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# Internal Audit Practices and Financial Performance of Listed Commercial Banks in Nigeria

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***Abstract***: *This study examined the relationship between internal audit practices and financial performance of listed commercial banks in Nigeria. The objectives of the study determine the extent to which internal audit affects financial performance of listed commercial banks in Nigeria. Two (2) hypotheses were formulated for the study. The study covers a period between 2012-2021, and primary data was collected from 162 employees across the thirteen listed commercial banks in the Nigerian stock exchange, which were randomly sampled. The study identifies internal control and risk management as an important internal audit practice measures that enhances banks' profitability. The data was analyzed using the Spearman Correlation Coefficient technique. The study established that, internal audit can be effectively managed through sustained internal control, and effective risk management, while financial performance is enhanced by shareholder's value, through dividend payout. The study therefore concludes that, there is a significant relationship between internal audit practice and financial performance of listed commercial banks in Nigeria, and recommends that, commercial banks should review their credit management processes to enhance risk control through effective risk assessment, commercial banks should enhance their internal reporting process to provide adequate information on audit findings to be able to assess, evaluate or identify issues, that can threaten the profitability of the bank, and internal control should be up graded to sustain better dividends for their shareholders, so as to boost their total revenues, for better customers satisfactions of banks in Nigeria.*

***Keywords:*** *Dividend payout, Financial performance, Internal audit practices, , Internal control, Risk management, Shareholder's value.*

## INTRODUCTION

Internal audit has documented a number of quality practices that influences firm's outcome. Popular among these practices, are internal control, risk management and internal reporting. Internal control is thought to affect firm's performance because organizational resources can only activate return when their use and application are adequately directed through providing the right rules, principles, policies procedures and method. This means that, internal audit provides oversight function that corrects actions that are not beneficial to the organization and responding to changes and to adjust organizational members' actions to align with the corporate direction by implementing good corporate governance (Saftiana, *et al,* 2017). This place a significant role in the achievement of corporate object and it enhances their survival (Yeboah, 2020) and strengthens the accounting system control interaction for enhanced business performance (Mutua, 2015).

Among the functions of internal audit, control is the primary, and risk management is the last function of internal audit practice while internal reporting occupies an important place among the various techniques which are used in performing these functions. According Unegbu and Obi (2012), internal audit is part of the internal control system put in place by management of an organization to ensure adherence to stipulated work procedure and to aid management achieve desired objectives. They believe that internal audit measures, analyses and evaluates the efficiency and effectiveness of other controls established by management in order to ensure smooth administration, control cost minimization, capacity utilization and maximum benefit derivation.

Internal audit practices, reduces information asymmetry and protect the interests of the various stakeholders by reducing the risks of significant misstatements and ensuring that the operational activities are executed according to preset rules and regulations. This is because they provide objective and independent appraisal service within an organization, and the personnel of the internal audit department must possess professional skill that is capable of providing systematic and disciplined evaluation of policies, procedures and operations to ensure that objectives are achieved and able to make recommendations where necessary (Dumitrescu, 2004).

Internal audit practices normally are affected by different factors such as management influence and organizational member's opportunistic behavior. The ability to keep this on check depends on control and risk management. Therefore, all financial interactions and engagements need to go through the internal audit department to evaluate its risk potentials, especially for banks. Many organizations do not appreciate this important function of internal audit as such had limited their ability to produce desired result. In most organization the function of the internal audit unit had continued to be limited with conservatism as management supervision causes great influence on the ability of internal audit to sustain the required enterprise operational performance which subsequently influences the overall organizational performance (Richter *et al*., 2017).

However, the inability for the bank to identify this risk and control the actions might result to financial crisis along their corporate value chain with increasing operational cost (Dandago *et al*., 2012). Thus, failure to adequately manage risk in the bank is consequential to the bank's survival as the bank operating efficiency will be adversely affected with increasing bad debt, doubtful debt, loss of customer and loss of asset (Cenfetelli *et al.,* 2011; Gorla *et al*., 2010; Shagari *et al*., 2017). Therefore, identifying risk exposure is the starting point of risk management (Adamowicz, 2018). As such bank must adopt internal audit to monitor, check and control operational activities and to align work operation to corporate objective, providing oversight function to identify risk, set control measures to prevent the risk from occurring. Providing supervisory role that sustains loss prevention, improving efficiency in the use of resources and reduction of risk, by reinforcing management and audit committee (Hutchinson *et al.,* 2009: El-Gammal, *et al*., 2012).

