### INTERNAL AUDITING AS AN INSTRUMENT FOR EFFECTIVE MANAGEMENT AND ACCOUNTABILITY OF FINANCIAL RESOURCES IN THE PUBLIC SECTOR

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****ABSTRACT****

***This study was carried out to Internal auditing as an instrument for effective management and accountability of financial resources in the public sector using Udi Local Government in Enugu State. The study adopted a survey research design and with the aid of convenient sampling method, the researcher enrolled 36 participants in the study who are civil servant in Udi local Government Area of Enugu State. A total of 30 responses were received and validated from the enrolled participants. Data was analyzed in simple percentage using frequencies and tables.Hypothesis was tested using Anova statistical tool (SPSS).***

***Findings from the study revealed that Internal auditing is an instrument for effective management and accountability of financial resources in the public sector however lack of proper independent exercise by the internal auditor, understaffing in the side of internal audit unit, the internal control system is very weak toward financial and other controls and also non adherence by the auditors on general auditing standard.***

***The study therefore recommends that internal auditors should exercise the degree of independency on various department within the organisation in performing their duties, the internal control system should be efficient in such away that it will prevent any act of financial crime and detection of fraud and local government council should established a scheme for internal auditors training from time to time because it will enhances there operational capacities and skills in administering the internal control system by way of attending professional seminars, workshop and symposium.***

****CHAPTER ONE****

****INTRODUCTION****

* 1. ****BACKGROUND OF THE STUDY****  
     Recently effective management and accountability of financial resources vike cash in the public sector has begun to receive much emphasis primarily in response to increase in fraud and high inflations rate that devalue idle or unaccounted cash and most especially defeat of aims of establishing such enterprises and extra ministerial department most government establishments are tightening their internal control system to ensure strategic management planning and transparency in the affairs of the department .This duty call made imperative due to the near collapse of government institutions occasioned by misuse of cash and its vulnerability to corrupt official who are ever at work to defraud and Erich themselves from the organization. In order to protect its financial resources from being plundered an organization must know exactly its income and expenditure vouching system accounting system and basis authorization procedure cash control system etc. with respect to cash inflows and outflows. This explains the geometric rise in the embezzlement of public funds by official and government technocrats who are supposed to secure such funds. It is patients to recall that cash and other near-money resources either real or financial is the most improvement current asset for the smooth running of her machinery. It is input needed to keep the business on continuous basis such resources are needed for payment of salaries payment for contacts and other infrastructural development need to make for a good standard of living.  
     An integral part of real and financial assets administration is concerned with the effective utilization of corporate fund. The planning and control of such activity is made possible by stringent internal auditing which embodies strict internal controls observation of accounting standards and principle vouching and authorization procedure. This is made necessary by the fact that business is cyclical in nature with dwindling government revenue and a considerable amount of time during which factors inputs must be purchased and wages paid elapses between the receipt of an order its shipment and the banking of cash. An investment in cash and real assets is required in order to meet with pressing operational demand the uneven flow in the receipt and disbursement of fund causes seasonal fluctuations and so on moreover the receipt and disbursement of fund is useable in daily basis and within the month with a strong cash management and control system (models) recognize the uncertainty inherent in forecasting both cash inflows and outflows.  
     An effective cash management and accountability is necessary for the overall performance of an organization one is surprised at the complete lack of legal cash control and other real asset management system in many public sector organization in Nigeria especially those ones owned by government and the state. While some organizations prepare cash budget at the beginning of their financial year without any follow up authorization and control process others just more cash control to monthly basis in the form of bank reconciliation statement which are doctored to clan up their augean stables unfortunately, it is only when cash problem arises that management starts to look for the immediate and remote causes and possible remedies while they are the problem themselves.  
     According to Stever (1994) auditing in all its ramification whether internal or external in nature provides a unique platform and tool for accountability as no manager would like himself or herself to be found wanting for failure to give an accurate account of the fund entrusted to him or her. It therefore saves as a determent to managers of public funds from perpetrating frauds. More importantly internal auditing which is an independent appraisal of activity within an organization for the review of the accounting financial and other operations as a basis for protective and constructive services to management is a type of control which functions by measuring and evaluating the effectiveness of other types of control.  
     The researcher intends to look into the nature of internal auditing as a probable tool for effective management and accountability of financial instrument with particular reference to the public sector the third tier of government using Udi local government council as a case study and to evaluate the internal control system in line with approved international standard and principles.
  2. ****STATEMENT OF PROBLEM****  
     Among the worst economic crimes prevalent in out economy today fraud and embezzlement of public funds stands out conspicuously. This social use is common thin the government circle as the people who are entrusted with the paraphernalia of government defy any from of internal audit designed to check and detect frauds they usually maraud the system alongside the civil servants in the quest to each themselves the reason being that the appropriate internal control system is not in place or non-existent. And where it is rules and regulations guarding the system are battered and manipulated in order to perpetuate fraud and embezzlement is what the present research intends to examine in addition to establishing internal auditing in us true perspective as an instrument for effective management and accountability the statement of problems includes   
     1. Impact of various department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.  
     2. How effective is the controls for prevention and detection of fraud and other financial inequalities  
     3. Effects of internal auditing and control in the public sector   
     4. Difficult that internal auditing has encountered towards achieving and activating organizational
  3. ****PURPOSE OF THE STUDY****  
     The cardinal objectives of the research study are:  
     1. To know the extent various departments have helped in the establishment of internal control in the planning and controlling of real and financial as of the public sector.  
     2. To find out how effective is the control for prevention and detection of fraud and other financial irregularities.  
     3. To highlight the effects of internal auditing and control controls in the public sector.  
     4. To ascertain the difficulties institutionalization of internal auditing ahs encountered towards achieving and attaining organizational goals
  4. ****RESEARCH QUESTION****  
     To guide this project work four research question were formulated to ensure clarity.  
     1. To what extent does various department helped in the establishment of internal controls in the planning and controlling of real and financial assets of the public sectors?  
     2. To what extent does the controls being effective for the prevention and detection of fraud and other financial irregularities?  
     3. To what extent does internal auditing and controls have affected the public sector?  
     4. To what extent does the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals?
  5. ****RESEARCH HYPOTHESIS****  
     Towards verifying the subject matter of this work the following preposition were formulated and tested.  
     **Ho1:** There will be no significant difference (P<0.05) (at the probability level of .05) between the mean perception of finance dept and stores department on the impact of valued department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.  
     **H1:** There is a significant difference (P<0.05) (at the probability level of .05) between the mean perception of finance and stores department on the impact of various department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.  
     **Ho2:** There will no significant difference (P<0.05) (at the probability level of 0.05) on how effective is the control for prevention and detection of fraud and other financial irregularities.   
     **H12:** There is a significant difference (P<0.05) (at the probability level of 0.05) on how effective is the control for prevention and detection of fraud and other financial irregularities.   
     **Ho3:** There will be no significant difference (P<0.05) (at the probability level of 0.05) between the mean perception of finance and stores department on the effects of internal auditing and control in the public sector.  
     **Ho4:** There will be no significant difference (P<0.05) (at the probability level of 0.05) between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.  
     **H1:** There is a significant difference (P<0.05) (at the probability level of 0.05) between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.
  6. ****THE SCOPE OF THE STUDY****  
     This students engagement is meant to analyze the need for operators of the public sector to adopt and establish internal auditing and control as an instrument for effective management and accountability of financial resources no the public sector like real and financial assets with a reference to Udi local government council in Enugu state. The study delved extensively on the magnitude of looting plundering and embezzlement of public funds and stressed on the effectiveness of internal auditing towards curbing the ugly trend.
  7. ****THE SIGNIFICANCE OF THE STUDY****  
     This research will be benefit to private and government establishment in that if the recommendations are implemented public funds currently being siphoned through avoidable embezzlement conduct peoples and fraud in many public enterprise and department will be conserved.  
     The staff of such organization will benefit because the conserved fund can be used to improve their condition of service and the provision of social amenities for the public. When this is attained to works will be well motivated. This will have a positive impact on their level of productivity and output. As a result, better services will now be provided to the society and mankind through improved efficiency of management this study will equally help the management of public and private establishment in planning and control which are basic ingredients of strategic decision making.  
     The research is also an attempt to finding solution to the disturbing problem posed to the corporate existence and growth of government establishment by office perpetrators of fraud and embezzlement that made the research to hose the topic.  
     This piece of work will equally be of immense benefit to:  
     a. The general public.  
     b. Practicing accountants   
     c. Those in fiduciary positions   
     d. Accounting officers in both private and public establishment and  
     e. Students of accountancy and allied disciplines since they can use it as a guide for carrying out future research and to educate their minds generating.

