

**IMPACT OF INTERNAL AUDIT ON CORPORATE PERFORMANCE IN SELECTED  
LOCAL GOVERNMENT AREAS OF KWARA STATE, NIGERIA.**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND  
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THE REQUIREMENTS FOR THE AWARD OF THE DEGREE IN BACHELOR OF  
SCIENCE IN ACCOUNTING AND FINANCE**

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## **CERTIFICATION**

This Research Project titled “**Impact of Internal Audit on Corporate Performance in selected Local Government of Kwara State Nigeria.**” by Olanrewaju Favour Ayobami meets the regulations governing the award of the degree of Bachelor of Science of Thomas Adewumi University and is approved for its contribution to knowledge and literal presentation.

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**Supervisor**

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## **DEDICATION**

I dedicated this research project to God Almighty, the one who was, who is, and who is to come, who has seen me through my journey of years. For the wisdom, knowledge and understanding he bestowed upon me through my education journey. His name alone is praise.

## **ACKNOWLEDGEMENT**

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My appreciation also goes to everywhere I got my materials to put up my project writing.

## **ATTESTATION**

**I hereby attest that the research work was carried out in the Department of Management  
and Accounting.**

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**Ag. Head of Department**

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**ABSTRACT**

This study sought to analyze the impact internal audit corporate performance of selected Local Government areas of Kwara State in Nigeria. And this study affirms that the inability of Internal Audit to function as resulted incomplete records of book-keeping, frauds and insufficient skilled laborer.

The methodology adopted was survey method to collect primary data using a structured questionnaire. The technique used was a purposive sampling technique in which the researcher chooses those to fill the questionnaire and out of all the workers in the selected Local Government areas 100 people were randomly picked to fill out the questionnaire. Data was analyzed using percentage, and tables with statistical package for social science (SPSS).

The findings revealed that, the internal audit impact has no significant relationship on corporate performance of selected Local Government areas of Kwara State in Nigeria.

It was therefore concluded that, the selected Local Government should give room for mobility and orientation, allowing the internal audit unit to do their job effectively and efficiently because this is a major factor that affect their corporate performance.

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**CHAPTER ONE**  
**INTRODUCTION**

**1.1 Background to the Study**

Public sector (Government) is organization not privately owned, whose control and operations lies in public hands and its objectives involve provision of services to satisfy the general public. The Government institution is made up of business entities such as Utility firms, Mail and Railway services, Postal services etc. that form part of a country's economy and their activities are regulated by acts of parliament making their accounting process, objectives and decisions making to be specifically determined by the people that established it. (Nutt, 2016).

Public sector basically is institution of government established to provide services above the private use. The very essence of their existence is to serve the general public irrespective of status. They specifically operate in a regulated system within the rules of the government that established them because they are financially dependent on the government. Based on the objectives and the system of operations their accounting strategy is more historic than the private sector which the organization was established by individuals for the sole aim of profit making (Gullin, Meyer, 2019 & Pollitt, 2020). While the Public sector (Government) concentrates and is accountable to the public for funds used which is gotten from the funding source, the government, in form of taxes, grants the premise of emphasis is on accountability and service provision, responsive leadership in running the public sector is paramount. The idea is that the public sectors mainly concentrate on matching revenue and expenditure to maximize profit which is their basis of existence and continued sustainability.

All over the world, the public sector has not been known for wealth creation but for institutions of government that drains government budget thus creating budgetary strains and an unavoidable burden on the economy. The public sector was the traditional structure of the world's economies for instance in Nigeria the public sector emerged as a result of the need to harness rationally the scarce resources to produce goods and services for economic improvement

as well as for promotion of the welfare of the citizenry. The involvement of the public sector operations in Nigeria became significant during the period of independence starting with the emergence of the railways which were conceived at the time to be colonial strategic and administrative needs: they quickly acquired the dimension of an accepted economic utility for transporting the goods of international commerce such as cocoa, groundnuts and palm kernels (Aboyade, 2015, Nwoye, 2015 & National Productivity Centre 2017).

Other social services like education and health at the time were still left in the hands of the Christian missionary but even at that the government moved positively into some of the direct productive sectors of the economy: the stone quarry at Aro, the colliery at Udi, and the saw mill and furniture factory at Ijora. The emergence of the crude oil industry into the economy with its associated boom intensified government involvement in production and in control of the public sector and convert as much as possible the growing oil revenue into social, physical and economic infrastructural investments (Yahaya, 2017).

The interests of the government in forming public institutions necessitated accounting processes and regulation in the 18<sup>th</sup> century during the French trade law which later became the modern trade laws of European nations popularly called (community laws) (Gullin, 2020). This was based on the magnitude of the investment of government companies which could not be neglected because its accounting process is to be adopted by the government that established it. The government therefore expects different ministries, agencies, and departments that make up the public sector to disclose their cost and financial statements in preparation to be discussed at an organized briefing by the heads of such agencies and the government regulators. This made the public sector accounting be established based on the business accounting procedure- to re-

examine how assets and liabilities changed over time based on former public finance processes (Wood, 2016, & Ryosuke, 2012).

There have been approaches to present a nation's economic statements through a standard accounting method and this led to the disclosure of stock information based on assets and liabilities and cash information within the budgets and annual estimation by the procedure in business accounting through the use of cash basis and annual estimated budgets with the approval of the instituted body (Graham & Ryosuke 2012). Based on this understanding the need for public sector accounts to be disclosed at any given point became necessary and paramount and as such information is usually presented in their annual estimated budget and accounts statements.

In order to comply with public service policies and financial regulation, the public sector have to make sure its accounts are readily available to the public who subsequently are their stakeholders and this is in contrast with the private sector which focuses on expenditure and income to evaluate profit and re-strategize for improved marketing for a new period and better outing. For the public sector it is mandatory to present its accounting processes in a clear and unambiguous manner in their various annual reports during the period of AGM- Annual General Meetings usually at the beginning of the half year (July). There must be the certification of the Auditor General and such information as included which will contain, financial statements of income, cash flows, changes in tax payers' equity and other relevant information regarding their operations within the period under review (Napier & Noke 2017).

The public sectors are duly subject to standing orders without which the accounting process will be declared null and void. With this analysis in focus, the tendency is that the operations of the public sector and its accounting processes is quite a challenge than the private

sector hence calls for reforms of the public private partnership to enable the public sector conduct its operation with less bureaucracy and also seeks to maximize profit like the private sector if not to also increase revenue to its founding fathers the government. It is on this basis that the public sector decision making is viewed with utmost sense of neglect because the hierarchy is only interested in continuum without making the necessary effort to accelerate different ministries, departments and agencies of government for improved growth and competition which could also garner growth and development within the polity.

The argument here is that for the mere reason that the public sector occupies a major section of the economy, its operation should properly be guarded for accountability to yield income for the government and increase government revenue to offset its bills in the form of salary payments, considering government as the largest employer of labor, to the provision of needed amenities and infrastructural facilities aimed for development which government complains cannot be provided sufficiently because of the inadequacy of income from taxes making some of this provisions in dearth.

Established through public services acts for the public who are the stakeholders, the public sector, for instance, Nigerian Railway Corporation, Nigerian Ports Authority, and so forth agencies of government operate on the assumption of a non-profit basis allowing the management of some of these organizations to embezzle funds even when profits are made they are diverted into individual accounts which indirectly is used by the individuals to establish privately owned institution with focus for profit thereby creating deficiency in the operations of government through such embezzlement (Yahaya, 2017). Therefore, the call is for the government to re-strategize its accounting strategy to be more effective to avoid funds leakage from its agencies, no wonder the Nigerian government in its bid to make sure government

ministries and agencies remit their expected profit no matter how meager introduced a single system of remittance known as TSA Treasury Singular Account and robust I C at which whistleblowing is incorporated

The overall idea is for public sector accounting to be fund accounting rather than entity accounting of private sector. The expanded role of the public sector auditors' function is borne out of the realization that the collapse of companies as well as Government institutions (in Nigeria) was due to corporate governance deficiencies. Corporate governance failures have often been attributed to board ineffectiveness and conflict of interest, lack of involvement and independence of the audit committee, lack of independence and objectivity of the external auditor as well as ineffectiveness and lack of independence of the internal audit function. This is based on the different accounting objectives as reported by the different sectors.

However, it should be noted that doing public sector accounting requires performance assessment to establish the fact that the business is following procedures and public money is being expended judiciously exonerating the public servant from any misappropriation of public finance (Graham, Nwoye, 2015, &Aboyade, 2015). The public sector are expected to have value for their money, this could also be the main focus of public sector accounting that adopts business accounting model. When funds are efficiently managed and responsibly expended the public income expenditure is arguably presumed to rise because amenities serving the general purpose of the citizenry will be provided and with the help of the public sector auditors accountability and improve operations are encouraged however the question arises are auditors independent to conduct their auditing of government agencies without interferences by the government.

The explanation of the foregoing is that citizens of a given economy are encouraged and feel fulfilled when their monies is been expended judiciously and they respond through constant payment of taxes and such bills that needs to be paid. It is also noted here that various oversight bodies make up the market in the public sector and this culminates into collaboration among the ministries given similar services. However, mandatory laws and obligations limit the operational flexibility of the public sector and much more the unstable political environment which alters the consistency of certain decisions made in the public sector. And because the accountability standard of the public sector auditors are specifically rested on its operating environment, that has also affected its accounting principles.

However, many internal auditors lack the relevant skills required to effectively carry out internal audit assignments; this can be attributed to the fact that there is no minimum qualification requirement for internal auditors. Based on this observation, it becomes imperative for an assessment of the contribution, if any, of internal auditing to corporate governance to be carried out, with particular reference to Government ownerships of companies in Kwara State. Thus, this study investigated the impact of internal audits on corporate performance in ensuring effectiveness in selected Local Government Areas of Kwara State. With these explanations, the onus is for the public sector auditors to minimize their operating bureaucracies and to also emulate the private sector in autonomy and flexibility of operations to see if public organizations can also profitably run in a given economy to increase government direct income of a nation.

