EXECUTIVE DUALITY AND INTERNAL CONTROL SYSTEM OF BANKS AND INSURANCE COMPANIES WITHIN DUAL SECTOR INDUSTRIES

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UTCC International Journal of Business and Economics IJBE

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Abstract

In order to further institute a robust and sustainable corporate governance structure for companies in Nigeria, the executive duality (ED) role was bifurcated. This implied that the decision to formulate policies rest with the board of directors with the chairman as the anchor. Secondly, the decision to implement formulated policies rests with management in which the head of management (Managing director or Chief executive officer [MD/CEO]) is the anchor. However, formulating and implementing decisions relies fundamentally on the internal control system (ICS). This study set out to find out whether the bifurcation of executive duality ED significantly related and impacted on the internal control system ICS's (control environment {CE} and control activities {CA}) of listed Nigerian companies within dual sector industries Data were sourced from 168 financial reports and accounts of the companies that made the sample of the study. Logistic Regression and one-sample t-test aided the analysis of data. Findings of this study revealed that bifurcation of executive duality significantly relates and impact on internal control system of companies within dual sector industries in Nigeria. The study concludes that the ICS is not impaired in the effective and efficient separation of duties of custody of resources from recording, authorization, approval and execution with a view to minimizing fraud and theft of business resources as a result of such bifurcation as these positions aided in value creation and distribution. Based on the findings of this study, it is imperative to recommend that, sustaining legitimate policies that translate into huge earnings, and create value to stake holders should be pursued.

Keywords: Executive duality, Internal Control System, and Dual Sector Industries

1. Introduction

Banks and insurance companies are made up of two distinct or often opposite parts in the area of the kind of activities or services that they are characterized with. While banks drives the economy by channeling funds from surplus to deficit regions (Hamid, 2009). The insurance industry is classified as a financial service business that is surrounded in complexity, especially when its products possess different characteristics from other financial service products i.e. insurance product is intangible and majority of policy holders and customers never uses its services once bought (Nigerian Insurance Act, 2003). Insurance companies provide the security and buffer that are needed against major risks by businesses in the economy (Shittu, 2009). This glaring difference makes banks and insurance companies serve a dual purpose within the financial sector even though they are from separate industries. However, particularly in the last two decade extant literature has revealed public outrage over financial misdeeds hindering the efficient and effective ways of operating the main stay of companies as evidenced in the sudden failure of major corporate institutions in Nigeria. It was discovered by SEC in 2003, that in the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of financial institutions' distress in the country as a result of corporate governance being at a rudimentary stage, as only about 40% of quoted companies, including banks and insurance, had recognized codes of corporate governance in place. Consequently, in 2003, the Nigerian Securities and Exchange Commission (SEC) in collaboration with the corporate affairs commission released a Code of Best Practices on Corporate Governance for public quoted companies. Banks had been expected to comply with its provisions. In addition to that, banks were further directed to comply with the Code of Corporate Governance for Banks and Other Financial Institutions approved earlier in the same year by the Bankers' Committee. However, in 2006, the consolidation of the banking industry necessitated a review of the existing code for the Nigerian Banks. The new code therefore was developed to compliment the earlier ones and enhance their effectiveness for the Nigerian banking industry. Compliance with the provisions of the Code was mandatory (Security and Exchange Commission (SEC) Code of best Practice, 2003; and Central Bank of Nigeria (CBN) Post Consolidation Code of Corporate Governance, 2006).

On the other hand in the insurance industry, the National Insurance Commission (NAICOM) established that the capital structure of insurance companies were grossly inadequate as the total market capitalization for the insurance industry before the Capitalization was about N34 billion given the recapitalization to the tune of N25 billion for individual banks. Thus an urgent restructuring through functional recapitalization became imperative. The new capitalization took effect on 1st of September 2005 for new and intending companies and 28th of February 2007 for existing companies (NAICOM, 2008). Consequently consolidation took place and the National Insurance Commission (NAICOM) in consonance with the code initiated and published by SEC in 2003, issued another code with effective date of 1st March, 2009 for insurance companies in Nigeria. The aim of the code was to further institute a robust and sustainable corporate governance structure for the industry.

