enron in 2001 caused a precipitous decline in investor confidence in the capital markets. The federal government through the regulatory authorities has responded to this, by passing guidelines using SAS2 under information which is to be disclosed in financial statements. The guidelines codified the responsibilities of corporate executives, corporate directors, lawyers, accountants and created a board oversight regime for auditors of public companies. In seeking to enhance accountability and restore investor's confidence, the guidelines emphasize the critical role of internal control over financial reporting. This gave rise to the need for corporate governance especially in public institutions.

However, it is worrisome to note that the corporate financial performance of Enugu Electricity Distribution Company is abysmally poor, as previously encountered financial difficulties which resulted to cash collection inefficiencies during the time of PHCN. At the time, it was assumed this problem was mainly with residential users and would be addressed through pre-paid meters. In addition, distribution companies (DISCOs) were privatized with a fixed customer basis and an expectation that the new private owners would invest additional funds in order to reduce power losses. What was also not well understood, especially given the absence of accounts, was the magnitude of the on-going operating costs of the distribution companies (DISCO) businesses; and the persistent non-payment for power by certain powerful large-scale consumers, reputedly including both private and public sector entities (DLA Piper, 2019).

Despite considerable investment, public service delivery is unsatisfactory and degenerating. The company is not able to break even and sustain itself from the revenue obtained there from. This impacts so negatively on the company's existence. For the enhancement of the attainment of the mission and goals of the company, it is therefore necessary that these hindrances be removed. The management of the company should familiarize themselves with internal control procedures that will ensure effective

service delivery and the desired revenue generation. Unfortunately, there has been a dearth of adequate information in this regard. No determined effort has been made to investigate the problem of weak internal control over service delivery and revenue generation. Therefore, the main motivating factor underlying this study is the desire to break new grounds with the intent of shedding more light on this problem and seeking avenues for solving it.

Thus, the purpose of this study is to examine the internal control system in operation at Enugu Electricity Distribution Company with a view of knowing its effect on financial management in the Company.

The broad objective of this research is to examine the effect of internal control system in operation at Enugu Electricity Distribution Company with a view of knowing its effect on the corporate financial performance.

Specifically, the study sought to;

1. Find out the effect of billing efficiency on total revenue in Enugu Electricity Distribution Company.
2. Determine the effect of cash collection efficiency on total revenue in Enugu Electricity Distribution Company.
3. Evaluate the effect of aggregate technical commercial and collection losses on total revenue in Enugu Electricity Distribution Company.

REVIEW OF RELATED LITERATURE

Concept of Internal Control

There are numerous definitions of internal control, most of them having been drafted by professional accountants 'organizations. (Autorite Des Marches Financiers (AMF) working group 2007) defines internal control as the set of security measures which contribute to the control of a company. Its aim is to ensure, on the one hand, the security and safeguard of assets and the quality of information, on the other hand, the application of instructions given by Senior Management, and to encourage improvements in performance. It is evidenced through the organization, methods, and procedures for each of the company's activities, to ensure the continuity of that company".

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

The individual components of internal control system are known as controls or internal controls. It is for the management to determine the extent to which internal controls are to be applied within the organization (Adeniyi, 2010).

Internal control is defined as a process that is implemented by the entity's personnel and designed to provide reasonable assurance that the entity will achieve three categories of objective: effective and efficient operations, reliable financial reporting, and compliance with the applicable laws and regulations. This process is to be interwoven with the entity's business activities and implemented by those at all levels of the organization (Kent & Lana, 2010). Internal control is the integration of the

activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission (Thomas, 2007).

Components of Internal Control System

The Committee of Sponsoring Organizations of the Tread way Commission (COSO, 2011) identified five interrelated components of internal control system. These are derived from the way management runs a business and are integrated with the management process. Although the components apply to all entities, small companies may implement them differently than large ones. Its controls may be less formal and less structured, yet a small company can still have effective internal control (Thomas & Charles, 2009). The components are:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

Control Environment

Control environment is the attitude toward internal control and control consciousness established and maintained by the management and employees of an organization. It is a product of management's governance, that is, its philosophy, style, and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization (Thomas, 2007). In a simpler term, the control environment is concerned with the actions, policies, and procedures that reflect the overall attitude of the client's top management, directors, and owners of an entity about internal control and its importance. The control environment is further affected by the organization's structure and accountability relationships. The control environment factors are:

Governance: This is the influence on an organization exercised by the executive body or the chief executive which/who governs it. The executive body may be a board of directors, board of trustees, council, legislature, or similar entity. The chief executive may be the president, chancellor, commissioner, chief judge or an individual elected or appointed as the highest-ranking person in the organization. Their governance responsibilities are usually founded in a constitution, charter, laws, by-laws, regulations, and other similar documents. The leadership, actions and tone established and practiced by the governing body/executive can have a profound impact on how the employees of the organization perform their responsibilities, which in turn affects the achievement of the organization's mission. (Thomas, 2007).

Ethical Values and Integrity: These are key elements contributing to a good control environment. Ethical values are the standards of behavior that form the framework for employee conduct. Ethical values guide employees when they make decisions. Management addresses the issue of ethical values when it encourages commitment to honesty and fairness, recognition of and adherence to laws and policies, respect for the organization, leadership by example, commitment to excellence, respect for authority, respect for employees' rights, and conformance with professional standards. While it is management's responsibility to establish and communicate the ethical values of the organization, it is everyone's responsibility to demonstrate integrity. Management encourages integrity by establishing and publishing a code of conduct, complying with

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the organization's ethical values and code of conduct, rewarding employee's commitment to the organization's ethical values, establishing methods for reporting ethical violations, and consistently enforcing disciplinary practices for all ethical violations. ((Thomas, 2009).

