



A Review Of The Challenges With Internal Audit Functions In Public Institutions In Nigeria

¹Okee, Chiemam Faith & ²Fred, Itotaziba Sunday

¹PhD Scholar, Department of Accounting,
Faculty of Business Studies,
Ignatius Ajuru University of Education,
Rumuolumeni, Port Harcourt, Nigeria
Email:chiemfaith@yahoo.com/ GSM: +2348037780692

²Department of Accountancy,
Federal Polytechnic, Ukana, Akwa Ibom State, Nigeria
Email:itotazibafred@gmail.com/ GSM: +2347032851740

ABSTRACT

The aim of this paper was to review the challenges of internal audit function in Nigerian Public institutions. Specifically, it identified the various challenges that the internal auditor faces in executing their functions in the institutions as well as suggest ways of which they can be mitigated to achieve better performance in the institutions. Content analysis and extensive literature review were employed for this paper. The paper discovered that internal audit functions in the Nigerian institutions have not been effective due to several challenges: Administrative challenges, Political challenges and Compliance challenges and thus have hampered the effective and efficient performance of the public sector towards service delivery. Further, there are faulty structure of the internal audit function which hampers the independence of internal auditors in the performance of their duties; problems of the domineering presence of the executive; lack of continuity of programs due to change of government or change of governance as well as non compliance to internal controls measures by the senior management team of the entities amongst others, with these the public sector generally will continue to suffer in terms of resources management and better service delivery. This implies that government as part of the management of those institutions should ensure that proactive action is taken in other to enhance the internal audit function that will lead to better service delivery, resources management and ultimately, better performance of the organization. The paper concludes that this can be achieved by ensuring that a functional Internal audit departments must be in place as part of the necessary controls; the internal auditor must be free from interference and given independence otherwise the internal auditor will not efficiently carry out his/her functions so as to minimize the risks as well as reduce the workload for external auditor when carried out amongst others.

Keywords: Administrative Challenges; Compliance Challenges; Internal Audit Functions; Nigeria; Political Challenges; Public Institutions

INTRODUCTION

Resources mismanagement and inadequate service delivery have been identified to be prevalent in public sector in Nigeria and consequent calls for ways of tackling the menace have been on the increase (Agba, Stephen & Nnamani, 2014). This is against the backdrop of various departments including those of controls and monitoring units that are created in the institutions that are especially designed to ensure efficient service delivery and prudent resources management. However, it can be said that the existing measures of controls have not been effective and this needs for a better ways of ensuring internal controls. Establishment of functional internal audit whose functions meets with internal best practices have been recommended in the past (Mackie, 2008; Boyle, 2010). In an effort to head to the call, successive governments in Nigeria have embraced the need for regulation rather than the implementation of functional internal audit that enables problems be identified from the

beginning and nipped in the bud. This has led to continued poor performance of public sector organisations especially in Nigeria.

It is useful however at this point to distinguish between audit and other forms of regulation and inspection. Public audit applies to almost every public sector body and is relatively wide-ranging, from certifying the accounts to examinations of economy, efficiency and effectiveness. 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 and however does not make them actually accountable. As Rafui & Oyedokun (2007) noted, with increasing democratization and concern about corruption people are demanding to be informed about what their government intends to achieve and what it has actually accomplished. In other words, the public is demanding audit reports in order to access the performance of those entrusted with public sector resources. As a result, proper audit especially at the internal level has a role to play in promoting accountability and ensuring the best use of public money towards service delivery and efficiency in management. Effective audit promotes credibility to the information reported by or obtained from management through objectively acquiring and evaluating supporting evidence (Rafiu & Oyedokun, 2007). Akpata (2001) and Sabari, (2003) classify audit into four: private, statutory, management and internal audit, even though all the types of audit focus on regulations, which lead to control of expenditure or revenue. Millichamp (2000) defines internal auditing as “an independent appraisal function within an organisation for the review of system of control and the quality of performance as a service to the organisation.