Internal audit in the bank provides a well-structured process on the tracks event and collate information concerning customer and sort to detect and reports material misstatements (including intentional and unintentional errors) of financial statements, reduces information asymmetry between management and shareholder's Value (Chen, 2005). However, banks in Nigeria are faced with debt management crisis, which has resulted in loss of opportunities and loan fund with reluctant increase in operational costs Dandago *et al*. (2012). The banking environment is volatile and has fought with risk and the risk factor is very high arising from both internal and external environment, which most at times arises from organizational members and customers. This risk includes counting error, paying wrong account, over payment and the inability to repay loan. Banks must adopt internal audit to provide control and monitor operational activities and align them to corporate objectives. Issuing of loan, has the risk of failure to repay; thus, it is necessary to provide a mechanism to evaluate customer ability to repay loan and credit, which helps the bank to identify the risk and control actions that can result to loss of fund and increasing operational cost (Dandago *et al*., 2012).

These activities are the essential aspect that sustains enterprise performance. According to Adebawojo *et al*. (2015), performance is the extent to which organizations are viewed as social systems that strive to fulfill their objectives. This relates to the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats, and performance is "doing today what will lead to a measured valued outcome tomorrow" (Lebas & Euske, 2002). Providing a range of means, behavior, procedures and actions to evaluate specific circumstance ensuring approvals, and authentication of transaction record and proper book keeping to enhance preventive and detective control (Galloway, 2003). In the same vain audit ensures that control is enforced such as segregation of duties which is an essential tool for reducing risk of manipulations, accidental error and increase of check mating their affairs (Owusu-Ansah, 2019).

**Statement of the Problem**

Banks as institutions are seen as development partners in every economy. They play central role in creating mediating balance between the surplus and deficit unit. They collect money from the surplus unit and give it to the deficit unit. Internal audit practice in banks provides essential oversight functions that sustains risk management, control and adequate reporting to communicate operational activities to reduce organizational members opportunistic behavior while enhancing employees effectiveness and efficiency, to reduce errors, losses and waste or mistakes, and to align operational performance or activities to organizational objectives, while strengthening the accounting system control interaction for enhanced business performance (Mutua, 2015).

The reason for the use of internal audit is not connected to arising risk of loss of fund due to loan and other internal employee opportunistic behavior which results to increasing bad debt, doubtful debt, loss of customer and loss of asset (Cenfetelli *et al,* 2011; Gorla *et al*., 2010; Shagari *et al* ., 2017), as well as increasing operational cost (Dandago *et al.,* 2012). The result effect had been consequential with several banks liquidating, while some were taken over. This increase in banks failure is a motivational factor for this research work. In these regards, the researcher sort to know why despite the presence of audit services corporate organization, they still witness financial crisis and corporate collapse with persistent poor performance, why they are still manifesting in several ways in our industrial operations (Soyode, 2001; Utomi, 2003).To that end, adequate emphasis has been made on the proxies such as shareholders value, for internal control and risk management for the firm's financial performance, thereby creating a gap in this study.

## LITERATURE REVIEW AND HYPOTHESES

### Theoretical Underpinning

This study is anchored on the policy theory.

### The Policeman Theory

The policeman theory was propounded by Professor Theodore Limperg in 1985, and it recognizes the auditor as a watch dog who is responsible to search, discover and to prevent fraud through an independent evaluation exercise as a watchdog to the organization (Ittonen, 2010). The policeman theory sees review and evaluation of work done as important to ascertaining the accuracy and correctness of the work done by the employee. Therefore, the organization need to provide an activity stream that will be responsible for monitoring and checking correct and accurate application of resources, and to reduce risk use of resources and provide safeguard. These activity streams include internal audit function, risk management and internal reporting, and this activity enforces the provision of reasonable assurance on the quality of the financial statement produced by the organization.