****1.8 DEFINITION OF TERMS****  
**Real assets:** These are fixed assets in an organization which are used in the production process it may be machines vehicles factories office blocks etc.   
**Financial assets:** These are inventive assets of an organization in the form of  cash and near money instruments like cheque bonds shares etc.   
**Internal:** This simply means carrying out an activity or working within the immediate environment   
**Auditing:** This is defined according to the audit operational standard as the independent examination of and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of the appointment and in compliance with any relevant statutory obligation   
**Instrument:** Implement or apparatus used in performing an action a complex  administrative organization (Webster Encyclopaedia) dictionary OT 1993)   
**Effective:** This means having the good quality of achieving or accomplishing the goal management seeks to pursue.   
**Management:** This is employment and application of both human and   
material resources to achieve the objectives of an organization in the most economic way   
**Accountability**: The act of giving explanation or reckoning for something  entrusted to one   
**Fraud:** Intentional distortion of financial statements.  
**Embezzlement:** To man private the funds and financial records of an   
organization in order to enrich oneself   
**Public sector:** That part of the aggregate economy being owned and   
controlled by the government state or the central government   
**Fiduciary relationship:** Means that the management of funds is not   
completely and exhaustively in the hands of owner but entreated by owner to somebody else.   
**Control:** Any deliberate act to forestall the Mismanagement of funds and  the perpetration of fraud in an organization   
**System**: A group of things or parts working together as a whole

****CHAPTER TWO****

**LITERATURE REVIEW**

**2.0 INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

**2.1 CONCEPTUAL FRAMEWORK**

**AUDITING**

The origin of audits dates from ancient times when the land owners allowed tenant and farmers to work on their land, while the land owners themselves did not become involved in the business of farming. The landowners relied upon overseers to the account of stewardship given by the tenants (Adeniyi, 2004). In those days, the receipts and payments of an establishment were read to the hearing of an individual termed as the “auditor”. The word “auditor” was derived from the Latin verb “Audire” which means “to hear” (Kola, 2007). In the early days of auditing, the prime qualification for the position of auditor was reputation (ability to report and give unbiased opinion on the truth and fairness of the financial statement). It is possible to find evidence of audits of one form or another, going back over many centuries with auditing, probably having its origin in the ancient Egypt. Auditing like the type we have today began in sixteen-century Europe. The “Golden Age” of Elizabeth I, witnessed a major development in international exploration and trade (Johnson, 2003). As commerce developed, it became common for the number of participation in an enterprise to increase more significantly. Those who provide the financial backing for a venture would often not be prepared to take any of the “physical risk” or endure any of the “physical hardship” involved in it execution. In Nigerian, the companies Act of 1968 can be regarded as the first comprehensive enactment to require all incorporated companies to have their annual financial statement audited. Under provision of the 1968 companies Act, the company‟s auditor was required to examine and report on the balance sheet, which the company presented to its shareholders (Nwanku, 2006). The 1968 companies Act was replaced by the companies and Allied Matter Act (CAMA) 1990 as amended 2009 which equally required auditors of companies to examine and report on the financial statement to be presented to the shareholders (CAMA, 1990). It has become increasingly common, and seen as a good practice to adopt effective and efficient internal control system and for organization to set-up internal audit department and for the external auditor to alter their audit approach to take account of the work of the internal audit. Internal auditor in a critical factor in determining the quality of an organization‟s internal control, and its development has made a major contribution to modern audit practice (Adeniyi, 2004). According to Millichamp (2002), auditing is an exercise whose objectives is to enable auditors to express an opinion whether the financial statement give a true and fair view (or equivalent) of the entity‟s affairs at the period end, and of its profits or loss (or income and expenditure) for the period ended and have been properly prepared in accordance with the applicable reporting framework. In his view, Taxmann‟s (2004), had it that, audit is an exercise of examining the financial 13 statement to enable the auditor to express an opinion whether the financial statement are prepared, in all material aspect, in accordance with an identified financial reporting frame work. Messier (2003), view auditing as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and event to ascertain the degree of correspondence between those assertions and published criteria and communicating result to the interested users. Whittington and Pany, (2004) on their part, view auditing as a process, which involves searching and verifying the accounting records, and examining other evidence supporting the financial statement. Adeniyi (2004), defined auditing as the independent examination of/and expression of opinion on the financial statement of an enterprise by an auditor in pursuance of their appointment and in compliance with any relevant statutory obligations. Auditing is an independent examination of the expression of an opinion on financial statement of an enterprise by an appointed auditor, in accordance with his terms of engagement and the observations of statutory regulations and professional requirement (Kabiru, 2007). Awe (2008) defines auditing as an independent examination of the books and accounts of an organization by a duly appointed person to enable that person give an opinion as to whether the accounts give a true and fair view and comply with relevant statutory guidelines. The American Accounting Association (1971) in its Statement of Basic Auditing Concepts in Hayes et al. (1999) described auditing as: a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users. Audits are typically classified into three types: Audits of financial statements, operational audits and compliance audits. Audits of financial statements examines financial statements to determine if they give a true and fair view or fairly present the financial statements in conformity with specified criteria (Adeniji, 2004; Okezie, 2008; Appah, 2011). Operational audit is a study of a specific unit of an organization for the purpose of measuring its performance. According to Hayes et al. (1999), operational audits review all or part of the organization‟s operating procedures to evaluate effectiveness and efficiency of the operation. Effectiveness is a measure of the extent to which an organization achieves its goals and objectives. Efficiency shows how well an organization uses its resources (Oshisami, 2004). Compliance audit is review of an organization„s procedures to determine whether the organization is following specific procedures, rules or regulations set out by some higher authority. According to Oshisami (2004), compliance audit provides examination of financial statements, accounts and reports and their compliance with applicable regulations to certify that: there are effective controls over revenue, expenditure, assets and liabilities; there are proper accounting records of the resources, operations and encumbrances; the accounting and financial reports are sufficiently accurate, reliable, timely and useful and fairly represents the transactions, events and conditions reported upon and applicable laws and regulations have been complied with.