Risk Assessment

Risk Assessment as it relates to the objective of reliable financial reporting, involves identification and analysis of the risk of material misstatement. Establishment of financial reporting objectives articulated by a set of financial statement assertions for significant accounts is a precondition to the risk assessment process. Risk assessment in small businesses can be relatively efficient, often because in-depth knowledge of the company's operations enables the owner and management to have first-hand information of where risks exist ((Thomas, 2009).

Management should first ensure that it has identified all the operational and control objectives throughout the organization. Control objectives are generally derived from the four purposes of internal control (which would be discussed as we further into this study) and are stated in terms that reflect the responsibilities of the organization's sub-units. After identifying all the operational and control objectives, managers should identify all the risks associated with each objective (i.e., the events that would threaten the accomplishment of each objective). These risks can be both internal (e.g., human error, fraud, system breakdowns) and external (e.g., changes in legislation, natural disasters). It is essential that managers within the organization identify the risks associated with their respective objectives (Thomas, 2007).

Risk Assessment Process

Management should evaluate each identified risk in terms of its impact and likelihood of occurrence. Impact is the effect an unfavorable event would have on the organization if the event was to occur. This effect could be some type of harm or an opportunity that would be lost. If possible, this effect should be quantified. At the very least, this effect should be described in terms that are specific enough to indicate the significance of the risk. Likelihood of occurrence is the probability that an unfavorable event would occur if there were no control activities (as described in the following section) to prevent or reduce the risk. A likelihood of occurrence should be estimated for each identified risk (Thomas, 2007).

Internal and External Business Risk

Risks to the organization may arise from external or internal factors. Externally, technological developments can affect the nature or timing of research and development or lead to changes in procurement. Changing customer needs affect product development, pricing, warranties, and services. New legislation and regulation can force change in operating policies and strategies. Economic changes have an impact on decisions relating to financing, capital expenditures, and expansion. Risks arising from internal factors might include a disruption of information systems processing; the quality of personnel and training; changes in management responsibilities; misappropriation of opportunities due to the nature of the entity's activities or employee accessibility to assets, and an ineffective audit committee.

Performance

These are independent checks on performance by a third party not directly involved in

the activity. Sometimes called internal verification, these reviews include reviews of actual performance versus budgets; surprise checks of procedures; periodic comparisons of accounting records and physical assets; and a review of functional or activity performance. An example of surprise check would be to pull the timecards at the beginning of a shift and see that everyone who is 'punched in' is present. A routine comparison of accounting records and physical assets is a bank reconciliation performed by a person independent of the accounting records and handling of cash. A review of functional or activity performance would be a bank's consumer loan manager's review of reports by branch, region, and loan type or loan (Rick et al, 2005). Information processing: Information processing control procedures are primarily of two types: application controls and general controls. Application control are controls that apply to applications that initiate, record, process, and report transaction (such as MS Office, SAP, QuickBooks), rather than the computer system in general. Examples of application controls are edit checks of input data, numerical sequence checks, and manual follow-up of exception reports. In manual systems, application controls may be referred to as adequate document and record controls. General controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. Some examples of general controls are controls over data center and network operations, controls over system software acquisition, controls over access to the computer software (password controls), change and maintenance controls, access security, and application system acquisition and development controls. A good example of a general control in accounting software is an error message if there is a problem in using the operating system (example "please insert a CD-ROM in Drive D"). In manual systems, general controls are controls over proper authorization of transactions and activities (Rick et al, 2005).

Revenue

Revenue refers to the monetary event of asset values increasing in the firm due to the physical event of production or sales of the products or services. Some companies also receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may also refer to the amount in a monetary unit received during a period. Revenue is associated with products or services of the firm as the source of the expected cash receipts the asset value increasing in the firm occurs because the firm undertakes certain activities or there is performance by the firm. The above may not be achieved without a sound internal control system in that organization or company. Thus, in Kam (1989 cited in Ndungu, 2013) FASB defined revenue as inflows or other enhancements of assets of an entity or settlements of its liabilities (or combination of both) during a period from delivery or producing goods, rendering services or other activities that constitutes the entity's ongoing major or central operations.

Measurement of Financial Performance

Financial performance is often measured using various variables to determine how well an entity had attained its financial objectives over a period. To appreciate how financial performance is measured, it is important to understand what performance measurement is. Performance measurement is the process of quantifying the efficiency and effectiveness of past action (Illmer, 2011). In more concrete terms, performance

measurement is the process of measuring how well organizations are managed against their targets and the value they generate for their stakeholders. From a broader perspective, Upadhaya, Munir, & Blount (2014) pointed out that performance measurement is the process of collecting, analyzing and/or reporting information regarding the performance of an individual, group, organization, system, or component. It can involve studying processes/strategies within organizations, or studying engineering processes/parameters/phenomena, to see whether output are in line with what was intended or should have been achieved.