## **1.2 Statement of the Problem**

The democratic elections in Nigeria did not only symbolize change "in the presidency and ruling party" but a new approach in the governance of public sector, policies and guidelines. AdenleAnyanwu, Okafor and Oyeleke (2022) say the goal of an audit is to obtain sufficient audit evidence to support the auditor's opinion. This means the auditing process ends with the auditor's signed audit report containing his or her opinion. In this report, auditors describe findings and give their opinion on the institution's published financial statements. Given that management factors and auditing affect the financial performance of the government institution.

The audit report is the communication between the auditor and audit users, so it must be understandable, objective, and accepted as a relevant source of information. The quality and credibility of financial statements depend on audits (Siregar and Nuryanah, 2019)The Ministry of Traditional Affairs, in its budget statement for the 2009/2010 financial period made a call for all local government departments to achieve clean audit reports by 2014. The government has always positioned "service delivery high on its agenda since 1994". However, the Auditor General reports have highlighted issues such as: Lack of Productivity, Lack of adequate structures, insufficient skills and inadequate internal controls.

These are some of the challenges negatively affecting the attainment of Government's objectives. "The departments also lack systems to manage audit queries and recommendations, in both internal and external auditing and have inadequate systems with regard to corporate governance". In light of this, this study examined and investigated the impact of internal audit on corporate financial performance of Isin Local Government Area, Kwara State in Nigeria and realizes that the inability of Internal Audit to function as resulted incomplete records of book-keeping, frauds and insufficient skilled laborer.

### **1.3 Research Questions**



The main research question is to investigate the impact of internal audits on the corporate performance of firms in selected Local Government Area of Kwara State. To achieve this, the following sub-questions were developed for the research:

- i. How effective is the Internal Audit in selected Local Government Areas of Kwara State?
- ii. What are the challenges facing the Internal Audit in selected Local Government Areas of Kwara State?
- iii. What are the strategies for successful implementation of Internal Audit recommendations in selected Local Government Areas of Kwara State?

#### **1.4 Hypotheses of the Study**

Thus, the following hypotheses of this study are stated in null form:

Ho1: There is no significant relationship between the structure of the internal audit on corporate performance in selected Local Government Areas of Kwara State.

Ho2: There is no significant relationship between the corporate and challenges facing internal audit in selected Local Government Areas of Kwara State.

Ho3: There is no significant relationship between the corporate performance and strategies for successful implementation of internal audit in selected Local Government Areas of Kwara State.

#### **1.5 Objectives of the Study**

The study aims to investigate the impact of internal audits on corporate performance in selected Local Government Area of Kwara State. The specific objectives of the study therefore include the following:

- i. To examine the structure of the Internal Audit on corporate performance in selected Local Government Areas of Kwara State.
- ii. To establish the challenges faced by Internal Audit on corporate performance in selected Local Government Areas of Kwara State.

- iii. To determine effective strategies for successful Internal Audit on corporate performance in selected Local Government Areas of Kwara State.

### **1.6 Significance of the Study**

This study assists in increasing the role and image of internal audit and auditors' firms on the corporate performance in selected Local Government Areas of Kwara State to make it more effective and professional. It helped the stakeholders appreciate the role of the internal audit as one of the most important managerial control systems in an organization required to safeguard their interests. The management of the Government agencies will be able to look for ways of making Internal Audit a completely independent function from the management thus making it more effective. Moreover, implementing recommendations given on the internal audit reports management will be able to enhance performance in their various agencies. For scholars' it will help them to appreciate and enhance their knowledge of internal audit to adhere to the professional ethics as required by the internal audit service.

### **1.7 Scope of the Study**

The scope of this study covers the impact of Internal Audit on Corporate Performance in selected Local Government areas of Kwara State. Though Kwara State consists of 16 local government areas but this study is limited to 3 local government areas, Isin Local Government area, Oke-Ero Local Government area, and Irepodun Local Government area. The study will investigate corporate performance aspects, including financial performance, operational performance and strategic performance. This research falls under the field of Accounting and Finance, Auditing and Internal Control, Management and Organization and Public Administration and Governance. And this study is relevant to Local Government areas, accountants, auditors and head of other department in improving corporate performance.

### **1.8 Limitation to the Study**

The study concentrates mainly on the impact of Internal Audit on the corporate performance in selected Local Government Areas of Kwara State and therefore did not dwell too much on service delivery. Controls are performed by people and are subjected to human error, uncertainties inherent in judgment, management override, and their circumvention due to collusion. The researcher in the course of carrying out the research was faced with the following problems and constraints.

- (a) Time factor: Time shortage posed serious challenges, since it was indeed very short considering the enormity of the research work.
- (b) Lack of information and data due to unavailability of materials and other vital information. Libraries are either out of stock or scanty in their content of relevant materials.
- (c) Documentation: Inability of the management to maintain document recording of year's reports based on the complexity and size of the organization.
- (d) Transition: The assessment during the transition period may cause the entity to reconsider the nature and effectiveness of previously identified internal controls over new controls that are more effective and efficient.

The explicit nature of the principles will require the organization to address whether the internal controls related to the relevant principles and component are present and functioning on transition and going forward.

## **1.9 Operational Definition of Terms**

1. **Internal Auditing:** Internal auditing has to do with the independent examination of the

book of account to ascertain whether the books of accounts are in agreement with the organization's transaction.

2. **Public sector governance:** This encompasses the policies and procedures used to direct an organization's activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner.
3. **Corporate Performance:** Auditors systematically gather evidence to assess aspects of program performance beyond financial reporting.
4. **Management:** This is defined as the process of planning, organizing coordinating and controlling the activities of an organization. It is seen as a group of people who monitor and control the organization activities towards the achievement of the organization objectives.
5. **Effectiveness:** Organizations' effectiveness can identify business risks, take normal corrective actions, and support proper improvement

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Conceptual Review**

##### **2.1.1 Origin and Historical of Auditing**

Eze (2015) stated that the term audit was derived from the Latin verb “auride” which means “to hear”. The origin of audit could be traced to the ancient times in Britain when Landowners allowed tenant farmers to farm on their land. The Landowners never associated themselves with the land cultivation nor in the supervision of these tenant farmers, cultivation of the land done by these tenant farmers while the supervision of the tenant farmers was done by the overseer’s appointment by the landowners. The tenants were to render accounts of their tenancy to the appointed overseers who listened to the accounts. The overseers in return rendered final accounts to the Landowners.

The above mentioned scenario can be likened to the present trend where various organizations, such as charitable organizations, social clubs, student union bodies, transport unions, trade unions, profit and non -profit oriented organizations etc, make provisions in their constitution, deeds etc the election of union officials who collect and disburse the organizations money and funds such constitution provide for audit of the accounts of the organization. In the recent time, most large firm (where ownership is divorce from management) are managed by board of directors (elected from the shares holders) The bare for huge and large corporation, firms, establishments and organizations, could be traceable to the past industrial Revolution era. During the period of profit maximization objectives, it was characterized by exploitation, Intimidation of the cultures for the selfish gain of the sole proprietorship. At the dawn of the industrial revolution, the profit optimization objectives of contributors of capital and the owners

of the business are distinct from managers of the business. The need arises for the managers to give account of their stewardship to the contribution of capital.

### **2.1.2 Meaning of Audit**

According to Eze (2015) one of the simplest ways of economizing efforts in an inquiring is to review one build upon the work already done by other. An audit may be defined or describe as an examination and evaluation of the authenticity, and therefore the reliability of the firm's business documents and records, and it also involves in making inquiries to ascertain that the financial statements on which the auditor is reporting and which have been prepared from their records display a true and fair view of the financial results for the year under review and true and fair view of the affairs at the end.

Taylor (2019) stated that an audit is an investigation by an auditor into the evidence from which the final revenue accounts and balance sheet, or other statements of an organizations have been prepared, in order to ascertain that they present a little and fair view of the summarized transactions for the period under review and of the financial statement of the organizations at the end date so to enable the auditor to report thereon. Okolo (2018), expressed that an auditor could be a conscientious and objective examination of an inquiry into, any statement of account relatively to money or money worth, the underlying documents and the physical assets where possible, as will enable the auditor to form an opinion as to know whether or not the statement of account present shows a true and fair view of whatever it purport to presents, and to report accordingly.

Nwabueze (2016) stated that audit is an exercise which is carried out in order to lend credence to statements prepared by directors of the company (who are not the owners) for the use by the owners of business shareholders, creditors, the employees, the government etc, whereby

the auditors express his opinion as to the true and fair nature of the transactions he examined while carrying out the audit. The institution of internal Auditors (IIA) defines an audit as an independent of examination by a statutory appointed person called the auditor to investigate an organization, its records and the financial statements prepared for them and thereby form an opinion on the accuracy and correctness of the financial statement.

### **2.1.3 Internal Audit**

The Institute of Internal Auditors defines internal audit as “an independent appraisal activity within the organization for the review of operational as a service to management “It is a management control activity that functions, by measuring and evaluating the effectiveness of other controls. The Institute of Chartered Accounts of England and Wales (ICE \$ W) defines an internal audit as a review of operations and records by specially assigned staff”. The inestimable value and importance of internal audit to the organization cannot be overemphasized. It is a tool for ensuring the effective working of internal control systems.

Okezie (2004) sees internal audit as an independent appraisal function within an organization for the review of a system of controls and the quality of performance as a service to the organization. Internal control objectivity examines, evaluates, and reports on the adequacy of internal controls as the contribution to the payer, economic efficient, and effective use and utilization of resources. Fredrick Gallegos et al (1981) opined that an internal audit is “an independent appraisal activity within an organization of the review of accounting and other operations for a basis for management service.

The basic objective of an internal audit is to ensure that internal control systems operating in an organization or state a healthy. Adeniyi (2004) observed that the scope and objective of internal audit “vary widely” However, internal audit operates in one more of the following broad

areas. Reviewer of the accounting and internal control systems: Often internal audit is assigned specific responsibility for recovering the designs of the system monitoring their operation and recommending improvements. None existence of appropriate and effective internal control or machinery can be attributed to one of the private firms like MB Anamco Ltd in Emene Enugu State when internal audit is reduced to a mere checking approval limit in the firm, it becomes difficult for the expected goals and objectives to be realized.