INTERNAL AUDIT

Internal audit is an independent appraisal function within an organization for the review of the system of control and the quality of performance to the organization (Millichamp, 2002). It therefore objectively examines, evaluates and reports to management, on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of organizational resources. According to Whillington (2004), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizational operations. Kabiru (2002), also view internal auditing as a responsibility of safeguarding the assets and liabilities of the company and other services that will enhance the efficiency and effectiveness of the operations of the company through review of accounting systems, review of internal controls systems, review of the implementation of the corporate policies, plans and procedures and possibly through carrying out special investigations assigned by the company. Adeniyi (2004) defined internal audit as an independent appraisal activity established within an organization as a service to it. According to him, it is a control which functions by examining and evaluating the adequacy and effectiveness of other controls. He further mentioned that it is originally concerned with the financial records; the investigative techniques developed are now applied to the analysis of the effectiveness of all parts of an entity‟s operations and management. Nwankwo (2006), look at internal auditing as independent appraisal activity within the organization, for the review of operations as a service to management. According to him, it is a management control which functions by measuring and evaluating the effectiveness of other control.

**Organization of Internal Audit**

In order for the internal audit section to enjoy some degree of independence, it should be a separate unit, and not under the control of any other department. Mayo BPP (1993) opined that the internal auditors should have full right of access to records, assets and personal and should be able to obtain all information and explanations required for the performance of his duties. Kola (2007) identified the requirement of an internal audit for the maintenance of independence status as follows;

1. The audit section should be a separate section quite independent of accounts. iii. The chief internal auditor should be a person of high standing, properly trained and experienced and should be responsible to high level of management.
2. The audit section may be informed and consulted about proposed changes but should not be directly responsible for the development or implementation of such system.
3. The audit section should have direct access to all heads of department, chief executives and/or management board.
4. The chief internal auditor should have the right to report in his own name without such report being edited.
5. Chief internal auditors should have right to report on any aspect of the financial work, including that of the finance department

**Essential Elements of Internal Audit**

Mittichamp (2002) identified the following as the essential elements of auditing:

**Independence:** though the internal auditors are employees of an organization, in order to ensure that they are objective, their units must be independent not only of finance department and must be accountable only to management.

**Staffing:** the internal audit should have adequate and competent staff. The staff should possess relevant skills.

**Training:** the internal auditors and internal audit should be well trained

**Relationships:** the internal auditor is expected to foster a constructive relationship with external auditors, audit committee, management etc.

**Due care:** just like external auditors, the internal auditor also owes a duty of care and skills to the organization. He must demonstrate technical expertise, honesty, probity and integrity.

**Planning, Controlling and Recording:** the internal auditors are also expected to plan, control and record their work.

**System controls:** the internal auditors must verify all the operation of the system by investigating, identification of the controls, and performance of compliance test on the controls.

**Evidence:** The internal auditor must obtain sufficient, relevant and reliable evidence he requires to perform his functions.

**Reporting:** since the internal auditor is equally accountable, he must produce timely, accurate, reliable, understandable and comprehensive report to the management.

**Management Control In Public Sector**

In the eye of Woolf (1986) the public sector is primarily composed of non-profit making organizations. Management control in its broadest context is the means by which an organization carries out its objectives effectively and efficiently. Public sector management can be generally distinguished as having hierarchical structures composed of responsibility centers, units, sections, departments and divisions. Central government department, the natural health services depend directly on the exchequer for all their funds. If changes are made for certain services they are usually nominal and have a little impact on the level of services offered. Autonomous bodies are subjected to high degree of Central government control. Local government authorities receive by far the largest proportion of their funds through the rate support grant or allocation. They can equally raise revenue locally, primarily by levying rates; the extent of their power is strictly monitored by central government. Therefore, the management and control of the public purse is the heart of government administration. The internal audit reports directly to the chief executive, the financial regulations, however, enjoins the chief executive of each ministry to ensure that the accounting and finance functions and internal audit functions are placed under the direct control of suitable competent accountants.

**Internal Audit and Management**

According to Thompson (2003), internal auditing should not be restricted to financial transaction only. He believes that internal auditors can equally assist management by ensuring that adequate financial and management controls have been implemented and are operating effectively or by identifying the weaknesses in such system and making recommendations toward their improvement which include among the others; with internal audit, errors are more likely to be discovered in their early stages. Existence of assets is verified so as to protect the assets of the organisation, errors in account can be corrected early once detected by the internal auditor, it acts as moral influence on the staff and promotes efficiency by compelling the officers to keep their books of account entered up to date, a detailed examination of the financial account submitted by contractors is facilitated, cash disbursement, such as for wages and salaries, may be checked before they are cashed. According to him, internal auditing should not be restricted to financial transactions, he believe internal auditors can equally assist management by ensuring that adequate financial and management controls have been implemented are operating effectively or by identifying weaknesses in such systems and making recommendations to towards the improvement.

**ACCOUNTABILITY**

The concept of accountability has a long tradition in both political science and financial accounting. In political science, John Locke‟s theory of the superiority of representative democracy built on the notion that accountability is only possible when the governed are separated from the governors (Staftan, 2009). As a concept in ethics and governance with several meanings, accountability is often used synonymously with such concept as responsibility, answerability, blameworthiness, liability and other terms associated with the expectation of account giving. As an aspect of governance, it has been central to discussion related to problems in the public sector, non-profit and private (corporate) worlds Bruce (2012) In leadership roles, accountability is the acknowledgement and assumption of responsibility for action, products, decisions and policies including the administration, governance and implementation within the scope of the role or employment position and encompassing the obligation to report, explain and answerable for resulting consequences Bruce (2012).Accountability can be in form of social accountability, financial accountability, political accountability, administrative accountability, ethical accountability and legal accountability.