Internal auditors are concerned with the entire range of an organization’s internal controls that includes operational, financial, and compliance controls. Contemporary internal controls and well-functioning internal audit systems are meant to deliver key assurances to all stakeholders against corruption, waste, and inefficiencies in public services. In the absence of a control system with internal audit as a safeguard for checking efficiency and effectiveness of that system, government offices are vulnerable to waste, corruption, and inefficiencies (Onatuya & Aniefor, 2013). With effective internal audit that functions without interference, identifying and managing these potential inefficiencies could be achieved and thus performance of the public sector organization both in terms of service delivery and efficiency in resources management and utilization could be enhanced.

As asserted by Agba, Stephen & Nnamani, (2014), public sector organisation in Nigeria have been characterized by bazaar mentality, poor accounting systems, lack of internal controls, unavailability of reliable data required for planning, over-politicization, inadequate finance and poor revenue collection, greed, unnecessary government interference, lack of direction and corruption amongst others which have ultimately hampered service delivery (Agba et al, 2014). In other words, with the precarious situation of public sectors in Nigeria, service delivery in terms of infrastructure, people empowerment as well as overall impact on the stakeholders could be regarded as non-existence. This is especially true when compared to the resources at the disposal of these organisations as successive governments have always made budgetary allocations to the organizations yet commensurate returns could be achieved in terms of service delivery. Efficient resources management seems to be an allusive task. In view of this precarious situation on ground, it becomes imperative to put measures on ground that will at least engender proper resources management and encourage an efficient service delivery that will be felt by all and sundry – stakeholders. Efficient and effective controls achieved through functional internal audit, whose activities are without interference and effectively monitored is one of the ways service delivery and resources management could be attained. Yet with the establishment of internal audit departments and engagement of internal auditors to carry out same activist, yet poor service delivery and loss of resources is still been witnessed. The inherent challenges that have hampered the effective execution of internal audit functions have not been addressed. This paper attempts to examine the challenges that affect the internal audit functions in the public sector.

Theoretical Review

This paper adopts the Agency theory and the Policeman’s theory as its main theoretical framework due to their relevance in the discussion of the issue of internal audit functions accountability, as well as performance in the public sector organisations.

Policeman Theory of auditing

This theory of auditing is based purely on the arithmetical accuracy and on the prevention and detection of fraud. This theory makes the auditor to detect and prevent errors and fraud in

organizations. In other words, as this theory posits, the auditor has to act as a policeman with actions and intentions to watch, safeguard and protect the organizational resources so that stakeholders could benefit overall. It is argued that from the 1940s till present, there has been a shift of audit paradigm as compounded by recent financial statement frauds, such as those at Societe Generale, Satyam, Ahold, Enron, etc (Egbunike & Egbunike 2017), consequently there is an increasing debate on the responsibility of the auditor both at the internal and external level to detect and disclose fraud, thus the auditor must “Police” the organizations at all times.

Agency Theory

One of the most used theories in explaining 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 organisations, 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 entities. 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.

CONCEPTUAL REVIEW

Concept of Audit and internal Audit:

Auditing generally is an independent examination of, and the expression of an opinion on the financial statements of an enterprise by an appointed auditor, in accordance with his terms of engagement and the observance of statutory regulations and professional requirements (Mainoma, 2007; Dandago, 1999). Further, it requires a systematic investigation and appraisal of transactions procedures, operations and result that are presented in financial statements (Anichebe, 2010). This activity is carried out by the auditor who must possess relevant qualifications and experience needed to do it effectively. Akpata (2001) as well as Sabari, (2003) classify audit into four. These are: i) Private, ii) Statutory, iii) Management and iv) Internal audit. Although all the types of audit focus on regulations, which lead to control of expenditure or revenue, each are applied in specific situations in order to achieve its intended purpose. Internal Audit on its own has attracted several definition from several scholars and authors both from the academic and industry. Millichamp (2000) defines internal auditing as “an independent appraisal function within an organisation for the review of system of control and the quality of performance as a service to the organisation. Unegbu and Obi (2012) see