Some setbacks in the actual performance of internal audit function in functioning in the firm are attributed to the level of skill of audit staff. The firm employed so many mediocre who are not equipped with recent audit techniques and developments. An accounting qualification is not necessarily required by one to be a successful internal auditor. This is because the range of functions performed by any internal auditor is multidisciplinary. Also, the independence status which is an essential ingredient for auditing is found lacking in independence; its consistency is theoretical rather than practical.

#### **2.1.3.1 The Objective of Internal Audit**

The objective of any organization whether the public or private enterprise is to provide an adequate means of safeguarding its assets for the effective development of the economy. This objective includes:

- (1) To ensure that any weakness observed that the management could not correct before the publication of the audit report is adequately highlighted.
- (2) To give credibility statements of accounts prepared by those who manage operations for others to enable the various users to rely on them for decisions in respect of the result or state of the enterprise reported upon.
- (3) Conducting special investigation another task as may be assigned by management.



- (4) To act as a training officer in internal control matters
- (5) To take a share of the external auditor's responsibility for the figures in the annual accounts.

### **2.1.3.2 Scope of Internal Audit**

The scope of the internal audit varies widely. Normally, however, internal audit operates in one or more of the following board areas.

- 1 Review of the accounting and internal controls systems: Management is responsible for the establishment of adequate accounting and internal control systems. Often internal audit is assigned specific responsibility for reviewing the design of the systems, monitoring their operation, and recommending improvements.
- 2 Examination of financial and operating information: This may include a review of the means used to identify measure, classify, and report information and specific inquiries into individuals including details testing of transactions, balances, and procedures.
- 3 Review of economy, efficiency, and effectiveness: This review may include the non-financial controls of an organization.
- 4 Review of compliance: This review may cover compliance with laws, regulations, and other external requirements and with internal policies and directives and other requirements including appropriate authorization of transactions.
- 5 Special investigations: Where one example is suspected fraud.

### **2.1.3.3 Development of Internal Audit**

Eze (2015) the development of internal audits is due to the expansion in the size of many corporate entities. A limited liability company (small business) consisting of owners will be able to keep in close touch with all activities. As the size of the business increases, this task becomes more and more difficult. In a relatively small organization, the senior manager can personally

supervise the day-to-day running of the business, so as to ensure full compliance with management guidelines.

#### **2.1.3.4 The Purpose of Internal Audit**

The main purpose of internal auditing is to assist management in achieving the most effective administration of the operations of the business. L.GCampbel (1990) identified three reasons why internal audit is required

The Reasons are:

1. **The Lending of credibility:** That is to detect errors, and fraud and disclose hidden information.
2. **Accountability:** The directors are the agents of the shareholders. Therefore, their performance needed to be evaluated.
3. **To solve conflicts of interest:** To accomplish the above purpose, the internal audit department must perform certain roles, which must be in line with the requirements of the corporate entity or organizational internal control system.

#### **2.1.3.5 The Problems of Internal Audit**

Eze (2005) stated that apart from the various benefits internal audit functions bring to the organization, a lot of hindrances include the following factors.

1. **Staffing:** The staffing of the department is poor. Some of the staff do not have any basic knowledge of bookkeeping and accounting. In most cases, they are not usually trained. Their performances cannot actually be satisfactory.
2. **Funding:** The internal audit department is poorly funded by non-auditing officers who are in a position of authority.

3. **Recognition:** Appropriate recognition is not given to the internal audit department. The status of the Head of the department is always lower and therefore inferior to the status of the department. Heads of other departments regard the Head of the internal audit department as a subordinate officer in power, authority, and responsibility.

Internal auditor reports are often disregarded and no actions are taken on them. All the four enumerated in habiting actors have had adverse influences and effects on the operations and performances of internal Audit functions.

#### **2.1.3.6 Merit of Internal Auditing**

Onovo (2011) Stated some merits that are derived from internal auditing apart from the problems encountered from it (Internal auditing) some of the merits include.

1. Internal auditing provides moral influence to promote efficiency.
2. Internal auditing assists management in dealing promptly with some issues that would have created problems if left to linger until they come to the attention of owners.
3. Internal auditing allows errors to be corrected easily while the events are still fresh in the mind
4. With internal auditing, fraud can be detected at an early stage and may prevent the occurrences of fundamental errors or mistakes.

#### **2.1.3.7 Demerit of Internal Auditing**

As it is generally accepted that everything that has an advantage must have a disadvantage, it is for this reason that general auditing possesses these demerits.

Internal auditor's independence, according to Onovo (2011) may be impaired since as an employee, he may not be free to report objectively. In most cases, his opinion does not go beyond the management level.

### **2.1.3.8 Characteristics of Internal Auditing**

From the definition of internal audit, we can deduce that a good internal audit function has the following characteristics.

#### **(a) Independence:**

The following conditions can assist the status of an internal auditor

1. He should be free to arrange and pursue his duties by himself
2. He should not have any restrictions on the records of the enterprise.
3. He should be free to report to a higher level of management than his immediate superior.
4. He should be objective
5. He should have no conflicting interest within the enterprise and no restriction upon the extent of his work by management

#### **(b) Staffing and Training:**

The internal audit unit should be staffed by qualified, trained, efficient, effective, and experienced workers who should be too busy to look into every part of the auditing function.

Training should be a planned and continuing process at all levels.

#### **(c) Due Care:**

An internal auditor must at all times exercise care, skill and judgment. He should be knowledgeable in terms of the enterprise he works for, his environment and the technicalities of his offices, He should be honest and of high integrity. He should be professionally qualified.

#### **(d) Relationship:**

Internal Auditors should have a good working relationship, maintain mutual understanding with management, external auditors, review agencies etc.

#### **(e) Audit planning stages:**

The internal auditor must be able to approach his duties as follows.

1. Identification of organizational goals
2. Following up relevant changes in status rules and procedures.
3. Definition of internal audit objectives
4. Identification and valuation of risks to which organization is exposed
5. Following up strengths and major weakness in internal controls of the organization

**(f) Evaluation of internal Control system:**

The internal auditor's uses the same approach as external auditors to verify the system and this involves; Investigation, Recording, Identification of controls and Compliance test of controls.

**(g) Evidence**

In the same way as the external auditor, the internal auditor will evaluate audit evidence to ensure sufficiency, relevance and reliability.

**(h) Reporting**

The internal auditor must produce timely, accurate and complete reports to management as regularly as laid down.

**2.1.4 Audit and Auditing**

Although the two words are always used interchangeably, arguably they differ. Nwabueze (2019) sees audit as an exercise which is carried out in order to lend evidence to statement prepared by directors of the company (who are not actually the contributors of the capital) for the use by the owners of the organization (shareholders), creditors, employee's government etc. Whereby the auditor express his opinion as to the true and fair view of the transactions he examined which carry out the audit. Auditing on the other hand can be seen as the totality of efforts, procedures and process involved the conduct of audit.

#### **2.1.4.1 Audit and Internal control in the Organization**

Every organization has the need to establish internal audit for the purpose of internal control. Internal control is the whole system, finance or otherwise established by the organization in an orderly manner, ensure adherence to the existing role, and safeguard the assets of the organization in order to accomplish a task.

#### **2.1.4.2 Principles of Auditing**

Auditing is a practical course according to Howard L.R (2003). It is something that people do. Attempts have been made at various times to develop theories of auditing with, however, little range of underlying principles.

The Auditing practice Board (APB) in the Audit Agenda identified eight principles of auditing.

1. **Integrity:** An auditor is expected to be a person of proven integrity. This is in view of the expectation that if he fails to behave with integrity i.e. honesty, adherence to moral principles and is seen to behave the way round then the auditing report will tend to be biased and may be ignored by the public and hitherto the entire audit process would have no value.
2. **Independence:** If auditors are not independent of the entity being audited, their reports will not be believed. It is necessary that auditors must be objective, give their opinions without fear or favour and be unaffected by conflict of interest or pressure from any source.
3. **Accountability:** Auditors should act in the best interest of shareholders of the organization and have regard to the public interest.
4. **Competence:** If auditors are not competent, then the entire audit process makes no meaning.
5. **Judgement:** There is need for auditor to apply sound ethical, professional and unbiased judgement in specific areas where judgement is required.

6. **Communication:** Auditors should disclose all matters necessary to make their opinion understandable as well as making disclosure to the appropriate authorities of the matters they should disclose in the public interest.
7. **Rigor:** This implies that auditors should apply strictness in conducting their work and informing their opinion. Auditors should apply a sense of professionalism to their work. They should assess the risks and dangers involved and should obtain sufficient and reliable evidence on all matters from a range of source.
8. **Providing Value:** Auditing should usually be conducted with minimum resources input and with a maximum of utility to the public.

#### **2.1.4.3 Internal Auditing and Public Sector Performance**

The internal audit ensures that the internal control systems are adhered to and strictly carried out. The aim and objective of the public sector is profitability. If the merits and rationale for internal audit are harness performance and in the public sector be stimulate and enhanced, hence improvement in profitability.

If this is the case, the economy will benefit and hence the stimulation in economic development and growth.

#### **2.1.4.4 Important of Internal Audit**

From the foregoing characteristics of good internal auditing, the study was able to observe that any unit of an organization that has the elements mentioned above is of paramount to the organization. The world wide body: the institute of internal Auditors stated some of the importance of internal audit departments as follows.

1. Internal Auditor provide management with necessary information of great value to decision making in respect of the operation of his business. External auditors and review panel often rely on the internal auditors in verifications of records and resources of the client's organization.
2. Internal auditor often cover a wide variety of assignments, which will not necessarily be related to the accounting areas in which the external auditor is called upon to cover.
3. Internal auditor ensures that his concept of self-control and accountability of officers in the organization is maintained.