One of such structure the provisions in the code made imperative to comply with for both banks and insurance companies includes, that of executive duality (ED). The provision requires that, the responsibilities of the head of the Board, that is the Chairman, should be clearly separated or bifurcated from that of the head of Management, i.e. Managing director or Chief executive officer (MD/CEO), such that no one individual/related party has unfettered powers of decision making by occupying the two positions at the same time.

This implies that decision making is categorized into two; firstly is the decision to formulate policies which rest with the board of directors with the chairman as the anchor. Secondly, the decision to implement formulated policies rests with management in which the head of management (Managing director or Chief executive officer [MD/CEO]) is the anchor. However formulating and implementing decisions relies fundamentally on the internal control system (ICS) which is a process affected by an organization's board of directors and all the levels of management designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with management policies (COSO, 2009).There are a handful of studies that have established that the quality of corporate governance always almost anchors internal control mechanisms, the quality of financial report, the extent of financial abuses, the extent of the soundness of ICS as a criteria for setting audit charges (Jeffrey, Ge, and McVey, 2005; Krishnan, 2005; Zattoni and Cuomo, 2008). More so in an earlier study Ogidefa, (2005) establish that the collapse of banks and insurance companies in Nigeria in the last two decade was as a result of inadequate corporate governance practices such as insider-related credit abuses, poor risk management and internal control system failure.

It is clear from the explanation above that bifurcation of executive duality (ED) of the board chair of organizations is to ensure corporate survival and protect the interest of all stakeholders in the affairs of a corporation which will improve their general performance. Secondly, such bifurcation fundamentally relies on a robust ICS. It is within this context that the study seeks to answer the following question:

To what extent is bifurcation of executive duality affected by the ICS of banks and insurance companies? Based on this question the study has a major objective of determining the extent to which bifurcation of executive duality is affected by the ICS of banks and insurance companies. Following this objective, the study's hypothesis was formulated:

Ho_1 Executive duality does not significantly relate and impact on the internal control system of listed banks and insurance companies within dual sector industries.

However, it is not within the ambit of the objective of this study to compare the banking and insurance industries in the light of such bifurcation relying on ICS but the findings of the study would provide fresh evidence on the impact of ED on ICS to stake holders in the regulatory environment (Security and Exchange Commission [SEC], Central Bank of Nigeria [CBN], National Insurance Commission [NAICOM] and the Nigerian Stock Exchange [NSE]), board and management of banks and insurance companies as well as potential stake holders.

2. Literature Review (Conceptual and Theoretical Frame Work)

2.1 Concepts

2.1.1 Executive Duality (ED): Existing literature has provided the basis for defining the dual role of an executive (Jensen and Mackling, 1976; Yermack, 1996;Certo, Lester, Dalton, and Dalton, and Hung and Mondejer, 2005). According to Encarta, (2009) 'an executive is a senior manager in a company or organization, whose job it is to make and implement decisions'. From the definition it is implied, the executive has a dual role of firstly making decisions and secondly, implementing such decisions. This duality has been a subject of debate in the past two decades especially as it affects positively (Williamson, 1985; Kesner and Dalton, 1986; Eisenhardt, 1989; Rechnar and Dalton, 1991; and Yermack, 1996) or negatively (Berg and Smith, 1978) the financial performance of corporations. On the other hand there is also a handful of studies that establish this dual role positively (Daily and Dalton, 1993; Zahra, et al, 2000; Certo, Lester, Dalton, and Dalton, 2005; and negatively or indifferent (Hung and Mondejer, 2005) to the corporate entrepreneurial innovation process.

It is important to note here that as earlier mentioned, while a hand full of studies looked at corporate governance (Board size) and internal control system like the studies of (Hamid, 2009 and Araga, 2011) and corporate governance (ED) and corporate entrepreneurial innovation process (Zahra, et al, 2000; Certo, Lester, Dalton, and Dalton, 2005; Hung and Mondejer, 2005; Kwanbo and Ango, 2012). The focus of this study is on executive duality and internal control system.