BPP Learning Media (2016) argued that performance measurement aims to establish how well something, or somebody is doing in relation to a plan. The 'thing' may be a machine, a factory, a subsidiary, or an organization as a whole while the 'body' may be an individual employee, a manager, or a group of people. Relating the definition of BPP Learning Media to the concept of financial performance, financial performance measurement can say to mean the process of determining how well an organization had attained its financial objectives.

Financial performance measures are typically monetary measures relating to revenues, costs, profits, return on capital, asset values or cash flows (BPP Learning Media, 2016; Pandey, 2010). For the purpose of this study, financial performance of HOs is measured using:

Total Revenue (TR)

This is the sum of all the incomes generated by an organization from its normal (ordinary) operating activities. Revenue can be generated from sale of manufactured goods or services, sale of inventory of goods purchased for resale or from rent of assets or through royalty. Enugu Electricity Distribution Company generate revenue through energy sells, energy theft charges etc. The more revenue Enugu Electricity Distribution Company generates, the better it is said to have performed financially.

Technical Losses

Technical losses occur because the electrical equipment used in the power system, by nature, have losses associated with them which cannot be totally eliminated. Generators/transformers have losses in their windings due to the winding resistance as well as their core due to eddy current and hysteresis. Transmission/distribution lines have losses due to the thermal effect of current flow in the conductors, as well as corona at higher voltages. Cables have resistive and dielectric losses; even fiscal meters also have associated losses. Technical losses can be computed from the load flow study together with the equipment parameters. For example, the total losses in the wires of any three-phase balanced distribution system is given by $PL = 2 P^2 \rho l / 3 a V_m^2 \cos^2 \phi$. PL is the power loss in the three line conductors in watts, P is the power transmitted in watts, ρ is the resistivity of the conductor material, l is the length of the line in meters, a is the cross-sectional area of the conductor, V_m is the peak phase voltage, $\cos \phi$ is the power factor with ϕ being the angular difference between the load current and voltage phasors. Technical losses can be reduced using more efficient equipment and optimized network design.

Non-Technical Losses

Non-technical losses (also called commercial losses and collection losses) occur due to energy theft, poorly estimated billing, defective metering equipment (either deliberately tampered with or not), unpaid bills etc. They are generally caused by actions external to

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the power system and cannot be empirically computed like the technical losses. Energy theft can be done by tampering with meters to make them undercount, bypassing the meters, making illegal connections, colluding with utility company meter readers to falsify consumption data or billing department to alter the bill issued to the customer. These losses affect the profitability of the electricity distribution company and also impose undue strain on the paying customers whose tariff often include factors that account for energy loss. While efforts continue towards investment in the Nigerian Electricity Supply Industry (NESI), it is important to understand the system losses and take corrective actions in order to better utilize the available power. This is further emphasized by the fact that over 55% of the Nigerian populace do not have access to modern electricity.

Empirical Review

Empirical review by this study shows much research on the area of internal control system and its effects on organizational financial performance. Kinyua (2016) examined the effect of internal control systems on financial performance of companies quoted in the Nairobi securities exchange. The study which was a primary data study adopted the descriptive research design and data were collected using structured questionnaire. The study found that internal control has a significant relationship with financial performance and concluded that internal control system is a positive significant predictor of financial performance. Nyakundi, Nyamita and Tinega, (2014) carried out an investigation on the effect of internal control system on financial performance of small and medium scale business enterprises in Kisumu city, Kenya. Stratified and simple random sampling techniques were used while data were collected using structured questionnaire and interviews. The result of the analyses revealed a significant change in the financial performance of small and medium scale enterprises which is linked to the existence of an internal control system. It concluded that internal controls significantly influence the financial performance of small and medium scale Enterprises and recommended that proprietors of Small and Medium scale Enterprises should be trained on the significance of internal control. Ndifon (2014) studied the effect of internal control on financial performance of Cross River State College of Education. The study shows that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education. The investigation recommends proper checks and balances in all financial transactions. There should be effective and efficient security network to reduce frequent theft, threat to life and property. Etengu and Amony (2016) in another study examined the role of internal control system on the financial performance of non-governmental organizations in Uganda. The purpose of the study was to establish the effect of control environment, control activities and monitoring on the financial performance of non-governmental organizations in Uganda using International Union for Conservation of Nature as case study. The survey design was adopted for the study and data were obtained using structured questionnaire and interview; hence, the study was a primary data study. The findings of the study revealed a significant relationship between each of the measures of internal control (control environment, control activities and monitoring) and financial performance. Njeri (2014) investigated the effect of internal controls on the financial performance of manufacturing firms in Kenya. The primary objective of the study was to determine the effect of internal control system on