**2.1.4.5 Distinction between the Internal Auditors and External Auditors (Statutory Auditors)**

The researcher found it very necessary to draw the various distinctions between internal auditor and External auditors. He observes that the areas here these differences occur are Scope, Approach, Responsibility, Objectives and Legal basis

The following table explains the topic better

Area and Scope	Internal Auditor focus in all areas in the organization, operational as well as financial	External Auditor Financial focus
Approach	Appraisal of internal control system and management information system to ensure compliance with management plans	Forming of an opinion about and reporting on the truthfulness and fairness of accounts as presented by the directors
Responsibility	To advise and make recommendations on internal and corporate governance	To form an opinion on whether financial statement provide a



		truth and fair view
Objectives	To advise management on whether the organization has sound system internal controls to protect the organization against loss	To form an opinion on whether financial statement provide a truth and fair view

**2.1.5 Whistle blowing and internal audit performance**

To blow the whistle is to alarm an outsider that somebody has done or is accomplishing something wrong. In a real sense, whistle blowing implies that one makes commotion to make others aware of unscrupulous conduct/bad behaviour (Emeka Nwokeji, Okeke and Ojimba, 2019). Asian Institute of Management (2006) referred to in Oyebade (2016) consider whistle blowing as the detailing of a wrong doing that should be remedied or ended to ensure public interest. That is, the cycle by which people raises reservations at work. It could likewise mean the exposure by an individual, typically a worker in an administration office or private endeavour to the public or those in power, of bungle, defilement, lawlessness or another bad behaviour (Ogunkeye, 2016). In single word, this definition infers that by blowing whistle one cautions the organization to the way that its partners are in effect unjustly hurt. It should be noted and set up that overall objections/complaint that actually influence an individual doesn't correspond with the person being referred to rather the public

**2.1.6 The Effect of Internal Audits on Corporate performance**

In responses to the accounting scandals that occur in 2001, which congress passed the Sarbanes – Oxley Act of 2002 (SOX) to help instil confidence in the financial statement of both public and private trade companies. It required management to disclose significant deficiencies

in the internal controls when they certify quarterly or annual financial statements. The Act also requires all privately firms to assert as the effectiveness of internal controls around the financial reporting process and requires a private accounting firm to express an opinion on the effectiveness of internal control over financial reporting. These standards include the process that companies and accounting firms are required to follow to determine the effectiveness of firm's controls.

Securities Exchange Commission (SEC) Release, No.33-8124 (August 29, 2009) required management to disclose significant deficiencies in internal control, when the certify quarterly or annual financial statements. The Act required all private firms to assert as to the effectiveness of the internal control around their financial reporting process and to have a private accounting firms express an opinion on the appropriateness of management's assertion.

### **2.1.7 The Public Sector**

Public sector governance encompasses the policies and procedures used to direct an organization's activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner. In the public sector, governance relates to the means by which goals are established and accomplished. It also includes activities that ensure a government's credibility, establish the equitable provision of services, and assure appropriate behaviour of government officials reducing the risk of public corruption.

#### **2.1.7.1 The Role of Government Auditing**

Government auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and in still confidence among citizens and stakeholders. The

government auditor's role according to Nnena O. (2012) supports the governance responsibilities of oversight, insight, and foresight.

**Oversight** addresses whether government entities are doing what they are supposed to do and serves to detect and deter public corruption.

**Insight** assists decision-makers by providing an independent assessment of government programs, policies, operations, and results.

**Foresight** identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, and investigation and advisory services to fulfil each of these roles.

#### **2.1.7.2 Key Elements of an Effective Public Sector Audit Activity**

An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their government accountable. Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity, and appropriate behaviour of government officials while reducing the risk of public corruption. Therefore, government audit activities must be configured appropriately and have a broad mandate to achieve these objectives. The audit activity must be empowered to act with integrity and produce reliable services, although the specific means by which auditors achieve these goals vary. At a minimum, government audit activities need:

- a. **A Formal Mandate:** The audit activity's powers and duties should be established by the government's constitution, charter, or other basic legal document. Among other topics, this document would address procedures and requirements of reporting, the obligation of the audited entity to collaborate with the auditor.
- b. **Unrestricted Access:** Audits should be conducted with complete and unrestricted access to employees, property, and records.

- c. **Competent Leadership:** The head of the audit activity must be able to effectively recruit, retain, and manage highly skilled staff. Moreover, the chief audit executive should be an articulate public spokesperson for the audit activity.
- d. **Stakeholder Support:** The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens.
- e. **Professional Audit Standards:** Professional audit standards support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Just as many governments have adopted internal control standards either as requirements or guidance for public sector managers audit activities should conduct their work in accordance with recognized standards.

### **2.1.8 History of the Public Sector and Public Sector Accounting**

Public sector are organizations not privately owned whose control and operations lies in public hands and its objectives involves provision of services to satisfy the general public. The public sector is made up of business entities that form part of a country's economy and their activities are regulated by acts of parliament making their accounting process, objectives and decision making to be specifically determined by the people that established it. (Nutt, 2005).

Public sectors basically are institutions of government established to provide services above the private use. The very essence of their existence is to serve the general public irrespective of status. They specifically operate in a regulated system within the rules of the government that established them because they are financially dependent on the government. Based on the objectives and the system of operations their accounting strategy is more historic than the private

sector which is an organization established by individuals for the sole aim of profit-making (Gullin, Meyer, 1986 & Pollitt, 2001).

While the public sector concentrates and is accountable to the public for funds used which is gotten from the funding source, the government, in form of taxes, grants the premise of emphasis is on accountability and service provision, responsive leadership in running the public sector is paramount. The idea is that the public sector mainly concentrates on matching revenue and expenditure to maximise profit which is their basis of existence and continued sustainability.

All over the world the public sector has not been known for wealth creation but for institutions of government that drains government budget thus creating budgetary strains and unavoidable burden on the economy. The public sector was the traditional structure of the world's economies. For instance, In Nigeria the public sector emerged as a result of the need to harness rationally the scarce resources to produce goods and services for economic improvement as well as for promotion of the welfare of the citizenry. The involvement of the public sector operations in Nigeria became significant during the period of independence starting with the emergence of the railways which were conceived at the time to be colonial strategic and administrative needs: they quickly acquired the dimension of an accepted economic utility for transporting the goods of international commerce such as cocoa, groundnuts and palm kernels (Aboyade, 1974, Nwoye, 1997 & National Productivity Centre 1991).

The interests of the government in forming public institutions necessitated accounting processes and regulation in the 18<sup>th</sup> century during the French trade law which later became the modern trade laws of European nations popularly called (company laws Gullin, D.). This was based on the magnitude of the investment of government companies which could not be neglected because its accounting process is to be adopted by the government that established it.

The government therefore expects different ministries, agencies and departments that made up the public sector to disclose their cost and financial statements in preparation to be discussed at an organized briefing by the heads of such agencies and the government regulators. This made the public sector accounting to be established based on the business accounting procedure- to re-examine how assets and liabilities changed overtime based on former public finance processes (Wood, 2009, &Ryosuke, 2012).

The Nigeria Enterprises Promotion Decree of 1972, which took effect on 1<sup>st</sup> April, 1974, with its subsequent amendment in 1976, provided a concrete basis for government's extensive participation in the ownership and management of enterprises. Giving this development, public sector at the federal level had exceeded 100 in number by 1985, and these had spread over agriculture, energy, mining, banking, insurance, manufacturing, transport, commerce and other service activities. Before long the Nigeria public sector had stretched from farm organization to manufacturing from trading to banking and insurance. At the local government level the range of activities that had attracted public sector investment also had become quite large. Thus, a variety of public enterprises with public interest in terms of majority equity participation or fully owned by state and local government as well as other government entities became visible in various parts of Nigeria between 1975 and 1995, it was established that the federal government of Nigeria had invested more than \$100 billion in public enterprises (Nwoye, 1997, Aboyade, 1974).

There have been approaches to present a nation's economic statements through a standard accounting method and this led to the disclosure of stock information based on assets and liabilities and cash information within the budgets and annual estimation in accordance with the procedure in business accounting through the use of cash basis and annual budgets with the

approval of the instituted body (Graham, Ryosuke 2012). Based on this understanding the need for public sector accounts to be disclosed at any given point became absolutely necessary and paramount and as such information is usually presented in their annual budget and accounts statements.

In order to comply with public service policies, the public sector have to make sure its accounts are readily available to the public who subsequently are their stakeholders and this is in contrast with the private sector which focus on expenditure and income to evaluate profit and re-strategize for improved marketing for a new period and better outing. For the public sector it is mandatory to present its accounting processes in a clear and unambiguous manner in their various annual reports during the period of AGM- Annual General Meetings usually at the beginning of the half year July. There must be the certification of the Auditor General and such information as included will contain, financial statements of income, cash flows, changes in tax payer's equity and other relevant information regarding their operations within the period under review (Napier &Noke 1992).

The argument here is that for the mere reason that the public sector occupies the major section of the economy its operation should properly be guarded for accountability to yield income for the government and increase government revenue to offset its bills in form of salary payments, considering government as the largest employer of labour, to provision of needed amenities and infrastructural facilities aimed for development which government complains cannot be provided sufficiently because of inadequacy of income from taxes making some of this provisions in dearth. Established through public services acts for the public who are the stakeholders, the public sector for instance Nigerian Railway Corporation, Nigerian Ports Authority, and so forth agencies of government operate on the assumption of non- profit basis

giving the management of some of these organizations the opportunity to embezzle funds even when profits are made they are diverted into individual accounts which indirectly is used by the individuals to establish privately owned institution with focus for profit thereby creating deficiency in the operations of government through such embezzlement (Yahaya, 1991). Therefore, the call is for government to re-strategize its accounting strategy to be more effective to avoid funds leakage from its agencies, no wonder the Nigerian government in its bid to make sure government ministries and agencies remit their expected profit no matter how meagre introduced a single system of remittance known as TSA Treasury Singular Account.

The overall idea is for public sector accounting to be fund accounting rather than entity accounting of private sector. This is based on the different accounting objectives as reported by the different sectors. However, it should be noted that doing public sector accounting requires performance assessment to establish the fact that the business is following procedures and public money is being expended judiciously exonerating the public servant from any misappropriation of public finance (Graham, Nwoye, 1997, &Aboyade, 1974). The public sector it is expected to have value for their money this could also be the main focus of public sector accounting that adopts business accounting model. When funds are efficiently managed and responsibly expended the public income expenditure is arguably presumed to rise because amenities serving the general purpose of the citizenry will be provided and with the help of the public sector auditors accountability and improve operations are encouraged however the question arises are auditors independent to conduct their auditing of government agencies without interferences by the government.

