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INTERNAL CONTROL SYSTEMS AND HOTEL FINANCIAL PERFORMANCE IN ABEOKUTA, NIGERIA

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ABSTRACT

The relevance of internal control system on financial performance of selected hotels in Abeokuta, Ogun State was determined in this study. Survey research design was employed for the study, and the population was selected from standard hotels operating within the study area. Primary data was generated through detailed questionnaire, while secondary sources of data include journals and internet materials. Frequency counts, percentage and multiple regression were used for data analysis. Findings revealed that internal control variables have positive influence on the financial performance of the hotels. The study concluded that internal control variables affect financial performance of hotels, which consequently enhance profitability. The non-existence or inadequacy of internal control systems could further have effect on the profitability and sustainability of the business.

Keywords: *Financial performance, hotel industry, hotel sustainability, internal control, risk assessment.*

INTRODUCTION

The survival of a corporate organization depends largely on the procedures and measures put in place to support the operations of the organization and assist to facilitate the attainment of its overall objective. The procedures and measures may include the following but not limited to; having policies and procedures for execution of business operations, establishing standards for human resource and competency development of employees, establishment of policies which govern organizational behaviour, having security measures to guarantee physical assets control, installing proper procedures for record keeping and accounts, defining the reporting relationship between the superiors and subordinates, installation of procedures for initiation and authorization of financial and non-financial transactions and the limit thereon as well as upper level of management supervision. Measures such as budgeting, performance evaluation, investment appraisal and internal audit are required to be implemented by corporate organizations in order to achieve their objectives, form the internal control system (Eke, 2018).

Rapid development in the tourism industry brought many changes in the field of hotel business around the world, showing that the experience economy has contributed a lot for the development of hotel industry (Nwokorie & Obiora, 2018). Still, businesses struggle to achieve their objectives due (mainly) to weak internal control systems. These internal control problem are more obvious in particular business sectors, such as the hotel business, which is one of the most growing sectors worldwide (Politis, Litos, Grigoroudis & Moustakis, 2009). Further, globalization, technological advancements, complexity of business, businesses failures and allegations of fraudulent financial reporting have shaped the ever-increasing attention to internal controls (Karagiorgos, Drogalas, Gotzamanis & Tampakoudis, 2009). Businesses without internal control would hardly achieve organizational objectives, and may have less prospects of detecting fraudulent practices, hence they suffer revenue leakages (Adeyemi, Akindele & Agesin, 2011).

Papastathis (2003) and Yayla (2006) revealed that poor revenue performance is the outcome of; low level of service quality, absence of measures that create long term relationship with customers, increase of misuse of revenue, and errors in operation. Similarly, Feng, Li and McVay (2009) found out that companies that disclose ineffective internal controls system have larger tendency of experiencing management errors in their operation than those firms that report effective internal controls system. Moreover, effective internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation, reduce chance of loss of revenue, as well as helping in meeting its revenue target level, profitability and improved assets (Beeler, Hunton & Wier, 1999; Fadzil, Faudziah & Hanim, 2005).

Eke (2018) opined that corporate organizations failed globally, in recent time, as a result of inadequacy of internal control within the organization. It is common knowledge that the collapse of some companies across the world, notable among which are Enron Energy Corporation, WorldCom, Tyco (in the US); Maxwell Communications Corporation, the Mirror Group Newspaper (in the UK); as well as NITEL and NAFCON (in Nigeria) was due to internal control failure and, by extension, corporate governance failure (Eke, 2018). Few years ago, Gateway Hotels (Abeokuta, Ijebu-Ode and Sango-Ota) and a number of hotels in Ogun State which were known to be performing excellently in financial terms collapsed irrespective of the existence of internal controls are expected to assist organizations (profit and non-profit) achieve their objectives. However, the collapse of corporate organizations in developed economies have raised concerns about the importance of internal control, especially as it affects the financial performance of business organizations.