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financial performance of manufacturing firms in Kenya. Twenty (20) Manufacturing firms constituted the sample of the study. The study which adopted the multiple regression approach to data analysis found that most of the manufacturing firms surveyed had a strong control environment which impacted positively on the financial performance of the firms. The study concluded that manufacturing firms that had invested on effective internal control systems had improved financial performance as compared to those manufacturing firms that had a weak internal control system. Ejoh and Ejom (2014) carried out a study to determine the impact of internal control activities on financial performance of tertiary institutions in Nigeria. The study which was a primary data study adopted the survey design and data were collected using questionnaire and interview guide. Percentages, tables, correlation coefficient and z-scores were used in analyzing data. The study revealed that there is regular review of financial transactions by management, strict adherence to budget provisions, and adequate segregation of duties, but that staff are not adequately trained to implement the accounting and financial control system. Oyoo (2014) in a study to determine the Effect of internal control on financial performance of micro-finance institutions in Kisumu central constituency of used descriptive and correlation research design to investigate the relationship between internal control and financial performance of Micro-Finance institutions in Kenya. The study which was a primary and secondary data study adopted the convenience sampling technique. Data were obtained using semi-structured questionnaire and from audited financial statements of the Micro-Finance institutions studied. The study revealed that there is a positive relationship between internal control and financial performance of Micro-finance Institutions at Pearson correlation coefficient of 0.447. Enofe, Egbe and Okporua (2016) in a study to examine internal control mechanism and fraud prevention in the Nigerian public sector used the new fraud diamond theory. It adopted a survey design and made use of primary data while the Spearman Ranked Correlation (ρ) was used to analyze the hypotheses. The findings revealed that corporate governance and job segregation exhibits insignificant influence on fraud prevention while employees' capability and management integrity significantly influence fraud perpetration and prevention in the Nigerian public sector. Eke (2018) carried out a study on the effect of internal control on financial performance of hospitality organizations (HOs) in Rivers State. The survey research design was adopted for this study. The population of the study was made up of all HOs operating in Rivers State. Convenience sampling technique was adopted in selecting twenty HOs that constitute the sample of this study. Data collection was done primarily using structured questionnaire and secondarily through journals, textbooks and the internet. Data analysis was carried out using descriptive statistics of percentages, means and standard deviations. Linear regression and correlation analysis were used in testing the hypotheses postulated. The investigation found that internal controls to a significant extent influence financial performance of HOs and that a positive relationship exist between internal control and financial performance of HOs in Rivers State. The study concluded that the control environment affects total revenue as such influences the financial performance of HOs, its non-existence or inadequacy may spell doom for an organization. Alemu (2020) studied the effect of internal control on organization performance in reference to Moha Soft Drink. The study used descriptive design in soliciting information on the effect of internal control system on organizational performance. Data was collected from the respondents using

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questionnaires and analyzed using descriptive statistics. The study findings indicated that the organization carried out proper authorization and approval of transactions. Sometimes transactions were carried out without proper authorization and sometimes there were no approval, this created room for conducting fraudulent activities like misappropriations. Abdullahi, Norfadzilah and Umar (2020) carried out a study on the impact of audit quality on the financial performance of listed companies in Nigeria. This study offers proof on the direct influence of audit quality on the financial performance of listed companies Nigeria. 84 companies listed on the NSE with 756 samples for the period of nine years which is from 2010 to 2018 based on panel data approach was used. Furthermore, the research used secondary approach to retrieve data from Thompson Reuters DataStream as well as the financial statement of the listed companies. The study employed multiple regression to examine the model. The results reveal that audit fee shows a positively and insignificant relationship with ROA. This implies that if there is decrease in the amount paid to auditors for audit services, then financial performance of listed companies in Nigeria will increase. Danjuma (2017) conducted a research on the Effect of Internal control system on financial performance in Nigeria federal parastatals with emphasis on the educational institutions in Nigeria. During this study, the main objective of the study was to establish the effect of internal control systems on financial performance in federal parastatals. The study took a sample study approach with its target population being the different categories of staff in different departments of the federal parastatals. It took on a sample of 73 employees. Ezejiofor, Ebube and Ndum (2021) studied the effect of internal control on the execution of capital projects in Anambra States, Nigeria. The study adopted survey research design. A sample of 118 Auditors and Accountants and staff of various Ministries and Departments in Anambra State. The formulated hypotheses were tested using regression analysis. The regression result shows that personnel control (PSC) has a positive and significant effect on the capital project execution in the state. The regression result also shows that management control (MGC) has a positive but insignificant effect on the capital project execution in Anambra State, Nigeria. Mwakimasinde, Odhiambo and John (2014) carried out a study on Effects of Internal Control Systems on Financial Performance of Sugarcane outgrower companies in Kenya. The study adopted a descriptive correlational survey design. All the sugarcane out grower companies were studied. Both the primary and secondary data was collected. Primary data was collected from the key informants from all the nine out grower companies in Kenya using questionnaires. The study found a positive significant effect of internal control system on the financial performance ($R = 0.682$), and R square 0.428 thus internal control components account for 42,8% variance in performance The findings are expected to be of value to the sugarcane out grower stakeholders and form a basis for improving financial performance of sugarcane out grower companies. Akosile and Akinselure (2016) examined the effect of internal control on financial management of selected universities in Nigeria. The methodology of this is study is based on the survey research approach. It involves the distribution of one hundred and fifty (150) copies of questionnaire to some selected universities in the Southwest of Nigeria. The result of the analysis shows that there was significant relationship between internal control and prudent management of the resources, this is because the chi-square value calculated (i.e., 128.000) was greater than the chi-square value tabulated. Ndalakwa and Aneth (2020) examined the effectiveness of internal