internal audit as part of the internal control system put in place by management of an organization to ensure adherence to stipulated work procedure and that will serve as an aid to management for smooth administration, control, cost minimization; ensure capacity utilization and maximum benefit derivation. Furthermore, Adeniji (2011) and Tijjana (2003) both see internal auditing as a review of various operations of the company and of its records by the staff specially appointed for this purpose. By measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial structure and the general rules of the business (Onatuya & Aniefor, 2013). Generally, internal auditors are concerned with the entire range of an organization's internal controls that includes operational, financial, and compliance controls (Simmons, 1997). Contemporary internal controls and well-functioning internal audit systems are meant to deliver key assurances to all stakeholders against corruption, waste, and inefficiencies in public services. In the absence of a control system with internal audit as a safeguard for checking efficiency and effectiveness of that system, public sector organisation remain vulnerable to waste, corruption, and inefficiencies (Onatuya & Aniefor, 2013). On the other hand, where these potential inefficiencies are identified and managed that performance could be enhanced and service delivery achieved.

Be as it may, the goal of internal audit function therefore should be to add value and improve an organization's operations and control structure. Effective and efficient audit of accounts ensures the proper reporting of the activities of an organization (Okezie, 2008). Internal auditing ensures that funds have been expended in accordance with the terms by which such monies were appropriated and that accounts have been properly prepared (Johnson, 2004). It provides both governments and related parties with a powerful tool for understanding the extent to which the public organisation has delivered on-budget and effective services. Therefore, internal audit is "a well-defined activity and a recognized profession" (Manasseh, 2007; International control standards committee (ICSC, 2005)) that is performed by professionals who determine whether the organization's decision making is sound and effective. The elements of effective internal audit comprises; auditor independence, good working relationship, proper staffing and training, exercising due care, evaluation of internal control systems, proper reporting and follow-ups, among others (ICSC, 2005).

Venables and Impey (1998) as cited by Dele (2016) describe internal audit as a function that management has chosen to establish as part of the process of monitoring performance to help achieve the operational targets and plans of the organization. Institute of Internal Audit (2009) defines internal audit as an independent, objective assurance and consulting activities designed with the intention to add value and improve an organization's operations. From the above definition, it is clear that internal audit should be designed in such a way to be independent and objective in order to evaluate and improve the effectiveness of risk management, control and governance processes at the same time, the internal audit are expect to provide assurance and consulting service, and in the effective discharge of internal audit functions especially in the public sector, service delivery that is adequate and resources utilisation could be enhanced. Looking at the connection between internal audit and internal controls, Unegbu & Kida (2012) defined internal audit as an aspect of the internal control system established by management of an organization in order to ensure proper compliance with the stipulated policies and procedure in order to achieve management objectives. Thus, internal audit is part of internal control system established with the organization with the aim of evaluating the efficiency and effectiveness of other controls established by management. Consequently, internal audit is used interchangeable for internal controls.

Internal Audit function, objectives and scope

The scope and objective of internal audit depends largely upon the responsibilities assigned to the internal auditor by the management, the size and structure of the enterprise and the skills and experience of the internal auditor. The common areas covered by internal auditing includes reviewing the internal control system with a view to determining its adequacy and effectiveness, reviewing compliance with government regulations and accounting rules and standards, checking compliance with policies and procedures, safeguarding the asset of the organisation so as to prevent and detect errors (Mainoma,2007; Sani,2009). Others are frauds and theft, appraising the effectiveness and efficiency in the use of resources, ensuring that the goals and objectives of the organization are attained, making recommendations on improvement in the operation of the organisation, acting as in-house consultant on control matters (Millichamp, 2000).