**Financial Accountability:** Financial accountability according to Burkead quoted in Ola and Effiong (1999) means legal liability the establishment of the pattern of control over the receipts and expenditures that permits a determination either by the executive or by the legislature (or both) that public monies have been used for public purposes. It is concerned with the establishment of pattern of control over receipt and expenditure of public funds. Financial balances between the executive and the legislature. The legislature watches and checkmates the executive through legislative process while the executive through its veto power could check the excesses of the legislature The Economic and Financial Crimes Commission (EFCC) has also been established to fight corruption. Its focus is to combat financial and economic crimes. The commission is empowered to prevent, investigate, prosecute economic and financial crimes and penalize offenders. It is also charged with the responsibility of enforcing the provisions of other laws and regulations relating to economic and financial crimes (Aiyede: 2006). Other sources of control could include the Nigerian Public Complaints Commission.

**Social Accountability:** Social accountability is affirming and making operational the direct accountability relationship between citizen and the State (Malena and McNeil, 2010). Social accountability practices include for example participatory public policy, participatory budgeting, public expenditure tracking and citizen monitoring and evaluation of public services (Malena and McNeil, 2010). It is an approach to enhancing government accountability and transparency. It refers to the wide range of citizen actions to hold the State to account for its actions. Social accountability strategies and tools help empower ordinary citizens to exercise their inherent rights and to hold governments accountable for the use of public funds and how they exercise authority (Pradhan, 2010).

**Government Accountability:** According to Kolache (1990), government has reported on financial accountability, including compliance with spending authorities. This information continues to be important, particularly given concerns about the debt and deficit, but government is responsible for much more. It has an obligation to make program choices and deliver these programs and services in the best interest of its citizens. These decisions go beyond financial consideration to include issues such as fairness and at the same time the citizen who support or use this programs want to know that the government is actually achieving what it intended to and that they are getting value for money for that period. To the above understanding of such issues, legislations and citizens need to know what government intend to achieve and why, and what it is actually achieved. To be accountable it should explain if and why its result differ from what was intended and what action it took. Information such as this would be derived from management system geared for result.

**Overview of internal Audit activities in public sector organisations** The nature and position of the internal audit department in government differs from one country to another (Mizrahi & Ness-Weisman, 2007). The law requires that an internal audit department or unit be established in each government office in Nigeria, and shall be headed by an experienced or/and a qualified accountant in order to provide a complete and continuous audit of the accounts, and records of all receipts and expenses (Aruwa,2003). Additionally, internal auditors of every office should be accountable to the accounting officer and Auditor General of the state on the real situation in terms of conformity with the standards of the audit work and also the internal auditor shall issue special reports, where necessary, if he is of the views that the Auditor General (State) concerned is needed (Barkan, Gboyega & Stevens, 2001). By its structure, the internal audit is a service department and as such, it is essential that it should not be connected to finance and account unit and ideally the head of internal audit should belong to top management (Aguolu, 2009; Belay, 2007). However, governments’ ministries and departments should periodically measure their internal audit function to ensure that it is operating in accordance with best practice and principles (Glance,2006). Thus, the motives behind the establishment of internal audit unit, as already noted, as to include to promote accuracy and reliability in accounting and operating data; safeguarding government resources in order to prevent resources embezzlement and fraud, also to determine the extent of compliance with relevant government laws, policies and procedure established within the various department as well as ensuring proper and judicious resources utilization (Sani, 2009; Mainoma, 2007). Furthermore, when it come to the issues of legality of auditing in Nigeria, the legal instruments that sets the overall framework for the financial management, auditing procedures, government accounting and financial reporting for either the Federal, State or Local government or its parastatals are the following (Aruwa, 2003):

The Constitution of the Federal Republic of Nigeria 1999,

Finance Control and Management Act 1958,

The Audit Ordinance No. 28 of 1956,

The Annual Appropriation Act and the financial memoranda of 1999. Aspect of professionalism is usually handled by the professional bodies such as ICAN and ANAN through Nigerian Standard on Auditing (NSA). However, with the adoption of IFRSs in Nigeria, NSAs are gradually being phased out. The scope and objective of internal audit unit in government offices in Nigeria are almost the same with the provision of Institute of Internal Audit to some extent. The Nigerian Standard on Auditing (NSA) concerned with the professional pronouncement on the auditor’s responsibilities relating to accounting issues and related to disclosures in an audit of financial statements as well as the review of organizational operation by an auditor. Internal auditors are uniquely placed in organizations with the view to examine and evaluate the systems used in different parts of organization and to make recommendations for improvement (Payne, 2005). Therefore, the status of internal audit in the public sector should be improving from the current situation to meet international standard so as to improve the performance of public sector organisations and to ensure the achievement of set objectives (Payne, 2005). Unfortunately, the internal audit functions in most government offices and organisations have not been effective due to neglect on the part of the government at both Federal and State levels (Belay, 2007). All past policies by government geared towards repositioning the internal audit profession had not been matched with appropriate actions (Aguolu,2009). This is probably why there have been high rate of corruption at all levels – federal, state and local councils and their parastatals.

**Internal Audit at the Local Government level**

The implementation guideline on the application of civil service reforms in the local government service (1998) as cited in Shehu (2004) and (Sani, 2009) provided that; there shall be established in each local government, an internal audit unit, headed by a qualified accountant to provide a complete and continuous audit of the accounts, and records of revenue and expenditure. The internal auditor of each local government shall directly be responsible to the accounting officer and the Auditor General of the local government council, and therefore he shall report monthly to the accounting officer, as well as to the Auditor General of the local government council, on the true progress of the audit. He shall also issue special reports, if necessary, where, in his opinion, the attention of the Auditor General of the local government council should be drawn. The main objective of internal auditors at local government level is; to promote accuracy and reliability in accounting and operating data, to safeguard government resources against waste, fraud, and inefficiency, to measure the extent of the operating departments compliance with government policy, to evaluate the overall efficiency of the operating functions (Adams,2004). (Shehu, 2004) is of the view that internal auditors at local government should ensure that all officers whose duties involve the handling of local government funds are adequately bonded, ensure that the computation and casting have been verified and are arithmetically accurate, ensure that all payments have been entered in the Departmental Vote Book (DVEA) From the above definition, it can be seen that the purpose of internal auditing is not to discover fraud, as some people assume, but to review and evaluate the activities of the organization with a view to expressing an opinion on the efficiency and effectiveness of management as well as adequacy of internal control within the organization. A properly conducted internal audit is expected to reveal errors, strengths or weaknesses of the internal control system of the organization.