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control system on the efficiency of financial management in selected training institutions. The study applied quantitative research approach and the research design was descriptive and correlation in nature. The study was conducted at MS-TCDC and University of Arusha. The research participants were all employees working in those institutions who are affected by internal control systems and procedures. A questionnaire was administered to all employees in the two institutions. At the same time, the questionnaire was tested for reliability and validity. In addition, the study used descriptive and inferential statistics to analyze the results from the data collected. Okelo and Lagat (2016) Study on the effect of internal control systems on financial management in Baringo county government, Kenya. The study adopted the Committee of Sponsoring Organizations of the Tread way Commission (COSO) theoretical framework for analysis of internal control systems. According to COSO framework, the internal control system is analyzed using five variables namely, control environment, control activities, risk assessment, information and communication and monitoring. The research concluded that control activities and monitoring of information communication technology, significantly influences financial management as indicated by this analysis; ($F=5.836$, $p = 000$). Control activities ($\hat{\alpha} = .315$, $p = 0.045$) and ICS monitoring ($\hat{\alpha} = .432$, $p = 0.049$) significantly predict changes in financial management, while control environment ($\hat{\alpha} = .162$, $p = 0.186$) and information and communication ($\hat{\alpha} = .264$, $p = 0.128$) does not significantly predict changes in financial management. Lyubov and Rubanov (2020) studied internal Control System as a Management Function and the Element of Integrated Reporting Financial Statements. The purpose of the research was to determine the level of information disclosure about the internal control system in the company's reporting. The research subject is the industrial and economic activity of chosen companies. Public integrated reporting is the object. The methodology of the research suggests an analysis of existing studies in the field of internal control, visual analysis of internal documents of the companies and their reporting and comparative assessment of reports of some companies. Nzibonera and Ninsiima (2020) examined Internal Financial Controls and Working Capital Management in Public Universities in Uganda: A Case Study of Makerere University Kampala. The objective of the study is to examine the extent to which internal financial controls affect working capital management in Public Universities in Uganda. Data was collected from staff of Finance and Internal Audit Directorates, and heads of Departments, Schools and Colleges of Makerere University using a self-administered closed ended questionnaire. Empirical data was analyzed using descriptive statistics, Pearson's correlation and regression tests. Findings indicate that the elements of internal financial controls which include; the control environment, risk assessment process and budget control have a positive and significant effect. Nicoleta (2020) studied internal Audit versus Internal Control - Tools for Evaluating the Internal Management System at the level of local public entities. This study presents the role of internal public audit organized at the level of local public administration, the interdependence between internal audit and internal control as well as the specific ways of evaluating the management system and internal managerial control. The erroneous perception of the specific objectives of the internal public audit has often led to a reluctance on the part of the decision makers. Misunderstanding the role of internal audit is a major risk in the functioning of the decision-making system. The internal audit recommendations give assurance to the general management through the periodic

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evaluation of the main functional systems: the financial-accounting system, the public procurement system, the decision-making system and especially the management and internal managerial control system. Vulley (2022) investigated the impact of internal control systems on the operational efficiency in the banking sector of Ghana. The study adopted the quantitative approach using the survey design to obtain data. The study used primary data which were obtained from the field with structure research questionnaire. Both descriptive analytical techniques and inferential technique of regression were used to analyze data with the aid of SPSS version 24. A number of descriptive statistical tests and in a combination of Exploration Factor Analysis (EFA) and Confirmation Factor Analysis (CFA) were used. The statistical tools used include mean, standard deviation, frequency, and Ordinary Least squares (OLS) regression. The study found that all the internal control system indicators such as environment control, risk assessment, control activities, information communication technology and monitoring activities exert significant influence on business operational efficiency in the banking sector. Jamila and Maria (2022) conducted a study on the impact of internal control systems on the quality of financial reports. This study aimed to know the company's internal control systems and their impact on the quality of financial reports for all companies in general, in addition to that, the study aimed to know the impact of internal audit and the control environment that fall under the components of internal control systems. Questionnaires and interviews were used for data collection, as a sample of 80 people working was taken. After obtaining the results, the analysis was carried out using Microsoft software. The study reached many results, the most important of which is that there is a positive relationship between internal control systems and the quality of financial reports, as the more effective and efficient the internal control systems are, the higher the quality of the financial reports, as there must be strong internal control systems for the financial reports to be free from errors, manipulation, and embezzlement.

Works related to internal control and financial management in Enugu Electricity Distribution Company abound, none has given much attention to internal control proxies such as aggregate technical commercial and collection (ATC&C) losses, billing efficiency and collection efficiency among others on its effect on financial performance. Instead, much effort is directed to the explanation of the effects of internal control system on revenue generation without proper consideration to these variables that plays together to have adequate revenue generation for the company. The study also discovered that some works that has been conducted on this topic did not cover the periods after privatization. Also, those studies employed fairly closed-ended and few open-ended questionnaire as research instrument; data were gotten through personal interview with top management staff of Enugu Electricity Distribution Company (EEDC).

The reviewed literatures showed mixed results on the relationship between the internal control systems and financial performance of organizations Most of the researches done on internal controls are case studies and focus on specific institutions/companies that exhibit particular characteristics or material weakness in the internal control systems. Most of the studies failed to show the contribution of control activities, control environment and monitoring. This formed the gap which the study seeks to fill.

METHODOLOGY

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Research Design

The research design deployed in this research is ex-post facto design which is a quasi-experimental study to examine how an independent variable present prior to the study, affects a dependent variable.

Population of the Study

The population of this study consists of the four (4) districts in Imo Region. The districts include: Owerri district; New-owerri district; Orlu district and Mbaise district. The reason for the choice of these districts is the accessibility/availability of monthly/annual report and accounts of the sample districts and to have a fairly, reasonably, reliably and up-to-date available financial data.