Thus, organizations are obliging as a duty call to provide all necessary safeguard to reduce risk within the corporate value chain. Based on policeman theory, organizations use internal audit practices to manage their expected performance. This is because the performance of the organization is the ultimate expectation of the stakeholders which influences their decision. The policeman theory holds that the activities of the internal audit conform with identifying and upholding the actual organizational performance so as to sustain control. Organizational activities need to be evaluated and checked against errors, misstatement as employee has the tendency to manipulate the system. Specially, as employees engage in the practices that limits organizations objective achievement, as such internal audit practice provides reasonable assurance to prevent self-sufficing attitude to sustain adequate safeguard.

Internal audit practice is one of the control mechanisms put in place to enhance the application of financial skills and competence of official undertaking financial activities to bring positive impacts on financial performance. Thus, the growth seeking nature of the stakeholder demands that the financial statement should produce quality information, and the organization cannot afford to produce statement that are not reliable as such the policemen theory protects the interested parties.

**The Concept of Internal Audit Practices**

Internal audit practice had been defined severally; The Institute of Internal Auditors (UA) in Whittington and Panny (2001) defined internal audit as an independent, objective assurance and consulting activity designed to add value and to improve an organization's operations. Its function helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. In his view Millichamp (2002), saw internal audit as an independent appraisal function established by the management of an organization, for the review of the internal control system as a service to the organization. Thus, it examines, evaluates and reports on the adequacy of internal control; through this it contributes to the proper, economic, efficient and effective use of resources.

Similarly, Kiabel (2009) recognizes internal audit as the independent appraisal activity within an organization for the review of, and other operations as a basis for control service to management. The independence of internal audit makes them to be unbiased in its operation with proper reporting arrangements and this clear mandate enhances the effectiveness of Internal Audit. Similarly, their independence gives them a level paying ground to be efficient in risk management process through joint risk management framework and evaluating operational efficiency in the company to providing recommendations on its improvement. As such internal audit provides assurance on the efficiency of risk management system and other value-added activities participated for the improvement of the operations in the company.

**Internal Control**

One of the key components of internal control is control activities whose procedure include segregation of duties and this control procedure is adopted by many companies by increasing employees' commitment and preventing various frauds contrary to the process of achieving the common corporate objectives and it reduces the risk of internal manipulations, accidental error and increases the element of checking ((Rentor, Setiawa *et al*., 2017; Owusu-Ansah, 2019).

Internal controls play an essential role in every company's success, yet many business owners don't have a clear understanding of what they stand to benefit or why they are important. The role of internal control includes in the prevention and detection of fraud and errors to ensure the accuracy of financial results. This is affirmed by the declaration of Ibrahim, et al, (2017) who assert that specific mandates are assigned to the department which includes verification whether expenditures conform to stated objectives and activities for which funds are released, to prepare periodic audit reports and a few others. Thus, organization should design their internal control process to ensure reliable financial reporting, effective and efficient operations, compliance with applicable laws and regulations, and this need to be supplemented by an effective control environment that ensures that established policies and procedures are followed.

Therefore, internal controls should be both effective and efficient for every organization particularly the bank. It is essential for a company's management team to carefully design an internal control structure that addresses the risks to the organization through systematic process to identify deviations, waste and loss without burdening it with unnecessary costs and effort. This can be supportive to external audit function as internal controls can provide reasonable assurance about achieving objectives regarding, effectiveness and efficiency of operations, Reliability of financial reporting, Safeguarding of assets, and the Compliance with applicable laws and regulations.

According to Ibrahim *et al*. (2017) It is believed that properly designed and enforced internal control systems will normally lead to better financial reporting procedures as well as giving rise to a reliable report that improves management accountability function of an institution (Doyle *et al.* 2007). Thus, the importance of internal control is crucial to the success of any organization or business. Therefore, internal control as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a process, affected by an entity's board of directors (trustees), management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives of, effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Thus, it is very important to review the internal control structure of a firm and by monitoring the different operations regarding the information system and control procedures to sustain the assurance. The three major types of internal control are discussed as follows:

**Detective-** Detective internal controls are responsible for detecting and highlighting the loopholes that occurred within the organization;

**Corrective-** Corrective internal control is responsible for making sure that the issues and irregularities highlighted in the previous step are corrected;

**Preventive-** This type of internal control tries to make sure that errors and irregularities are avoided in the first place;

There is internal control framework which consists of five key components available for organizations to use which includes,

**Control environment**, which is the processes in place to carry out internal controls;

**Risk assessment** which is the process for identifying risks;

**Control activities**, which is the activities that mitigate risks;

**Information and communication** which is the process of sharing internal and external information;

**Monitoring** which is evaluating the effectiveness of internal controls.

**Risk Management**

Risk is one element that cannot be avoided in every business function as there are several risk factors along the corporate value chain which can affect the business (Acharyya, 2008). Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risks, accidents, natural causes and disasters as well as deliberate attacks from an adversary. According to Mohammed and Knapkova (2016) risk management is a systematic approach to alleviate negative consequence of any specific phenomenon. To them the approach of defining risk from only down perspective could leads to risk aversion and Risk aversion can be an individualistic

.