**Financial Resources and Control**

Anfayo (1994:60), defined financial control as “a process of assuring that cash is used properly and for authorized programmes, i.e. involves observation and measurement by comparing actual performance against the planned and correcting variances. Adams (2004:151) and (Mainoma, 2007:3) defined financial control as “the steps taken to ensure maximum safe custody of financial resources in order to avoid waste, misuse, embezzlement, misappropriation or illegal disposal of public finance”. Government enforces financial control through the use of such instruments like civil service rule, financial instrument, financial memorandum, treasury accounting manual, financial regulation, etc. When these documents are issued, it is expected of all arms of public service to comply and be guided by them (Akpata, 2001). Anfayo (1994:61), said “financial control is an essential element that requires due consideration in the public sector, because no organization can function effectively without a sound and effective financial control in their operational activities”. In view of the above, we can understand that financial control is very important in organization operation because it concerned with the steps taken to ensure maximum safe custody of financial resources. Financial discipline is the judicious allocation and utilisation of scarce resources to ensure that benefits accrue from any activity undertaken. It focuses on ensuring that funds are only expended on activities (projects) from which benefits accrue. The essence of financial discipline is to ensure accountability and prudent utilisation of scarce financial resources. Without a disciplined financial set-up, businesses are bound to fail. Financial discipline entails the following; Prudence in spending, ensuring proper expenditure control, blocking all leakages and eliminating all sorts of malpractice associated with funds management, ensuring value of money, accountability strict adherence to budget, Review of budget and financial allocation from time to time (John- son,1996), (Damagun,2003) and (Sani, 2009). (Adams, 2004), (Buhari, 2001) and (Sani, 2009) agreed that financial control at local government level are of two ways; Internal and External control. Internal financial control include; issuance of financial authorities e.g warrant, appointment of committee for different service, centralization of all payments to and out of the council, preparation of estimate of income and expenditure for the year and establishment of authority limit. While the External financial control include; parliamentary control, State/ Federal Government control, control by general public and external auditor control. Local Government service are finance through internally generated revenues, share from the Federation Account, borrowing, leasing etc (Adams, 2004) From the above concept of financial control, it is clear that financial control is all about proper utilization of financial resources in accordance with legislation, accounting manual and even organizational policies in order to avoid waste, misuse, embezzlement and misappropriation of financial resources.

**Auditing Internal Control System**

Oshisami (1993:50) defines internal control system as “the managerial functions of defining and allocating responsibilities and identifying line of reporting that encompass all aspects of operations for the attainment of corporate objectives of an organization”. The objective of internal control system can be deduced from the definition of internal control system. However, the public sector internal control standard (1998) and Okwoli (2004) identify the following objective of internal control system; to ensure that correct procedures are established, maintained and followed so that the financial and management data disclose through timely report, to safeguard the organization’s asset against obsolescence and deterioration, to improve the organization’s efficiency in line with stated objectives, to ensure that everybody in the organization follows the relevant laws, regulations, policies and stated directives, to ensure the completeness, accuracy and reliability of all records. The operational Auditing Guideline on internal control as cited in Shehu (2004) and (Jenfa, 2002) identifies some classification of internal control system which include among others; organizational Control, segregation of duties, physical control, authorization and approval Control, arithmetical and accounting controls, personnel controls, supervision control. This shows that every internal control system most has the above component in order to ensure its effectiveness.

**INTERNAL AUDITING AS AN INSTRUMENT FOR EFFECTIVE MANAGEMENT AND ACCOUNTABILITY OF FINANCIAL RESOURCES IN THE PUBLIC SECTOR**

The responsibility for ensuring that internal control is established in the organization lies with management. The internal audit is supposed to be the custodian of internal control by providing assurance to the management that the organization has put in place adequate and effective internal control system, and must not hesitate to draw management’s attention to lapses observed in the control. A good and viable internal control system increases operational efficiency, thereby making it more difficult for the preparation of fraud (Mayo, 1993). The International Auditing Guideline (IAG) 6, as cited in Dandago (2000:107) and (Daniel, 1999:33) defines internal control system as “the whole system of control, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records”. This definition reveals that the internal control is established in order to enhance prudent management of resources and transparency in the accounting process. Also effective internal control requires; appropriate accounting procedure and system, division of duties i.e. separation of responsibilities, especially those of authorization, regular verification of supervision of each person’s work by their superior officers.The main objective of internal auditing is to provide assurance to the management that the internal control system in the organization is sound in design and effective in operation. It also helps to achieve value for money (Momoh, 2005). Okwoli (2004) also shares the view that the present requirement of internal audit is not the detection and prevention of fraud and errors, but reviewing the system of internal control. This is because in public organizations, internal audit is meant to carry out an independent appraisal of the effectiveness of internal controls and other financial controls operating in such ministry. Normanton, as cited in Daniel (1999), emphasizes the importance of internal audit by saying that “without audit, no accountability; without accountability, no control; without audit, no efficiency; without efficiency, no development. The growth of any economy depends to a large extent on the system of control adopted by the government and the success and sustenance of the internal control lies on internal auditing. The above observation underscores the importance of internal audit in every government organization.

**CHALLENGES AND DIFFICULTIES OF INTERNAL AUDITING**

Reasons for ineffectiveness of internal auditing in the public sector management, according to Woolf (1996), are as follows:

**Lack of Audit Manual:** The absence of standard internal audit manual and detailed audit work plan will affect the quality of audit work particularly for internal auditors who are either non-accountants or non qualified accountants.

**Lack of Growth Prospect:** Most internal auditors who are professionally qualified accountants have been prevented from ascending to levels that are equivalent to those held by their professional colleagues in the finance/accounts department. This gives such colleagues in the accounts department an advantage and a feeling of superiority to the internal auditor hence they stifle with imparity the process of information flow to the auditor and makes available only things they want the internal auditor to see.

**Shortage of Qualified Personnel:** The government sector is punctuated with numerical shortages of qualified personnel and staff with deficiencies in professional knowledge and skills. This is prevalent in the local councils and most of the people and not willing to work in the councils especially those in the rural areas. This has posed a great challenge in recruiting audit staff.

**Reporting Structure and Professional Independence:** The internal auditor used to be a unit of the accounts department in the past but to ensure a level of independence, they were made to report directly to the Chief Executive. The change however negatively impacted on Public Sectors as most Chief Executives are political office holders, having no permanent interests and leading to non-commitment to internal audit reports.

**Privileges of Office:** The lack of adequate remuneration and pre-requisites of office has made some internal auditors to compromise their positions in favour of fraud stars.