2.1.2 Internal Control System (ICS): Internal Control System has been defined in different ways by different persons and institutions. However, what the accounting literature has shown is that there is some consensus among scholars on the components of ICS. According to Mousa (2004) ICS can be viewed as an Administrative control that has as a chief objective to check for compliance with laws and regulations that govern the use of public money. The internal control system has been defined by the committee of sponsoring organizations of the trade way commission (COSO, 2009) as a process affected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operation, reliability of financial reporting, and compliance with applicable laws and regulations. The ICS has the following components:

2.1.2 a Control Environment (CE)

The first component of the ICS is the control environment (CE). This component set the tone of an organization, influencing the control conscientiousness of its people. It is the foundation for all other components of internal control providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people. It is the control component that insists, management assigns responsibilities, organizes and develop people and pay attention to the direction it provides (Boyd and Edward, 1995). According to Garvin, (1993) a learning organization is an organization skilled at creating, acquiring and transferring knowledge and at modifying its behavior to reflect new knowledge and its insight. Going by the picture painted above, it is right to say this component has the following controls;

Organizational control: This focuses on the need to have an organizational chart with clearly defined responsibilities, putting each function specified by the chart under the custody of a specific person, who is seen as the responsible officer.

Segregation of duties: This focuses on the separation of duties of custody of resources from recording, authorization/approval and execution, with a view to minimizing fraud and theft of business resources.

Physical control: is concerned with the procedures and security measures designed to ensure that access to assets (both current and fixed) is limited only to the authorized persons. This control is specifically important in the case of valuable, portable, exchangeable or desirable assets (Scandal, 1978; Mohammed, 1984; and Woolf, 1985).

Personnel control: is concerned with the procedures that are designed to ensure that personnel operating the activities of the organization are competent and motivated to carry out the tasks assigned to them. By implication therefore, the recruitment system in an organization should give premium to skills, qualification and competence and ethical behavior. Good remuneration system should also be put in place and provision for training and retraining of personnel should be made available to all deserving employees. Studies have shown that personnel control may be the most important sub-component of ICS in terms of prevention of fraud and irregularities, more especially in public organizations. Supervisory control on its own part is concerned with both the means of reporting and supervision in an organization, with a clearly defined span of control (Awoyemi, 1989; Gupta, 1993; and Millichamp, 1996). Management control deals with those controls exercised by the management, which are outside the day-to-day activities of the organization, which may include the management accounting system and the auditing system.

2.1.2 b Communication and Information Component (CI)

Communication and information is another vital component of the ICS. This component in line, with the control environment establishes and defines relationships. Relationship aids in proper coordinating of activities in an organization Amudu and Inanga, (2009). Communication provides content and a point of context for the discussion of ethical behavior, it provides a cultural element that adds support to a strong ethical culture; honesty, fairness, responsibility, respect and compassion (Molander, 1977, 1980; Menzel, 1992; Zajac, 1996; McCampbell, and Rood, 1997; Ferrell and Ferrell, 2005;Dobrowolski, 2006; Jones and Okoduwa, 2007).

2.1.2 c Risk Management Component (RM)

Risk management is another component of the ICS. It assess programmes to see which elements are most vulnerable to irregularities and concentrates the limited irregularities control resources in those areas; it identify and describe known compliance practices (corrupt Free Practices), makes an analysis of the system that allows non-compliance (factors that permit or make it easier for fraud to occur) (Boyd and Edwards, 1995; Llienet, 2003; Hanim, etal, 2005; Leruth and Paul, 2006; Hughes, 2006; Jones, 2007; Amudu and Inanga, 2009).

2.1.2 d Control Activities Component (CA)

Assessing risk is achieved, through the component of the ICS referred to as control activities. This component ensures accuracy and completeness of records in accounting, arithmetic, authorization and approval controls in the ICS (Dobrowolski, 2006). Arithmetic and accounting control requires the putting in place of an effective bookkeeping and accounting system (Arens& James, 1999; Graz and Manson, 2000; and Dandago, 2002). Authorization and approval control focuses on all the transactions that should be authorized or approved by the appropriate person, before they are executed. In this regard, an organization will have to develop a policy on the maximum amount of expenditure to be incurred by officers and committees at various levels.