Objective of Study

There appear to be little empirical evidence on this research area, especially in Nigeria, on the effect of internal control on financial performance of hotel establishments. Therefore, there is need to investigate the effect of internal control on the financial performance of hotel establishments and the nature of the relationship between internal control and financial performance of hotel establishments in the Nigerian context. Thus, this study evaluates the effectiveness of internal control systems on financial performance of hotels in Abeokuta, Nigeria.

LITERATURE REVIEW

Concept of Internal Control System

The American Institute of Certified Public Accountants (1949) defined internal control as the plan of the organization (and all coordinate measures) adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This definition also recognizes that a system of internal control extends beyond matters which relate directly to accounting and finance. A contemporary definition of internal control is that given by the Committee of Sponsoring Organization of the Treadway Commission (COSO). COSO (1992) defined internal control as a process effected by those charged with governance, management and other employees to provide reasonable assurance regarding the achievement of an entity's objectives in the following areas: efficiency and effectiveness of operations, reliability of financial information or reports, and compliance with legal and regulatory requirements. Eke (2018), citing Arens, Elder and Beasley (2003), argued that a system of internal control consists of policies and procedures designed to provide management with reasonable assurance that the company achieves its objectives and goals.

Objectives of Internal Control

The ultimate purpose of internal control is to facilitate the achievement of the objectives of an organization. COSO (1992) opined that internal controls are designed to achieve the following specific objectives:

i. Efficiency and effectiveness of operations
ii. Reliability of financial reports
iii. Compliance with applicable laws and regulations

Components and Measurement of Internal Control and Financial Performance

Internal control is made up of five interrelated components which can be used to measure the strength and quality of internal controls in any organization, and in hotels, specifically. These components as pointed out by COSO (1992) and cited in Meisser (2000); Millichamp and Tailor (2008); Eke (2018); Arens, Elder and Beasley (2003); BPP Learning Media (2010) and their measurement bases are discussed below:

Control Environment – The control environment includes the governance and management functions as well as the attitudes, awareness and actions of those charged with governance and management towards internal control and its importance to the organization. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is a foundation for all other components of internal control, providing discipline and structure. Thus, the control environment is the atmosphere created by management that shapes the way things are done and how organizational members behave towards the achievement of the organization's objectives (Eke, 2018). Factors which are often used to measure the strength and quality of an organization's control environment include: integrity and ethical values; commitment to competence; management philosophy and operating style; involvement of the board and audit committee; organizational structure; assignment of authority and responsibility; and human resource policies and procedures (Millichamp & Tailor, 2008; Eke, 2018).

Risk Assessment – An internal control system should be able to address risks relevant to achieving corporate goals. Business risk is any factor, pressure or force that may prevent an entity from achieving its objectives, operating profitably and surviving. Risk assessment is the identification and analysis of risks relevant to the achievement of corporate objectives, determination of how such risk should be managed and implementation of a process to address such risks. Factors which may pose risk to an organization and which serve as bases for the measurement of risk include: incompetent management and staff; legislation; poor strategy and financial structure; political changes; competition; technological changes; accounting pronouncements; natural disaster (BPP Learning Media, 2010).

Control Activities – Control activities are policies and procedures that ensure that management directives are carried out. They are on-going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transaction processing. Examples of control activities which also serve as indices for measurement of internal control include: segregation of duties, authorization, supervision, physical controls (security measures), and performance reviews (Eke, 2018; Nwokorie & Igbojekwe, 2019; Nwokorie & Obiora, 2018). *Information and Communication* – Information and communication system is the component of internal control which ensures

that the organization obtains pertinent information and communicates it to interested users. It involves communicating within the organization and with external parties. The information and communication system produce reports, containing operational, financial and compliance related information, that make it possible to run and control the business. The financial aspect of the information system includes procedures for initiating, recording, processing and reporting on the entity's financial operations or transactions. The effectiveness of an entity's (the hotel industry in this case) information and communication system can be measured on the basis of timeliness, use of internet or computer based devices in processing transactions and transfer of information, ease of dissemination of information as well as proper storage and retrieval of processed information (Obiora and Nwokorie, 2019).

