



## **An Assessment Of The Internal Audit Functions For Effective Performance Of Nigerian Public Sector**

<sup>1</sup>Ordu, Promise Akor; <sup>2</sup>Fred Itotaziba Sunday & <sup>3</sup>Okee, Chiemam Faith

<sup>1</sup>Department of Accounting,  
Faculty of Business Studies,  
Ignatius Ajuru University of Education,  
Rumuolumeni, Port Harcourt, Nigeria  
Email: [promise\\_ordu@yahoo.com](mailto:promise_ordu@yahoo.com); [macpromise@hotmail.com](mailto:macpromise@hotmail.com)/ GSM: +2348038650798

<sup>2</sup>Department of Accountancy,  
Federal Polytechnic, Ukana, Akwa Ibom State, Nigeria  
Email: [itotazibafred@gmail.com](mailto:itotazibafred@gmail.com)/ GSM: +2347032851740

<sup>3</sup>PhD Scholar, Department of Accounting,  
Faculty of Business Studies,  
Ignatius Ajuru University of Education,  
Rumuolumeni, Port Harcourt, Nigeria  
Email: [chiemfaith@yahoo.com](mailto:chiemfaith@yahoo.com)/ GSM: +2348037780692

### **ABSTRACT**

The aim of this paper was to examine the effectiveness of internal audit function on the performance of Nigerian public sector. Specifically, it examined the extent to which approval and authorisation system of controls, affect service delivery and resources management in Nigerian public sector. Content analysis and extensive literature review were employed for this paper. Findings indicate that internal audit functions in the Nigerian public sector has not be effective due to several factors including political interference and thus has hampered the effective and efficient performance of those organization as a result avoidable resources mismanagement and poor service delivery have become the case. Further, where approval and authorization systems in place and religiously followed, controls can be established and resources management enhanced. 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. Approval and authorization controls systems ensure that this is achieved. This implies that government as part of the management of those organization must 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 that must be in place as part of the necessary controls; the internal audit function must be free from interference otherwise it will not be efficiently carried out so as to minimize the risks as well as reduce the workload for external auditor when carried out amongst others.

**Keywords:** Approval & Authorisation controls; Internal Audit functions; Nigerian Public sector; Performance

### **INTRODUCTION**

The performance of Nigerian public sector has been termed abysmal in many fora of public discourse. Service delivery as well as resource management has not been efficient and thus has created a negative

impression in the mind of the people of which they are meant to serve. Several factors have been identified as the cause of this poor performance of Nigerian public sector. Among the numerous factors includes the ineffectiveness of controls such as internal audit, corruption as well as political interference (Agba, Stephen & Nnamani, 2014)

The Nigerian public sector is a government sector whether local, state or federal government responsible for providing the public with essential services. These organizations emerged as a result of government acting in the capacity of an entrepreneur (Okezie, 2008), with the aim of providing services to the people that will lead to better lives for them. To be able to actualize these objectives of service delivery however, adequate resources utilisation and management are required. However, resources mismanagement and inadequate service delivery have been identified to be prevalent in public sector organizations, and thus has led to clarion calls on ways of tackling this menace. 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 organisation both in terms of service delivery and efficiency in resources management and utilization could be enhanced.

#### Statement of the Problem

Following the assertion of 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 performance 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 organisations 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 could be one of the ways service delivery and resources management could be attained. This is the crux of this paper.

#### **Aim and objectives**

The main aim of this paper is to assess how audit function affects the performance of Nigerian public sector. Other specific objectives include

- 1) To assess the extent to which approval and authorisation system affects service delivery in Nigerian public sector
- 2) To evaluate the extent to which approval and authorisation system affects resource management in Nigerian public sector.

### **LITERATURE REVIEW**

#### **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 & 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 & 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 & 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 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.

### **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. Reasons for ineffectiveness of internal auditing in the public sector management, 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) 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.
- 4) 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.
- 5) 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.
- 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. 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. In the heat of the controversies for inept public sector performances, Nigeria as a developing economics and Edo State in particular must gear her resources for effective developmental utilization and the need for the services of Internal Auditors in the Public Sector cannot be overlooked (Onatuyeh, & Aniefor, 2013).