2.1.2 e Monitoring Component (MO)

Monitoring on the other hand, the last component of the ICS leads to organizational efficiency and reduced costs associated with public reporting on internal control, because problems are identified and addressed in a proactive, rather than reactive manner (Hughes, 2006; C0S0,2009), when monitoring is designed and implemented appropriately organizations benefit because they are likely to; identify and correct, internal control problems on a timely basis, produce more accurately and reliable information for use in decision making, prepare accurate and timely financial statement and be in a position to provide periodic certifications or assertions on the effectiveness of internal control (Brewer and List, 2004; Hanimetal, 2005; Leruth and Paul, 2006; Amudu and Inanga, 2009; COSO, 2009) thus such an effectiveness is an emphasis of the internal audit unit.

From the explanations provided above, the Control environment and control activities components emphasizes preventive control, detective control and directive control;

Preventive control: prevents the occurrence of inefficiencies, errors, or irregularities. These cannot guarantee that the control factor will not occur but reduce the chance of it occurring. For example, division or segregation of duties and authorization controls.

Detective control: detects and corrects errors, inefficiency or irregularities. They may not give absolute assurance since they operate after an event has occurred or an output has been produced, but they reduce the use of undesirable consequences as they enable remedial action to be taken. Detective controls are most effective when they form part of a feedback loop in which their results are monitored and used to improve procedures or preventive controls. This is the essence of the monitoring component of the ICS) for example, post payment check, stock verification and bank reconciliation.

Directive control: is designed to cause or encourage event necessary to the achievement of objectives. This includes clear definition of policies, the setting of targets and adequate training and staffing (Jensen, 1997).

Keeping in view these five components of ICS (Ricchieute, 2002;Dunn, 2004), Owoh,2003; and Wilson, 2007) suggests that an organization should be structured in a manner which guarantees that no single person Conceives, Initiates, Processes, Analyses and takes Custody (CIPAC) of a complete transaction. Financial transactions will operate within a continuum having a considerable chain of executing persons, each well trained and skilled enough to execute only a fragment of the entire CIPAC cycle. The CIPAC cycle complements the ubiquitous roles that ensure physical Security of the assets, Authorizations, adequacy of arithmetic and Accounting procedures, due Personnel operating system, completeness of Supervision and consistent promotion of the Management policies (Owoh, 2003). There should also be a competitive process of acknowledgement of responsibility by ensuring that all persons involved in the execution of accounting operations attest to the operations executed by them by appending their signatures, initials, rubbers stamps, statements of commitments to input, and output particulars containing such operations. It is right to note here that, bifurcation of executive duality (ED) is a structure that drives CIPAC.

2.2 Theories

Sanda, Mikailu and Garba (2005) identified the agency theory, stakeholder theory and the stewardship theories as the three prominent theories of corporate governance. While stewardship and Agency are two opposing theories that have presented executive duality role differently, stakeholders' theory is indifferent. In stewardship theory, the board structure's insider and executive duality rolegives room for misappropriation of owners' fund (Sundara-Murthy and Lewis, 2003). On the other hand, the agency theoryproposes that executive duality role does not aid irregularities as the chairman and chief executive are one individual Walsh and Seward (1990).

This study reviewed only the stakeholders' theory because it is chosen as the frame work of the study and it is the bases of the model of the study. According to O'Donnell (2000), stakeholder groups are important elements of an organization because stake holding goes beyond the owner-manager-employee position and recognizes the numerous stakeholder groups. Stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives. Stakeholder theory offers a framework for determining the structure and operation of the firm that is cognisant of the myriad participants who seek multiple and sometimes diverging goals (Donaldson and Davis, 1991).

More so, stakeholder management is fundamentally a pragmatic concept. The theory provides for independence of the content of the purpose of the firm, the effective firm will manage the relationships that are important. In this wise Chang (1999) opines that for organizations to be effective, they must pay attention to all and only those relationships that can ultimately affect or be affected by the achievement of the organization's purpose. Jensen and Meckling (1976) posit that the stakeholder theory attempts to address the question of which group of stakeholders deserve and require management's attention. However such an attention is not always skewed to only a group. There are a few studies that upheld this position, for example Donaldson and Davis (1991) establish that there is no prima facie priority of one set of interests and benefits over another between those that make the stakeholder list of any organization.