Risk is defined as an unexpected event or condition that might have either positive or negative effects on project objectives (Eldash, 2012; George, 2018). Risks include circumstances or situations, the existence or occurrence of which, in all reasonable foresight, results in an adverse impact on any aspect of the implementation of the project (Srinivas, 2019). Thus 'risk management' refers to the systematic application of principles, approach, and processes to the tasks of identifying and assessing risks, and then planning and implementing risk responses. This means risk management strategy can obviously improve the organizational performance and project's success, as such it is important to appraise the RM's performance on regular basis (Rahmana & Adnan, 2020). That is providing continuous risk management by identifying, assessing and controlling threats to an organization's capital and earnings. Risk management provides assurance that organizational exposures regarding risk are properly managed and understood, as such internal audit need to play a vital role in monitoring the risk profile of a company. Thus, risk management should identify risk areas in order to better the risk management procedures (Lindow & Race, 2002).

An internal audit can be helpful for organizations in identifying and evaluating risks and putting the profession at the front line of the risk management, and with the help of risk management, the complex structure of the financial markets and the effect of globalization had been kept under control. Similarly, though globally harmonized legislations and more effective supervision requirements on financial activities there had been sustained risk management process which not only has improved organizational outcome but had become the basic function that guides decision making in banking sector as a result of more focused supervision and monitoring (Yaylali & Safakli, 2015).

However effective risk management had provided a risk management mix that can add value to any organization, in particular, companies operating in the investment industry such as stock market and the banks relies heavily on risk management as the foundation of effective resource management that allows them to withstand market crashes. Similarly, an effective risk management framework seeks to protect an organization's capital base and earnings without hindering growth.

**Concept of Financial Performance**

Financial activities are generally related to exchange activities which areundertaken by individuals, groups, communities, nations and even business organizations. According to Posthuma (2013), performance is considered as the ability to operate effectively and efficiently, to generate profit, survive and react to the opportunities and threats in the environment. Similarly, Similarly, Adelana (2020) assert that financial Performance relates to the attainment of a given task measured against predetermined standards, and these predetermined standards are used to gauge organizational actual outcome. That is why Performance measures are developed as a metrics along which the organization can be gauged through their performance level andto ascertain how well the organization had carried their activities within a set time period. Financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability.

**Shareholders Value**

There has been as considerable managerial interest in shareholders' value and its management (Pandey, 2005), this is because shareholder's value relates to the present value of the expected future payoffs to shareholders (Lee,2014). Thus, expected stock value attracts shareholders' investment, as such audit practice has a significant connection to share prices (Hoti, et al, 2012). This makes individuals and enterprises put pressure on audit quality as it enhances the shareholders' value.

According to Pandey 2005) a common measure for shareholder's value creation is the comparison between the market value and book value per share and that when the market value exceeds book value shareholder's value is created. Shareholders value provides understanding of how the company's value works, it is an important element of enterprise decision making, it provides the basis to sustain enterprise on the long run., and shareholders' value also enhances the enterprise value and attracts investment.

A **dividend** is a portion of a company's profit paid to shareholders in return for their investment, and they are paid on a quarterly or annual basis. The **dividend payout** ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. A Dividend Payout Ratio (DPR) is the number of dividends paid to shareholders in relation to the total amount of net income, and net Income is a key line item, not only in the income statement, but in all three core financial statements, and it is arrived at, through what the company generates.