Monitoring – Monitoring is a process that assesses the quality or effectiveness of internal controls over time. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. Devices used in monitoring internal controls which are also used to measure the quality of the monitoring system include budgeting and budgetary controls, performance evaluation, establishment of standards, internal auditing as well as top management supervision (Upadhaya, Munir & Blount, 2014).

Financial Performance – Financial performance is the ability of an organization to run its operations efficiently to be able to create profits (Sebbowa 2009.) Georgopolis and Tannebaman (1957), cited in Adebawojo, Enyi and Adebawo (2015), defined performance as the extent to which organizations, viewed as social systems, fulfil their objectives. Thus, performance can be viewed as a composite reflection of how well an organization attains its objectives. Stoner (2003) described performance as the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats. Performance is "doing today what will lead to measured valued outcomes tomorrow" (Lebas & Euske, 2002, 3). In essence, performance is the result of organizational activities over a given period of time. Financial performance is the degree to which financial objectives are being or has been accomplished (BPP Learning Media, 2016). That is, the ability of an organization to achieve its financial targets. Financial objectives include, but are not limited to, shareholder wealth maximization, profit maximization, revenue growth, earnings per share growth, restriction on the level of gearing as well as enhanced liquidity or solvency (BPP Learning Media, 2010; Pandey, 2010). Mishkin (2007), cited in Kinyua (2016), argued that financial performance is a measure of a company's policies and operations in monetary terms.

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 of time. 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, and 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. 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 hotels is measured using:

a. Total Revenue (TR): This is the sum of all the incomes generated by an organization from its normal (ordinary) operating activities (Nyankundi, Nyamita & Tinega, 2014). 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. Hotels generate revenue through accommodation services, sale of foods and drinks to guests (customers), rent of halls, car hire services, night club services, internet and business center services and cinema ticketing. The more revenue a hotel generates, the better it is said to have performed financially.

b. Profitability (Net Profit): Hotel establishments and many profit making organizations utilize accounting profit to measure their performance. Profit can be expressed as either gross profit or net profit. It is the excess of revenue over costs or expenses in a given period of time; usually one year (Etengu & Amony, 2016). The concern in this study is net profit which is measured as: *Revenue Less Cost of sales (or Direct Costs) Less Operating Expenses (Administration and Distribution Expenses).* Hotel establishments can be said to have performed well financially if the size of its net profit is large, that is, it makes sufficient revenue to cover its direct costs and operating expenses (Eke, 2018).

c. Return on Assets (ROA): Return on assets is a measure of the operational profitability of an organization in relation to the total assets it has. It reflects an organization's ability to deploy its assets profitably (Ezirim, 2004; Pandey, 2010). Thus, ROA is measured as follows: *Net Profit after Tax Divided by Total Assets*.

Liquidity – Hitt, Hoskisson, Johnson and Moesel (1996) mentioned current ratio (current assets/current liabilities) as a standard measure of liquidity in business organizations. It also emphasized the importance of current ratio as a measure of an organization's liquidity. It is the ability of an organization to be able to meet its obligations and hence meet the going concern principle (Adeyemi, Akindele & Agesin, 2011). In business and investments, liquidity is how easily an asset can be converted

to cash. Stocks are more liquid. At least if a stock becomes worthless than is paid, loss could deducted on the taxes (Adebawojo, Enyi & Adebawo, 2015). Furthermore, businesses use liquidity ratios to measure their financial health. The three most important are:

i. Current Ratio: Company's current assets divided by its current liabilities. It determines whether a company could pay off all its short-term debt with the money it got from selling its assets (Adeyemi, Akindele & Agesin, 2011).

ii. Quick Ratio: The same as the current ratio (only using just cash); accounts receivable and stocks/bonds. The business cannot count its inventory or prepaid expenses that can be easily sold (Hitt, Hoskisson, Johnson & Moesel, 1996).