From a different perspective, Walsh and Seward, (1990); O'Donnell, (2000) argue that wide- ranging definitions of the stakeholder are problematic, empirical evidence supporting a link between stakeholder theory and firm performance is lacking and identifying a myriad of stakeholders and their core values is an unrealistic task for managers. However, Mandal and Goswami, (2008) demonstrated that value added is a significant tool for appraising the performance of enterprises whose operations affects the social and economic well-being of entire community. Value added recognizes other contributors in the process of generating value such as employees, government and providers of loan capital (Brown and Howard, 1992). Every one of them contributes to the value added and gets a proportionate share there in (Morley, 1978; Sizer 1994; Evraert and Riahi-Belkaoui, 1998; Riahi-Belkaoui, 1999; Vanstaden, 2000). A closer look at this position reveals that stakeholder theory is the model for value added of organisations and could empirically provide evidence for a firm's performance, as (Cruns, 1982; Sinha, 1983) submits that the statement of value added provides a useful measure to help in gauging performance, activities and the value added disclosure can be a pointer to the net output of the firm; and by relating other key figures like capital employed and employee costs, significant indicators of performance may be obtained.

It is important to stress here that, the value added disclosure is an aid to gauging activities that lead ultimately to performance. These activities are mostly coordinated within the ICS. In this paper, empirical evidence is presented using the stakeholder theory as a driver of the model (Net profit margin [NEM], Return on equity [ROE] and value added [VAM] used in predicting executive duality [ED]) that is used as the frame of the hypothesis of the study.

3. Methodology

The objective of this study is to determine the relationship and impact of Executive duality on the internal control system of listed companies within dual sector industries for the period 2006-2012. The choice of this period is influenced by the fact that, it is in the era of post reforms and consolidation exercise in the banking and insurance industries. The study is a secondary data based research. Data were sourced from the 399 financial reports and accounts of the banks and insurance companies that made the sample of the study.

The study developed a model as the basis for testing the hypothesis formulated for the study. The dependent variable executive duality (ED) was measured as a dichotomous variable. There are a number of studies that have used dichotomous scale of 0-1 to measure the extent of compliance or difference in the nature of study variables (Wallace, Nasser and Mora, 1994; Kantudu, Musa, Zattoni and Cuomo, 2006; Kajola, 2008; Hamid, 2009).

This study specified three accounting ratios as proxies for the independent variable internal control system (ICS). Net earnings margin [NEM] and Return on equity [ROE] are proxies for the control environment (CE) component of ICS while Value added margin [VAM] is the proxy for control activities (CA) component of ICS. The choice of these proxies is influenced by the fact that, net earnings margin and return on equity are considered a measure of overall company efficiency. Furthermore, value added is the income generated by and distributed among stakeholders and the ICS is designed and coordinated to achieve that. Besides these justification, Krishnan, Jeffrey, Ge and Mcvay (2005) use earning quality (trend of profitability and value of shares) to measure weaknesses in ICS. Also, Hamid (2009) use return on investment, return on assets, net interest margin, net value added/ employee, etcetera to measure the effectiveness of ICS in the light of corporate governance mechanisms. Because these techniques have empirically and theoretically yielded the desired results, this study therefore employed NEM, ROE and VAM to measure the ICS variables. SPSS version 17 was employed to aid the analysis of data collected.

3.1 Population and Sample of the Study

The population of the study is all the banks and insurance companies listed on the Nigerian stock exchange as at December 2012. This implies $n = N = 57$. Where:

n = Sample size

N = Population size

Arising from the above, considering the period under review (2006-2012), a total of 399 annual reports and account made the sample. However, due to none availability of trend flow in data for the study period 12 banks that were given a clean bill by the central bank of Nigeria (CBN) after the stress test conducted in 2009 made the sample. Also 12 insurance companies with data trend flow within the study period made the sample. The researcher believe, this will not in any way limit the reliability of results generated from 168 annual financial reports of the following banks and insurance companies; (Access bank, Fidelity bank, Guarantee trust bank, First bank, First city monument bank, Stanbic IBTC bank, Skye bank, Zenith bank, Sterling bank, Eco bank, Diamond bank, and United bank for Africa, Consolidated hall mark insurance plc, Lasaco assurance plc, Niger insurance plc, Nem insurance plc, Mutual benefits assurance plc, Standard alliance insurance plc, prestige assurance plc, American international insurance company plc, Regency alliance plc, Corner stone insurance plc, Equity assurance, and Gold link insurance).