The explanation of the foregoing is that citizens of a given economy are encouraged and feel fulfilled when their monies is been expended judiciously and they respond through constant



payment of taxes and such bills that needs to be paid. It is also noted here that various oversight bodies make up the market in the public sector and this culminates into collaboration among the ministries given similar services. However, mandatory laws and obligations limit the operational flexibility of the public sector and much more the unstable political environment which alters the consistency of certain decisions made in the public sector. And because the accountability standard of the public sector is specifically rested on its operating environment, that has also affected its accounting principles.

With these explanations the onus is for the public sector to minimize its operating bureaucracies and to also emulate the private sector in autonomy and flexibility of operations to see if public organizations can also profitably run a given economy to increase government direct income of a nation.

### **2.1.9 Concept of performance**

The concept of performance, as it appears defined in the dictionaries of French, English and Romanian, defines more the idea of outcome, achieved goal, quality, and less the economic aspects of efficiency and effectiveness. The Explanatory Dictionary of the Romanian Language defines performance as "a result (particularly good) obtained by someone in a sporting contest; a special achievement in a field of activity; the best result obtained by a technical system, a machine, a device, etc." the definition shows that the term performance was originally taken from the mechanics and sports fields, in order to subsequently be used to characterize the very good results also achieved in other fields. This means that performance is obtained only by a limited number of entities, those who get the best results. Performance cannot be associated with any result achieved, but only with a special one.

Corporate governance involves a set of relationships and the network between a company's management, its board of directors, shareholders and stakeholders. It can be defined as 'the system by which companies is directed and controlled 'corporate governance is about the procedures and processes according to which an organization is directed and controlled. Also, corporate governance deals with the ways in which suppliers of finance assure themselves of getting a return on their investment. Cohen and Hannon using Public Oversight Board's perspective defined corporate governance as 'those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting processes. This view focuses on the control environment and control activities.

These definitions illustrate what corporate governance is and can be seen that it concern both the internal aspects (board structure and internal control) and external aspects (the relationships among stakeholders) of an organization. Most importantly, corporate governance also provides the instruments through which corporate objectives are set, monitored and achieved. Central to corporate governance thinking and practice are the shareholders and most especially board of directors and management. As earlier stated, recent corporate events has underlined the critical role of directors in promoting good corporate governance practices. These events have also highlighted the critical role internal auditing can play in supporting the board in ensuring adequate oversight for internal controls and the effectiveness of corporate governance. Particularly, boards are charged with the ultimate responsibility for the effectiveness of their organization's internal control systems.

Corporate governance as defined in the Cadbury Report (2017) is the system by which companies are directed and controlled. This definition has become the most universally accepted definition of corporate governance and the basis of modern theory and practice of corporate

governance. Two managerial concepts underpin the principle of corporate governance; they are directing and controlling. Directing implies the use of communication, leadership and motivation to guide organizational members towards the attainment of organizational objectives (Nwachukwu, 2020); it is the process of achieving organizational objectives by motivating and guiding subordinates (Baridam, 2019). Controlling on the other hand is the measurement and correction of performance in order to make sure that enterprise objectives and plans devised to attain them are being accomplished (Weirich, Cannice & Koontz, 2018). Control involves three steps which are: establishment of standards, which are simply criteria for performance; measurement of performance, which involves comparing performance against established standards; and correction of deviations, which involves taking actions to rectify variations from standards and plans. In specific terms, the managerial function of control involves ensuring that the actual activities of employees correspond to the planned activities (Nwokoye & Ahiauzu, 2019).

The important elements in the control function are setting standards, which involves establishing objectives and predetermined levels of performance against which actual results or performances are compared; obtaining information on employees' activities and performances, which involves monitoring the activities of employees by observing them, this can also be done through establishing a system of audit or review of subordinates' activities; and adopting appropriate corrective action, which involves introducing measures to ensure that actual performances conform with set standards.

From the foregoing, we can deduce that corporate governance is the process of leading, communicating and motivating organizational members towards the attainment of organizational

objectives and also involves establishing objectives, measuring performance and taking corrective actions to ensure that actual performance conform to the set objectives.

### **2.1.10 Role of Internal Audit in Corporate Governance**

Earlier in this study, the assignments undertaken by internal auditors were examined. This section specifically highlights the role of internal audit to establish how the internal audit function fits into the corporate governance framework and its contribution to corporate governance. According to the Institute of Internal Auditors, cited in Hermanson&Rittenberg (2013), internal audit plays two fundamental roles in corporate governance, these are monitoring risks and providing assurance regarding controls. Risk is the probability that an event or action, or inaction, may adversely affect the organization or activity under review (IIA, 2012). Thus, risk is the chance or probability of something bad happening and includes the opportunity cost associated with not taking action. Hermanson&Rittenberg (2013) argued that, in the governance context, the key activity with respect to risk is to monitor it, including all the subsidiary steps of identifying risk, assessing the potential effect of the risk on the organization, determining a strategy to address the risks, and then monitoring the environment for new risks as well as monitoring the existing risk strategy and attendant controls. Risk is inextricable linked to strategy. Assessing the risks inherent in new strategies and developing proper controls to mitigate risks associated with a strategy are essential management activities. In essence, internal audit's role in respect of risk is to monitor an organization's operating environment for possible risk exposures, taking cognizance of the effect of identified risks and making recommendations to management on risk mitigation strategies and actions to be taken to reduce or eliminate the risks identified. The IIA (2012) summarized the role of the internal audit -function in relation to risk as follows:

- (1) Assess existing risk of audited area and report that assessment to management, the audit-committee, or both.
- (2) Develop a plan to systematically assess risk across the organization.
- (3) Lead the risk management activities when a void has occurred within the organization.
- (4) Facilitate risk assessment through risk self-assessment techniques.
- (5) Evaluate risks associated with new computing developments and stop the project if risks are not controlled at predetermined acceptable levels.

Control is the result of proper planning, organizing, and directing by management. In the context of governance, the internal auditor's role is to monitor the system of internal control to determine whether it is adequate and operating effectively; and hence make recommendations to management for improvement.

Emile Wolf International (2010) identified the following as the important roles of internal audit in an organization, all of which are designed to assist an organization in achieving effective corporate governance.

- (1) Internal audit helps management to monitor the controls within an entity. The managerial task of monitoring controls may become difficult as an entity increases in size and complexity; hence, internal audit can be a useful management tool for monitoring controls.
- (2) An internal audit function can be used to monitor the efficiency of operations. This is to ensure the efficiency and effectiveness of resource utilization, especially in a competitive market.
- (3) In countries where there are large number of statutory and accounting regulations, internal auditors can be used by management to ensure compliance with laws and regulations.

(4) For organizations that use complex information technology systems, the internal audit function can help management review the effectiveness of controls within such systems.

In their contribution to the debate on the role of internal audit in corporate governance, Karagiorgos, Drogalas, Gotzamanis&Tampakoudis (2010) approached the issue by examining the relationship between internal audit and the key elements of corporate governance. They pointed out that, in terms of the relationship between the internal auditor and the directors, the internal auditor's contribution to corporate governance is to provide information to the directors which they (the directors) require to discharge their responsibility of managing the enterprise. Furthermore, internal audit assist the board of directors in its governance self-assessment. Based on the internal audit's relationship with the audit committee, Karagiorgos, Drogalas, Gotzamanis & Tampakoudis (2010) stated that internal audit contributes to corporate governance by; bringing best practice ideas about internal controls and risk management processes to the attention of the audit committee; providing information about any fraudulent activities or irregularities; conducting annual audits and reporting the results to the audit committee; and encouraging the audit committee to conduct periodic reviews of its activities and practices. Finally, in terms of the relationship between the internal auditor and the external auditor, they pointed out that the internal auditor supports and cooperates with the external auditor to enhance the overall quality of the external audit.

## **2.2 Theoretical framework**

In Internal auditing there are various theories purported by several authors, but this study will be limited to the following

### **2.2.1 Institutional Theory**

Institutional theory explains how organizational structures and practices are shaped through changes induced by normative pressures, including both external and internal sources such as laws and regulations, or by the professions (Zucker, 1987; Mihret et al., 2010). Similarly, Arena and Azzone (2007) identified the following external forces that impact both individuals and organizations; laws and regulations (coercive isomorphism); choices of other organizations (mimetic isomorphism); and consultation or professional bodies (normative isomorphism).

A study by Arena and Azzone (2007), based on survey involving 364 Italian companies, found that the isomorphic pressures have a significant impact on the companies' support of internal auditing. The researchers suggest a need for future research to address the internal audit effectiveness by using institutional theory. Mihret et al. (2010) argue that there is a positive relationship between compliance with ISPPIA and organizational goal achievement, and this relationship could evaluate internal audit effectiveness.

### **2.2.2 Agency Theory**

Egolum, Ugonabo and Okonenwa (2021), recommended establishing oversight committees including audit committee for the auditing of financial statements and appointment of directors which are supported by agency theory. It considered board committees which provides an additional control mechanism for increased accountability; thereby enhances the assurance that the interests of the shareholders were being safeguarded. Agency theory can provide for richer and more meaningful research in the internal audit discipline. Internal audit in common with other intervention mechanism like financial reporting and external auditing helps to maintain cost efficient contracting between owners and managers. Agency theory may not

only to help to explain the existence of internal audit in an organization but can also serve as tool used to explain the characteristics of the internal audit department for example, its size and scope of activities such as financial versus operational. Agency theory can be employed to test empirically whether cross-sectional practice between internal auditing practices reflect the different contracting relationships emanating from differences in organization form.