**Hazards of Office:** Another factor, which impairs internal audit efficiency, is the hazards that stare the honest and principled internal auditor in the face. For instance, there are reported cases of assassinations, burglary, spiritual attack and acid attacks on the lives and property of internal auditors. The general awareness all over the world for the need to pay more attention to the improvement in accountability and management of organisations in the public sector is on the increase. This is because governmentconstitutes the largest single business entity and her pattern of expenditure through its various parastatals, agencies and commissions stimulate lot of economic activities. As a result of these government huge involvements in economic activities, initiatives are being taken all over the world towards improvement of the standards of accounting and auditing departments in government. While the public sector accountant is charged with the responsibility of developing systematic arrangements to assist management in the performance of the services of the institution, the public sector auditor has, among other duties, the complementary role to examine whether management actually performs that efficiently. The public sector auditor has to satisfy himself that the account presented have been prepared in accordance with statutory and constitutional requirements and regulation and that proper accounting practice have been observed in their compilation. With the growing size and complexity of activities in public sector in recent years, the importance of the internal audit function has correspondingly increased so that it has now become a major factor in establishing the quality of the public sector internal control, and its development has made a considerable contribution to the improvement of the public sector management and accountability. The Internal audit is an integral part of the finance structure of any public organization. Sadly, a constant complaint in the sector is that internal audit department is too under staffed and under resourced. Generally, to be fully effective and, thus leaving accountability in most offices in the sector in serious doubt. Besides, there exist a lot of arrears of work due to inadequate staffing of Internal Audit Departments. There is inadequate knowledge of Electronic Data Processing (EDP) and Computer for efficient auditing of computerized systems. Most of the public sector management working papers do not provide adequate documentation because of this Problem. Staff of the internal audit department is not well remunerated and it makes them to lack interest in their work. Many adduce the argument that internal auditors, being employees in public sector do not have the liberty to exercise the unbiased and independent attitude so necessary to an auditor.

**2.2 THEORETICAL FRAMEWORK**

**Agency Theory**

This study adopts the agency theory as its main theoretical framework due its relevance in the discussion of the issue of internal audit functions and performance in the public sector organizations. One of the most relevant theories that can be used to explain the concept of auditing is the Agency theory. Adams (1994) has it that Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors. Agency theory is used to explain the relationship between activities of external and internal auditors. Furthermore the theory is useful for highlighting the internal auditor functions in both private and public organization (Ironkwe & Ordu, 2015). Agency theory has it that Auditors acts as agents to their principals of which they have an obligation to act as to protect the interest of their principals. In other words, according to Agency theory, auditors acts as agents to their principals and more often than not, they act as to protect the interest of those that appointed them. This is particularly true with the public sectors organization, the managers as well as the political appointees are the agents of the people, the stakeholders needs them to act to protect the interest as well as the resources of the stakeholders. They need to be accountable to the stakeholders; if this happens then they would have acted in the interest of their stakeholders. The origin of Agency theory dates back to the works of Stephen Ross in 1973 and with Barry Mitnick in 1975 as the originators (Mitnick, 2006). Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, though the basic concepts underlying these approaches are similar. However Mitnick and Ross while postulating the agency theory in their seminal paper and thesis did not popularize it. The application of agency theory in the business and institutional setting was done and popularised by Jensen & Mecklings (1976) and consequently were given credence for the introduction of Agency theory in the business world as noted by Mitnick (2006), sometimes Jensen & Meckling (1976) is cited as the originators of Agency theory, although what they originated was an influential application to the theory of the firm, not the agency approach itself. Adams (1994) further opines that that agency theory not only helps to explain and predict the existence of internal audit but that it also helps to explain the role and responsibilities assigned to internal auditors by the organization, and that agency theory predicts how the internal audit function is likely to be affected by organizational change. This is particularly true with the public sectors, for example, the Local Governments in the Rivers state. The managers as well as the political appointees are the agents of the people, the stakeholders as such needs to act to protect the interest as well as the resources of the stakeholders. They need to be accountable to the stakeholders; if this happens then they would have acted in the interest of their stakeholders. On this relevance, this theory is adopted as the framework for this study.

**2.3 EMPIRICAL REVIEW**

Makgatho (2013) investigated the effectiveness of internal control mechanisms in monitoring financial resources at the Gauteng education institution in South Africa. The use of surveys and questionnaires as well as frequency analysis was adopted methodology. This study found that the implementation of the internal control policies was complex. The implementation is influenced by the factors such as the human capital or human resources, technological systems and participation of the key stakeholders. Consequently sound fiscal measures may promote efficient monitoring of the use of resources, and this could be achieved via the implementation of the internal control which may be enhanced by continuous training, enforcement of financial regulations and feedback. Ironkwe and Ordu (2015) looked at the indispensability of internal controls and Audit in organizations. In their work, 20 selected Production companies in Rivers State were surveyed with the aid of questionnaires. Multiple regressions and Pearson’s Correlation Coefficient were used to analyse data gathered. The findings of their study revealed that effective internal controls enhance financial management of organizations. However, management should ensure that adequate organizational controls and separation of duties to are in place. This would enhance resources management.

Serem (2016), did a study on the relationship between internal management controls and efficiency of service delivery in organization in Kenya. This study adopted descriptive survey research design to carry out an investigation and a survey of 42 organization in Kenya were surveyed. Data were analyzed using descriptive statistics. The study revealed that there is a significant relationship between controls, monitoring and evaluation and service delivery by the organizations. The study concludes that internal management control is a critical system to efficiency of service delivery of organizations in Kenya. The internal management control system is a tool which can enhance an effective and efficient service delivery mechanism in organizations.

Mwazo, Weda, Omondi, and Njenga, (2017), investigated the role of internal controls on the service delivery of the Taita-Taveta National Treasury in Kenya. This study adopted the use of questionnaires and multiple regression for data collection and analysis respectively. The study revealed that risk management systems and communication systems greatly influence service delivery at the National Treasury. All these studies as reviewed have one thing in common: internal audit functions and controls help in ensuring adequate utilization of the resources at the disposal of the organization. It is particularly important when it comes to Nigerian public sector as there usually low control as well as corruption that usually plaque the organization. In view of this, effective internal auditing activities will not only enhance performance, but will lead to high rate of service delivery to the stake holders of the public sector organizations.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

### This study was carried out to Internal auditing as an instrument for effective management and accountability of financial resources in the public sector using Udi Local Government in Enugu State. Selected civil servant in Udi Local Government in Enugu State form the population of the study.

**3.4 SAMPLE SIZE DETERMINATION**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population.

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of all the entire population of civil servants in Udi Local Government in Enugu State, the researcher conveniently selected 36 out of the overall population as the sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section inquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

**3.7 METHOD OF DATA COLLECTION**

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

**3.8 METHOD OF DATA ANALYSIS**

The responses were analyzed using the frequency tables, which provided answers to the research questions. The hypothesis test was conducted using the ANOVA statistical tool, SPSS v.23

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

he study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of thirty-six (36) questionnaires were administered to respondents of which only thirty (30) were returned and validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 30 was validated for the analysis.