iii. Cash Ratio: Like the name implies, the company can only use its cash to pay off its debt. If the cash ratio is one or greater, that means the business will have no problem paying its debt, and has plenty of liquidity (Adebawojo, Enyi & Adebawo, 2015). *Financial Reporting Reliability* – A reliability of financial reporting is dependent on the efficiency of internal controls that provide efficient transactions, effective book keeping and adequate system authorization. In addition, it is imperious that institutions have good disclosure of the summarized accounting information (Sebbowa, 2009). Generally, internal control system greatly influences the nature, type and quality of financial reporting. Dixon, Nanni and Vollman (1990) stated that when an organization has effective measures of performance, it is able to concentrate on achieving its goals and objectives. Mawanda (2008) posited that it is believed that proper internal controls lead to better financial performance, efficient reporting process, more reliable reports and increased financial accountability. One of the administrative responsibilities of the organization is preparation of trustworthy, accurate and timely financial information that enhance effective management of the organization.

Theoretical Framework

The ***Agency Theory***, developed by Jensen and Meckling (1976), viewed the firm as a nexus of contracts between different stakeholders of the organization. They pointed out that the owners and executives of an organization may have differences in opinion with regard to the best interests of the organization. The objective of agency theory is to determine optimal contracts between the principal and the agent. The agent tries to maximize personal gains by satisfying the principal's economic objectives and as such the agent's commitment level is a function of perceived reward value for satisfying the principal's objectives. The agency theory is based on the agency relationship. Jensen and Meckling (1976) pointed out that an agency relationship is one in which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. Perhaps the most recognizable form of agency relationship is that of employer and employee. Other examples include state (principal) and ambassador (agent); constituents (principal) and elected representative (agent); organization (principal) and lobbyist (agent); or shareholders (principal) and directors (agent). Thus, the relationship between the principal and the agent based on the contract is a focal point of agency theory. The principal wants to maximize his/her benefits while minimizing reward to the agent at the same time. On the other hand, the agent wants to maximize his/her benefits.

Stewardship theory emanated from a study by Schoorman and Donaldson (1997), in which a steward was defined as a person who ensures that the investor's wealth is well protected in order to maximize organizational profits. Donaldson and Davis (1991) stated that this theory focused on the ability of the management of the organization to align their goals with organizational goals. They further stated that stewards' satisfaction and motivation is driven by the success of the organization. Donaldson and Davis (1991) argued that effective stewardship requires employee empowerment and provision of independence based on trust. This theory states that for maximum wealth creation, there should be maximum interdependence between employees or management and investors. Fama (1980) opposes the myth that advancement career development is necessary for managers to be good overseers, while Shleifer, Andlei and Vishny (1997) claimed that the financial return given to the investors by the managers creates good reputation and it also encourages the investors to re-invest with them. In agency theory, Meckling and Jensen (1994) stated that agency cost is usually lower when the investors form part of the management of the organization for monitoring purposes. However, stewardship theory is complete opposite of the agency theory since it does not advocate for investors monitoring of the organizational performance through internal audit. Nonetheless, Donaldson and Davis (1991) further noted that better financial returns are experienced when these theories are jointly exercised in an organization. Based on this theory, this study works on the view that managers of hotels act as caretakers of suppliers, shareholders, consumers, creditors and employees of these organizations.

Empirical Framework

A number of studies have been carried out on internal control (as independent variable) and financial performance (as dependent variable) which are examined in relation to the current study, thus establishing a common ground and identifying differences.

In close relation to the present study, Frazer (2012) conducted a study on the effects of internal control on the operating activities in small restaurants to determine restaurants managers' perceptions of the internal control systems on the protection of assets, the segregation of duties, and the verification of transactions. The study revealed statistically significant

relationships linking perceptions of internal control systems in restaurant's with each of the three predictors: protection of assets, segregation of duties and verification of transactions. The results indicated that majority of the study group perceived restaurants' internal control system to inadequate compared to COSO Model.

Kinyua (2016) examined the effect of internal control systems on financial performance of companies quoted in the Nairobi securities exchange. The study was considered relevant to this investigation because it examined the impact of internal control on financial performance. 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. The findings of the study, suggest that internal control systems especially risk management, corporate governance, control activity, internal control environment and internal audit function are significant areas management of companies should pay great attention to in order to improve their financial performance.