Sample Size and Sampling Techniques

A purposive sampling method was adopted to choose the four (4) districts which served as the sample size of this study. The criteria for selection is based on the districts that represents urban and rural areas of Enugu Electricity Distribution Company; districts that the regional head consistently submitted their monthly reports and annual reports to the corporate headquarters for the study period and the districts whose financial statement was completely available for the period (2015-2020).

Sources of Data Collection

This study made use of secondary data covering a period of 6 years (2015 to 2020) and the data was obtained from Nigeria Bulk Electricity Trading Plc. (N-BET) Statistical Bulletin, information gotten from Transmission Company of Nigeria (TCN), monthly revenue cycle performance reports of Enugu Electricity Distribution Company.

Method of Data Collection

The instrument used in generating data was secondary data. The data was obtained from the annual reports and monthly performance reports of the various district in Imo State region, submitted by the Head, Revenue Cycle. Official publication from Nigeria Bulk Electricity Trading Plc was also sourced online and used for the study.

Method of Data Analysis

The model of the study is based on the classical linear regression model of Brooks (2014). An econometric analysis of which internal control is the independent variable while the dependent variable/explanatory variables are return on investment, return on asset and total revenue.

The model is shown as follows.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 - \dots - \beta_n X_n + \mu_t \text{ -----} \quad 1$$

Where;

Y = dependent variable

X₁, X₂, ---X_n = Explanatory or independent variable

β₁, β₂, ---- β_n = the slope of coefficient of the parameter estimate

μ = Error or disturbance term

t = time

For Hypothesis One

$$TR_t = \beta_0 + \beta_2 BE_t + \mu_t \text{ -----} \quad 2$$

Where

TR_t = Total Revenue

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BE_t = Billing Efficiency

β_0 = Constant

β_1 = Coefficient of the Foreign Direct Investment in the regression equation

μ = Error or disturbance associated with the model

t = time

For Hypothesis Two

$$TR_t = \beta_0 + \beta_2 CCE_t + \mu_t \text{-----} \quad 3$$

Where:

TR_t = Total Revenue

CCE_t = Cash Collection Efficiency

β_0 = Constant

β_1 = Coefficient of the Foreign Direct Investment in the regression equation

μ = Error or disturbance associated with the model

t = time

For Hypothesis Three

$$TR_t = \beta_0 + \beta_2 ATC\&C_t + \mu_t \text{-----} \quad 4$$

Where

TR_t = Total Revenue

$ATC\&C_t$ = Aggregate Technical Commercial and Collection Loss

β_0 = Constant

β_1 = Coefficient of the Unemployment Rate in the regression equation

μ = Error or disturbance associated with the model

t = time

Decision Rule

Reject the null hypothesis if the t – statistics is greater than 2.5 and the P-value is less than 5%, otherwise accept the null hypothesis.

DATA PRESENTATION AND ANALYSIS

Table 5: Data showing the billing efficiency of various districts

OWERRI													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BILLING EFFICIENCY	2015	65%	65%	69%	81%	52%	66%	66%	58%	67%	58%	59%	59%
	2016	66%	56%	52%	68%	62%	68%	69%	65%	59%	71%	61%	59%
	2017	68%	75%	72%	88%	60%	69%	65%	59%	66%	58%	59%	58%
	2018	66%	56%	52%	68%	52%	65%	64%	64%	69%	68%	61%	69%
	2019	68%	55%	63%	62%	64%	60%	37%	68%	64%	72%	66%	59%
	2020	69%	75%	69%	74%	60%	75%	70%	84%	80%	65%	64%	64%
NEW OWERRI													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BILLING EFFICIENCY	2015	67%	58%	53%	63%	68%	85%	72%	72%	75%	65%	77%	67%
	2016	72%	53%	66%	59%	74%	76%	60%	84%	82%	90%	64%	86%
	2017	53%	70%	62%	84%	66%	72%	78%	71%	74%	59%	61%	63%
	2018	66%	59%	52%	61%	68%	86%	77%	75%	73%	69%	77%	77%
	2019	78%	51%	63%	69%	72%	71%	67%	92%	92%	92%	70%	81%
	2020	87%	76%	86%	81%	82%	74%	80%	84%	80%	76%	67%	71%
ORLU													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BILLING EFFICIENCY	2015	70%	75%	70%	67%	76%	85%	78%	66%	76%	67%	63%	52%
	2016	65%	66%	61%	58%	57%	58%	58%	65%	65%	61%	68%	72%
	2017	80%	70%	70%	67%	83%	82%	78%	70%	86%	66%	62%	57%
	2018	61%	61%	61%	48%	60%	57%	58%	68%	69%	68%	69%	72%
	2019	58%	62%	59%	57%	69%	63%	83%	55%	67%	65%	78%	60%
	2020	74%	70%	102%	96%	111%	92%	74%	59%	74%	67%	69%	74%
MBAISE													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
BILLING EFFICIENCY	2015	74%	62%	65%	57%	73%	68%	65%	77%	86%	77%	84%	65%
	2016	69%	73%	72%	72%	73%	69%	66%	67%	68%	62%	69%	58%
	2017	69%	71%	74%	83%	87%	67%	81%	84%	83%	64%	65%	80%
	2018	77%	77%	61%	58%	60%	51%	58%	67%	58%	56%	69%	73%
	2019	64%	67%	56%	55%	71%	68%	45%	77%	106%	67%	82%	67%
	2020	65%	72%	74%	71%	63%	69%	69%	67%	68%	64%	70%	59%