As Owler and Brown (1999) rightly pointed out, the objective of internal auditor is to protect management against errors of principle and neglect of duty. However, Baker (1999) adds another dimension that the internal audit function should take in addition to that recommended by Owler & Brown (1999). This include to review the operations and record of the undertaking and in the course of these checks to ensure that much of the detailed work of the organization in respect of financial and other statements are effectively audited. A lot of public sector organisations have been operating without internal auditor, thus internal audit functions have been nonexistent. This can be attributed to the fact that few people outside the accounting profession realize the importance of the internal auditor (Tijani, 2003). Some public sector management adduces 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 (Rafiu & Oyedokun, 2007). All things being equal, if internal auditing function is properly done, frauds and theft identification that will in turn lead to safeguarding of organization asset or resources will be detected and checkmated. Conversely, if internal auditing is poorly done, resources management and service delivery could become a thin line.

Some Control activities that can be initiated by the internal auditor

Control activities are the policies and procedures established to address risks and to achieve the entity's objectives according to plan throughout the period, and be cost effective, comprehensive, and reasonable and directly relate to the control objectives. Control activities occur throughout the organisation, at all levels and in all functions. To be effective, control activities must be appropriate and function consistently (ICSC, 2005).

The international control standards committee (ICSC, 2005) in its guidelines for effective internal audit of public sector organisation for better performance identified three categories of control to be implemented by the internal auditor for effective performance in the public sector. There are: preventive control, detective control and corrective controls. Examples of these are a variety as enumerated by ICSC, (2005) includes:

(i) authorization and approval procedures; (ii) segregation of duties (authorizing, processing, recording, reviewing); (iii) controls over access to resources and records; (iv) verifications; (v) reconciliations; (vi) reviews of operating performance; (vii) reviews of operations, processes and activities; (viii) supervision (assigning, reviewing and approving, guidance and training).

However, the effectiveness of results from these controls is in ensuring that there is an adequate balance between detective and preventive control activities. Where there have been lapses, then corrective actions becomes necessary to complement the control activities in order to achieve the objectives (ICSC, 2005).

Overview of internal Audit activities in public sector organisation

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.

Implications of Ineffective Internal Audit functions in the Public Sector

The dramatic collapse of the global stock markets and subsequent economic crises with its impacts, which accompanied it, resulted in a sharp concentration in both public and private sector in Nigeria (Azubike, 2002). For an economic development of any public sector to be put correctly as well as guard the pattern of its revenue and expenditure, a proper record of the expenditure items must be kept. This way, effectiveness in the auditing system can be reinforced. The internal audit function is meant for internal consumption with varying socio-economic benefits. An effective internal audit function in any government office can guarantee reliability of accounting data and protection against fraud (Azubike, 2002). The economic implications of an ineffective auditing system in the management of government offices are the negative aspects of the positive development of the auditing system such as: (i) Inability to plan effectively due to the availability of unconfirmed financial operations of the organization in past years. (ii) Inability to make effective financial decision. (iii) Inadequacy of information about the assets of the organization. (iv) Difficulties in controlling the financial operations of the organization. (v) There is the possibility of the emergence of fraud.

Challenges of Internal audit function in the public sector

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

- 1) 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.
- 2) 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.
- 3) Inadequate number 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. Furthermore, a constant complaint in the public sector is that internal audit department is too under

staffed and under resourced (Onatuya & Aniefor, 2013), with this situation internal audit function becomes ineffective and, thus leaving accountability in most offices in the sector in serious doubt.

4) Faulty 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. To address these shortcomings however, audit committees are instituted so as to ensure that independence is achieved as required by the law. According to Steward & Subramaniam (2010) it is argued that an audit committee is able to set a 'tone' that enables internal audit to have a certain degree of influence in the organisation. As such, an effective audit committee is seen to play a critical role in supporting the internal auditor's position and strengthening internal audit independence. This implies that with an ineffective audit committee, the internal audit might face the challenge of strengthening its independence (Pule Pule, 2014).

5) Poor funding and low benefits (Privileges of Office): The lack of adequate remuneration and prerequisites of office has made some internal auditors to compromise their positions in favour of fraudsters, and thus fraudulent activities abound.