**Empirical Review**

These studies examined the effect of internal auditing on organizational performance:

Baharud-din *et al.* (2014) investigated the factor that contributes to the effectiveness of internal audit in the Malaysian public sector. It was to determine the auditors' perception towards the effectiveness of internal audit work, influenced by the quality of audit work in order to perform in an effective manner as control instrument in public financial management. It also aimed to determine the relationship between factors that contribute to the effectiveness of internal audit works in promoting better transparency and integrity of public management. The scope of this study covered the internal auditors that work in the ministries in Putrajaya. This study employed a cross sectional survey to investigate the effectiveness of internal audit. Several statistical techniques such as the descriptive statistic, correlation and regression analysis were used to analyze the data from the survey. The result of the study showed that there were significant positive relationships among the factors analyzed in the study such as auditor's competency, auditor's independence and objectivity and management support to the effectiveness of internal audit. Thus, the effectiveness of internal audit will depend strongly on the attributes of the factors analyzed in this study.

Alzeban and Gwilliam (2014) assessed factors influencing internal audit effectiveness (IAE) in Saudi Arabia. Data were obtained from 203 managers and 239 internal auditors from 79 Saudi Arabian public sector organizations. Multiple regression analysis examines the association between IAE and five principal factors. Results suggest that management support for IAE drives perceived effectiveness of the internal audit function from both management's and the internal auditor's perspective. Management support is linked to hiring trained and experienced staff, providing sufficient resources, enhancing the relationship with external auditors, and having an independent internal audit department. Saudi Arabia is representative of many developed and developing environments, and its recent tradition of governance and audit is mirrored in countries worldwide. Moreover, its specific cultural traditions involving clan and tribal allegiances, and pervasive and core religious beliefs, characterized the GCC countries, the Arab World generally, and indeed, many other developing countries, irrespective of wealth. Thus, links between management support and internal audit effectiveness are likely generalizable beyond the Saudi public sector context.

Onumah *et al.* (2012), examine the effectiveness of internal control systems of listed firms in Ghana. The study used annual reports of a sample of 33 firms listed on the Ghana Stock Exchange. In measuring the level of internal control effectiveness, 23 items relating to internal control categorized under control environment, information and communication, risk assessment, control activities and monitoring were operationalized and the effectiveness score was determined based on the items under each categories was scored beginning from 1 suggesting the ICS is ineffective to 5, indicating the ICS is very effective. A total value was then determined by summing up the scores for these items for each component. The results from this study showed the average level of effectiveness of internal control is low, and the level of control environment is showed a higher level of effectiveness. The study recommends management of those listed firms must therefore act swiftly and appropriately to implement improvements in the effectiveness of their control systems.

Cooper and Craig (1983) investigated the role of internal audit in the Asia Pacific region in seminal research on internal audit in Australia found a number of issues that were of concern to the profession. It was found that there were a number of misconceptions about what internal auditors were doing and what their chief executive officers (CEO) perceived was being done and in fact there were expectations by the CEO's that internal audit could do more than the traditional financial auditing work mainly being done at the time. There was nevertheless strong support 16 for internal audit by CEO's and at the time it was seen as offering long-term career prospects. However, the profession in Australia in the early 1980's suffered from an image problem, it did not have a strong professional body to represent its interests as it has now, and there were no generally accepted professional qualifications recognized as necessary to practice as an internal auditor. The study was undertaken before the development of modern 15 internal auditing, as we know it now. It did, however, set the scene for a number of subsequent studies in Australia, Hong Kong and Malaysia.

Eden (1996) assigned 224 bank branches to experimental conditions (audited or not audited) and monitored their performance for a year. Their findings showed that performance significantly improved during the half year following the audit in the experimental branches, while the control branches experienced a decline due to poor general business conditions. While that study offers a useful jumping-off point for understanding how good auditing can improve a company's performance, it does not go far enough in explaining when and why internal audit works, and the conditions that facilitate or impede it. Helping to bridge this gap will be one of the main contributions of this study.

**Knowledge Gap**

A modest number of research works exist in audit practice, both conceptually and empirically. There are studies on both manufacturing and service sector in different parts of the world and Nigeria on audit practice. However, there is less research that focused on internal audit practices and financial performance, that used proxies such as internal control, risk and shareholders value, and also, none of the studies review, captured the moderating effect of financial discipline on audit practices and financial performance. This presents a gap in knowledge and therefore necessitates the need for the present study. This presents a gap in knowledge and therefore necessitates the need for the present study.