Source: District Wise Regulatory Data Annual Comparison Report

Table 6: Data showing the collection efficiency of various districts

OWERRI													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
COLLECTION EFFICIENCY	2015	60%	38%	26%	44%	46%	41%	40%	42%	44%	43%	65%	45%
	2016	47%	58%	54%	54%	48%	65%	56%	48%	56%	56%	61%	55%
COLLECTION EFFICIENCY	2017	60%	38%	26%	44%	46%	41%	40%	42%	44%	43%	65%	45%
	2018	47%	58%	54%	54%	48%	65%	56%	48%	56%	56%	61%	55%
	2019	48%	64%	47%	49%	52%	59%	64%	50%	63%	53%	47%	60%
	2020	50%	42%	25%	49%	59%	55%	59%	44%	32%	45%	47%	42%
NEW OWERRI													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
COLLECTION EFFICIENCY	2015	62%	46%	34%	49%	60%	52%	48%	47%	52%	51%	49%	51%
	2016	50%	61%	61%	70%	45%	62%	70%	49%	63%	62%	61%	58%
COLLECTION EFFICIENCY	2017	102%	46%	34%	49%	54%	52%	48%	37%	52%	54%	50%	48%
	2018	50%	61%	61%	70%	45%	62%	70%	49%	63%	62%	61%	58%
	2019	56%	86%	62%	69%	65%	62%	47%	62%	59%	60%	72%	62%
	2020	55%	61%	31%	58%	65%	62%	74%	48%	39%	62%	52%	58%
ORLU													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
COLLECTION EFFICIENCY	2015	78%	55%	48%	62%	51%	60%	62%	43%	33%	73%	72%	63%
	2016	65%	69%	56%	50%	48%	70%	64%	52%	72%	59%	72%	81%
COLLECTION EFFICIENCY	2017	178%	45%	28%	62%	51%	60%	60%	40%	33%	73%	78%	43%
	2018	64%	59%	56%	48%	48%	80%	64%	42%	69%	69%	72%	84%
	2019	65%	57%	49%	46%	61%	54%	70%	83%	63%	92%	48%	64%
	2020	41%	70%	22%	48%	61%	35%	80%	58%	40%	62%	59%	31%
MBAISE													
Summarised Report	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
COLLECTION EFFICIENCY	2015	38%	59%	48%	35%	46%	62%	55%	40%	68%	46%	53%	39%
	2016	46%	57%	61%	48%	46%	51%	45%	61%	48%	52%	42%	46%
COLLECTION EFFICIENCY	2017	36%	24%	46%	25%	26%	32%	30%	37%	43%	53%	50%	35%
	2018	37%	49%	38%	36%	36%	62%	55%	30%	68%	56%	53%	30%
	2019	26%	57%	61%	48%	46%	51%	45%	61%	48%	52%	42%	46%
	2020	32%	33%	31%	43%	49%	52%	54%	30%	33%	44%	42%	40%

Source: District Wise Regulatory Data Annual Comparison Report

Analysis of Data

Data analysis depicts how the data collected for each of the districts are analyzed with diverse analytical tools.

Table 8: New Owerri District

Model	Coefficients	Beta	t-test	P-value	R	R ²
Constant	8.762		0.906	0.376	0.305	0.093
ATC&C Loss	11.588	0.241	1.049	0.307		
Collection efficiency	-2.217	-0.086	-0.347	0.732		
Billing efficiency	-4.584	-0.224	-0.950	0.354		

Source: Author's Computation from SPSS 20, 2021

Dependent variable: Total revenue * P<0.05 (Significant)

Table 9: Orlu District

Model	Coefficients	Beta	t-test	P-value	R	R ²
Constant	7.554		2.449	0.024	0.514	0.265
ATC&C Loss	-6.577	-0.543	-2.178	0.042		

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Collection efficiency	-0.604	-0.053	-0.214	0.833
Billing efficiency	.043	0.027	.0139	0.891

Source: Author's Computation from SPSS 20, 2021

Dependent variable: Total revenue

* P<0.05 (Significant)

Table 10: Mbaise District

Model	Coefficients	Beta	t-test	P-value	R	R ²
Constant	1.909		0.220	0.828	0.250	0.063
ATC&C Loss	0.080	0.007	0.013	0.990		
Collection efficiency	0.087	0.009	0.017	0.986		
Billing efficiency	2.531	0.255	0.686	0.501		

Source: Author's Computation from SPSS 20, 2021

Dependent variable: Total revenue

* P<0.05 (Significant)

Table 11: Owerri District

Model	Coefficients	Beta	t-test	P-value	R	R ²
Constant	109.401		1.587	.128	0.302	0.091
ATC&C Loss	-61.242	-.335	-1.072	.296		
Collection efficiency	-57.431	-.461	-1.409	.174		
Billing efficiency	-27.265	-.197	-.810	.427		

Source: Author's Computation from SPSS 20, 2021

Dependent variable: Total revenue

* P<0.05 (Significant)

4.3 Test of Hypotheses

Test of Hypotheses I

Step I: Re-statement of Hypothesis

H₀: Billing efficiency does not have a significant effect on total revenue in Enugu Electricity Distribution Company.

H₁: Billing efficiency has significant effect on the total revenue in Enugu Electricity Distribution Company.