3.2 Variable Specification

Based on the theoretical framework of this study, a hypothesis was formulated. The dependent variable (executive duality ED) was treated as a dichotomous variable, i.e binary number 1 was assigned to the years within the period under review, were the directives in the code for executive duality bifurcation was observed, if other wise 0 was assigned. For the independent variable internal control system ICS's control environment; (net earnings margin NEM) was measured by numerating profit after tax and denominating total earnings and (return on equity ROE)was measured by numerating profit after tax and denominating total equity in issue. The ICS's control activities was proxy by the (value added margin)which was measured by numerating value arrived at and denominating total earnings less cost of bought in goods and services used in producing the total earnings.

The following mathematical model:

$$ED_i = b_o + b_1 x_{i1} + b_2 x_{i2} + b_3 x_{i3} + b_{NEM} x_{iNEM} + b_{VAM} x_{iVAM} + b_{ROE} x_{iROE}$$

Where:

x_i = the ith predictor of ith case

b_i = the ith coefficient

NEM, VAM, ROE = predictors

Was developed to test the following null hypothesis:

H_{o1} Executive duality does not significantly relate and impact on the internal control system (control environment {NEM, ROE} and control activities {VAM}) of listed banks and insurance companies within dual sector industries.

3.3 Techniques of Data analysis

Two techniques were employed; logistic regression was used to analyze the data. This is due to the fact that, the dependent variable is measured as a dichotomous variable and the technique can reveal whether a relationship exists. Secondly, the one sample t-test was also employed. The technique was chosen because it can indicate whether there is a possible impact. In order to test for the impact, the study considered using VAM; this is influenced by the fact that, value added represents the total wealth of the firm that could be distributed to all capital providers, employees and the government, etcetera. Secondly, VAM is more anchored by the stakeholder theory which is the theoretical frame work of the study. The study considered whether the VAM of the 24 companies that made the sample differs from the test value of 4.00. The test value is the average rate of the VAM across the industries as at December 2011(Kwanbo and Ango, 2012).

4. Discussion of Findings

Hypothesis was formulated to achieve the objective of this study, which is to assess the impact of executive duality on the internal control system of listed Nigerian companies within dual sector industries. Table -2 present the findings.

Table 1

Tools	Wald	Omni bus Test	Model Summary	Hosmer leme show Test	Like-lihood Test	Percentage correct
Regression Coefficient (ED)	7.055					
Sig of wald	0.008					
Chi- Square		24.564		0.000		
Sig.		0.000		1.000		
Df		3		3		
-2 log like-lihood			0.000			
Cox & Snell R Square			0.641			
Nagelkerke R Square			1.000			
Model log like-lihood: NEM ROE VAM					 -6.188 -5.026 -11.600	
Changes in -2 log like-lihood: NEM ROE VAM					 12.376 10.051 23.200	
Significance of the Change: NEM ROE VAM					 0.001 0.002 0.000	
Df					1	
Classification: ED on NEM, ROE and VAM is 5						79.2

Source: Extracted from SPSS output listing 2014

In table 1 above, the dependent variable (ED) is shown; the Wald is 7.055 with a significant value of 0.008. This implies the dependent variable can be explained by the independent variables (NEM, ROE, and VAM) significantly. All the independent variables have significant changes in 2-log-likelihood (NEM is 0.000, ROE is 0.002 and VAM is 0.000) indicating their prediction of a significant relationship on the dependent variable.

The model summary where the pseudo r-squared statistic is revealed is also shown above. In the table, the variability in the dependent variable (ED) is explained by the independent variable (ICS control environment {NEM,ROE}, and control activities {VAM}) by the Cox & Snell Square at 0.641 and Nagelkerke Square at 1.00. This implies that the relationship between the variables is significant as the R squared is not below 5% but at below and at exactly 1. The chi-square is at .000 and the significant level is 1.000. The Hosmer and Lemeshow statistics indicate a good fit where the significance value is not less than 0.05% indicating a relationship between bifurcation of executive duality and internal control system.