The study of Nyakundi, Nyamita and Tinega, (2014) on the effect of internal control system on financial performance of small and medium scale business enterprises in Kisumu city, Kenya, 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.

In another study, Etengu and Amony (2016) 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 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.

Using the case study approach, the study of Ejoh and Ejom (2014) determined the impact of internal control activities on financial performance of tertiary institutions in Nigeria. The study revealed a 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.

METHODOLOGY

This study adopted a cross-sectional descriptive survey design since it provides a clear outcome and the characteristics associated with it at a specific point in time. The descriptive design was relevant for this study since it focuses at one point in time and does not require several rounds of monitoring. The descriptive survey attempted to document current conditions to describe what exists at the moment (Mouser & Katton, 1989). The target population for this study consisted of 100 employees of 20 (twenty) hotels within Abeokuta, Ogun State, Nigeria. A purposive sampling approach was used in this study to allow the research to pick concerned staff especially from the managers, accountants and administrative officers/receptionists, within the 20 hotels. To ensure that the sample size was representative of the population, the sample size was drawn from all selected hotels in Abeokuta, Ogun State. Primary data was collected using a semi-structured questionnaire. The questionnaire was the best data collection tool because the study participants are literate (Kothari, 2007). Data analysis is the process of data cleaning, coding and editing as well as error checking. Data was analyzed using descriptive analysis (mean and standard deviation). Multiple regression analysis was used to show the statistical relationship between the variables.

Model Specification

Based on the objectives, the model is explicitly expressed as;

$$Pr(TOTURN \leq 5|CC) = \acute{}_{1} - \hat{a}_0 - (CONENV\hat{a}_{CONENV} + RISKAS\hat{a}_{RISKAS} + MONITR\hat{a}_{MONITR})$$

TOTURN = Total Turnover / Revenue

CONENV = Control Environment; $\hat{a}_{CONENV}$ *= coefficient of*

CONENV RISKAS = Risk Assessment; $\hat{a}_{RISKAS}$ *= coefficient of*

RISKAS MONITR = Monitoring; $\hat{a}_{MONITR}$ *= coefficient of*

MONITR ¥ = threshold; $\hat{a}_0$ *= intercept;*

? = stochastic/error term

The study expects all the predictors in the model to have positive relationship with the total turnover/revenue of hotels.

DATA PRESENTATION AND ANALYSIS

Table 1: Demographic Data of Respondents

Demographics	Frequency	Percentage	Valid Percentage
Gender			
Female	55	55.0	55.0
Male	45	72.3	77.0
Total	100	100	100
Age			
18 – 24 years	52	52.0	52.0
25 – 30 years	27	27.0	27.0
31 – 35 years	8	8.0	8.0
36 - 40 years	9	9.0	9.0
Others	4	4.0	4.0
Total	100	100	100
Educational Qualification			
Secondary	52	52.0	52.0
Tertiary	37	37.0	37.0
Post Graduate	11	11.0	11.0
Total	100	100	100

Table 1 explains the demographic information of the respondents in the observed hotels. The table revealed that 55 respondents are female consisting of a percentage of 55% while 45 respondents constitutes male which holds a percentage of 45% of the total percentage. Therefore, most of the respondents are female consisting of 55 respondents. Also, 52 respondents are between the ages of 18-24years consisting of 52% of the total percentage, 27 respondents are between the ages of 25-30years with 27% of the total percentage, 8 respondents are between the ages of 31-35years consisting of 8% of the total percentage, 9 respondents are between the ages of 36-40years consisting of 9% while the remaining 4 respondents fall in the category of others consisting of 4% of the total percentage. Hence, most of the respondents are between the ages of 18-24years consisting of the highest frequency and the highest percentage.