Step 2: Test of Hypothesis

Table 12: A regression analysis showing the relationship between Billing efficiency and total revenue in Enugu Electricity Distribution Company

Model	Coefficients		Beta	t-test	P-value	R	R ²
	Constant	B					
Total revenue versus billing efficiency	13.254	-4.337	-0.115	-1.121	0.265	0.115	0.013

Source: Author's Computation from SPSS 20, 2021

Discussion: A linear regression was run to predict total revenue in Imo state districts from billing efficiency. From the result in table 12 above, it shows that billing efficiency does not statistically significantly predict total revenue with P-value >0.05 and R² =0.013. This implies that billing efficiency has no substantial contribution in explaining the total revenue in Imo state.

Decision: Billing efficiency does not have a significant effect on total revenue in Enugu Electricity Distribution Company.

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Test of Hypotheses II

Step I: Re-statement of Hypothesis

H₀: Cash collection efficiency does not enhance total revenue in Enugu Electricity Distribution Company.

H₁: Cash collection efficiency enhances total revenue in Enugu Electricity Distribution Company.

Step 2: Test of Hypothesis

Table 13: A regression analysis showing the relationship between Cash collection and total revenue in Enugu Electricity Distribution Company.

Model	Coefficients		Beta	t-test	P-value	R	R ²
	Constant	B					
Total revenue versus collection efficiency	37.305	-51.230	-0.560	-6.552	0.000*	0.560	0.314

Source: Author's Computation from SPSS 20, 2021

Discussion: A multiple regression was run to predict total revenue in Imo state from collection efficiency. From the result in table 13 above, it shows that collection efficiency statistically significantly predicts total revenue with P.value <0.05 and R² =0.314. This implies that collection efficiency has substantial contribution in explaining the total revenue in Imo state.

Decision: Cash collection efficiency enhances total revenue in Enugu Electricity Distribution Company.

Test of Hypotheses III

Step I: Re-statement of Hypothesis.

H₀: There are no significance effect of aggregate technical commercial and collection losses on total revenue in Enugu Electricity Distribution Company.

H₁: Aggregate technical commercial and collection losses have a significant effect on the total revenue in Enugu Electricity Distribution Company.

Step 2: Test of Hypothesis

Table 14: A regression analysis showing the relationship between ATC&C loss, and total revenue in Enugu Electricity Distribution Company

Model	Coefficients		Beta	t-test	P-value	R	R ²
	Constant	B					
Total revenue versus ATC&C Loss	-32.381	66.460	0.572	6.761	0.000*	0.572	0.337

Source: Author's Computation from SPSS 20, 2021

Discussion: A multiple regression was run to predict total revenue in Imo state from ATC&C loss. From the result in table 14 above, it shows that ATC&C loss statistically significantly predict total revenue with P. value <0.05 and R² =0.337. This implies that ATC&C loss has substantial contribution in explaining the total revenue in Imo state.

Decision: Aggregate technical commercial and collection losses have a significant effect on the total revenue in Enugu Electricity Distribution Company.

4.4 Discussion of Findings

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A system of effective controls is a critical component of an organization and a foundation for the safe and sound operation of Enugu Electricity Distribution Company. A system of strong internal controls can help to ensure that the goals and objectives of an organization are met. The study discovered from the tested hypothesis, that billing efficiency has no substantial influence on the total revenue generated in Imo state region of Enugu Electricity Distribution company. However, in test of hypothesis two, the study revealed that collection efficiency has substantial influence to the total revenue performance. Similarly, it was discovered in hypothesis three that ATC&C loss significantly contributes to the growth of revenue in Enugu Electricity Distribution Company (Imo state region). The management of Enugu Electricity Distribution Company should create and establish a standard internal control system that is strong enough to enhance efficiency and effectiveness in their service and to increase profitability.

However, establishment of control does not mean that internal control cannot fail as was revealed in test of hypothesis one.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concluded that there exists a high positive correlation between internal controls and organizational performance of Enugu Electricity Distribution Company. This agrees with the studies of (Olaoye, 2009) on impact of internal control system in banking sector in Nigeria, (Kinyua ,2016) on examination of the effect of internal control systems on financial performance of companies quoted in the Nairobi securities exchange and other studies that were reviewed in this research. However, in context to the general view, this study revealed that control measures should be tested to determine their level of impact and effectiveness before establishing them as a control as evidenced in the test of Hypotheses I (Billing Efficiency) which shows that billing efficiency does not significantly predict total revenue in Enugu Electricity Distribution Company (EEDC).

Recommendations

. Based on the above, the study recommends the following:

1. In as much as billing efficiency (BE) is important to ensure that the imported energy consumed by customers are accurately accounted for, in Enugu Electricity Distribution Company (EEDC), the amount of the energy bill the customers are served with determines their level of apathy to payment. Therefore, the study recommends that Enugu Electricity Distribution Company (EEDC) should consider average billing efficiency as a control to enhance customers compliance level during payment of energy bills.
2. Adequate resources should be deployed to strengthen the effectiveness of cash collection efficiency (CCE). By so doing, cash collection coverage will improve which will result to more revenue recovery from non-paying consumers. This will close the gap of illegal consumers which has always been the reason for poor revenue generation in Enugu Electricity Distribution Company (EEDC).
3. Enugu Electricity Distribution Company (EEDC) management should employ

adequate technical professionals who are competent enough to reduce the energy losses on power lines, billing, and collection inefficiency to bring down the aggregate technical commercial and collection losses (ATC&C) of the company to the barest minimum.

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