6) 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 government constitutes 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. Some of those initiatives in the provision of materials that are up to date in the use and practice of contemporary auditing including forensic investigation. Norman, Rose & Rose (2010) reviewed the effects of internal audit reporting on fraud risk assessment and came to a conclusion that auditors have a perception that their lives will be in danger when they report high level of risk to the audit committee and thus result in them reducing the assessed levels of fraud risk which they report. This is a challenge and it poses a threat of compromising internal audit functionality (Pule Pule, 2014).

However looking at the peculiar case of Nigerian public sector, Egbunike & Egbunike (2017) highlighted the challenges of internal audit functions in the public sector as follows:

- i). Faulty structure of the internal audit function which has hampered the independence of internal auditors in the performance of their duties.
- ii). Non access to vital documents needed to carry out their functions: Internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties.
- iii). Problems of the domineering presence of the executive which also has hampered the independence of internal auditors in public sector entities.
- iv). Non compliance to internal controls measures by the senior management team of the organizations. As observed by Egbunike & Egbunike (2017), the stipulated procedures for payment, purchases and awards are most times not complied with by senior managerial personnel of the public sector entities in Nigeria and this has hampered effective internal audit functions.
- v). Non willingness of officers who authorise payments and transactions to submit such records regularly and willingly for verification by the internal auditor.
- vi). Not being allowed to freely and independently report to an independent officer for necessary action where lapses and controls issues are identified.
- vii). The presence of overlap of function which also hinders the effectiveness and efficiency of internal auditors function in public sector entities.
- viii). The nature of distribution of tasks and responsibilities (improper segregation of duties) has posed a serious problem to auditors in Government ministries, parastatals, or agencies.
- ix). Non compliance with set rules and regulations of public fund management.

- x). Non availability of modern facilities and equipment for carrying out assigned duties: it is argued that many public entities in Nigeria do not have modern equipment such as computers by which the internal auditor could use to do assigned works, and this has hampered the effective discharge of the internal audit functions (Aniefor & Onatuya 2013; Egbunike & Egbunike, 2017). The study of Egbunike & Egbunike (2017) succinctly revealed that in the public sector in Nigeria, there is inadequate knowledge of Electronic Data Processing (EDP) and Computer for efficient auditing of computerized systems. Where this situation exists, it poses a great challenge to effective internal audit functions especially in this day and age. Wolfe, Mauldin & Diaz (2009) discussed the adequacy of resource where technology is concerned. Lack of adequate technology poses a challenge in the internal audit. Since the changes in technology are accelerated, the technology been used for internal audit should be updated or change to give the organisation a competitive advantage (Pule, 2014).
- xi). Lack of continuity of programs due to change of government or change of governance: As noted by Ngwenya & Kakunda (2014), the concerns for the challenges of internal auditors in public institutions have been perceived to be the main reason for low performance of public sector activities and has also impacted negatively on the job satisfaction of internal auditors. Further, these challenges are not only as a result of “bad governance but also are the major causes of unsound financial management practices which have now assumed dangerous proportions amongst most of the public sector organizations” (Ngwenya & Kakunda, 2014).

From the foregoing, there exist a myriad of challenges that affects the functions of the internal auditor in Nigeria public sector. In order to ensure easy and effective tackling of the problems, these challenges as identified are categorized in three areas by this study viz:

- 1) Administrative challenges;
- 2) Compliance challenges
- 3) Political challenges

Administrative challenges. These include challenges such as:

- ❖ Faulty structure of the internal audit function which has hampered the independence of internal auditors in the performance of their duties.
- ❖ Non access to vital documents needed to carry out their functions. In order words, internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties.
- ❖ Not being allowed to freely and independently report to an independent officer for necessary action where lapses and controls issues are identified.
- ❖ The nature of distribution of tasks and responsibilities (improper segregation of duties) which has posed serious problem to auditors in Government ministries, parastatals, or agencies.
- ❖ Non availability of modern facilities and equipment for carrying out assigned duties

Political Challenges. These challenges are those which are orchestrated by some political influence either via appointment or order of reporting as well as control that has led to the existence of such problems. These include amongst others:

- ❖ Problems of the domineering presence of the executive which also hampers the independence of internal auditors in public sector entities.
- ❖ The presence of overlap of function which also hinders the effectiveness and efficiency of internal auditors function in public sector entities.
- ❖ Lack of continuity of programs due to change of government or change of governance

Compliance Challenges

- ❖ Non compliance to internal controls measures by the senior management team of the organizations.
- ❖ Non willingness of officers who authorised payments and transactions to submit such records regularly and willingly for verification by the internal auditor.
- ❖ Non compliance with set rules and regulations of public fund management

On a final note, 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

and the 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 (Ngwenya & Kakunda 2014), as such challenges that will mitigate the effective execution of this functions must be eliminated.

Empirical Review

Several empirical studies both in other parts of Africa as well as Nigeria have indicated that internal controls and internal audit functions are critical to better performance of public sector as both in terms of service delivery as well as resources management.

Ntongo (2012), examined the relationship between internal controls, financial accountability and service delivery in private health providers in Uganda. The study utilised cross sectional survey and questionnaires to sample 97 health centres from five divisions in Kampala District to collect data for the study. Data were analysed descriptively with the aid of Statistical Package for Social Sciences (SPSS). The study revealed that there is a significant positive relationship between internal controls, financial accountability, and service delivery in the health providers. Furthermore, both internal controls and financial accountability were significant predictors of service delivery. However, it was indicated that internal controls was the most significant predictor of service delivery as compared to financial accountability.

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.

Pule Pule (2014) did a study to investigate the impact of internal audit management on public sector administration in South Africa. With a population of 112 and sample size of 100 participants from Internal Audit staff and management staff of government departments, data were gathered for the study. Descriptive statistics with the help of SPSS was utilized for data analysis. The study revealed that due to inability to take responsibility towards implementation of an effective internal audit policy, the government parastatal studied did not have an independent internal auditor whose duties were outlined and thus resource mismanagement was evident. Further, there was lack of team work amongst the institution and this lead to continuous non clean audit.

Ngwenya & Kakunda (2014) investigated the challenges of internal auditing in the public sector organisations and their effect on internal auditors job satisfaction, using public institutions in Chingola district, Zambia as a case study. Using data gathered with the use of questionnaire and sampled across 120 internal auditors from different government institutions as schools, hospitals, clinics; the agriculture office, the District education office, the District labour office, the District Commissioners office, Chingola municipal council, Mulonga Water and Sewerage Company, Zambia Electricity Supply Corporation, Zambia Revenue Authority and National Pension Funds office. Data were analysed descriptively with the aid of software package for social sciences SPSS version. The study revealed that three prominent challenges that internal auditors face that hamper their job performance include: reporting structure and profession independence; career development and training and non-availability of audit manuals. Furthermore, a strong relationship was shown to exist between the challenges which are faced by internal and their job satisfaction.

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 organisations in Kenya were surveyed. Data were analysed using descriptive statistics. The study revealed that there is a significant relationship between controls, monitoring and evaluation and service delivery by the organisations. 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 regressions for data collection and analysis respectively. The study revealed that risk management systems and communication systems greatly influence service delivery at the National Treasury.

Within the Nigeria context, a number of studies have tilted towards the importance of internal controls and dangers of ineffective internal controls and internal audit functions especially in the public sector. Onatuya and Aniefor (2013), examined the impact of effective internal audit functions on public sector management and accountability in Nigeria using Edo state ministry and parastatal as a case study. The study utilized questionnaires for data gathering while cross tabulation and spearman's correlation analysis was used for data analysis. The study reveals that effective internal auditing ensures proper stewardship reporting, and inadequate qualified manpower does hinder proper auditing of government accounts in Edo State. The study thus concludes that auditing of the accounts of government parastatals is fundamental to the effective and efficient stewardship reporting by accounting officials without political and administrative interference.

Ironkwe and Ordu (2015) looked at the indispensability of internal controls and Audit in organisations. 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.