#### **Approval and Authorisation system of internal audit**

Approval and authorisation system of internal control is described as one of the internal audit systems that ensure that assets are safeguarded, resources are managed so as to get better results by the organisation. Approval and authorisation systems simply entail that authorising and executing transactions and events are only done by persons acting within the scope of their authority. Authorization is the principal means of ensuring that only valid transactions and events are initiated as intended by management. Furthermore, authorisation procedures must be documented and clearly communicated to managers and employees, should include the specific conditions and terms under which authorizations are to be made in addition, conforming to the terms of an authorization means that employees act in accordance with directives and within the limitations established by management or legislation (ICSC, 2005). It is believed that where there are authorization and approval systems in place and religiously followed, controls can be established and resources management enhanced.

#### **Public Sector performance measurement**

According to Boyle (2010) unlike the private sector, there are three broad performance indicators for public sector organisation. These are the service delivery, financial management, human resource management. Service delivery involves the focus on meeting the infrastructure needs as well as the expectations of the stakeholders. Quality services, as usually emphasized in public sector organisation and in meeting these needs the government is held accountable and rated. This is achieved with better expenditure management achieved via effective controls and internal auditing functions. Financial management involves the prudent management of resources and expenditure within the budget and allocation. According to Boyle (1997; 2010), wise and prudent use of public money means that traditional measures of probity and expenditure are still needed, together with measures of the efficient and cost-effective use of resources. Public sector organisations must emphasise the need to have financial

management systems which let people know how the organisation is performing per time, not just when there is political situations only. Human resource management involves the paying attention on the performance of key internal processes that drive the organisation: the organisation's people and infrastructure. In addition, Boyle (2010) highlights the need to properly manage, motivate, involve and train employees so as to deliver a cost-effective and quality service to the public. The collective management of both human and financial resources for effective and efficient service delivery is what is known as better performance of public sector in contemporary times.

### **Approval and Authorisation system and performance of public sector organizations**

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. Risk management is viewed as a corner stone of good corporate governance and therefore results in better service delivery, more efficient and effective use of scarce resources and better project management (Collier, 2007). Approval and authorization systems ensure that this is achieved. Furthermore, risk management has to do with identification, analysis and control of such risks that threaten resources, assets, personnel and the earning capacity of a company (Mwazo, Weda , Omondi & Njenga, 2017). According to Dorfman (2007), risk management is the logical development and implementation of a plan to deal with potential losses. It is important for an organization to put in place risk management programmes so as to manage its exposure to risks as well as protect its assets. The essence is to prepare ahead of time on how to control and finance losses before they occur. Dorfman continues to say that risk management is a strategy of pre-loss planning for pre-loss resources and approval and authorization system is a means of risk control. To manage government resources efficiently, there must be internal controls that are sound to assist in collection of tax claims as per the regulations in the literature from different research entities, where internal control models were developed (Briciu, 2011). In the literature and in the regulatory requirements, the notion of control activities is common also under other names such as policies and procedures for segregation of duties (tasks), proper authorization of activities, taking information in documents, accounting physical checks on the account assets and documents (Arens, 2003). The control of the risks themselves involve the incorporation of the internal control activities that would otherwise help in the mitigation of the identified risks materializing or rather reduce its impacts upon all the components (Jacques, 2003). In as much as the definition and understanding of this concept of internal control varies from one scholar to the other, by level of extension, the internal control activities can be regarded as policies and procedures, devices and mechanisms that are very specific to each entity, an activity or a problem and is developed and implemented from the main effective management of the identified risks of service delivery.

### **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 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.



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 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 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.

### **Theoretical Framework**

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 organisations. 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 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, 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.

## 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. 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. Approval and authorization system as well as personnel controls are such examples of controls that must be in place. 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. Approval and authorization systems ensure that this is achieved. Furthermore, as shown by several studies, effective personnel controls ensures, a system is in place to ensure that employees do their assigned job effectively, efficiently and even when there is little supervision leads to better performance by organization especially the private sector organizations. Therefore, applying this to the public sector organizations, if there are adequate personnel controls and regularly evaluated as per internal audit functions, it helps in guaranteeing that all administration activities are fittingly completed and resources management optimized and service delivery and overall performance could be enhanced. This findings of this study are in agreement with the studies of (Onatuya & Aniefor; 2013; Dele, 2016; Serem, 2016; Mwazo et al, 2017) amongst others as reviewed.

The implication of this study is that internal audit function in public sector organizations has not been effective and thus has hampered the effective and efficient performance of those organisations. Consequently, the government as part of the management of those organization must 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 following can be undertaken:

- i. Functional Internal audit must be in place as part of the necessary controls. This will ensure prudent resources management in the organisations.
- ii. The internal audit function must be free from interference otherwise it will not be efficiently carried out so as to minimize the risks as well as reduce the workload for external auditor when carried out.
- iii. 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.
- iv. 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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