**4.1 DATA PRESENTATION**

**Table 4.2: Demographic profile of the respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| **Gender**  Male |  |  |
| 17 | 56.7% |
| Female | 13 | 43.3% |
| **Age** |  |  |
| 20-25 | 9 | 30% |
| 25-30 | 8 | 26.7% |
| 31-35 | 6 | 20% |
| 36+ | 7 | 23.3% |
| **Marital Status** |  |  |
| Single | 19 | 63.3% |
| Married | 11 | 36.7% |
| Separated | 0 | 0% |
| Widowed | 0 | 0% |
| **Education Level** |  |  |
| WAEC | 0 | 0% |
| BS.c | 25 | 83.3% |
| MS.c | 5 | 16.7% |
| MBA | 0 | 0% |

**Source: Field Survey, 2021**

**4.2 DESCRIPTIVE ANALYSIS**

**QUESTION 1:** To what extent does various department helped in the establishment of internal controls in the planning and controlling of real and financial assets of the public sectors?

Table 4.2

|  |  |  |
| --- | --- | --- |
| **Option** | **Frequency** | **Percentage** |
| Very High Extent | 13 | 43.3 |
| High Extent | 11 | 36.7 |
| Low Extent | 06 | 20 |
| **Total** | **30** | **100** |

**Field Survey 2021**

From the responses derived in the table above, 43.3% of the respondent said Very High Extent, 36.7% of the respondent said High Extent, 20% of the respondent said Low Extent.  
**QUESTION 2:** To what extent does the controls being effective for the prevention and detection of fraud and other financial irregularities?

Table 4.3

|  |  |  |
| --- | --- | --- |
| **Option** | **Frequency** | **Percentage** |
| Very High Extent | 20 | 67 |
| High Extent | 06 | 20 |
| Low Extent | 04 | 13 |
| **Total** | **30** | **100** |

**Field Survey 2021**

From the responses derived in the table above, 67% of the respondent said Very High Extent, 20% of the respondent said High Extent, 13% of the respondent said Low Extent.  
**QUESTION 3:** To what extent does internal auditing and controls have affected the public sector?

Table 4.4

|  |  |  |
| --- | --- | --- |
| **Option** | **Frequency** | **Percentage** |
| Very High Extent | 17 | 56.6 |
| High Extent | 08 | 26.6 |
| Low Extent | 05 | 16.8 |
| **Total** | **30** | **100** |

**Field Survey 2021**

From the responses derived in the table above, 56.6% of the respondent said Very High Extent, 26.6% of the respondent said High Extent, 16.8% of the respondent said Low Extent.  
QUESTION 4: To what extent does the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.

Table 4.5

|  |  |  |
| --- | --- | --- |
| **Option** | **Frequency** | **Percentage** |
| Very High Extent | 23 | 76.7 |
| High Extent | 06 | 20 |
| Low Extent | 01 | 3.3 |
| **Total** | **30** | **100** |

**Field Survey 2021**

From the responses derived in the table above, 76.7% of the respondent said Very High Extent, 20% of the respondent said High Extent, 3.3% of the respondent said Low Extent.

****4.3 TEST OF HYPOTHESIS****

**HO1:** There will be no significant difference (P<0.05) (at the probability level of .05) between the mean perception of finance dept and stores department on the impact of valued department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.  
**H1:** There is a significant difference (P<0.05) (at the probability level of .05) between the mean perception of finance and stores department on the impact of various department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.  
**Ho2:** There will no significant difference (P<0.05) (at the probability level of 0.05) on how effective is the control for prevention and detection of fraud and other financial irregularities.   
**H12:** There is a significant difference (P<0.05) (at the probability level of 0.05) on how effective is the control for prevention and detection of fraud and other financial irregularities.   
**Ho3:** There will be no significant difference (P<0.05) (at the probability level of 0.05) between the mean perception of finance and stores department on the effects of internal auditing and control in the public sector.  
**Ho4:** There will be no significant difference (P<0.05) (at the probability level of 0.05) between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.  
**H1:** There is a significant difference (P<0.05) (at the probability level of 0.05) between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.

****Table 4.6****

**There will be no significant difference between the mean perception of finance dept and stores department on the impact of valued department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model 1 | R = -0.342 | R2 = -0.332 | Adj.R2 = 0.687 | Std. Error estimation  = 0.307 | Durbin- Watson =  1.679 |
| Regression Residual Total | Sum of  Square | Df | Mean Square | F | Sig. |
| 6089.246  2744.947  8834.193 | 1  75  77 | 6089.246  18.547 | 328.315 | .000b |
| Constant  internal control in the planning and controlling of real and financial public sector | Unstandardized  Coefficients | | Standardized  Coefficients | t | Sig. |
| B | Std. Error | Beta |
| -11.417  -.673 | 2.936  .016 | .830 | -3.888  18.119 | .552  .552 |

Source: Author’s Data Analysis, 2021

The table above shows that the difference between the mean perception of finance dept and stores department on the impact of valued department towards the establishment of internal control in local government at (β = -0.342, R2 = -0.332, P = .552). The P value of 0.552 is greater than significant level of 0.05. The result shows that there isno significant difference between the mean perception of finance dept and stores department on the impact of valued department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector. Therefore H01 is accepted.

# Table 4.7: There will be no significant difference on how effective is the control for prevention and detection of fraud and other financial irregularities.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model 1 | R = 0.831 | | R2 = 0.952 | Adj.R2 = 0.688 | Std. Error estimation  = 0.308 | Durbin- Watson =  1.688 |
| Regression Residual Total | Sum of  Square | | Df | Mean Square | F | Sig. |
| 6089.247  2744.948  8834.194 | | 1  75  77 | 6089.247  18.547 | 328.316 | .000b |
| Constant  control for prevention and detection of fraud and other financial irregularities. | Unstandardized  Coefficients | | | Standardized  Coefficients | t | Sig. |
| B | Std. Error | | Beta |
| -11.418  .896 | 2.943  .017 | | .830 | -3.999  18.120 | .000  .000 |

Source: Author’s Data Analysis, 2021

# The table above shows that There will be no significant difference on how effective is the control for prevention and detection of fraud and other financial irregularities at (β = 0.896, R2 = 0.952, P = .000). The P value of 0.000 is less than significant level of 0.05. The result shows that there will be significant difference on how effective the control for prevention and detection of fraud and other financial irregularities is when an internal audit is done in Local Government. Therefore H02 is rejected.