Dele (2016), did a study to examine the effectiveness of internal audit as a means of internal and financial control in the local governments of Nigeria. The study utilized questionnaires for data gathering and simple statistical techniques as frequency distribution and percentages for data analysis. The study findings indicate that lack of independence, understaffing, weak internal control, lack of compliance with general audit standard; poor remuneration, lack of transparency, lack of qualified staff etc were plaguing the local government understudied. The study concluded that internal audit at the local government should be independent of political and management interference and auditors should well be paid so that they can carry out their duties effectively.

Talbot (2017) investigated the impact of regular and effective Audit on efficient management of resources in the Local Governments Areas (LGAs) in Rivers State. Using data from 366 staff of internal audit and accounts department drawn from the 23 local government of Rivers state, gathered with the aid of questionnaire and the study was conducted. Data were analysed with multiple regression analysis and Pearson's Correlation Coefficient analysis with the aid of Statistical package for social sciences (SPSS) software. The study revealed that regular and effective Audit (External and Internal Audit) in LGAs significantly encourages effective management of LGA resources in terms of prudential financial management, human resources management and promotion of adequate service delivery to stakeholders. The study therefore recommends amongst others that, management of local government councils must ensure that they put in place adequate internal controls by ensuring that separation of duties is in existence so as to reduce interference and possible overlap of duties especially regarding resource management and controls.

Egbunike and Egbunike (2017), in a recent study did an empirical study of Challenges Faced by Internal Auditors in Public Sector Audit in South-Eastern Nigeria. The use of survey and questionnaires was methodology adopted for data gathering. The population of the study was drawn from accountants and auditors in the offices of the Accountant-General and Auditor-General of the states studied. Data was analysed with Independent Samples Mann-Whitney U Test technique. The study results indicates that independence and the compliance with set out rules and regulations of public fund management pose a challenge to internal auditors of public sector entities. The study recommends that the independence of internal auditors in public institutions should be enthroned.

Findings

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 public sector organization as there are usually low control as well as corruption that usually plague 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 organisations.

CONCLUSION AND IMPLICATIONS

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.

Important as these auditors' functions are, yet in the Nigerian public sector, internal auditors are faced with myriad of challenges that has hampered there functions. There are administrative challenges, compliances challenges as well as political challenges, and all of these have continued to hamper the effective and efficient execution of internal audit functions in the Nigeria public sector. In other words, where there are faulty structure of the internal audit function which hampers the independence of internal auditors in the performance of their duties; problems of the domineering presence of the executive; lack of continuity of programs due to change of government or change of governance as well as non compliance to internal controls measures by the senior management team of the entities amongst others, public sector will continue to suffer in terms of resources management and better service delivery.

With effective internal controls established via the internal audit function, several aspects of the organization are impacted. Risk is minimized as well as optimum resources use can be achieved. This findings of this study are in agreement with the studies of (Onatuya & Aniefor; 2013; Dele, 2016; Talbot, 2017; Egbunike & Egbunike, 2017) amongst others as reviewed.

The implication of this paper is that internal audit function in public sector organizations has not been effective due several challenges affecting it and thus has hampered the effective and efficient performance of the sector. Consequently, the government as part of the management of those organizations must ensure that proactive action is taken in other to tackle these challenges enhances the internal audit function that will lead to better service delivery, resources management and ultimately, better performance of the organization. The following can be undertaken:

- ❖ Functional Internal audit departments must be in place as part of the necessary controls.
- ❖ The internal audit auditor must be free from interference and given independence otherwise the internal auditor will not efficiently carry out its functions so as to minimize the risks as well as reduce the workload for external auditor when carried out.
- ❖ There should be adequate reward and including incentives (just as it is obtainable in the private sectors) including regular opportunity for training and retraining for the internal auditor so that to give the needed motivation to carry out its work and assignments.
- ❖ Internal audit functions and activities in the entities must be regularly reviewed and latest technologies provided and trends in auditing adopted and applied where necessary. This way better performance of internal audit functions can be achieved and 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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