### **2.3 Empirical Review**

The study relating to the impact of public sector performance had gain prominence in public finance management discourse globally. This essence stems from the fact that; a well-managed public service is a reflection of the development of the society. Some authors have studied the link between public sector auditing in several dimentions (Liu and Lin, (2021), Hanskamp-Sebrgts, et al (2020); Ibronke (2019), Boldbaatar, et al (2019); Aradottir and Hjalmarsson (2018), Udeh & Elom (2016), Abd Aziz, et al, (2015) and many more) Also, the examination of the central theme had been observed in various countries and region with constructs, different methodologies, results, conclusions and recommendations.

In Nigeria, Egbnuka and Egbenuke (2017) examined the challenges faced by internal auditors in the public service in South-East. Using the survey method and drawing respondents from the accountant-general and auditor-general of the zone, the independent samples Mann-Whitny U test analysis technique was used. Finding from the measures used showed that some variables such as: audit independence and compliance were of more concern to the performing his duties while, that of improper segregation of duties was of less concerns.

Ironkwe and Promise (2015) carried out a research study on the impact of internal controls on financial performance in production companies in Nigeria. They applied



questionnaire and interview to collect data. The data collected was analyzed with panel regression. Their findings revealed that there is no significant association between internal control system and the usage of organizations funds and assets. In addition, their result revealed that there is no relationship between the inadequacy of the controls and fraud perpetration in organizations in the country.

Iman, Novita and Tarmizi (2017) examined the value of internal auditing and internal control system on the accountability in Indonesia. The study applied survey research for its data collection, while correlation method of analysis was adopted to analyze their data. Their findings revealed that the application of internal auditing and internal control system really improve the quality of accountability in the country. Their results are in consonance with our findings that the application of sound systems of internal controls aids the success of organizations. Dejan carried out a research work on the internal audit position of companies in Europe, United State in 2011. He adopted interview to obtain data. Ordered logistic regression model was used to analyze the data collected. In his findings, it was revealed that there is connection between the legal form of companies and the internal control system.

## **2.4 Gaps in the literature**

Among the tools of checking fraud are forensic auditing, internal control and whistle blowing. Literatures have it that these tools have been used in empirical research separately, however has not gotten successive joint (forensic auditing, internal control system and whistle blowing) usage which this study consider quintessential. However, where a couple of these tools have been utilized, there is scanty exertion in Nigerian Government institution which is the bedrock of this study. Fraud exists in each association, as such, institutions are not exclusion.

Subsequently, the need to investigate the job of forensic review, internal control system, and whistle blowing on fraud prevention and detection in Nigeria Government Institution becomes a worry to the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Study Area**

The area of study for this research work are Irepodun Local Government Area, Isin Local Government Area, and Oke-Ero Local Government Area. Irepodun local government was created out of the defunct Igbomina Ekiti Local Government Area in 1976 with Headquarters at Omu-Aran. The Local Government area has 10 wards. It has an area of 737 km<sup>2</sup> and a population of 148,610 at the 2006 census. Isin Local Government Area of Kwara State was created from the old Irepodun Local Government Area in 1996 with the headquarters at Owu-Isin. It has an area of 633 km<sup>2</sup> and a population of 59,738 at the 2006 census. **Oke Ero** Local Government Area in Kwara State, Nigeria has its headquarters are in the town of Ilofffa. Other Major towns in Oke Ero are Odo-Owa, Idofin, Ekan Nla, Ayedun, Erin Mope, Egosi, Imode, Idofin Odo-Ase, Kajola and Ilale.

#### **3.2. Research Design**

The research design for this study provides for the collection, measurement, and analysis of data related to the projected questions. The research design used for collecting data was the survey design which entails the construction, distribution, and collection of questionnaire data forms and the examination and analysis of related literature.

#### **3.3. Population of the Study**

The population of this study included staff of the selected Local Government areas of Kwara State. Staff belongs to various cadres, top, middle, and lower cadres. In isin local government Area total staff number is 40 members, in Oke-Ero Local Government Area total staff number is 68 and in Irepodun Local Government Area total staff number is 133.

### 3.4. Sample Size and Sampling Technique

This study sampled selected Local Government Areas of Kwara State. To determine the sample size of a given population, we surveyed the staff of the Accounting and Internal Audit departments and heads of other departments in the selected Local Government Areas of Kwara State. We included staff from top, middle, and lower cadres. In carrying out this study, in order to determine the sample size, this study work used purposive sampling testing by choosing certain people who fit to meet the purpose of this study. Wu Suen *et al.* (2014) defined purposive sampling as a no-probability sampling where the study work chooses who is best to meet the purpose of the study.

S/N	Category	Sample Size
1	Irepodun Local Government Area	10
2	Isin Local Government Area	10
3	Oke-Ero Local Government Area	10
	TOTAL	30

### 3.5. Sources of Data

This study utilized questionnaires as a means of data collection. The questionnaires were distributed to relevant staff members, including those from the finance department, internal audit department, and heads of other departments. Observation was made on the actual principles, and practice of auditing. Telephone calls were made where it was expedient. The data is attached as Appendix I and sources for the written materials include the selected Local Government areas of Kwara State.

### **3.6. Instrument for Data Collection**

A research instrument is a tool used to gather data (information for the study). There is only one research instrument for the study. This is a research-designed questionnaire called “A Critical Analysis of the Impact of Internal Audit on Corporate Performance in Government Institutions in selected Local Government Area of Kwara State. It is designed in four subdivisions. Four divisions containing the variables on the project are: **(A B C and D.)** Part **A** elicits information from the respondent regarding their bio data. Part **B** How effective is Internal Audit in selected Local Government Areas? With three items (3); **C** what are the challenges facing the Internal Audit in selected Local Government Areas? With three items (3) and **D** what are the Strategies for Successful Implementation of Internal Audit Recommendations in selected Local Government Areas? With three items (3).

### **3.7. Data analysis**

Data were analyzed based on the data collected. The study used descriptive statistical through SPSS (Statistical Package for Social Sciences). The collected data were expressed in different tables especially the response from the representative sample under this study.

### **3.8. Validity of Test**

According to Anyanwu (2000), validity refers to the degree to which a measuring instrument measures what its designed to measure.

The content validity was also carried out to ensure that the research work was in line with what is talking about and this was done by going through the written work before completion and was valid.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Analysis General Characteristics of Respondent

The purpose of data analysis is to get information that can aid in decision-making. Data appear in a variety of forms and are measured. (Enns 2005).

Table 1 to 3 shows the socio-demographic characteristics of the respondents of the questionnaires shared and received from selected Local Government Areas of Kwara State.

**Table 1: Gender of the Respondents**

Gender	Isin	Oke-Ero	Irepodun
Male	4	7	5
Female	6	3	5
Total	10	10	10

*Source: Primary Data 2024*

To determine the participants' gender, in the three selected Local Government of Kwara State, the study asked them to indicate their gender. The results showed that from Isin 4 male responded to the questionnaire giving 40% and 6 female giving 60%. While in Oke-Ero 7 male responded giving 70% and 3 female giving 30% while also in Irepodun 5 male and 5 female giving 50% respectively. This illustrates that both genders were represented in the study and the findings were not biased towards either gender.

**Table 2: Age Distribution of the Respondents**

Age	Isin	Oke-Ero	Irepodun
25-34 years	3	2	2
35-44 years	3	5	6
45 and above	4	3	2
Total	10	10	10

*Source: Primary Data 2024*

The study requested the respondents to indicate their age category, From Isin L.G.A respondents between age range 25-34 years have the frequency 3 (30%), between the age of 35-44 years have the frequency 3 (30%) and between 45 and above years have the frequency of 4 (40%). From Oke-ero L.G.A respondents between the age range 25-34 years, 35-44 years and 45 and above years have the frequency 2 (20%), 5 (50%) and 3 (30%) respectively. From Irepodun L.G.A respondents between the age range 25-34 years, 35-44 years and 45 and above years have the frequency 2 (20%), 6 (60%) and 2 (20%) respectively. This illustration show that the majority of the respondents were almost at the edge of their retirement that is they have more experience with their age distribution.

**Table 3: Level of Education**

Level	Isin	Oke-Ero	Irepodun
Masters	4	2	7
BSc.	6	8	3
Total	10	10	10

*Source: Primary data 2024*

The study requested the respondent to indicate their highest level of education. From the findings, in Isin, 4 respondents have their highest level of education at Masters level giving 40% and 6 respondents have their highest education at BS.c level giving 60%, while in Oke-Ero, 2 (20%) have Masters and 8 (80%) have BS.c as their highest level of education and also in Irepodun, 7 (70%) have Masters and 3 (30%) have BS.c as their highest level of education This illustration show that most of the respondents focused on in this study had university degrees as their highest level of education.

**Table 4: Department of the Respondents**

	Isin	Oke-Ero	Irepodun
Finance department	6	4	5
Auditing department	2	4	2
Heads of other Departments	2	2	3
Total	10	10	10

The study requested that the respondents should fill in their departments, and from the responds in Isin, 6 (60%) respondents are from the Finance department, 2 (20%) from the Auditing department and 2 (20%) from Heads of other departments (HR, M&S) while in Oke-Ero 4 (40%) from Finance department, 4 (40%) from Auditing department and 2 (20%) from Heads of other departments and also from Irepodun 5 (50%) from Finance department, 2 (20%) from Auditing department and 3 (30%) from Heads of other departments. This illustrates that those who fill the questionnaire are from relative departments of Internal Auditing.