From the review of literature, the following hypotheses were stated to guide the study:

$H_{01}$: There is no significant relationship between internal control and shareholder's value.

$H_{02}$: There is no significant relationship between risk management and shareholder's value.

**METHODOLOGY**

The research objects are the internal control practices and financial performance of listed commercial banks in Nigeria. The study considered survey and descriptive design, appropriate to assemble information from a large population for this research work. The population of the study is made up of thirteen (13) listed banks on the floor of the Nigerian Stock Exchange (NSE) as at 2021 and has consistently submitted their annual reports to the NSE from 2012 to 2021. The study assessed 188 as respondents drawn by means of simple random sampling method In this study, both primary and secondary data was used. Structured questionnaires were used to collect primary data. The questionnaires were self-administered to the respondents. The self-designed questionnaires were designed based on the objectives of the study to collect primary data on internal control practices and financial performance. Similarly, secondary data for 10-years period was obtained from listed commercial banks in Nigeria, which relates to net profit margin, and dividend payout. The data is then tested for its validity and reliability so that the data is valid to be processed. Then the data is analyzed descriptively in order to describe the characteristics of each variable. The data was analyzed using regression analysis.

## RESULTS AND DISCUSSIONS

**Table 1; Bivariate Analysis on the Relationship Between Internal Control and Shareholders Value**

**Correlations**

| | | SHV | IC |
|---|---|---|---|
| SHV | Pearson Correlation | 1 | .565** |
| | Sig. (2-tailed) | | .000 |
| | N | 162 | 162 |
| IC | Pearson Correlation | .565** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 162 | 162 |

**. Correlation is significant at the 0.01 level (2-tailed).

This Table 1 reports the result from the tested hypothesis one revealed that, internal control correlates with shareholder's value at (.565) when the P-value is .000 < 0.01. This indicates a positive and significant relationship. Thus, the study rejected the null hypothesis and decided that there is a significant relationship between internal control and shareholder's value.

**Table 2: Bivariate Analysis on the Relationship Between Risk Management and Shareholder's Value**

**Correlations**

| | | SHV | RM |
|---|---|---|---|
| SHV | Pearson Correlation | 1 | .767** |
| | Sig. (2-tailed) | | .000 |
| | N | 162 | 162 |
| RM | Pearson Correlation | .767** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 162 | 162 |

**. Correlation is significant at the 0.01 level (2-tailed).

This Table 2 reports the result from the tested hypothesis one revealed that, risk management correlates with shareholder's value at (.767) when the P-value is .000 < 0.01. This indicates a positive and significant relationship. Thus, the study rejected the null hypothesis and decided that there is a significant relationship between risk management and shareholder's value.

**Summary of Findings**

Table 3 shows the summary of the tested hypotheses which provides better understanding of the hypotheses tested.

**Table 3: Summary of Findings and Interpretation of the Tested Hypotheses.**

| Statement of Hypotheses | Correlations | P-value Results | Interpretation | Decision |
|---|---|---|---|---|
| $H0_1$ | $.565^{**}$ | P-value 0.000 < 0.01 | Moderate Relationship | Rejected Ho |
| $H0_2$ | $.767^{**}$ | P-value 0.000 > 0.01 | Strong Relationship | Rejected Ho |

**Source: Research data, (2023).**

The correlation result shows the relationship between internal audit practices and financial performance of listed commercial banks in Nigeria. The 0.565coefficient of determination indicates a very strong impact of internal control practices and financial performance in Nigeria. The P-value is 0.000 indicates significant relationship between the study variables. Also, 0.767 coefficient of determination is an indication of a moderate impact of internal audit practices and financial performance of listed commercial banks in Nigeria, and the P-value is 0.000 indicates significant relationship between the study variable.

**CONCLUSION AND RECOMMENDATIONS**

Sequel to the above findings, the study shows that internal control and risk management had significant effect on banks profitability through shareholder's value. The study therefore concludes that, there is a significant relationship between internal audit practices and financial performance of listed commercial banks in Nigeria, and recommends that, commercial banks should review their credit management process to enhance risk control through effective risk assessment, commercial banks should enhance their internal reporting process to provide adequate information on audit findings to be able to assess, evaluate or identify issues, that can strengthen the profitability of the bank, and internal control should be up graded to sustain better dividend payout of banks in Nigeria and the world at large.

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