Lastly in the demographic table is the educational qualification of the total respondents. It was revealed that 52 respondents are at the secondary level consisting of 52% of the total percentage, 37 respondents consisting of 37% are at tertiary level and 11 respondents consisting of 11% are at post graduate level. Hence, most of the respondents are at secondary level consisting of the highest frequency and the highest percentage.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.974[a]	.948	.942	1809.22818	1.304

a. Predictors: (Constant), Control Environment, Risk Assessment, Monitoring

b. Dependent Variable: Total Turnover

The above table reveals the R^2 with the value of 0.948 which indicate that 94.8% variation in Total Turnover is caused by control environment, risk assessment and monitoring. While the remaining 5.2% is attributed to the error term i.e. by some other explanatory variables not included in the model. The R^2 value also shows the strength of the model, the closer to one the better the result (Tabachnick & Fidell, 2007). The adjusted R^2 shows that after adjusting for the degree of freedom, the model could still explain about 94.2% of the systematic variation in the total turnover. In addition, Durbin (1970), states that when the Durbin Watson statistic value is above 0.5 or 50 percent, independent observation is assumed. In other words, there is no auto correlation among the residuals of the study. However, Durbin Watson with 1.304 reveals that there is absence of serial auto correlation.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1556983890.709	3	518994630.236	158.554	.000[b]
	Residual	85105972.036	26	3273306.617		
	Total	1642089862.745	29			

Source: SPSS Version 23.

a. Dependent Variable: Total Turnover

b. Predictors: (Constant), Control Environment, Risk Assessment, Monitoring

The ANOVA table reveals the overall significance of the model. It reports the F-statistics which is 0.000 and this shows that the overall regression model is significant. This conclusion was reached because the 0.000 is less than 0.05 level of significance. Thus, the ANOVA table shows that the variables employed for the study is fit for the model. This indicates that there is a statistically significant relationship between internal control and the achievement of the organizational objectives.

Table 4: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	703.753	490.987		1.433	.164
	Control Environment	30.887	3.135	.695	9.854	.000
	Risk Assessment	586.951	129.274	.323	4.540	.000
	Monitoring	-.352	.617	-.026	-.570	.573

a. Dependent Variable: Total Turnover

The table 3 above reveals the coefficient result of the estimated model in this study. Total turnover stood at 703.753 which implies that holding the independent variable constant, total turnover of the organisations will increase. The table also reveals that control environment with coefficient of 30.887 has positive relationship with total turnover which indicates that for every unit increase in control environment, there will be an increase in total turnover. Furthermore, the coefficient of risk assessment stood at 586.951 which means that risk assessment has a positive relationship with total turnover. This implies that for every unit increase in risk assessment, there will be an increase in total turnover. Monitoring with the coefficient of - 0.352 has a negative relationship with total turnover. This indicates that for every unit increase in monitoring, there will be a decrease in total turnover.

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of internal control on the achievement of the objectives of an organisation using different standard hotels in Abeokuta, Ogun State. The study reveals that both control environment and risk assessment, has positive relationship with total turnover while, only monitoring has a negative relationship with total turnover. Also, the study further found that control environment and risk assessment, are statistically significant while monitoring is statistically insignificant. This means that control environment and risk assessment has a significant impact on total turnover while monitoring has an insignificant impact on the total turnover. However, the ANOVA results which measure the overall significance of the model revealed that internal control variables has significant impact on the total turnover of organisations. Prior to this findings, the study recommends the following:

a. Management of Hotels should continually imbibe the attitude of designing and maintaining sound control environment as the success of their business depends to a significant extent on the strength of the control environment. This can be done by ensuring that: there is a culture of integrity and ethical behaviour within the organisation, the directors and audit committee meet regularly to appraise the performance of the organisation, competent personnel are engaged and their competence continually improved to make them perform better as well as designing appropriate human resource policies to motivate employees.

b. Management and those charged with governance of Hotels should always be alert to all possible circumstances (business risks) that may threaten the entity's ability to achieve its objectives. This can be achieved through regular assessment of the operating environment of the organization to identify threats arising from competition, legislation, technological changes, etc.; the internal audit unit can assist in this regard.

c. Hotels should strive towards expanding their operations, adjusting to government policies, adequate monitoring and technological changes as these factors significantly influence financial performance.

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