More so, statistical classification of the number of times the relationship is significantly validated revealed that executive duality was not bifurcated to relate to ICS (control environment {NEM, ROE} and control activities {VAM}) 5times out of 24 companies. This means 79.2% of the companies were correctly classified by the model. This implies that the model is correct. This is the final test for the rejection of the null hypothesis of the study which states:

Executive duality does not significantly relate and impact on the internal control system (control environment {NEM, ROE} and control activities {VAM}) of listed banks and insurance companies within dual sector industries.

It is clear from the discussion above that a significant relationship exists between the bifurcation of the role of the executive and the internal control system. However, this is the first aspect of the hypothesis testing as the need to establish whether this bifurcation impacts on the internal control system of banks and insurance companies is yet to be achieved. The one-sample t-test was employed to test for the significant difference of such bifurcation on the ICS and the results are presented. The table 4.2 below is the one sample statistics and test. The mean is at 30.85, the standard deviation is at 17.85 and the standard error mean is 3.64. The mean is larger than the test value of 4.00. However, this statistical difference can be interpreted to indicate there is a significant difference between the study variables but this is tied down to the need to validate the significant value of the p-value. The sample test contains the information about the impact. The t -value is 7.36 and the p-value is 0.001. Since the p-value is less than 0.05, the difference between the mean (30.85) and the test value (4.00) is statistically significant. The 95% confidence interval of the difference is 19.31 to 34.39.

Table 2

Variable	**Sample Statistics**				**One Sample Test**				
					Test value = 4.00			**95% Confidence Interval of the Difference**	
	N	Mean	Std Dev	Std Error Mean	T	DF	Mean Diff	Lower	Upper
VAM	24	30.855	17.859	3.645	7.366	23	26.855	19.313	34.396

Source: Extracted from SPSS output listing 2014

From the findings in table 4.2, the null hypothesis formulated for this study, which states:

H_{01} Executive duality does not significantly relate and impact on the internal control system (control environment {NEM, ROE} and control activities {VAM}) of listed banks and insurance companies within dual sector industries is rejected.

5. Conclusion

The aim of bifurcation of executive duality (ED) is to ensure that no one individual or related party has unfettered powers of decision making and implementation of such decisions by occupying the two positions at the same time. This was to further institute a robust and sustainable corporate governance structure for companies. This implied that the decision to formulate polies rest with the board of directors with the chairman as the anchor. Secondly, the decision to implement formulated policies rests with management in which the head of management (Managing director or Chief executive officer [MD/CEO]) is the anchor. However formulating and implementing decisions relies fundamentally on the internal control system

(ICS) which is a process affected by an organization's board of directors and all the levels of management designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with management policies.

This study set out to find out whether the bifurcation of executive duality ED significantly impacted on the internal control system ICS's (control environment {CE} and control activities {CA}) of listed Nigerian companies within dual sector industries? Findings of this study revealed that; bifurcation of executive duality significantly relates and impact on internal control system of companies within dual sector industries in Nigeria. This finding is in line with limited studies that have established significant relationship of specific corporate governance mechanism on internal control system (Hamid and Araga, 2009).

Based on these findings the study concludes that the control environment of the ICS was enhanced more towards clearly defined responsibilities, putting each function specified by the under the custody of a specific person while bifurcation took place. Furthermore, the control activities of the ICS was not impaired in the effective and efficient separation of duties of custody of resources from recording, authorization, approval and execution with a view to minimizing fraud and theft of business resources as a result of such bifurcation as these positions aided in value creation and distribution.

The implication of these findings is that bifurcation of executive duality promoted the ICS of listed banks and insurance companies. But it is important to note that, this study being a dual sector research within industries may have prevented the recognition of specific industry effects and actual impact of executive duality on internal control system of single industry. This is a possible area for future research in Nigeria.

Secondly, there is the need to carry out a similar research using both secondary and primary sources of data in order to achieve robust findings or results. Based on the findings of this study, it is imperative to recommend that, sustaining legitimate policies that translate into huge earnings, and create value to stake holders should be pursued by the management of these Banks and Insurance Companies.

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