**Table 4.8**

**There will be no significant difference between the mean perception of finance and stores department on the effects of internal auditing and control in the public sector.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model 2 | R = -.437a | | R2 = -.423 | Adj.R2 = .652 | Std. Error estimation  = 3.873 | Durbin-Watson  = 1.790 |
| Regression Residual Total | Sum of  Square | | Df | Mean Square | F | Sig. |
| 4195.645  2219.689  6415.333 | | 1  75  77 | 4195.645  14.998 | 279.749 | .000b |
| Constant  effects of internal auditing and control in the public sector. | Unstandardized Coefficients | | | Standardized Coefficients | T | Sig. |
| B | Std. Error | | Beta |
| -6.981  -.364 | 2.641  .014 | | .809 | -2.644  16.726 | .534  .534 |

**Source: Author’s Data Analysis, 2021**

The table above shows difference between the mean perception of finance and stores department on the effects of internal auditing and control in the public sector at (β = -0.364, R2 = -0.423, P = .534.) The P value of 0.534 is greater than significant level of 0.05. The result shows that There will be no significant difference between the mean perception of finance and stores department on the effects of internal auditing and control in the public sector. Therefore H03 is accepted.

**Table 4.9**

**There will be no significant difference between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model 1 | R = -0.342 | R2 = -0.332 | Adj.R2 = 0.687 | Std. Error estimation  = 0.307 | Durbin- Watson =  1.679 |
| Regression Residual Total | Sum of  Square | Df | Mean Square | F | Sig. |
| 6089.246  2744.947  8834.193 | 1  75  77 | 6089.246  18.547 | 328.315 | .000b |
| Constant  difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals. | Unstandardized  Coefficients | | Standardized  Coefficients | t | Sig. |
| B | Std. Error | Beta |
| -11.417  -.673 | 2.936  .016 | .830 | -3.888  18.119 | .552  .552 |

**Source: Author’s Data Analysis, 2021**

The table above shows the difference between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals at (β = -0.342, R2 = -0.332, P = .552). The P value of 0.552 is greater than significant level of 0.05. The result shows that there isno significant difference between the means perception of financial and stores department on the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals. Therefore H01 is accepted.

**CHAPTER FIVE**

**SUMMARY,CONCLUSION AND RECOMMENDATION**

* 1. **SUMMARY**

This study was carried out to Internal auditing as an instrument for effective management and accountability of financial resources in the public sector using Udi Local Government in Enugu State. Specifically the study examine the perception of various department towards the establishment of internal control in the planning and controlling of real and financial assets of the public sector. It examined how effective is the controls for prevention and detection of fraud and other financial inequalities in Local government. The study further examined the Effects of internal auditing and control in the public sector   
The study adopted a survey research design and with the aid of convenient sampling method, the researcher enrolled 36 participants in the study who are civil servant in Udi local Government Area of Enugu State. A total of 30 responses were received and validated from the enrolled participants. Data was analyzed in simple percenatage using frequencies and tables.Hypothesis was tested using ANOVA statistical tool (SPSS).

* 1. **CONCLUSION**

The audit function and the form in which audit results are reported tend to reinforce the traditional line of public sector accountability that are used to hold elected representatives responsible even though they do not make them actually accountable. Internal audit functions are critical in ensuring that resources are efficiently utilized for overall service delivery which are key performance indicators of public sector organizations. This is because an effective internal audit function in any government office can guarantee reliability of accounting data and protection against fraud, reduction in corruption amongst others and this will in turn lead to safeguarding of organization asset or resources. Conversely, if internal auditing is poorly done, resources management and service delivery could become a thin line. It is believed that where there are approval and authorization systems in place and religiously followed, controls can be established and resources management enhanced. The internal audit functions that enhance performance of public sector organizations must include the establishment and implementation of controls- preventive control, detective control and corrective controls.

Findings from the study revealed that Internal auditing is an instrument for effective management and accountability of financial resources in the public sector however lack of proper independent exercise by the internal auditor, understaffing in the side of internal audit unit, the internal control system is very weak toward financial and other controls and also non adherence by the auditors on general auditing standard.

* 1. **RECOMMENDATION**

Based on the findings enumerated above, the following are some recommendations which will improve the role of internal auditors with regard to financial control.

1. The internal auditors at all level should be adequately independent of members of various departments within the organisation so that they can carry out their duties effectively.
2. There should be regular evaluation of control in order to determine their effectiveness in operation and identify weaknesses, so that corrective action can be taken.
3. The internal audit units at local government need additional staff that are qualified and competent in order to perform their functions effectively
4. Though the internal auditor qualifications is not statutory stated unlike the external auditor whose qualification and experience are spelt out by the law, the internal auditor must have relevant experience and qualification in order to carry out its function adequately otherwise it will not be effective in its functions and objectives realization.
5. Internal audit functions and activities in the organizations must be regularly reviewed and latest technologies and trends in auditing adopted and applied where necessary. This way public assets as well as resources entrusted into the care of the organisation can be judiciously utilized towards adequate service delivery as expected by various stakeholders.

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**QUESTIONNAIRE**

**PLEASE TICK [√] YOUR MOST PREFERRED CHOICE AND AVOID TICKING TWICE ON A QUESTION**

**SECTION A**

**PERSONAL INFORMATION**

**Gender**

Male [ ]

Female [ ]

**Age**

16-20 [ ]

21-25 [ ]

26-32 [ ]

32- 40[ ]

41-50 [ ]

**Marital Status**

Single [ ]

Married [ ]

Widowed [ ]

**Qualification**

WAEC/OND

HND| BSC

MSC

PHD

**SECTION B**

QUESTION 1. To what extent does various department helped in the establishment of internal controls in the planning and controlling of real and financial assets of the public sectors?

|  |  |
| --- | --- |
| **OPTIONS** | **PLEASE TICK** |
| Very High Extent |  |
| High Extent |  |
| Low Extent |  |

QUESTION 2. To what extent does the controls being effective for the prevention and detection of fraud and other financial irregularities?

|  |  |
| --- | --- |
| **OPTIONS** | **PLEASE TICK** |
| Very High Extent |  |
| High Extent |  |
| Low Extent |  |
| Undecided |  |

QUESTION 3. To what extent does internal auditing and controls have affected the public sector?

|  |  |
| --- | --- |
| **OPTIONS** | **PLEASE TICK** |
| Very High Extent |  |
| High Extent |  |
| Low Extent |  |
| Undecided |  |

QUESTION 4. To what extent does the difficulties institutionalization of internal auditing has encountered towards achieving and attaining organizational goals?

|  |  |
| --- | --- |
| **OPTIONS** | **PLEASE TICK** |
| Very High Extent |  |
| High Extent |  |
| Low Extent |  |
| Undecided |  |