**Question 1: How effective is the Internal Audit in selected Local Government Areas of Kwara State?**

Questions	Isin	Oke-Ero	Irepodun
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Frequency Percentage Frequency Percentage Frequency Percentage

**Internal Audit is one assessment carried**

**Out to figure out errors**

Strongly agree	5	50%	2	20%	2	20%
Agree	3	30%	5	50%	4	40%
Strongly disagree	2	20%	1	10%	1	10%
Disagree	0	0%	2	20%	3	30%
	10	100%	10	100%	10	100%



**The nature of Internal Audit is align with Government rules**

Strongly agree	4	40%	2	20%	3	30%
Agree	2	20%	5	50%	2	20%
Strongly disagree	3	30%	1	10%	2	20%
Disagree	1	10%	2	20%	3	30%
	10	100%	10	100%	10	100%

**The quality of Internal Audit is effective and efficient**

Strongly agree	7	70%	2	20%	2	20%
Agree	2	20%	5	50%	5	50%
Strongly disagree	1	10%	1	10%	0	0%
Disagree	0	0%	2	20%	3	30%
	10	100%	10	100%	10	100%

**Internal Audit is one assessment carried out to figure out errors**

From the above responds to Internal Audit is one assessment carried out to figure out errors, majority of the respondents agreed, giving a strongly agree of 50%, 30% of agree and 20% strongly disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 20% strongly agree, 50% agree, 10% strongly disagree and 20% disagree, giving a total of 100% and also in Irepodun, 20% strongly agree, 40% agree, 10% strongly disagree and 30% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 80% agree and 20% disagree, 70% agree and 30% disagree, 60% agree and 40% disagree respectively and that shows that Internal Audit is a paramount tool use in an organization to figure out errors.

### **The nature of Internal Audit is align with Government rules**

From the above responds to the nature of Internal Audit is align with Government rules, majority of the respondents agreed, giving a strongly agree of 40%, 20% of agree, 30% strongly disagree and 10% disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 20% strongly agree, 50% agree, 10% strongly disagree and 20% disagree, giving a total of 100% and also in Irepodun, 30% strongly agree, 20% agree, 20% strongly disagree and 30% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 60% agree and 40% disagree, 70% agree and 30% disagree, 50% agree and 50% disagree respectively and that shows that the nature of Internal Audit is likely align with Government rules.

### **The quality of Internal Audit is effective and efficient**

From the above responds to the quality of Internal Audit is effective and efficient, majority of the respondents agreed, giving a strongly agree of 70%, 20% of agree and 10% strongly disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 20% strongly agree, 50% agree, 10% strongly disagree and 20% disagree, giving a total of 100% and also in Irepodun, 20% strongly agree, 50% agree and 30% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 90% agree and 10% disagree, 70% agree and 30% disagree, 70% agree and 30% disagree respectively and that shows that the quality of Internal Audit is basically effective and efficient in the L.G.A

**Question 2: What are the challenges facing the Internal Audit in selected Local Government Areas of Kwara State?**

Questions	Isin		Oke-Ero		Irepodun	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<b>Inadequate book recording from bursary affects auditing work</b>						
Strongly agree	3	30%	3	30%	2	20%
Agree	2	20%	2	20%	5	50%
Strongly disagree	4	40%	3	30%	1	10%
Disagree	1	10%	2	20%	2	20%
	10	100%	10	100%	10	100%
<b>Inability of clear audit work affect effectiveness of auditing</b>						
Strongly agree	3	30%	6	60%	5	50%
Agree	5	50%	2	20%	3	30%
Strongly disagree	2	20%	0	0%	2	20%
Disagree	0	0%	2	20%	0	0%
	10	100%	10	100%	10	100%
<b>No staff remunerative negatively affects Audit effectiveness</b>						
Strongly agree	5	50%	2	20%	4	40%
Agree	1	10%	4	40%	0	0%
Strongly disagree	1	10%	3	30%	4	40%
Disagree	3	30%	1	10%	2	20%
	10	100%	10	100%	10	100%

### **Inadequate book recording from bursary affects auditing work**

From the above responds to inadequate book recording from bursary affects auditing work majority of the respondents agreed, giving a strongly agree of 30%, 20% of agree 40% strongly disagree and 10% disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 30% strongly agree, 20% agree, 30% strongly disagree and 20% disagree, giving a total of 100% and also in Irepodun, 20% strongly agree, 50% agree 10% strongly disagree and 20% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 50% agree and 50% disagree, 50% agree and 50% disagree, 70% agree and 30% disagree respectively and that shows that inadequate book recording sometimes affect audit work and vice versa.

### **Inability of clear audit work affects effectiveness of auditing**

From the above responds to inability of clear audit work affect effectiveness of auditing majority of the respondents agreed, giving a strongly agree of 30%, 50% of agree and 20% strongly disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 60% strongly agree, 20% agree and 20% disagree, giving a total of 100% and also in Irepodun, 50% strongly agree, 30% agree and 20% strongly disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 80% agree and 20% disagree, 80% agree and 20% disagree, 80% agree and 20% disagree respectively and that shows that inability of clear audit work affect the effectiveness of auditing.

### **No staff remunerative negatively affects Audit effectiveness**

From the above responds to no staff remunerative negatively affects Audit effectiveness majority of the respondents agreed, giving a strongly agree of 50%, 10% of agree, 10% strongly

disagree and 30% disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 20% strongly agree, 40% agree, 30% strongly disagree and 10% disagree, giving a total of 100% and also in Irepodun, 40% strongly agree, 30% strongly disagree and 20% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 60% agree and 40% disagree, 60% agree and 40% disagree, 40% agree and 60% disagree respectively and that shows that whether staff is given remuneration, they should carry out their duty appropriately.

**Question 3: What are the Strategies for Successful Implementation of Internal Audit Recommendations in selected Local Government Areas of Kwara State?**

Questions	Isin		Oke-Ero		Irepodun	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<b>Effective management support</b>						
Strongly agree	9	90%	8	80%	4	40%
Agree	1	10%	2	20%	6	60%
Strongly disagree	0	0%	0	0%	0	0%
Disagree	0	0%	0	0%	0	0%
	10	100%	10	100%	10	100%
<b>Availability of systems and software</b>						
Strongly agree	6	60%	6	60%	5	50%
Agree	3	30%	3	30%	2	20%
Strongly disagree	1	10%	0	0%	1	10%
Disagree	0	0%	1	10%	2	20%
	10	100%	10	100%	10	100%
<b>Government ability to provide qualified personnel</b>						
Strongly agree	10	100%	9	90%	10	100%
Agree	0	0%	1	10%	0	0%

Strongly disagree	0	0%	0	0%	0	0%
Disagree	0	0%	0	0%	0	0%
	10	100%	10	100%	10	100%

### **Effective management support**

From the above responds to effective management support majority of the respondents agreed, giving a strongly agree of 90%, and 10% of agree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 80% strongly agree, and 20% agree, giving a total of 100% and also in Irepodun, 40% strongly agree, and 60% agree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 100% agree, 100% agree, 100% agree respectively with no disagree and that shows that there should be support from the management to the internal audit department in the organization.

### **Availability of systems and software**

From the above responds to availability of systems and software majority of the respondents agreed, giving a strongly agree of 60%, 30% of agree and 10% strongly disagree, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 60% strongly agree, 30% agree and 10% disagree, giving a total of 100% and also in Irepodun, 50% strongly agree, 20% agree 10% strongly disagree and 20% disagree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 90% agree and 10% disagree, 90% agree and 10% disagree, 70% agree and 30% disagree respectively and that shows that there should be availability of systems and software for effective work done.

### **Government ability to provide qualified personnel**

From the above responds to government ability to provide qualified personnel majority of the respondents agreed, giving a strongly agree of 100%, giving a total of 100% from Isin L.G.A. while in Oke-Ero, 90% strongly agree, and 10% agree, giving a total of 100% and also in Irepodun, 100% strongly agree, giving total of 100%. This illustrates that in Isin, Oke-Ero, Irepodun Local Governments 100% agree, 100% agree, 100% agree respectively with no disagree and that shows that Government should provide qualified personnel to carry out the day to day activities of the organization.

### **4.2 Discussion of Findings and implementations**

The study investigates the impact of Internal Audit on Corporate Performance in selected Local Government Areas of Kwara State.

**Objective 1: To examine the structure of the Internal Audit on corporate performance in selected Local Government Areas of Kwara State.**

Based on the findings of the respondents, the analysis providing internal audit as an assessment used to figure out errors, the nature been appropriate with Government rule, quality of internal audit been effective and efficient, show that we have more agreement to disagreement of how well internal audit is been structured on corporate performance of the selected local government areas; Therefore, Internal Audit structure is significant on corporate performance in selected Local Government Area of Kwara State and is paramount to an organization's success.

According to Adewumi, *et al.* (2020) "the structure of Internal Audit and Corporate Performance in Nigeria Local Governments: A Systematic Review". This systematic review examined the relationship between the structure of Internal Audit and corporate performance in

Nigeria local governments. The findings highlighted the importance of a well-structured internal audit function in enhancing corporate performance.

“Internal Audit structure and Corporate Performance in local Government Areas: A Case Study of Kwara State, Nigeria” by Jimoh, *et al.* (2018). This study evaluated the internal audit structure and its impact on corporate performance in Kwara State local government areas. The findings revealed that a well-structured internal audit function is essential for enhancing corporate performance.

**Objective 2: To establish the challenges faced by Internal Audit on corporate performance in selected Local Government Areas of Kwara State.**

Based on the findings of the respondents, the analysis providing challenges of inadequate record bookkeeping, inability of clear audit work, inadequate staff remuneration shows that the challenges faced in Internal Audit are higher than the opportunities; therefore, the challenges facing Internal Audit are significant on corporate performance for effectiveness Internal Auditing in selected Local Government Areas of Kwara State.

According to Ojo (2019) “challenges faced by internal audit in enhancing corporate performance in Nigeria Local governments: A critical review”. This study reviewed the challenges faced by internal audit in enhancing corporate performance in Nigeria local governments. The findings highlighted the importance of addressing these challenges to ensure effective internal audit functions.

“Internal Audit Challenges and Corporate Performance in Local Government Areas: A case study of Osun State, Nigeria” by Olaniyan, *et al.* This study evaluated the internal audit



challenges and their impact on corporate performance in Osun State local government areas. The findings revealed that internal audit challenges can negatively impact corporate performance.

**Objective 3: To determine effective strategies for successful Internal Audit on corporate performance in selected Local Government Areas of Kwara State.**

Based on the findings of the respondents, the analysis provides strategies of effective Management support, Availability of systems and software, Provision of qualified skilled personnel shows that the workers are in support of the strategies for successful implementation of Internal Audit in selected Local Government Areas of Kwara State; therefore, internal audit is significant to corporate performance stating that the Government should provide every necessary material for effective Internal Auditing in an organization.

According to Adewumi, *et al* (2020) “Effective Strategies for Internal Audit in Enhancing Corporate Performance in Nigeria Local Governments: A systematic review”. This systematic review examined effective strategies for Internal Audit to enhance corporate performance in Nigeria local governments. The findings highlighted the importance of implementing these strategies to ensure effective internal audit functions.

“Strategies for Internal Audit to Enhance Corporate Performance in Local Government Areas: A Case Study of Kwara State, Nigeria” by Jimoh, *et al* (2018). This study evaluated strategies for Internal Audit to enhance corporate performance in Kwara State local government areas. The findings revealed that implementing effective strategies is essential for internal audit to enhance corporate performance.

#### **4.3 Discussion of findings**

The study reveals that an internal audit is a paramount exercise in an organization to achieve a successful outcome of the organization’s work. Internal audits face several challenges

due to the government's failure to provide adequate instruments, personnel, systems, and software to allow auditors to carry out their operations effectively.

The results are consistent with Nnena (2012) who concluded that internal audit functions in organizations contribute substantially to performance improvement, ensure the overall performance of the corporation through the effectiveness of the internal control system respectively, and internal audit contribute immensely to the overall performance of the organization by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS.

This is the conclusion chapter of this study. The finding and the result of the findings will be presented in this chapter and a general conclusion of the study and recommendation for further research will be outlined.

#### 5.1. Summary of Findings

Internal audit is crucial in every company. Though has problems that have constituted unsatisfactory performance as expected of a standard internal audit. The problem ranges are:

- a. Inadequate staff
- b. Lack of independence of internal auditors
- c. Lack of properly qualified staff with cognate experience
- d. Management neglect of the internal auditors
- e. Lack of mobility.

Researchers have studied the role of non-auditing officers and their impact on the efficiency of internal audits. Non-auditing officers who have been given authority to command, direct, or access important information within an organization. These officers include individuals other than the internal or external auditors, who have the power to influence the auditor's opinion through the information they possess.

In other words, the non-auditing officers are those within the system who are not involved directly in the audit but hold or possess certain information whose provision influences the audit opinion or that person whose performance is under auditors' examination.

The auditors are responsible and accountable for examining financial records, and their work must be efficient dependable opinion of the non-auditing officers refusing to discharge

their moral and legal obligations as required. The roles of non-auditing officers concerning audit work may not be their primary roles but they are vital to audit work. Some roles are

(a) Making available books, accounts, and other records as may be required. Section 36 (3) of Companies and Allied Matters degree

(b) (CAMA) 1990 granted auditors the right to access all the company's books, accounts, and vouchers. These books provide auditors with sufficient evidence to support the accuracy of financial statements for the period they cover. is, therefore, the duties of non-auditing officers to ensure the existence of these books of account and vouchers and ensure that they are well-kept and made available to the auditors without procrastination.

(c) Provision of any other information as may be required

(d) To assist auditors in obtaining information as explanation from third parties where necessary at times the auditor may need certain and vital information within the establishment. "It is necessary to make contacts." third parties outside the establishment to obtain or confirm such information. Non-auditing officers must be ready and cooperate with auditors to provide information.

Many non-auditing individuals hold back useful information from auditors, even when asked directly. This can force auditors to give additional techniques or methods to gather the necessary information, which can be more costly and time-consuming. One way to undermine a department is by not recognizing its importance, resulting in insufficient funding and staffing. Internal audit departments often face this issue, as they are frequently undervalued by non-auditing officers in positions of authority, resulting in inadequate funding and staffing.

In addition, many non-auditing officers, particularly those whose performance is being evaluated, may resort to threats or gifts to dissuade auditors from providing independent

opinions. Threats usually involve employment and promotion and are more commonly associated with internal audits, while gifts are used to sway external auditors. Although external auditors may face threats such as non-auditor fees or non-reappointments, their legacies usually secure their interests. There is a popular saying, "Where there's smoke, there's fire", meaning that there is usually some truth to rumors or suspicions. The following are some reasons why non-auditing officers may try to hinder an auditor's work.”

(a) Ignorance of objects of audit: Most of the non-auditing officers do not appreciate the necessities of the auditors and most importantly, the internal auditor. Some believe that the private sector created internal departments in its industries and establishments to provide jobs for people. Some people see it as a way to promote and maintain the bureaucratic red tape typically associated with government officials. Many have called for its abolitions; many have seen it as an enemy a watchdog for the owners and therefore, needs to be treated as an enemy. It is unexpected to see non-auditing officers displaying various behaviors to resist the unit.

(b) Ignorance of the responsibility to auditor: The refusal of some non-auditing officers to cooperate has been claims to be due to the fact that they hold certain confidential information on trust, but is ignorant of the fact that the law empowers the auditor to get whatever information he requires.

(c) An attempt to cover up fraud and internal errors: Some non-auditing officers are aware of the objectives of the audit and their responsibilities to auditors but they still put up their uncooperative attitude just to cover up the fraud and intentional errors they have committed or they collaborated to commit

## 5.2 Conclusion

The role of an internal auditor is critical in ensuring effective governance and internal control systems. They act as a watchdog for management, linking different management elements to ensure that accounting and management controls are implemented properly. However, in many limited liability companies and government establishments, the importance and functions of the internal auditor are often disregarded. As a result, there are frequent ways of misappropriation or mismanagement of large sums of money due to the absence of an internal auditor. Even in companies with an internal audit department, the advice of internal auditors is often ignored, leading to poor financial management and a lack of proper record-keeping. This can cause difficulties when management is investigated, as most company CEOs does not have the time to review internal audit reports.

And as such they do not know when the correctives measures applied by the internal auditor could be introduced in order to check or control excesses. These are the reason why in some areas, the internal auditors are being describe as toothless-bull-day. Also from the foregoing, it can be seen that the purpose of internal auditing is not to detect fraud as some people think. A properly conducted internal audit may reveal discrepancies, mistakes loopholes in the system and sometimes fraudulent, manipulations as a by-product of the work.

Finally, looking through this research generally and thoroughly, it is observed that internal audit department should not be overlooked in any establishment. For instance, most understandable managers and top personnel offices avert fraud (taking something of value from someone also through direct) of some sort for fear of being detected, harassed and penalized by the auditors. And as such other crimes such as theft of cash, theft of materials and suppliers. This paper has therefore established how internal audit could be a tool from management control.

### 5.3 Recommendations

Based on the problems identified above, and having examined the effect of non-auditing officers, the ways they had been performing these roles and why they are behaving the way they do, the task would be incomplete if we do not suggest ways of ensuring that the best is to obtain by the auditors from the non-auditing officers. The researcher therefore wishes to put forward the suggestions and recommendations which if implemented will augur well for the establishment and improve the internal auditing process generally. The internal audit department is ill staff to be compared with the magnitude of work they carry out before the department to function effectively; more staff should be engaged. This will facilitate the audit work of the establishment. Assuming that there are enough staff in the unit the staff could be distributed to various departments or stations to check the activities of the workers and report their finding to the management.

**(1) Orient the non-auditing officers on the advantages to the management:** it is a tool for ensuring effective implementation of the internal control system and in fact it allows such internal system to be reviewed. “If internal management policies are observed and sufficient information is provided to management for evaluation and decision-making, the organization can operate effectively. Non-auditing officers who receive proper education can appreciate the advantages of collaborating with auditors. By doing so, they can focus more on internal and external audit reports, leading to overall benefits for the organization.”

The internal auditor should be given a higher status in the establishments. In most establishments researcher visited, there were strong feelings and expressions about the low status of internal auditor’s hierarchy of organization. Head of internal audit departments appeared to be in executive cadre (H.E.O) nearing retirement. I observed that they are pushed away from the

main building and are provided accommodations in some of the leaking wooden structures around the industry with poorly furnish offices. It is strongly recommended that internal should be considered for consider for higher status comparable to those of their counter parts who perform management duties. This will make it possible for them to attend important meetings and contribute to the growth of the establishments.

(2) **Provision of vehicle:** There is an urgent need for transportation to be readily available to staff of this office. It is very important that internal audit staff should be provided with vehicles. The nature of their work warrants that allocation be made to the department to enable them carry out audit work at the branches or zones or perform other field assignments such as market survey. Sometimes, management required internal auditor to conduct investigation on certain issues and the information needed may be obtained at Port Harcourt, Aba, Onitsha, etc. In such circumstances use of vehicle is inevitable. In most of the places which I visited during research work, there was a general compliant that internal audit requires vehicle to enhance their productivity.

(3) **Establishment of audit committee:** Section 359 (3) of companies and allied matters decree 1990, (CAMA) made it mandatory for all public companies to have audit committees. Much good would be done to internal audit. If every organization has an audit committee and if the internal auditors can be appointed by this audit committee and made to report to them so as to prevent the unnecessary and direct or indirect intervention of the management in the internal audit.

(4) **Appointment and qualification of internal auditors:** The caliber of people to occupy the position of internal auditor should be such as to make them comparable in status and



responsibility with that of other management staff. This would enable the management to accord much to the internal audit.

(5) **Management should react promptly to audit reports quinces:** Whenever anomalies should be corrected immediately and adherence to lay down policies by the staff concerned should be monitored where possible reassignment of incorrigible staff should be strongly recommended. The internal auditor should report directly to the chief executive of the establishment so that his report will be properly and promptly treated

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## **APPENDIX**

Faculty of Management and  
Social Science,  
Department of Accounting,  
Thomas Adewumi University,  
Oko, Kwara State.

Dear Respondent,

I am a final year student of the Department of Accounting in the above named institution. Currently, writing a project on “Impact of Internal Audit on Corporate Financial Performance in some selected Local Government area in Kwara State.

This research questionnaire is designed to elicit information which will help the researcher to arrive at the local findings from the study. It is purely academic and it is in fulfillment of the requirement for the award of a B.SC degree in Accounting.

I hereby request assistance in the conduct of this research work in filing and returning this questionnaire.

I will ensure that any information you give will be confidential and will be used for the purpose of this study. Thanks for your co-operation.

Yours faithfully,

**Olanrewaju, Favour Ayobami**

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